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[G.R. No. 113907. April 20, 2001]

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SERRETARIO, TEODORO SULIT, BELLA SONGUINES, LINDA SARANTAN, ESTELLA SALABAR, MILAGROS SISON, GLORIA TALIDAGA, CECILIA TEODORO, ROMILLA TUAZON, AMELITA TABULAO, MACARIA TORRES, LUTGARDA TUSI, ESTELLA TORREJOS, VICTORIA TAN, MERLITA DELA VEGA, WEVINA ORENCIA, REMEDIOS BALECHA, TERESITA TIBAR, LACHICA LEONORA, JULITA YBUT, JOSEFINA ZABALA, WINNIE ZALDARIAGA, BENHUR ANTENERO, MARCELINA ANTENERO, ANTONINA ALAPAN, EDITHA ANTOZO, ROWENA ARABIT, ANDRA AQUINO, TERESITA ANGULO, MARIA ANGLO, MYRNA ALBOS, ELENITA AUSTRIA, ANNA ABRIGUE, VIRGINIA ADOBAS, VICTORIA ANTIPUESTO, REMEDIOS BOLECHE, MACARIA BARRIOS, THELMA BELEN, ESTELLA BARRETTO, JOCELYN CHAVEZ, VIRGINIA CAPISTRANO, BENEDICTA CINCO, YOLLY CATPANG, REINA CUEVAS, VICTORIA CALANZA, FE CASERO, ROBERTA CATALBAS, LOURDES CAPANANG, CLEMENCIA CRUZ, JOCELYN COSTO, MERCEDITA CASTILLO, EDITHA DEE, LUCITA DONATO, NORMA ESPIRIDION, LORETA FERNANDEZ, AURORA FRANCISCO, VILMA FAJARDO, MODESTA GABRENTINA, TERESITA GABRIEL, SALVACION GAMBOA, JOSEPHINE IGNACIO, SUSAN IBARRA, ESPERANZA JABSON, OSCAR JAMBARO, ROSANNA JARDIN, CORAZON JALOCON, ZENAIDA LEGASPI, DELLA LAGRAMADA, ROSITA LIBRANDO, LIGAYA LUMAYOT, DELIA LUMBIS, LEONORA LANCHICA, RELAGIA LACSI, JOSEFINA LUMBO, VIOLETA DE LUNA, EVELYN MADRID, TERESITA MORILLA, GEMMA MAGPANTAY, EMILY MENDOZA, IRENEA MEDINA, NARCISA MABEZA, ROSANNA MEDINA, DELIA MARTINEZ, ROSARIO MAG-ISA, EDITHA MENDOZA, EDILBERTA

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MENDOZA, FIDELA PANGANIBAN, OFELIA PANGANIBAN, AZUCENA POSTGO, LOURDES PACHECO, LILIA PADILLA, MARISSA PEREZ, FLORDELIZA PUMARES, LUZ REYES, NORMA RACELIS, LEONOR RIZALDO, JOSIE SUMASAR, NANCY SAMALA, EMERLITA SOLAYAO, MERCEDITA SAMANIEGO, BLANDINA SIMBULAN, JOCELYN SENDING, LUISITA TABERRERO, TERESITA TIBAR, ESTERLINA VALDEZ, GLORIA VEJERANO, ILUMINADA VALENCIA, MERLITA DELA VEGA, VIRGIE LAITAN, JULIET VILLARAMA, LUISISTA OCAMPO, NARIO ANDRES, ANSELMA TULFO, GLORIA MATEO, FLANIA MENDOZA, CONNIE CANGO, EDITHA SALAZAR, MYRNA DELOS SANTOS, TERESITA SERGIO, CHARITO GILLA, FLORENTINA HERNAEZ, BERNARDINO VIRGINIA, AMPO ANACORITA, SYLVIA POASADAS, ESTRELLA ESPIRITU, CONCORDIA LUZURIAGA, MARINA CERBITO, EMMA REYES, NOEMI PENISALES, CLARITA POLICARPIO, BELEN BANGUIO, HERMINIA ADVINCULA, LILIA MORTA, REGINA LAPIDARIO, LORNA LARGA, TERESITA VINLUAN, MARITA TENOSO, NILDS SAYAT, THELMA SARONG, DELMA REGALIS, SUSAN RAFAULO, ELENA RONDINA, MYRNA PIENDA, VIOLETA DUMELINA, FLORENCIA ADALID, FILMA MELAYA, ERLINDA DE BAUTISTA, MATILDE DE BLAS, DOLORES FACUNDO, REBECCA LEDAMA, MA. FE MACATANGAY, EMELITA MINON, NORMA PAGUIO, ELIZA VASQUEZ, GLORIA VILLARINO, MA. JESUS FRANCISCO, TERESITA GURPIDO, LIGAYA MANALO, FE PINEDA, MIRIAM OCMAR, LUISA SEGOVIA, TEODY ATIENZA, SOLEDA AZCURE, CARMEN DELA CRUZ, DMETRIA ESTONELO, MA. FLORIDA LOAZNO, IMELDA MAHIYA, EDILBERTA MENDOZA, SYLVIA POSADAS, SUSANA ORTEGA, JOSEPHINE D.

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TALIMORO, TERESITA LORECA, ARSENIA TISOY, LIGAYA MANALO, TERESITA GURPIO, FE PINEDA, and MARIA JESUS FRANCISCO, *petitioners, vs.* **HON. CRESENCIO J. RAMOS, NATIONAL LABOR RELATIONS COMMISSION, M. GREENFIELD (B), INC., SAUL TAWIL, CARLOS T. JAVELOSA, RENATO C. PUANGCO, WINCEL LIGOT, MARCIANO HALOG, GODOFREDO PACENO, SR., GERVACIO CASILLANO, LORENZO ITAOC, ATTY. GODOFREDO PACENO, JR., MARGARITO CABRERA, GAUDENCIO RACHO, SANTIAGO IBANEZ, AND RODRIGO AGUILING,** *respondents.*

SYNOPSIS

The present case is the resolution of petitioners' motion for partial reconsideration of the Court's decision dated February 28, 2000, whereby the Court ordered the immediate reinstatement of petitioners to their respective positions and should reinstatement be not feasible, respondent company shall pay separation pay of one month salary for every year of service. In their motion, petitioners alleged that the Court committed patent and palpable error in holding that "the respondent company officials cannot be held personally liable for damages on account of employees' dismissal because the employer corporation has a personality separate and distinct from its officers who merely acted as its agents. Petitioners further contended that while the case was pending before the public respondents, the respondent company, in the early part of February 1990, began removing its machineries and equipment from its plant located at Merville Park, Parañaque and began diverting jobs intended for the regular employees to its sub-contractor/satellite branches; that the respondent company officials are also the officers and incorporators of these satellite companies as shown in their articles of incorporation and the general information sheet. Petitioners also prayed for the inclusion of the names of employees listed in Annex "D" of the petition which they inadvertently omitted in the caption of the case.

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The Supreme Court partially granted the motion only with respect to the inclusion of the names of employees listed in Annex "D" which petitioners allegedly inadvertently omitted in the caption of the previous petition. On the issue of damages, the Court ruled that a corporation is a juridical entity with legal personality separate and distinct from those acting for and in its behalf and, in general from the people comprising it and the rule is that obligations incurred by the corporation, acting through its directors, officers and employees, are its sole liabilities. However, solidary liabilities may at times be incurred but only when exceptional circumstances warrant such as when the directors and trustees or, in appropriate cases, the officers of a corporation act in bad faith or with gross negligence in directing the corporate affairs. The Court found nothing substantial on record to show that respondent officers acted in patent bad faith or were guilty of gross negligence in terminating the services of petitioners to warrant personal liability. The Court also ruled that even assuming that the officials of respondent company are also the officers and incorporators of the other satellite companies, such substantial identity of the incorporators between the two companies does not necessarily imply fraud. The Court considered the documents attached to petitioners' motion for reconsideration showing that the satellite companies were established prior to the filing of petitioners' complaint against private respondents with the Department of Labor and Employment on September 6, 1989 and that the other corporations have different sets of incorporators aside from the respondent officers and are holding their principal offices at different locations.

SYLLABUS

1. **MERCANTILE LAW; CORPORATION CODE; THE DIRECTORS AND OFFICERS OF A CORPORATION ARE LIABLE FOR DAMAGES IF THE TERMINATION OF EMPLOYMENT OF CORPORATE EMPLOYEES IS DONE WITH MALICE OR BAD FAITH; NOTHING SUBSTANTIAL ON RECORD TO SHOW THAT RESPONDENT CORPORATE OFFICERS ACTED IN BAD FAITH OR WERE GUILTY OF GROSS NEGLIGENCE IN TERMINATING THE SERVICES OF PETITIONERS SO AS TO WARRANT PERSONAL LIABILITY.**— In labor cases,

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the Court has held corporate directors and officers solidarily liable with the corporation for the termination of employment of corporate employees done with malice or in bad faith. Bad faith or negligence is a question of fact and is evidentiary. It has been held that bad faith does not connote bad judgement or negligence; it imports a dishonest purpose or some moral obliquity and conscious doing of wrong; it means breach of a known duty thru some motive or interest or ill will; it partakes of the nature of fraud. In the instant case, there is nothing substantial on record to show that respondent officers acted in patent bad faith or were guilty of gross negligence in terminating the services of petitioners so as to warrant personal liability.

2. **ID.; ID.; SUBSTANTIAL IDENTITY OF INCORPORATORS BETWEEN RESPONDENT COMPANY AND ITS SATELLITE COMPANIES DOES NOT NECESSARILY IMPLY FRAUD.**— Petitioners' claim that the jobs intended for the respondent company's regular employees were diverted to its satellite companies where the respondent company officers are holding key positions is not substantiated and was raised for the first time in this motion for reconsideration. Even assuming that the respondent company officials are also officers and incorporators of the satellite companies, such circumstance does not in itself amount to fraud. The documents attached to petitioners' motion for reconsideration show that these satellite companies were established prior to the filing of petitioners' complaint against private respondents with the Department of Labor and Employment on September 6, 1989 and that these corporations have different sets of incorporators aside from the respondent officers and are holding their principal offices at different locations. Substantial identity of incorporators between respondent company and these satellite companies does not necessarily imply fraud. In such a case, respondent company's corporate personality remains inviolable.

3. **REMEDIAL LAW; CIVIL PROCEDURE; JUDGMENT; CANNOT BIND PERSONS WHO ARE NOT PARTIES TO THE ACTION.**— Petitioners' prayer for the inclusion of employees listed in Annex "D" whose names were admittedly inadvertently excluded in the caption of the case and for the correction of typographical errors of the employees' names

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appearing in the caption, is well taken and is hereby granted. However, petitioners' prayer for the inclusion of other employees allegedly similarly situated but whose names were not included either in Annex "D" or in the caption of the case must be denied. A judgment cannot bind persons who are not parties to the action. It is elementary that strangers to a case are not bound by the judgment rendered by the court and such judgment is not available as an adjudication either against or in favor of such other person. Petitioners failed to explain why these employees allegedly similarly situated were not included in the submitted list filed before us. Such inclusion would be tantamount to a substantial amendment which cannot be allowed at this late stage of the proceedings as it will definitely work to the prejudice and disadvantage of the private respondents.

APPEARANCES OF COUNSEL

Potenciano A. Flores, Jr. for petitioners.
The Solicitor General for public respondent.
Gonzales Batiller Bilog & Associates for private respondents.

RESOLUTION

GONZAGA-REYES, *J.*:

Before us is petitioners' motion for partial reconsideration of our decision dated February 28, 2000,[1] the dispositive portion of which reads:[2]

"WHEREFORE, the petition is GRANTED; the decision of the National Labor Relations Commission in Case No. NCR-00-09-04199-89 is REVERSED and SET ASIDE; and the respondent company is hereby ordered to immediately reinstate the petitioners to their respective positions. Should reinstatement be not feasible, respondent company shall pay separation pay of one month salary for every year of service. Since petitioners were terminated without the

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[1] Justice Purisima retired on October 28, 2000; the motion for reconsideration was raffled to herein *ponente*.

[2] *Rollo*, pp. 1691-1692; Decision, pp. 46-47.

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requisite written notice at least 30 days prior to their termination, following the recent ruling in the case of *Ruben Serrano vs. National Labor Relations Commission and Isetann Department Store*, the respondent company is hereby ordered to pay full backwages to petitioner-employees while the Federation is also ordered to pay full backwages to petitioner-union officers who were dismissed upon its instigation. Since the dismissal of petitioners was without cause, backwages shall be computed from the time the herein petitioner employees and union officers were dismissed until their actual reinstatement. Should reinstatement be not feasible, their backwages shall be computed from the time petitioners were terminated until the finality of this decision. Costs against the respondent company.

SO ORDERED."

Petitioners allege that this Court committed patent and palpable error in holding that "the respondent company officials cannot be held personally liable for damages on account of employees' dismissal because the employer corporation has a personality separate and distinct from its officers who merely acted as its agents" whereas the records clearly established that respondent company officers Saul Tawil, Carlos T. Javelosa and Renato C. Puangco have caused the hasty, arbitrary and unlawful dismissal of petitioners from work; that as top officials of the respondent company who handed down the decision dismissing the petitioners, they are responsible for acts of unfair labor practice; that these respondent corporate officers should not be considered as mere agents of the company but the wrongdoers. Petitioners further contend that while the case was pending before the public respondents, the respondent company, in the early part of February 1990, began removing its machineries and equipment from its plant located at Merville Park, Parañaque and began diverting jobs intended for the regular employees to its sub-contractor/satellite branches;[3] that the respondent company officials are also the officers and incorporators of these satellite companies as shown in their articles of incorporation and the general information sheet. They added that during their ocular

[3] Hannahs Garment Corporation, Design Logistics, Inc., Blusa Inc., Quality Garments, Inc., Greenfield and Santiago, Subscriber's Fashion Link Corporation, Danielles Embroidery Inc.

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inspection of the plant site of the respondent company, they found that the same is being used by other unnamed business entities also engaged in the manufacture of garments. Petitioners further claim that the respondent company no longer operates its plant site as M. Greenfield thus it will be very difficult for them to fully enforce and implement the court's decision. In their subsequent motion filed on the same day, petitioners also pray for the (A) inclusion of the names of employees listed in Annex "D" of the petition which they inadvertently omitted in the caption of the case, to wit: (1) Amores, Imelda (2) Andres, Josefina (3)Aragon, Felicidad (4) Arias, Genevive (5) Arroyo, Salvacion (6) Arceo, Elizabeth (7) Anonuevo, Monica (8) Abellada, Josefina (9) Advincula, Harmelina (10) Ajayo, Rosario (11) Alilay, Marilyn (12) Almario, Anliza (13) Almario, Angelita (14) Almazan, Marilou (15) Almonte, Rosalina (16) Alvaran, Marites (17) Alvarez, Edna (18) Ampo, Anacorita (19) Aquino, Leonisa (20) Bactat, Celia (21) Carpio, Azucena G. (22) Cruz, Amelia (23) Glifonia, Eugenia (24) Escurel, Evelyn F. (25) Hilario, Bonifacio G. (26) Payuan, Adoracion (27) Perez, Mercedita (28) Rempis, Zenaida (29) Rosario, Margie del (30) Salvador, Norma (31) Sambayanan, Olivia (32) Tiaga, Aida (33) Torbela, Maria (34) Trono, Nenevina (35) Varona, Asuncion (36) Vasquez, Elisa M. (37) Villanueva, Milagros (38) Villapondo, Eva C. (39) Villon, Adeliza T.; (B) correction of their own typographical errors of the names of employees appearing in the caption, which should be as follows: Manuela Avelin, Belen Barquio, Lita Buquid, Violeta C. Ciervo, Marilou Dejocos, Maximina Faustino, Primitiva Gomez, Myrna Palaca, Mercedita Perez, Rebecca Poceran, Amorlita Rotairo, Emma Saludario, Tita Senis, Salvacion Wilson,[4] Anita Ahillon, Gregoria Arguelles, Tessie Balbis, Betty Borja, Rodrigo Buella, Celsa Doropan, Maria Enicame, Josephine Lasco, Julita Maniba, Juanita Osuyos, Juana Overencio, Azucena Postigo, Cristina Rapinan, Roselyn Rivero, Edeltrudes Romero, Rodelia Royandoyon, Fausta Segundo, Teodora Sulit, Elena Tebis, Paulina Valdez,[5] Susan Abogona,

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[4] Motion dated April 4, 2000.

[5] Supplemental motion dated May 31, 2000.

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Diana Adovas, Carmen Rosimo Basco, Macaria Barrion, Maria Fe Berezo, Matilde de Blas, Rufina Bugnot, Aurora Bravo, Jovita Cera, Precila Carta, Amalia Eugenio, Milagros Fonseca, Jose Irlanda, Rowena Jarabejo, Regina Lapidario, Josie Marcos, Shirley Melegrito, Noemi Menguillo, Teresita Nierves, Ricardo Paloga, Florenia Ragos, Leonila Rodil, Emma Saludario, Narcisa Songuad, Josie Sumarsar, Evangeline Tayco;[6] (C) inclusion of other employees similarly situated whose names were not included in Annex "D" or in the caption of the case, to wit: (1) Dionisa Aban, (2) Alicia Aragon, (3) Vicky Francia, (4) Nelita F. Gelongos, (5) Erlinda San Juan, (6) Erlinda Baby Patungan Manalo, (7) Jenette Patungan,[7] (8) Blandina Simbahan,[8] (9) Asuncion Varona,[9] (10) Josefina Andres, (11) Teresita Arales, (12) Alice Artikulo, (13) Esther Cometa, (14) Eliza Cabiting, (15) Erlinda Dalut, (16) Edna Fernandez, (17) Emily Inocencio, (18) Esperanza Jalocon, (19) Imelda Jarabe, (20) Mercedes Pabadora, (21) Venerado Pastoral, (22) Cristina Perlas, (23) Margie del Rosario.[10]

In their Comment, the Solicitor General interposes no objection to petitioners' prayer for the inclusion of omitted and similarly situated employees and the correction of employees' names in the caption of the case.

On the other hand, private respondent company officials Carlos Javelosa and Remedios Caoleng, in their Comment, state that considering that petitioners admitted having knowledge of the fact that private respondent officers are also holding key positions in the alleged satellite companies, they should have presented the pertinent evidence with the public respondents; thus it is too late for petitioners to require this Court to admit and evaluate evidence not presented during the trial; that the supposed proof

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[6] Compliance dated October 13, 2000.

[7] Listed in the motion dated April 4, 2000; Reiterated in the pleading dated August 3, 2000.

[8] Listed in Annex "D".

[9] *Ibid.*

[10] Supplemental motion dated May 31, 2000.

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of satellite companies hardly constitute newly discovered evidence. Respondent officials interpose no objection to the inclusion of employees inadvertently excluded in the caption of the case but object to the inclusion of employees who were allegedly similarly situated for the reason that these employees had not been parties to the case, hence should not be granted any relief from the court. Respondent company failed to file its comment.[11]

Petitioners' contention that respondent company officials should be made personally liable for damages on account of petitioners' dismissal is not impressed with merit. A corporation is a juridical entity with legal personality separate and distinct from those acting for and in its behalf and, in general from the people comprising it.[12] The rule is that obligations incurred by the corporation, acting through its directors, officers and employees, are its sole liabilities.[13] True, solidary liabilities may at times be incurred but only when exceptional circumstances warrant such as, generally, in the following cases:[14]

1. When directors and trustees or, in appropriate cases, the officers of a corporation –

   (a) Vote for or assent to patently unlawful acts of the corporation;

   (b) act in bad faith or with gross negligence in directing the corporate affairs;

   (c) are guilty of conflict of interest to the prejudice of the corporation, its stockholders or members, and other persons.[15]

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[11] The copy of the resolution dated July 5, 2000 requiring respondent M. Greenfield to inform the Court of the name and address of its new counsel was returned unserved with post master notation, "RTS, Moved left no address," hence this Court resolved that the July 5 resolution was deemed served on respondents.

[12] *Santos vs. NLRC,* 254 SCRA 673.

[13] *Ibid.*

[14] *MAM Realty Development Corporation vs. NLRC,* 244 SCRA 797 citing *Tramat Mercantile Inc. vs. CA,* 238 SCRA 14.

[15] *Ibid* citing Section 31, Corporation Code.

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(2) When a director or officer has consented to the issuance of watered stocks or who, having knowledge thereof, did not forthwith file with the corporate secretary his written objection thereto.[16]

(3) When a director, trustee or officer has contractually agreed or stipulated to hold himself personally and solidarily liable with the Corporation.[17]

(4) When a director, trustee or officer is made, by specific provision of law, personally liable for his corporate action.[18]

In labor cases, particularly, the Court has held corporate directors and officers solidarily liable with the corporation for the termination of employment of corporate employees done with malice or in bad faith.[19] Bad faith or negligence is a question of fact and is evidentiary.[20] It has been held that bad faith does not connote bad judgement or negligence; it imports a dishonest purpose or some moral obliquity and conscious doing of wrong; it means breach of a known duty thru some motive or interest or ill will; it partakes of the nature of fraud.[21]

In the instant case, there is nothing substantial on record to show that respondent officers acted in patent bad faith or were guilty of gross negligence in terminating the services of petitioners so as to warrant personal liability. As held in *Sunio vs. NLRC*,[22]

"We now come to the personal liability of petitioner, Sunio, who was made jointly and severally responsible with petitioner company

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[16] *Ibid* citing Section 65, Corporation Code.

[17] *Ibid* citing *De Asis and Co, Inc., vs. CA*, 136 SCRA 599.

[18] *Ibid* citing Article 144, Corporation Code; see also Section 13, PD 115 (Trust Receipts Law).

[19] *MAM Realty Development Corp. vs. NLRC*, *supra*; *Sunio vs. NLRC*, 127 SCRA 390; *General Banking and Trust Co., et. al vs. CA and Manuel E. Batucan*, 135 SCRA 569.

[20] *National Food Authority vs. CA*, 311 SCRA 700.

[21] *Board of Liquidators vs. Kalaw*, 20 SCRA 987, 1007.

[22] 127 SCRA 390, 397-398.

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and CIPI for the payment of the backwages of private respondents. This is reversible error. The Assistant Regional Director's Decision failed to disclose the reason why he was made personally liable. Respondents, however, alleged as grounds thereof, his being the owner of one half (1/2) interest of said corporation, and his alleged arbitrary dismissal of private respondents.

Petitioner Sunio was impleaded in the Complaint in his capacity as General Manager of petitioner corporation. There appears to be no evidence on record that he acted maliciously or in bad faith in terminating the services of private respondents. His act, therefore, was within the scope of his authority and was a corporate act.

It is basic that a corporation is invested by law with a personality separate and distinct from those of the persons composing it as well as from that of any other legal entity to which it may be related. Mere ownership by a single stockholder or by another corporation of all or nearly all of the capital stock of a corporation is not of itself sufficient ground for disregarding the separate corporate personality. Petitioner Sunio, therefore, should nor have been made personally answerable for the payment of private respondents' back salaries."

Petitioners' claim that the jobs intended for the respondent company's regular employees were diverted to its satellite companies where the respondent company officers are holding key positions is not substantiated and was raised for the first time in this motion for reconsideration. Even assuming that the respondent company officials are also officers and incorporators of the satellite companies, such circumstance does not in itself amount to fraud. The documents attached to petitioners' motion for reconsideration show that these satellite companies[23] were established prior to the filing of petitioners' complaint against private respondents with the Department of Labor and Employment on September 6, 1989 and that these corporations have different sets of incorporators aside from

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[23] Hannah's Garment Corp. incorporated in January 14, 1987, Annex "C"; Design Logistics in February 1988, Annex "B", Blusa Inc. amended articles of incorporation in August 1988, Annex "D"; Fashion Link October 4, 1988, Annex "E"; Danielle's Embroidery in August 4, 1989, Annex "A"; S.R. Garments Inc. in August 7, 1989, Annex "F" (Petitioners' evidence).

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the respondent officers and are holding their principal offices at different locations. Substantial identity of incorporators between respondent company and these satellite companies does not necessarily imply fraud.[24] In such a case, respondent company's corporate personality remains inviolable.[25]

Although there were earlier decisions of this Court in labor cases where corporate officers were held to be personally liable for the payment of wages and other money claims to its employees, we find those rulings inapplicable to this case. In *La Campana Coffee Factory, Inc. vs. Kaisahan ng Manggagawa sa La Campana (KKM)*,[26] La Campana Coffee Factory, Inc. and La Campana Gaugau Packing were substantially owned by the same person. They had one office, one management, and a single payroll for both businesses. The laborers of the gaugau factory and the coffee factory were also interchangeable, *i.e.*, the workers in one factory worked also in the other factory.

In *Claparols vs. Court of Industrial Relations*,[27] the Claparol Steel and Nail Plant which was ordered to pay its workers backwages, ceased operations on June 30, 1957 and was succeeded on the next day, July 1, 1957 by the Claparols Steel Corporation. Both corporations were substantially owned and controlled by the same person and there was no break or cessation in operations. Moreover, all the assets of the steel and nail plant were transferred to the new corporation.

Notably, in the above-mentioned cases, a new corporation was created, owned by the same family, engaged in the same business and operating in the same compound, a situation which is not obtaining in the instant case.

In *AC Ransom Labor Union-CCLU vs. NLRC*,[28] the Court ruled that under the Minimum Wage Law, the responsible officer

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[24] *Del Rosario vs. NLRC*, 187 SCRA 777.

[25] *Ibid.*

[26] 93 Phil. 160 cited in *Del Rosario vs. NLRC*, *supra*.

[27] 65 SCRA 613, cited in *Del Rosario vs. NLRC*, *supra*.

[28] 142 SCRA 269.

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of an employer corporation can be held personally liable for non-payment of backwages for "if the policy of the law were otherwise, the corporation employer would have devious ways for evading of back wages." This Court said:

"In the instant case, it would appear that RANSOM, in 1969, foreseeing the possibility or probability of payment of backwages to the 22 strikers, organized ROSARIO to replace RANSOM, with the latter to be eventually phased out if the 22 strikers win their case. RANSOM actually ceased operations on May 1, 1973, after the December 19, 1972 Decision of the Court of Industrial Relations was promulgated against RANSOM."

Clearly, the situation in AC Ransom does not obtain in this case, where the alleged satellite companies were established even prior to the filing of petitioners' complaint with the Department of Labor.

Petitioners' prayer for the inclusion of employees listed in Annex "D" whose names were admittedly inadvertently excluded in the caption of the case and for the correction of typographical errors of the employees' names appearing in the caption, is well taken and is hereby granted. However, petitioners' prayer for the inclusion of other employees allegedly similarly situated but whose names were not included either in Annex "D" or in the caption of the case must be denied. A judgment cannot bind persons who are not parties to the action.[29] It is elementary that strangers to a case are not bound by the judgment rendered by the court and such judgment is not available as an adjudication either against or in favor of such other person.[30] Petitioners failed to explain why these employees allegedly similarly situated were not included in the submitted list filed before us. Such inclusion would be tantamount to a substantial amendment which cannot be allowed at this late stage of the proceedings as it will

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[29] *Matuguina Integrated Wood Products, Inc. vs. CA,* 263 SCRA 490 citing *Buazon vs. CA,* 220 SCRA 182.

[30] *Ibid.*

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definitely work to the prejudice and disadvantage of the private respondents.[31]

WHEREFORE, petitioners' motion for reconsideration is partially granted so as to include the names of employees listed in Annex "D" which petitioners inadvertently omitted in the caption of this case, to wit: (1) Amores, Imelda (2) Andres, Josefina (3) Aragon, Felicidad (4) Arias, Genevive (5) Arroyo, Salvacion (6) Arceo, Elizabeth (7) Anonuevo, Monica (8) Abellada, Josefina (9) Advincula, Harmelina (10) Ajayo, Rosario (11) Alilay, Marilyn (12) Almario, Anliza (13) Almario, Angelita (14) Almazan, Marilou (15) Almonte, Rosalina (16) Alvaran, Marites (17) Alvarez, Edna (18) Ampo, Anacorita (19) Aquino, Leonisa (20) Bactat, Celia (21) Carpio, Azucena G. (22) Cruz, Amelia (23) Glifonia, Eugenia (24) Escurel, Evelyn F. (25) Hilario, Bonifacio G. (26) Payuan, Adoracion (27) Perez, Mercedita (28) Rempis, Zenaida (29) Rosario, Margie del (30) Salvador, Norma (31) Sambayanan, Olivia (32) Tiaga, Aida (33) Torbela, Maria (34) Trono, Nenevina (35) Varona, Asuncion (36) Vasquez, Elisa M. (37) Villanueva, Milagros (38) Villapondo, Eva C. (39) Villon, Adeliza T.; and to correct the typographical errors of the names of employees appearing in the caption, as follows: Manuela Avelin, Belen Barquio, Lita Buquid, Violeta C. Ciervo, Marilou Dejocos, Maximina Faustino, Primitiva Gomez, Myrna Palaca, Mercedita Perez, Rebecca Poceran, Amorlita Rotairo, Emma Saludario, Tita Senis, Salvacion Wilson, Anita Ahillon, Gregoria Arguelles, Tessie Balbis, Betty Borja, Rodrigo Buella, Celsa Doropan, Maria Enicame, Josephine Lasco, Julita Maniba, Juanita Osuyos, Juana Overencio, Azucena Postigo, Cristina Rapinan, Roselyn Rivero, Edeltrudes Romero, Rodelia Royandoyon, Fausta Segundo, Teodora Sulit, Elena Tebis, Paulina Valdez, Susan Abogona, Diana Adovas, Carmen Rosimo Basco, Macaria Barrion, Maria Fe Berezo, Matilde de Blas, Rufina Bugnot, Aurora Bravo, Jovita Cera, Precila Carta, Amalia Eugenio, Milagros Fonseca, Jose Irlanda, Rowena Jarabejo, Regina

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[31] *Barfel Development Corporation vs. CA*, 223 SCRA 268 citing *Shaffer vs. Palma*, 22 SCRA 934; *Philippine Banking Corporation vs. IAC, et. al.*, 187 SCRA 257.

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Lapidario, Josie Marcos, Shirley Melegrito, Noemi Menguillo, Teresita Nierves, Ricardo Paloga, Florenia Ragos, Leonila Rodil, Emma Saludario, Narcisa Songuad, Josie Sumarsar, Evangeline Tayco.

SO ORDERED.

Melo (Chairman) and *Sandoval-Gutierrez, JJ.*, concur.

Vitug, J., reiterates his separate opinion in *Serrano v. NLRC* (G.R. No. 117040, of Jan. 2000)

Panganiban, J., reiterates his separate opinion in *Serrano v. NLRC,* G.R. No. 117040, 27 Jan. 2000.

FIRST DIVISION

[G.R. No. 124110. April 20, 2001]

UNITED AIRLINES, INC., *petitioner, vs.* **COURT OF APPEALS, ANICETO FONTANILLA, in his personal capacity and in behalf of his minor son MYCHAL ANDREW FONTANILLA,** *respondents.*

SYNOPSIS

Private respondent Aniceto Fontanilla purchased from petitioner United Airlines, through the Philippine Travel Bureau in Manila, three (3) "Visit the U.S.A." tickets for himself, his wife and his minor son Mychal. The Fontanillas proceeded to the United States as planned, where they used the first coupon from San Francisco to Washington. Aniceto Fontanilla and his son Mychal claimed that on May 5, 1989, upon their arrival at the Los Angeles Airport for their flight, they proceeded to United Airlines counter where they were attended by an