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SECOND DIVISION

[G.R. Nos. L-27856-57. February 28, 1979]

**RUSTICO PASCUAL, ALBERTO JOSE, ELADIO GREGORIO, REDENTOR V. SOTTO, RODRIGO V. SOTTO, MARIANO HERRANZ, MARINA DAVILA, EDUARDO OCAMPO, PEDRO ASENSI, FRANCISCO PADUA, JUANITO SAN MIGUEL, RAFAEL FRANCISCO, ELISEO LIZADA, FEDERICO DE LANGE, CESAR VICTORIANO, ALCIBIADES JOSE, FLORITA DEL ROSARIO, *ET AL.*, *petitioners, vs.* COURT OF INDUSTRIAL RELATIONS; JOSE C ESPINAS and PAN AMERICAN WORLD AIRWAYS, INC., *respondents.***

SYLLABUS

1. **LABOR AND SOCIAL LEGISLATION; LABOR RELATIONS; COLLECTIVE BARGAINING AGREEMENT; BENEFITS DUE TO NON-UNION MEMBERS BY REASON OF A BARGAINING AGREEMENT, NOT UNJUST ENRICHMENT.** — Respondent counsel based his claim for attorney's fees against petitioners on the allegation that his work benefited not only members of the union represented by him but also petitioners who were not members of the rank and file union. In effect, he claims that petitioners should be made to pay on the principle of quasi-contract as defined in Article 2142 of the Civil Code, thus: "Certain lawful, voluntary and unilateral acts give rise to the judicial relation of quasi-contract to the end that no one shall be unjustly enriched or benefited at the expense of another." However, benefits that accrue to non-members by reason of a collective bargaining agreement can hardly be termed 'unjust enrichment' because the same are extended to them to avoid discrimination among employees.

2. **LEGAL ETHICS; ATTORNEYS; ATTORNEY'S FEES; COLLECTION THEREOF REQUIRES ATTORNEY-CLIENT RELATIONSHIP.** — Where the company extended to the supervisory employees similar wage increased obtain by the

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rank and file union members in order to maintain equilibrium in the company, not because of the efforts exerted by counsel for the rank and file union, said counsel cannot collect attorney's fees from the supervisory employees who were not his clients in the absence of a lawyer-client relationship or special efforts or services rendered which resulted in special benefits to supervisory employees or any circumstance that would imply that they encouraged or supported his efforts.

3. **ID.; ID.; ID.; COUNSEL FOR THE RANK AND FILE UNION CANNOT COLLECT ATTORNEY'S FEES FROM EMPLOYEES INELIGIBLE TO JOIN THE UNION.** — Exemption of non-union members who benefited from the award obtained by the union members from sharing in the payment of the attorney's fees would run counter to the general policy of the law to encourage unionism to enable the employees to bargain with the employer upon a more or less equal footing because it would tend to encourage a substantial portion of the employee force of any corporation not to affiliate with the union that has a collective bargaining agreement with the company and sit idly while the union members are fighting to secure benefits that are later extended not only to them but also to all other employees of the company. But this rationale does not apply to a case where the employees sought to be taxed with attorney's fees are all supervisors, junior executives and confidential employees who are ineligible to become members of the rank and file union that originally obtained the benefits.

4. **REMEDIAL LAW; COURTS; COURT OF INDUSTRIAL RELATIONS; POWERS UNDER SECTION 17 OF COM. ACT NO. 103.** — The power of the Court of Industrial Relations under Section 17 of Com. Act 103 to alter, modify in whole or in part, or set aside any award, order or decision or reopen any question involved therein during the effectiveness of an award is not unlimited. It must be confined to matters involved in the award which resolved the labor dispute. Such power applies only where the subsequent matter is incidental or related to the original or main case and not where the new controversy has absolutely no relation or is alien to the original or main case. To hold otherwise would be to grant to the labor court excessive or broad powers, mot conferred or contemplated by the statute.

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**APPEARANCES OF COUNSEL**

*Mario R. Silva* for petitioners.
*Benjamin C. Espinas* for respondent Jose C. Espinas.
*Salcedo, Del Rosario, Bito, Misa & Lozada* for respondent Pan American World Airways, Inc.

**D E C I S I O N**

**ABAD SANTOS, *J.*:**

The question in this case is whether or not a lawyer may collect attorney's fees from non-union members who were not his clients but were extended by the employer salary increases similar to those given to union members in settlement of a labor dispute prosecuted by said lawyer.

The petitioners, namely: Rustico Pascual, Alberto Jose, Eladio Gregorio, Redentor V. Sotto, Rodrigo V. Sotto, Mariano Herranz, Marina Davila, Eduardo Ocampo, Pedro Asensi, Francisco Padua, Juanito San Miguel, Rafael Francisco, Eliseo Lizada, Federico de Lange, Cesar Victoriano, Alcibiades Jose, Florita del Rosario, *et al.*, were supervisors, junior executives or confidential employees of Pan American World Airways, Inc. (respondent Company) at the time this special civil action was commenced in July, 1967, and were, therefore, ineligible to join the union of the rank-and-file employees, the Pan American Employees Association or PANAMEA.

Respondent Atty. Jose C. Espinas represented PANAMEA in a labor dispute with respondent Company which arose connection with a provision, Art. 6(d), in the collective bargaining contract between PANAMEA and respondent Company concluded on March 17, 1960, which stipulated that if "a law diminishing the value of Philippine currency is enacted and as result thereof the company is granted the necessary authority to increase its rates, either party may, upon written notice to the other, re-open this agreement for negotiation of wage rates x x x." PANAMEA made a demand on July 8, 1960, for negotiation of wage increases pursuant to the above-quoted

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provision and negotiations were had but when no agreement was reached a strike was called by PANAMEA on August 1, 1960.

On August 3, 1960, the dispute was certified by the President of the Philippines to respondent Court of Industrial Relations, CIR, and the case was docketed therein as Case No. 30-IPA. On August 4, 1960, respondent Atty. Espinas entered the case as lawyer for the union. A Return to Work Agreement was made with the submission of the case to respondent CIR. On November 22, 1960, respondent CIR ordered the parties to negotiate on wages. An appeal from this order was made to this Court and docketed as G.R. No. L-18345, entitled *PanAm World Airways vs. PAA Employees Association and CIR.* This Court affirmed the order of the CIR.

While Case No. 30-IPA was pending resolution, another labor dispute resulting in a strike arose between PANAMEA and respondent Company. This second case was also certified by the President to respondent CIR on September 4, 1963, and docketed as Case No. 44-IPA.

On July 14, 1964, PANAMEA, for the third time, went on strike.

A solution was finally reached on July 24, 1964, when PANAMEA and respondent Company framed a new agreement which was embodied in an Order of the CIR dated July 27, 1964, wherein respondent Company agreed to "increase the present salary of each employee, member of the Petitioner Union by fifteen per cent (15%)" effective March 1, 1963. This ended the strike and terminated the two cases, except the wage adjustment issue for the period covered by the old contract, which the parties agreed to submit to arbitration. They did so in September, 1964.

On June 21, 1965, Judge Arsenio I. Martinez of the CIR, Acting as Arbitrator, rendered an award the dispositive portion of which states as follows:

"After a careful consideration of the arguments and the evidence of both parties, we believe and so hold that a sum equivalent to

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four (4) months salary of the employees concerned based on the pay rates as of February 28, 1963, payable in two installments, would be a fair and reasonable settlement of the claim for wage adjustment for a period covering the effectivity of the collective contract executed on March 17, 1960."

It appears that respondent Company extended all the wage increase benefits awarded to PANAMEA in the two CIR cases to all its employees, including petitioners who, as aforesaid, occupy supervisory, junior executive, and confidential positions.

In a motion dated June 30, 1965, Atty. Espinas asked for the approval of attorney's lien of 20% against the benefits that were extended to employees who were not members of the union. This was opposed by respondent Company in an Answer dated July 2, 1965.

On November 16, 1965, a "Clarification of Arbitration Award" was issued by Judge Arsenio R. Martinez, again acting as Arbitrator, where the question of attorney's lien was passed upon in the following manner:

"Incidentally, several actions have been filed regarding the question of attorney's fees. As shown by the records, it is with respect to the benefits to be received by the supervisors of the respondent company that attorney's lien are being sought to be imposed, as well as upon certain non-union members of the rank and file. Nevertheless, the Arbitrator can not see its way clear on these issues. The terms of the Agreement is for the Presiding Judge to act as Arbitrator on the question of the wage adjustment. Whatever action has been made so far is on account and solely because of this designation. However, to solve the issue once and for all on the assumption that matter is interrelated to all others, considering that just as the workers are entitled to the benefits, their lawyers too, by all standard of fairness, are equally entitled, this arbitrator feels that it can take cognizance of. Consequently, all those who stand to profit by the award must pay attorney's fees based on the agreement as to the amount."

In the dispositive portion of the clarification, Judge Martinez directed "(c) As to attorney's fees, let the parties be guided accordingly in pursuance thereof."

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Nothing happened until April 18, 1967, when Judge Joaquin M. Salvador, acting as Associate Judge of the respondent CIR, issued an order granting the motion of Atty. Espinas.

On April 24, 1967, petitioners filed a Special Appearance and Motion to Dismiss, questioning the award of attorney's fees, claiming that they are supervisors, junior executives and confidential employees of the respondent Company and are therefore expressly excluded from bring members of PANAMEA; that they did not derive any benefit from the agreement between PANAMEA and respondent Company; and that they had not been made parties directly or indirectly in Cases Nos. 30-IPA and 44-IPA, nor had they come within the jurisdiction of respondent CIR, nor had they authorized respondent Company to act in their behalf.

Respondent Company, for its part, also filed a Motion for Reconsideration to Set Aside the grant of attorney's fees. The respondent Court *en banc* denied the motion on May 22, 1967.

Hence, this petition for *certiorari* and prohibition, with preliminary injunction to declare the Order of respondent CIR null and void and to prohibit respondents, particularly the CIR and Atty. Jose C. Espinas, from undertaking further proceedings against petitioners.

This Court granted the writ of preliminary injunction prayed for.

Respondent Company admits in its Answer all the allegations of fact in the petition as well as the allegations in support of the petition for preliminary injunction.

Respondent Espinas, after filing his Answer, entered a Motion before this Court on September 13, 1967, for deposit of his attorney's fees in the two labor cases computed by the CIR as amounting to ₱68,317.36.

Respondent Company countered that the amount of ₱68,317.36 sought as deposit constitutes the 20% of the benefits received by all of the employees of the respondents Company, including the rank-and-file employees who are members of the Union

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and from whom respondent Espinas is not claiming a lien and those who are no longer employed by the Company. It manifested on September 29, 1967, that 20% of the benefits received by petitioners amounts only to ₱25,988.21.

Petitioners opposed the Motion to Deposit on October 2, 1967, on the ground that claim for attorney's fees is enforceable only by writ of execution. On December 8, 1967, this Court denied the Motion.

The foregoing recitation of facts shows the following salient points: first, petitioners were never made parties in Cases Nos. 30-IPA and 44-IPA and had never come within the jurisdiction of respondent CIR except when they filed a special appearance to contest the award of attorney's fees against them; second, Atty. Espinas has no contract for lawyer's services with the petitioners; third, it does not appear that Atty. Espinas performed any special service for petitioners in the two cases that were filed with the CIR; and, fourth, petitioners were at that time supervisors, junior executives, or confidential employees while Atty. Espinas represented a union composed of the rank and file.

It is admitted by respondent Espinas that:

> "There is no dispute here that respondent Atty. Espinas has no contract for legal services with the petitioners. There is also no dispute that the petitioners were never the clients of respondent Espinas. Neither is it disputed by the respondent that there is a lack of attorney and client relationship between the petitioners and respondent Espinas." (*Rollo*, p. 171.)

The question, therefore, is whether his claim for attorney's fees can be supported on other grounds.

Respondent Espinas bases his claim on the allegation that his work benefited not only the union members but also those not members of the union. In effect he claims that the latter should be made to pay on the principle of quasi-contract. Quasi-contracts are defined in Art. 2142 of the Civil Code thus: "Certain lawful, voluntary and unilateral acts give rise to the juridical

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relation of quasi-contract to the end that no one shall be unjustly enriched or benefited at the expense of another."

However, the principle of quasi-contract cannot be applied in this case. For as pointed out in *National Brewery and Allied Industries Labor Union of the Philippines vs. San Miguel Brewery Inc.*, L-18170, August 31, 1963, 8 SCRA 806, where the same principle was invoked: "But the benefits that accrue to nonmembers by reason of a collective bargaining agreement can hardly be termed "unjust enrichment' because, as already pointed out, the same are extended to them precisely to avoid discrimination among employees. [*International Oil Factory Workers' Union (FFW) vs. Martinez, et al.*, G.R. No. L-15560, Dec. 31, 1960]." (At pp. 811-812.) See also *Philippine Air Lines Supervisors Assn. vs. Jimenez*, L-26622, May 31, 1974, 57 SCRA 260.

In this case, respondent Company extended to the petitioners similar wage increases that had been won by PANAMEA in order to maintain equilibrium in the Company — not because of the efforts that respondent Espinas exerted. In fact, petitioners allege, and this stands uncontradicted, that respondent Company had in fact offered higher wage increases but because the union and Espinas decided to go on strike, the resulting award was much less. Petitioners also allege that they had long been due for merit increases which did not, however, materialize because the respondent Company was to avoid a union strike and a suit for unfair labor practice.

The questioned order relies on two cases where the Supreme Court allowed attorney's fees to be collected against non-union members: *Union Empleados De Trenes vs. Kapisanan ng mga Manggagawa, MRR et al.*, 110 Phil. 309, and *Martinez et al. vs. Union de Maquinista Fogoneros y Motormen, et al.*, L-19455-56, Jan. 30, 1967, 19 SCRA 167.

The ruling in the case of *Union de Empleados de Trenes Kapisanan ng mga Manggagawa sa M.R.R. Co., et al. supra* is inapplicable as the factual setting of that case is different from that of the case at hand. There, the lawyer, Atty. Gregorio

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E. Fajardo, had filed a petition for additional compensation for night work in favor of *Kapisanan ng mga Manggagawa* sa M.R.R. Co. Subsequently, another case seeking the same relief was filed by Union de Empleados de Trenes. The latter allowed to intervene in the first case and even offered to pay Atty. Fajardo 5% attorney's fees. In February 1950, Atty. Fajardo was able to secure a 25% additional compensation for night work for *Kapisanan* and the award was also made applicable by the Court of Industrial Relations to all employees and workers of the Manila Railroad Company, whether members of any union or not. At this point, Atty. Fajardo dismissed by *Kapisanan*. Thereafter, in June 1950, the *Union de Empleados de Trenes* agreed to abide by the decision of the Court Industrial Relations in the first case. As the company was not then in a financial condition to comply with the award, proceedings for the execution of the award obtained by Atty. Fajardo were initiated — by another lawyer — only in 1956, where the issue of attorney's fees also came up. This time the *Union de Empleados de Trenes* asked to be excluded from the first case contending that it derived its benefits in the second case — in order to avoid payment of attorney's fees. The Court of Industrial Relations did not sustain its stand and this Court upheld the award of attorney's fees against the *Union de Empleados de Trenes*. Clearly, an implied lawyer-client relationship existed between *Union de Empleados de Trenes* and the lawyers for *Kapisanan*, binding the Union to pay attorney's fees.

Moreover, this Court, in the case of *Philippine Air Lines Supervisors' Assn. vs. Jimenez, supra*, observed that in the case of *Union de Empleados de Trenes* "the benefits obtained for all workers would not have materialized were it not for the *special* efforts and successful prosecution by the claimant union and its attorneys of the suit for *special* benefits and hence the industrial court deemed it just and equitable that all employees benefited by the hardearned judicial award share in the fees and expenses." (At p. 272.)

There is nothing in this case that would justify a conclusion that Atty. Espinas rendered *special* legal service which resulted

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in *special* benefits to petitioners nor is there even circumstance that would imply that petitioners encourage and supported the efforts of Atty. Espinas. Petitioners received what they did, not because of Espinas' efforts, but because of respondent Company's policy of non-discrimination.

The case of *Martinez et al. vs. Union de Maquinistas Fogoneros y Motormen et al. supra*, also involves a different set of facts. In that case, two unions in the Manila Railroad Company, namely, the *Union de Maquinistas Fogoneros y* Motormen, designated as the sole representative of *maquinistas*, *fogoneros* and motormen, and the *Union de Empleados de Trenes*, the sole representative of all the conductors, route agents and porters, demanded wage increases. After the unions struck, the case was certified by the President of the Philippines to the Court of Industrial Relations. The *Kapisanan ng mga Manggagawa sa* M.R.R. Co., which was designated as the sole representative of the rest of the company's personnel, was allowed to intervene in the case. After several negotiations and hearings, the Court of Industrial Relations awarded a permanent wage increase and made the same applicable to every employee of the Manila Railroad Company. In view of this, the attorneys who represented the three unions filed a motion to have their lien for attorney's fees extended to the increase received by all other employees who were not members of the unions. The industrial court granted the motion.

In affirming the grant of attorney's fees against the non-union members, this Court considered it pertinent that "the general policy of the law is to encourage unionism to enable employees to bargain with the employer upon a more or less equal footing." The Court was of the view that exemption of the non-union members who benefited from the award would run "counter to this policy because it tends to encourage a substantial portion of the employee force of any corporation not to affiliate with the Union that has a collective bargaining agreement with the Company, and sit idly while the union members are fighting to secure benefits that are later extended not only to them but also to all other employees of the company." (At p. 171) This

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rationale does not apply in the case at hand where the employees sought to be taxed with attorney's fees are all supervisors, junior executives, and confidential employees, and, therefore, could never become members of the union that originally obtained benefits.

This Court is mindful of the comprehensive character of the power of the CIR under Section 17 of C.A. No. 103 to "alter or modify in whole or in part or set aside any such award, order or decision or reopen any question involved therein" during the effectiveness of an award. As aptly stated by Senior Justice Fernando in *Philippine Association of Free Labor Unions (PAFLU) vs. Salvador*, L-29471, September 28, 1968, 25 SCRA 393: "The power of the Court of Industrial Relations which, as thus phrased, is comprehensive in character, has been given an interpretation by us consistent with the well-nigh sweeping reach of its language. It has never been construed in a niggardly sense; the recognition of such authority has been full and sympathetic, never grudging." However, the power of the CIR under that section is not unlimited; it must be confined to matters involved in the award which resolves the labor dispute. The jurisdiction of the CIR in the two labor cases was acquired upon presidential certification and this covers only the labor dispute between PANAMEA and respondent Company over the wage adjustment issue under the old collective bargaining agreement, as well as wage increases that were the subject of a new agreement. Its authority, therefore, was confined to the parties to the dispute. The salary increases granted to petitioners by respondent Company were not related to the labor dispute nor part of the award made in the two cases. Perforce, a claim for attorney's fees against petitioners is not related to the two cases certified to the industrial court.

In the case of *Northwest Airline vs. Northwest Airline Sales Employees Association*, L-17378, April 20, 1962, 4 SCRA 265, this Court placed in proper perspective the power of the CIR under Section 17 to reopen any question during the effectiveness of an award when it held:

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"But this applies only where the subsequent matter is incidental or related to the original or main case and not where, as in the instant case, the new controversy has absolutely no relation or is alien to the original or main case. To hold otherwise would be to grant to respondent Court excessive or broad powers, not conferred or contemplated by the statute." (At p. 1271).

**WHEREFORE**, the petition for a writ of *certiorari* and prohibition is hereby granted and the questioned order dated April 18, 1967, is set aside as null and void. The writ preliminary injunction issued is hereby made permanent. No costs.

**SO ORDERED.**

*Barredo, Antonio, Aquino, Concepcion Jr.,* and *Santos, JJ.*, concur.

*Fernando, J.*, took no part.

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**SECOND DIVISION**

[G.R. No. L-29857. February 28, 1979]

**LEGASPI OIL COMPANY, INC. and THE PHILIPPINE AMERICAN GENERAL INSURANCE COMPANY, INC.** *petitioners, vs.* **DOROTEO L. SERRANO, Chief of Workmen's Compensation Unit, Regional Office No. VI, Naga City, HONESTO ADORNADO & THE CITY SHERIFF OF MANILA,** *respondents.*

**SYLLABUS**

**1. LABOR AND SOCIAL LEGISLATION; WORKMEN'S COMPENSATION; COMPENSABLE INJURY; LOSS OF FOUR FINGERS AMOUNTS TO LOSS OF ENTIRE HAND.**