

THIRD DIVISION

[G.R. No. 98458, July 17, 1996]

**COCOLAND DEVELOPMENT CORPORATION, PETITIONER, VS.
NATIONAL LABOR RELATIONS COMMISSION AND JEREMIAS
MAGO, RESPONDENTS.**

DECISION

PANGANIBAN, J.:

Should an employer's determination of a certain "technology" as trade secret be considered binding and conclusive upon the National Labor Relations Commission? Does the alleged violation of confidentiality of the employer's "technology" constitute just cause for termination of the erring employee? These queries are resolved in the instant petition assailing and seeking to annul two Resolutions dated January 15, 1991 and March 21, 1991 of public respondent National Labor Relations Commission,^[1] in NLRC Case No. RAB 09-03-00073-89 entitled "Jeremias Mago vs. Cocoland Development Corporation and/or Alfredo C. De la Cruz." The first Resolution^[2] sustained the Decision dated October 25, 1989 of Labor Arbiter Harun B. Ismael insofar as it declared private respondent's dismissal by petitioner illegal, but modified the Decision by ordering private respondent's reinstatement along with payment of backwages, and if reinstatement be impractical on account of strained relations, then payment of separation pay plus, in any event, moral and exemplary damages and attorney's fees. At the same time, said Resolution dismissed petitioner's appeal for lack of merit. On the other hand, the second Resolution^[3] denied petitioner's motion for reconsideration of the first Resolution.

The Antecedent Facts

In the early part of 1980, petitioner corporation, which was engaged in the production of coffee, coconut, cacao and black pepper at its plantation in Lamitan, Basilan, hired private respondent, an agriculturist by profession, as Field Supervisor. His work "consisted of servicing the agricultural needs of respondent" company at its plantation. He was compensated for days actually worked, and was off-duty Sundays, rest days and holidays.

Sometime in January 1989, petitioner corporation came to know that private respondent was engaged in extending technical services and advice to small farmers without prior clearance from management. On account thereof, the company, through its vice president for operations, Alfredo C. de la Cruz, issued a memorandum dated January 12, 1989, charging private respondent with reportedly imparting company technology in coffee propagation techniques by "rendering professional services to outside parties without the knowledge/consent of the management", and in violation of its policy against unauthorized disclosure of trade secrets, which violation was allegedly a ground for termination of his services with the company. Private respondent was further advised to immediately refrain from

such consultancy activities.

In his letter-reply of January 14, 1989, private respondent stated that the report against him was only partly true. He admitted that he accepted the invitations of small farm owners and gave outside consultancy services at their farms in order to uplift his standard of living and that of his men through receipt of voluntary remuneration from these farm owners. However, he denied having violated petitioner's policy against unauthorized disclosure of its trade secret, claiming that its technology on coffee propagation techniques was no longer a secret as the same had been learned and applied by outside parties or small farm owners since 1986, and he was not the first one to provide outside consultancy services to such third parties, as this practice was earlier started by petitioner's manager, Edgardo M. Seña.

Private respondent further contended that in 1988, a majority of the petitioner corporation's staff, including private respondent and his men, had refused to sign a proposed memorandum of agreement for protecting the company's "Confidentiality of Technology", because the alleged technology was already known to outsiders. Private respondent also asserted that he did not have to ask anyone's permission because he and his men already knew the different techniques in the propagation and maintenance of different crops even before they were hired by petitioner corporation; that he was not responsible for divulging the said technology to outsiders; and that he and his men used their rest days (Sunday) in engaging in their outside consultancy activities.

In his letter of January 26, 1989, Alfredo de la Cruz refuted private respondent's assertions, stating that Edgardo Seña had been authorized to provide technical assistance to small farm owners as part of petitioner's "after sales service or part of the package when these farmers bought seeds and planting materials" from petitioner, and that Seña never received any outside compensation for his services. Moreover, de la Cruz emphasized that private respondent was still bound to keep confidential the petitioner's technologies which he had access to, notwithstanding the absence of any signed agreement to that effect.

De la Cruz further averred that, while private respondent and some of his men "knew propagation techniques before they joined" the company, nevertheless private respondent cannot deny that the particular "coffee propagation cuttings techniques" were developed by FILIPRO, and private respondent was able to learn said technique because he was sent for training in Bukidnon and subsequently trained by the company.

It appears that de la Cruz interpreted private respondent's explanations in his letter as a refusal to comply with petitioner's policy, so in his letter of February 12, 1989, the former directed the latter "to explain in writing within 48 hours why the company should not terminate (his) services for cause."

On February 14, 1989, private respondent complied with de la Cruz' order and submitted his explanation. Obviously dissatisfied, de la Cruz on the same date advised private respondent that his explanations were "not admissible to management" and "(e)ffective March 14, 1989, Management x x x (will) terminate your services for loss of trust and confidence."

Private respondent filed on March 17, 1989 a complaint against petitioner and/or Alfredo C. de la Cruz for illegal dismissal with damages, with the Department of Labor and Employment, Arbitration Branch No. 14, Zamboanga City. After hearing on the merits, Labor Arbiter Harun B. Ismael rendered his Decision on October 25, 1989, finding the dismissal "tainted with illegality." The dispositive portion^[4] of the Decision reads:

"WHEREFORE, premises considered, judgment is hereby rendered declaring complainant's dismissal illegal. Complainant, in lieu of reinstatement, is awarded separation pay in the amount of Fifteen Thousand Six Hundred Pesos (P15,600.00); backwages of Thirty-One Thousand Two Hundred Pesos (P31,200.00); and attorney's fees of Two Thousand Three Hundred Forty Pesos (P2,340.00).

All other claims are dismissed for lack of merit.

SO ORDERED."

On November 13 and 14, 1989, petitioner and private respondent, respectively, appealed said decision to public respondent, which thereafter issued the two (2) assailed Resolutions; hence, this petition.

Issues

The petition charges respondent NLRC with grave abuse of discretion for --

"x x x declaring that complainant Mago (private respondent) was illegally dismissed when the 'evidence clearly show that complainant was "moonlighting" or rendering services to outside parties(,) (thereby) imparting technology acquired from his employment with the company" and

"x x x awarding moral and exemplary damages when the evidence extant shows that the company did not act in bad faith, wanton or fraudulent or reckless manner, or that the labor arbiter below did not find that the company acted in a manner by which damages may be awarded."^[5]

Anent the first ground, petitioner argues that private respondent's dismissal was legal because it was warranted by the evidence on record. Petitioner calls attention to the fact that private respondent admitted providing consultancy services to small farmers and others in return for which he received payment, which allegedly constitutes "moonlighting". Petitioner rejects public respondent's finding that its coffee propagation techniques can no longer be considered a trade secret because private respondent sufficiently established by means of government published leaflets and brochures that the techniques are already freely available to the public. Petitioner asserts that the determination as to whether or not a certain technology is a trade secret rests solely upon it, and that the government publications presented by private respondent merely confirmed his "moonlighting" activity, since he charged small farm owners fees for techniques already available from government publications. Further, petitioner refutes public respondent's finding that private respondent's dismissal was arbitrary for lack of a prior formal hearing; petitioner insists there was no need for a formal hearing on the charge against private respondent because he had already been duly afforded opportunity to explain and

defend himself in writing.

On the second ground, petitioner assails respondent Commission's award of moral and exemplary damages to private respondent, contending that the latter's dismissal was neither tainted with bad faith nor carried out in a wanton, fraudulent, or oppressive manner.

This Court's Ruling

We find no abuse of discretion on the part of respondent Commission in its affirmance of the arbiter's findings, which are amply supported by the evidence on record. However, we modify the assailed Resolutions by deleting the award of moral and exemplary damages along with attorney's fees.

The first ground relied upon by petitioner essentially involves determining whether or not there existed a valid company policy prohibiting disclosure by employees of company technology and trade secrets to "outsiders", and whether or not private respondent's actions amounted to a violation of such policy sufficient to warrant dismissal.

The record fully supports the findings and conclusions of the arbiter that petitioner "failed to demonstrate with clear and convincing evidence the alleged company policy which it claimed was violated by the complainant (private respondent)," and that in any event, even assuming that there was such company policy prohibiting its employees from transferring technological knowledge to third parties, the so-called technology was hardly a 'trade secret' since private respondent had established convincingly via competent evidence that the various propagation techniques claimed by petitioner as its trade secret were readily available to the public.

It is axiomatic that findings of facts made by labor arbiters and affirmed by the National Labor Relations Commission are entitled to great respect and even finality, and are considered binding on this Court.^[6]

Who determines what is trade secret?

Petitioner's naked contention that its own determination of what constitutes a trade secret should be binding and conclusive upon public respondent is erroneous and dangerous, and deserves the barest consideration. As prudently observed by the Solicitor General, such a stand is contrary to the State's policy of affording protection to labor. Sustaining such contention would permit an employer to label almost anything a trade secret, and thereby create a weapon with which he/it may arbitrarily dismiss an employee on the pre-text that the latter somehow disclosed a trade secret, even if in fact there be none at all to speak of. Any determination by management as to the confidential nature of technologies, processes, formulae or other so-called trade secrets must have a substantial factual basis which can pass judicial scrutiny. This is but an ineludible corollary of the time-tested principle that "(t)he rules, instructions or commands in order to be a ground for discharge on the score of disobedience, must be reasonable and lawful, must be known to the employee, and must pertain to the duties which the employees have been engaged to discharge."^[7] A fictitious or non-existent "secret" (or a publicly known one as in the instant case) can in no wise be the basis of a reasonable and lawful rule or company policy regarding confidentiality.