

Title: Concept Builders, Inc. vs. The National Labor Relations Commission and Norberto Marabe, et al.

Facts:

Concept Builders, Inc., a construction company, terminated the employment of several workers in November 1981, alleging the completion of the project for which they were hired. The affected workers, led by Norberto Marabe, filed a complaint for illegal dismissal, among other complaints, against Concept Builders. In December 1984, the Labor Arbiter ruled in favor of the workers, ordering reinstatement and payment of back wages. Despite appeals, the decision became final and executory, leading to an initial partial satisfaction of the judgment through garnishment in the amount of P81,385.34.

As Concept Builders failed to satisfy the remaining balance, further execution measures commenced. The sheriff faced obstacles as the company's premises were now occupied by Hydro Pipes Philippines, Inc. (HPPI), which claimed its distinct corporate personality from Concept Builders. The workers moved for a break-open order, alleging that HPPI was a mere alter ego of Concept Builders. They provided evidence showing common stockholders and identical sets of officers between both companies.

Despite HPPI's opposition and the Labor Arbiter's initial denial of the break-open order, the NLRC reversed the Arbiter's decision, ruling in favor of piercing the corporate veil due to the interconnections between the two entities. The NLRC dismissed the third-party claim by HPPI and ordered the execution of the judgment against Concept Builders. Concept Builders' subsequent petition contends that the NLRC committed grave abuse of discretion in piercing the corporate veil and issuing the break-open order.

Issues:

1. Did the NLRC commit grave abuse of discretion in issuing a "break-open order" against Concept Builders, Inc.?
2. Is the doctrine of piercing the corporate veil applicable in this case to disregard the separate corporate personalities of Concept Builders, Inc. and HPPI?
3. Was there enough evidence to support the notion that HPPI was a mere instrumentality or alter ego of Concept Builders, Inc.?

Court's Decision:

The Supreme Court dismissed the petition and affirmed the NLRC's resolutions, hence no grave abuse of discretion was found in the NLRC's issuance of the break-open order. The

Court echoed the NLRC's findings, breaking down the corporate veil between Concept Builders and HPPI based on the shared office address, the same corporate officers, the same stockholders, and the timing of the CEASE of operations by Concept Builders immediately followed by HPPI's start-up. The Court also noted that HPPI's emergence seemed orchestrated to avoid Concept Builder's financial obligations to private respondents. All procedural and substantive requirements were met, including due notice and hearing.

Doctrine:

1. A corporation's separate juridical personality may be disregarded or the veil of corporate fiction pierced when used to defeat public convenience, justify wrong, protect fraud, or defend crime.
2. The "instrumentality rule" applies when a corporation is so controlled by another that it becomes its mere instrumentality or conduit.

Class Notes:

- The essence of piercing the corporate veil: when a corporation is used to evade obligations, justify wrongs, or perpetuate fraud, courts may disregard the corporate entity.
- Factors indicating mere instrumentality: shared stock ownership, identity of directors/officers, shared office, and the controlled corporation has no separate mind, will, or existence.
- Elements for the applicability of the piercing doctrine: control used to commit fraud or wrong, control over finances and business practices, and the control and breach of duty directly causing injury or loss.

Historical Background:

In the Philippines, the concept of corporate legal personality is well-entrenched, allowing for the creation of entities with rights and responsibilities separate from those of their owners. As with most jurisdictions, however, Philippine jurisprudence has developed the principle to pierce the corporate veil to prevent its misuse. This decision by the Supreme Court highlights how labor-related disputes can invoke this principle to ensure that workers' rights are not circumvented by employers through deceptive corporate structures. The case reflects the Court's commitment to holding entities accountable and aligning with social justice objectives within the Philippine legal landscape.