

Title: International Academy of Management and Economics v. Litton and Company, Inc.

Facts:

Atty. Emmanuel T. Santos, who rented two buildings owned by Litton and Company, Inc. (Litton), accumulated unpaid rental arrears and realty taxes, leading Litton to file an unlawful detainer case against him in the Metropolitan Trial Court (MeTC) of Manila. The MeTC ruled in favor of Litton, and its judgment became final and executory on March 22, 1994. However, the judgment was not executed, prompting Litton to file for its revival. The Regional Trial Court (RTC) granted the revival, and Santos appealed to the Court of Appeals (CA), which also sided with Litton.

On November 11, 1996, the MeTC's sheriff levied a property registered under International Academy of Management and Economics Incorporated (I/AME), which was annotated indicating Santos' share. I/AME moved to lift the levy, which the MeTC initially denied, then subsequently reversed upon reconsideration. Litton appealed to the RTC, which reinstated the original order, and I/AME further appealed to the CA, which affirmed the RTC's decision.

The CA ruled that the corporate veil of I/AME was correctly pierced as Santos utilized I/AME to protect his property from being levied. Facts supporting this include Santos' representation as President of I/AME in a Deed of Sale when I/AME was not yet incorporated, and the transfer of the subject property to I/AME during the pendency of the case.

Issues:

1. Whether the court's piercing of I/AME's corporate veil and holding its property accountable for Santos' liability violates due process.
2. Whether the doctrine of piercing the corporate veil applies to non-stock corporations like I/AME.
3. Whether a natural person's (Santos) liability can justify piercing the corporate veil of I/AME.

Court's Decision:

The Supreme Court denied the petition, holding that there was no violation of due process against I/AME. The Court determined that the separate legal personality of I/AME was justifiably disregarded because it was used to evade Santos' obligation to Litton and to frustrate justice. The Court reasoned that piercing the corporate veil applies even to non-

stock corporations, if used to defeat justice or for fraudulent purposes. Furthermore, the Court held that a natural person could be treated as the corporation itself when the corporation is the alter ego of that person (here, Santos).

Doctrine:

The doctrine of piercing the corporate veil is applicable when a corporation, or a non-stock corporation like I/AME, is used to perpetrate fraud, evade an existing obligation, circumvent statutes, or confuse legitimate issues. The doctrine can also extend to natural persons who misuse corporations to defeat justice.

Class Notes:

1. Corporate veil: A legal concept that separates the personality of a corporation from the personalities of its shareholders or members, and protects them from being personally liable for the company's debts and other obligations.
2. Piercing the corporate veil: This equitable remedy is used to disregard a corporation's separate legal personality, making shareholders or members liable when the corporate entity is abused for fraudulent or unfair purposes.
3. Due process in execution of judgments: A party's property cannot generally be subjected to a writ of execution meant for another without violating the right to due process unless the corporate veil is pierced for equitable reasons.
4. Non-stock corporations and liability: Non-stock corporations like I/AME can also be subject to the piercing of the corporate veil if they are misused for wrongful purposes.
5. Alter ego: When a corporation is merely a facade for the personal dealings of its owner, it can be considered an alter ego, warranting the piercing of the corporate veil.

Historical Background:

The necessity to reaffirm the doctrine of piercing the corporate veil came in response to clever maneuvers by individuals like Santos, who would shield personal liabilities using the cloak of a separate corporate entity. This creates an evolving understanding of corporate jurisprudence in the context of equitable remedies. Cases like I/AME v. Litton demonstrate the continued vigilance of the judiciary in preventing the abuse of the corporate form to ensure justice is served and legal obligations are met.