Title:
Republic of the Philippines v. Sandiganbayan, Jose L. Africa, et al.

Facts:
In the 1990s, the Presidential Commission on Good Government (PCGG) and Roberto S. Benedicto, a stockholder in Eastern Telecommunications Philippines, Inc. (ETPI), entered into a compromise agreement. As a result, the government obtained 204,000 ETPI shares from Benedicto, representing 51% of the company. The remaining 49% was released from sequestration to Benedicto and Universal Molasses Corporation (UNIMOLCO).

On April 24, 1996, UNIMOLCO intended to sell their 196,000 shares in ETPI, prompting ETPI's President to receive a written offer for the shares. Following procedural protocols, on May 7, 1996, PCGG was authorized by a Sandiganbayan resolution to transfer the 204,000 shares to the government records.

Subsequently, Benedicto filed a motion to modify the May 7 resolution but PCGG countered by enacting a restraint against stock sales without its written consent on June 21, 1996. Ignoring PCGG's resolution, UNIMOLCO sold its shares to Smart Communications on July 24, 1996. Consequently, the government filed a motion to rescind the sale and assert its preemptive right to those shares as guaranteed in ETPI's Articles of Incorporation.

The Sandiganbayan, in its December 6, 1996 and March 17, 1997 resolutions, upheld the sale to Smart Communications. The government appealed to the Supreme Court, asserting its preemptive rights were violated and challenging the Sandiganbayan's approval of the sale.

Issues:
There are two key legal issues:
1. Whether the Sandiganbayan erred in not recognizing the PCGG's right of first refusal as a stockholder to purchase the 196,000 ETPI shares held by UNIMOLCO.
2. Whether the Sandiganbayan erred in approving/ratifying the sale of the 196,000 shares by UNIMOLCO, Benedicto, and Africa in favor of Smart Communications.

Court's Decision:
The Supreme Court denied the petition, upholding the Sandiganbayan's resolutions. The Court concluded that:
1. The stockholder's preemptive right was not timely exercised since the initial notice was sufficient to start the thirty-day period for the ETPI to act, followed by another thirty-day

period for stockholders—during which UNIMOLCO's intended sale was communicated.
2. The PCGG's proposed method of payment (set-off) did not comply with the Articles of Incorporation's requirement for payment to be in "cash, certified check, or checks drawn on a Philippine bank."

Doctrine:
The Supreme Court iterated the doctrine of separate corporate legal entity, clarifying that ownership of the majority of shares does not necessarily warrant piercing the corporate veil, absent evidence of fraud or using the corporation as an alter ego or instrumentality to commit injustice.

Class Notes:
Key Elements:
– Preemptive Right: The entitlement of existing shareholders to buy new shares in proportion to their current holdings before the company offers them to outsiders. Must be invoked and exercised in the manner required by the corporation's governing documents.
– Corporate Notice Requirements: Notification processes within a company's Articles of Incorporation that dictate how and when offers to sell shares should be communicated to shareholders, and requirements for exercising preemptive rights.
– Set-Off: A method of discharging obligations by an agreement whereby mutual debts of the parties are adjusted or extinguished by setting off one claim against another.
– Separate Corporate Legal Entity Principle: A corporation has a separate legal personality from its shareholders, and ownership of shares does not equate to liability for the company's obligations.

Relevant Legal Provisions:
– Articles of Incorporation of ETPI outlining preemptive rights and notice requirements.
– Civil Code Article 1279 detailing the conditions for legal compensation or set-off.

Historical Background:
This case emerged in the context of the Philippine government's efforts to recover ill-gotten wealth through the PCGG following the Marcos regime. The struggle between holding individuals accountable and ensuring corporate actions' adherence to legal standards reflects the broader challenge of addressing past abuses while respecting established legal norms. The sale of ETPI shares and the failure to recognize the government's preemptive rights illustrate the complexities encountered in post-dictatorship recovery processes.