

Title:

Ang Mga Kaanib sa Iglesia ng Dios Kay Kristo Hesus, H.S.K. sa Bansang Pilipinas, Inc. vs. Iglesia ng Dios Kay Cristo Jesus, Haligi at Suhay ng Katotohanan

Facts:

Respondent Iglesia ng Dios Kay Cristo Jesus, Haligi at Suhay ng Katotohanan, a religious corporation organized in 1936, petitioned to compel Iglesia ng Dios Kay Kristo Hesus, Haligi at Saligan ng Katotohanan, formed by disassociated members including Eliseo Soriano in 1977, to change its corporate name in SEC Case No. 1774. The SEC ruled in respondent's favor on May 4, 1988, a decision that became final after no appeal was lodged. Subsequently, petitioner corporation Ang Mga Kaanib sa Iglesia ng Dios Kay Kristo Hesus, H.S.K. sa Bansang Pilipinas, incorporating the same acronym "H.S.K.", was registered on April 25, 1980.

On March 2, 1994, respondent filed another petition (SEC Case No. 03-94-4704), arguing that petitioner's name caused public confusion. Petitioner's motion to dismiss was denied, and for their failure to answer, they were declared in default, leading to an SEC decision on November 20, 1995 ordering petitioner to change its name. Petitioner's subsequent appeal to the SEC En Banc was affirmed on March 4, 1996. The Court of Appeals upheld this decision on October 7, 1997 and denied reconsideration on February 16, 1999.

Petitioner appealed to the Supreme Court, contesting due process, arguing prescription of action, questioning the application of Section 18 of the Corporation Code, and asserting a violation of constitutional religious freedom.

Issues:

1. Whether the petitioner was deprived of procedural due process.
2. Whether the respondent's right of action has prescribed.
3. Whether the SEC application of Section 18 of the Corporation Code involved exceptions established by jurisprudence.
4. Whether ordering the petitioner to change its corporate name violates its constitutional right to religious freedom.

Court's Decision:

1. The Court found that the petitioner was not deprived of procedural due process. The negligence of the lawyer, while recognized as simple negligence, did not rise to the level of depriving the petitioner of due process.

2. The Court ruled that the petitioner had waived the defense of prescription by not raising it before the SEC. The SEC has the duty to prevent confusing use of corporate names at any time.

3. The Court held that Section 18 of the Corporation Code had been correctly applied, and no exceptions to the general rules resulting from jurisprudence were found to be applicable in this case.

4. The Court determined that the SEC's mandate to change the petitioner's corporate name did not violate the petitioner's constitutional guarantee to religious freedom as it concerned the use of a corporate name and not the practice of religion.

Doctrine:

The case reaffirmed the principle that similarity of corporate names that is likely to cause confusion among the public is prohibited under Section 18 of the Corporation Code of the Philippines. Additionally, the negligence of a legal counsel generally binds the client unless such negligence amounts to deprivation of the client's due process rights.

Class Notes:

- A party's failure to raise a defense like prescription may result in the waiver of that defense.
- Section 18 of the Corporation Code prevents registration of identical or deceptively similar corporate names to avoid public confusion.
- The test of "reasonable care and observation" applies in determining the similarity of corporate names and potential confusion.
- The use of descriptive terms in a corporate name does not obviate the potential for confusion if the dominant words in the name are still similar.
- The constitutional guarantee of religious freedom does not extend to the use of a corporate name, as regulated by the SEC.

Historical Background:

The contention over similar use of names in religious corporations is an example of how legal issues can arise within religious sectors in the Philippines, potentially affecting their identity and public perception. The case highlights the balance between protecting corporate identity and upholding freedom of religion as guaranteed by the Philippine Constitution.