

**Title:**

Steelcase, Inc. v. Design International Selections, Inc.

**Facts:**

Petitioner Steelcase, Inc., a foreign corporation based in Michigan, USA, manufactures office furniture and engages in global dealership agreements. Respondent Design International Selections, Inc. (DISI) is a Philippine corporation in the furniture business. Around 1986 or 1987, Steelcase granted DISI an oral dealership agreement to market and sell its products in the Philippines. The relationship proceeded smoothly until January 1999 when it was severed, with neither side admitting fault.

On January 18, 1999, Steelcase filed a complaint for sum of money against DISI in the Regional Trial Court (RTC) of Makati, claiming an unpaid account of \$600,000. In response, DISI filed an Answer with Compulsory Counterclaims, including a motion for a temporary restraining order (TRO) and writ of preliminary injunction to prevent Steelcase from selling its products in the Philippines except through DISI. DISI alleged Steelcase lacked legal capacity to sue in the Philippines, as it was doing business without the requisite license.

Steelcase filed a Motion to Admit Amended Complaint approved by the RTC on April 26, 1999. Steelcase then filed a Motion to Admit Second Amended Complaint on March 13, 1999. The RTC dismissed the complaint, recognizing Steelcase as “doing business” in the Philippines without a license, thus barring it from pursuing legal action in local courts.

Steelcase appealed the RTC’s orders to the Court of Appeals (CA), which affirmed the RTC’s decision on March 31, 2005. Despite a motion for reconsideration from Steelcase, the CA denied the appeal on March 23, 2006, leading to the present petition for review on certiorari to the Supreme Court.

**Issues:**

Two main issues were to be resolved:

1. Whether or not Steelcase is doing business in the Philippines without a license.
2. Whether or not DISI is estopped from challenging Steelcase’s legal capacity to sue due to the business dealings both parties engaged in.

**Court’s Decision:**

The Supreme Court ruled in favor of Steelcase, finding that DISI, as an independent entity transacting in its own name and for its own account, did not render Steelcase as “doing business” in the Philippines. Furthermore, the Court found that DISI was estopped from

challenging Steelcase's capacity to sue, as it had entered into a dealership agreement with Steelcase and benefited from such relationship.

Issue-by-issue resolution:

1. Steelcase, with DISI as an independent distributor, was not "doing business" in the Philippines and thus did not require a license. DISI's independent dealings, business structure, and product selection affirmed Steelcase's non-involvement.
2. DISI was estopped from questioning Steelcase's legal capacity to sue because, through the dealership agreement, DISI acknowledged and benefited from Steelcase's corporate existence without raising the issue of the foreign corporation's lack of license to do business.

Doctrine:

The Court reiterated the doctrine that a foreign corporation must have a license to do business in the Philippines to sue in local courts. However, if a local entity enters into a contractual relationship with such a corporation and benefits from it, the local entity is estopped from later challenging the foreign corporation's capacity to sue.

Class Notes:

- A foreign corporation must obtain a local license to sue in Philippine courts.
- "Doing business" requires a continuity of commercial dealings, not merely appointing independent distributors for sporadic transactions.
- Estoppel prevents a party from denying the existence or capacity of a corporation after receiving benefits from a contract with the corporation.
- Key provisions: Corporation Code of the Philippines, Section 133; R.A. No. 7042 (Foreign Investments Act of 1991), Section 3(d).

Historical Background:

Steelcase Inc.'s legal battle against DISI represents the ongoing tension between foreign investment regulation protections and ensuring equitable treatment of both foreign and domestic business entities within the Philippines. This case highlights the Philippine legal system's balancing act between maintaining the integrity of national business laws and fostering a favorable climate for international trade and investment.