Title: Lim Tong Lim vs. Philippine Fishing Gear Industries, Inc.

Facts:
Antonio Chua and Peter Yao signed a Contract with Philippine Fishing Gear Industries, Inc. (PFII) for the purchase of fishing nets on behalf of Ocean Quest Fishing Corporation. They claimed to be in a business venture with Lim Tong Lim, who did not sign the contract. The purchase amounted to PHP 532,045 with PHP 68,000 worth of floats. Non-payment led to PFII filing a collection suit against Chua, Yao, and Lim. PFII alleged that Ocean Quest Fishing Corporation was non-existent as certified by the SEC.

Chua admitted liability and turned over some nets to PFII. Yao failed to present evidence when he did not appear for hearings. Lim filed an Answer with Counterclaim and Crossclaim, and moved to lift the preliminary attachment issued by the court. Despite this, the court ordered the sale at a public auction of the fishing nets which PFII won and deposited PHP 900,000 from the proceeds.

The trial court ruled that all three were general partners liable for the unpaid purchase price, and this was affirmed by the Court of Appeals (CA). Lim appealed on several grounds, particularly arguing against the existence of a partnership, his involvement, and the validity of the attachment of the nets.

Issues:
1. Whether the Compromise Agreement indicated the existence of a partnership among Lim, Chua, and Yao.
2. Whether Lim should be held liable for the debts pertaining to the purchase of the fishing nets.
3. Whether the issuance of the Writ of Preliminary Attachment against the fishing nets was proper.

Court's Decision:
The Supreme Court denied the petition and affirmed the CA's decision, holding that a partnership did exist among Lim, Chua, and Yao. The Court based its decision on:
– The agreement among the three to engage in a fishing business.
– Their efforts to obtain financing for the business.
– Their actions which showed a joint interest in the profits and losses of their enterprise.
– The Compromise Agreement, which solidified the arrangement of the division of sales proceeds and losses, proving that F/B Lourdes was an asset of this partnership.

The Court rejected Lim’s allegation that he was merely a lessor of the boat—and held that the boat, nets, and floats were all part of the partnership’s common fund. Since Lim benefited from the nets, he was liable for their cost under the doctrine of corporation by estoppel.

Doctrine:
– A partnership may exist among parties who agree to pursue a business and to divide the profits or losses, even without contributing capital to a “common fund.”
– The parties can be liable as partners for debts incurred by the partnership.
– The doctrine of corporation by estoppel holds persons who assume to act for a corporation without authority liable as general partners for resulting debts, liabilities, and damages.

Class Notes:
– Partnership: A contract where two or more people bind themselves to contribute money, property, or industry to a common fund to divide profits (Art. 1767, Civil Code of the Philippines).
– When three individuals act as if they are in a partnership and receive benefits, they may be liable for associated debts.
– By estoppel, those who acted for a non-existent corporation or association cannot deny liability for transactions entered by it.
– Essential principles are the presumption of joint liability and pro rata sharing in obligations unless otherwise stipulated (Art. 1207, Civil Code of the Philippines).

Historical Background:
In Philippine jurisprudence, relationships akin to partnerships often emerge in the absence of formal incorporation. The courts regularly inspect dealings, agreements, and the conduct of individuals to discern the true nature of their business relationships. The essence is the intent to cooperate for common business objectives and profit sharing, driving the ruling in this case.