

Title: Mariano A. Albert vs. University Publishing Co., Inc. (With Resolution of June 16, 1965)

Facts:

The sequence of events began on September 24, 1949, when Mariano A. Albert sued University Publishing Co., Inc., alleging breach of contract. The contract, entered on July 19, 1948, stipulated that the defendant would pay Albert P30,000.00 for the exclusive rights to publish his revised Commentaries on the Revised Penal Code. Payment was to be made in eight quarterly installments, starting July 15, 1948, with the entire amount becoming due upon failure to pay any installment.

The defendant countered by claiming Albert failed to deliver his manuscript and consequently counterclaimed for damages. After Albert's death, his estate's administrator, Justo R. Albert, was substituted as the plaintiff.

During trial, the Court of First Instance of Manila ruled in favor of the plaintiff, awarding him P23,000.00 plus legal interest and dismissing the defendant's counterclaim. The defendant appealed to the Supreme Court, which later reduced damages to P15,000.00 but held that this amount should be executed in full.

When the plaintiff sought execution against University Publishing Co., Inc., they discovered the company was not registered with the Securities and Exchange Commission. They then petitioned for a writ of execution against Jose M. Aruego, the President of the non-registered entity, arguing he was the real defendant. The lower court denied this petition, leading to the current appeal.

Issues:

The Supreme Court was posed with the question of whether the judgment could be executed against Jose M. Aruego, being the President of the unregistered University Publishing Co., Inc., and essentially the real party to the contract.

Court's Decision:

The Supreme Court set aside the lower court's order and held that the judgment should be executed against Jose M. Aruego, asserting that University Publishing Co., Inc. had no legal personality due to its non-registration and could not be considered a separate entity from Aruego. The Court pointed out that Aruego represented himself as the President of a nonexistent entity, thereby misleading the plaintiff and the court. Consequently, Aruego was deemed personally liable for the breach of contract and responsible for the damages.

Doctrine:

The Court reiterated the doctrine that individuals who represent unregistered entities and thereby deceive others into contractual relations can be held personally liable. The Court also highlighted the principle of piercing the corporate veil to hold individuals accountable when a corporation is used as a façade for personal dealings.

Class Notes:

- A non-registered company has no independent legal personality.
- Parties who act as representatives of non-existent entities are held personally liable for their misrepresentations and actions.
- The principle of “piercing the corporate veil” applies to deliver justice by disregarding the separate legal personality of a corporation when it is used as a shield to commit wrongdoings.
- Due process is met when parties have the opportunity to be heard, participate in proceedings, and appeal decisions, rather than a strict adherence to formalities.

Historical Background:

The case reflects a historical reluctance of courts to strictly adhere to technicalities, instead prioritizing substantive justice. It underscores the evolving legal principles in corporate liability and due process within the Philippine legal system. The decision illustrates the principle of holding individuals accountable for actions taken under the guise of corporate entities, especially when such entities are legally non-existent, reflecting a trend towards fairness and equity in proceedings.