

Title: Eriks Pte. Ltd. vs. Court of Appeals and Delfin F. Enriquez, Jr.

Facts:

Eriks Pte. Ltd., a foreign corporation based in Singapore and not licensed to do business in the Philippines, filed a collection suit against Delfin Enriquez, Jr., a Filipino buyer, for unsettled payments amounting to S\$41,939.63. Between January 17 and August 16, 1989, Enriquez ordered and received from Eriks various industrial products. Despite demands, payments were not made. Consequently, Eriks filed a case with the Regional Trial Court of Makati (Civil Case No. 91-2373). Enriquez moved to dismiss the case, arguing Eriks lacked legal capacity to sue because it was doing business in the Philippines without a license. The trial court dismissed the action, which was affirmed by the Court of Appeals (CA-G.R. CV No. 41275), citing Eriks' lack of capacity to sue due to doing business without a license. Eriks then sought review from the Supreme Court.

Issues:

1. Can Eriks Pte. Ltd., as a foreign corporation without a license to do business in the Philippines, maintain an action in Philippine courts to collect payment from transactions?
2. Does Eriks Pte. Ltd.'s series of transactions with Delfin Enriquez, Jr. constitute "doing business" in the Philippines?

Court's Decision:

The Supreme Court denied the petition, affirming the decision of the Court of Appeals. The Court emphasized that Eriks Pte. Ltd.'s series of transactions over several months showed an intention to engage in a continuous business in the Philippines. Thus, it constituted "doing business" without the required license, barring it from accessing the Philippine courts for the collection suit. Each transaction cannot be considered isolated, considering the progressive pursuit of business by the petitioner in the country.

Doctrine:

A foreign corporation must secure a license to do business in the Philippines to have the capacity to sue before Philippine courts. The lack of such a license incapacitates the corporation from maintaining any legal action. The defining element of "doing business" involves a continuity of commercial dealings and arrangements, indicating an intention to engage in the progressive pursuit of business objectives within the jurisdiction.

Class Notes:

- Legal Capacity to Sue: A foreign corporation must secure a license to do business in the

Philippines for it to have the legal capacity to sue in Philippine courts.

- “Doing Business”: Involves activities indicating a continuity of commercial dealings and arrangements with the intent of pursuing business objectives within the jurisdiction. Isolated transactions typically do not constitute “doing business.”
- Impact of Lack of License: A foreign corporation transacting business in the Philippines without a license is incapacitated from maintaining a lawsuit in Philippine courts but can be sued.
- Case-related Statute: Corporation Code, Sec. 133 & Republic Act No. 7042 (Foreign Investments Act).

Historical Background:

The case underscores the Philippine legal framework’s stringent regulation of foreign corporations operating within its jurisdiction. It highlights the balance between promoting international trade relations and ensuring foreign entities comply with domestic laws. The decision reinforces the requirement for foreign corporations to be licensed, ensuring they are amenable to local jurisdiction and regulation before being permitted access to judicial recourse.