

****Title:**** Lafarge Cement Philippines, Inc. et al. vs. Continental Cement Corporation et al.

****Facts:****

The case stems from a transaction between Lafarge Cement Philippines, Inc. (hereafter Lafarge), and its co-petitioners, and Continental Cement Corporation (CCC) alongside respondents Gregory T. Lim and Anthony A. Mariano. On August 11, 1998, both parties executed a Letter of Intent, which led to a Sale and Purchase Agreement (SPA) on October 21, 1998. This agreement involved Lafarge's purchase of CCC's cement business. A notable clause in the SPA (Clause 2 (c)) provided for withholding a portion of the purchase price amounting to P117,020,846.84 in a Citibank account, intended for a potential liability to the Asset Privatization Trust (APT), pending in a Supreme Court case (GR No. 119712). When CCC's liability to APT became final, Lafarge allegedly refused to release the retained amount, prompting CCC to file a Complaint with Application for Preliminary Attachment against Lafarge and its co-petitioners.

Lafarge's motion to dismiss the complaint for forum-shopping was denied by the trial court. Consequently, while appealing this decision, Lafarge filed an Answer and Compulsory Counterclaims ad Cautelam for damages against CCC, Gregory T. Lim (CCC's majority stockholder and president), and Anthony A. Mariano (corporate secretary). The trial court eventually dismissed the counterclaims against Lim and Mariano, leading Lafarge to appeal to the Supreme Court.

****Issues:****

1. Whether the trial court erred in dismissing the compulsory counterclaims against respondents Lim and Mariano, notably on the grounds of their supposed non-compulsoriness and misapplication of the *Sapugay v. Court of Appeals* ruling.
2. Whether Continental Cement Corporation had the authority to move to dismiss the compulsory counterclaims on behalf of Lim and Mariano.

****Court's Decision:****

The Supreme Court granted the petition, reversing the trial court's orders and directed the resolution of the counterclaims. Key analyses included:

1. ****Compulsory Counterclaims:**** The Court held that the counterclaims were indeed compulsory as they arose from the same transaction—the filing of the baseless

complaint—which compelled Lafarge to incur costs and damages. Using criteria from *NAMARCO v. Federation of United Namarco Distributors*, the Court found a “logical relationship” between the original complaint and the counterclaims.

2. **Applicability of *Sapugay v. CA*:** The Supreme Court found the *Sapugay* ruling applicable, allowing new parties to be impleaded in a counterclaim concerning the same controversy for complete relief to all parties.

3. **CCC’s Motion to Dismiss:** The Court clarified that CCC could not file a motion to dismiss on behalf of Lim and Mariano without proper authority, separating CCC’s corporate personality from its officers.

Doctrine:

This case reinforces the doctrine allowing the impleading of new parties in compulsory counterclaims when necessary for complete relief and preventing multiplicity of suits. It also holds that corporate officers can be impleaded and found personally liable in tort actions if bad faith or gross negligence is proven.

Class Notes:

- **Compulsory vs. Permissive Counterclaims:** Compulsory counterclaims arise out of the same transaction or occurrence as the opposing party’s claim and must be filed in the same action or be barred. Permissive counterclaims, independent of the main action, can be filed separately.

- **Solidary Liability in Torts:** Each tortfeasor is individually and jointly liable for the tort committed. Obligations arising from torts are by nature solidary, implying that any of the tortfeasors can be held liable for the full extent of the damages.

- **Legal Separation and Authority:** A corporation cannot represent its officers in a legal capacity without express authorization, emphasizing the separation of legal personalities.

Historical Background:

This case highlights the complexities involved in merging and acquiring business entities, especially when pending liabilities or litigations are concerned. It illustrates the importance of clear contractual agreements and the potential repercussions of disputes on corporate transactions. Furthermore, it demonstrates the judiciary’s role in interpreting contractual

clauses and the procedural aspects of involving individuals distinct from the original parties to a case.