

Title: Benguet Consolidated Mining Co. vs. Pineda

Facts:

The Benguet Consolidated Mining Co. (hereinafter referred to as “Benguet”) was established on June 24, 1903, as a “sociedad anonima” under the Spanish Code of Commerce of 1886, active for a fixed period of fifty (50) years. The Philippine Corporation Law (Act 1469), establishing the American-style corporation, took effect on April 1, 1906. As Benguet approached the expiration of its original term, attempts were made to either extend its existence or reorganize under the Corporation Law. Initially, in 1946, an extension attempt was denied based on legal advice from the Secretary of Justice. In 1953, shareholders empowered the board to pursue extension or reorganization, leading to the submission of a resolution and articles of incorporation to the Securities and Exchange Commissioner for registration. Registration was ultimately denied on two grounds: the inability of a sociedad anonima to extend its original term through amendment after the enactment of the Corporation Law, and a choice to continue as a sociedad anonima under Section 75 of Act No. 1459, which precluded a later reorganization into a corporation. This denial is the subject of the appeal.

Issues:

1. Whether the restriction on extending the life of a corporation by amending its original articles applies to sociedades anonimas organized before the Corporation Law’s enactment.
2. Whether applying such a restriction on sociedades anonimas existing prior to the Corporation Law is constitutional.
3. Whether Benguet, having continued its business as a sociedad anonima after the enactment of the Corporation Law, should now be allowed to reorganize as a corporation under Section 75 of Act No. 1459.

Court’s Decision:

The Supreme Court affirmed the decision of the Securities and Exchange Commissioner, ruling that:

1. The prohibition against extending corporate life through the amendment of original articles, as stipulated in Section 18 of the Corporation Law, applies to sociedades anonimas formed before the law’s enactment.
2. The restriction does not violate constitutional provisions as it does not impair vested rights; no agreement to extend Benguet’s corporate life existed at the time the Corporation Law was adopted.

3. Benguet, by continuing operations as a sociedad anonima, effectively chose not to reform as a corporation under the Corporation Law and cannot now revert to undertaking such reformation.

Doctrine:

The decision reiterates the principle that existing sociedades anonimas, by choosing to continue operations following the old code post-enactment of the Corporation Law without quickly opting to reorganize as corporations, implicitly forgo the option for reorganization. The prohibition of extending corporate existence beyond the term fixed in the original articles applies to all corporations, including those organized as sociedades anonimas before the Corporation Law.

Class Notes:

1. ****Extension of Corporate Life****: A corporation cannot extend its existence beyond the term stated in its original articles, as per Section 18 of the Corporation Law. This applies even to sociedades anonimas operating before the Law's enactment.
2. ****Election to Continue as Sociedad Anonima****: By choosing to continue operations without reorganizing under the Corporation Law post-enactment, a sociedad anonima consents to its initial organization form and forgoes later reorganization options.
3. ****Constitutional Inhibition****: The application of new corporate regulation laws on pre-existing corporations does not constitute a violation of constitutional rights, provided it does not impair vested rights.

Historical Background:

This case illustrates the transition from Spanish to American commercial law regimes in the Philippines. The Benguet Consolidated Mining Co., as a bridge between these legal systems, highlights the legislative intent to phase out the sociedad anonima in favor of the American-style corporation, reflecting broader shifts in Philippine legal norms and business practices following American colonization.