

****Title:**** ASJ Corporation and Antonio San Juan vs. Spouses Efren & Maura Evangelista

****Facts:****

The Evangelistas, operating under R.M. Sy Chicks, engaged in buying broiler eggs, hatching them, and then selling the hatchlings and egg by-products in Bulacan and Nueva Ecija, availed of the hatchery services of ASJ Corporation (ASJ Corp.), managed by Antonio San Juan and his family. Throughout their business dealings, the Evangelistas delivered eggs to ASJ Corp. for incubation, for which they were charged a service fee, regardless of the eggs' hatchability. This arrangement was documented in Setting Reports (SR), detailing the number of eggs delivered, dates of setting, candling, and hatching. Initially, payment for services was made upon the release of hatchlings and by-products to the Evangelistas, but due to their habitual delayed payments, San Juan carried over unpaid balances to subsequent deliveries out of goodwill.

From January 13 to February 3, 1993, the Evangelistas delivered a total of 101,350 eggs to ASJ Corp., covered under Setting Report Nos. 108 to 113. When Efren Evangelista attempted to pick up the hatchlings and by-products for SR No. 108 on February 3, 1993, San Juan refused to release them due to unpaid service fees from earlier SRs. The tension escalated with subsequent attempts to collect subsequent hatchings resulting in further refusals, threats of vehicle impoundment, and detentions by San Juan.

This stand-off led the Evangelistas to file an action for damages against ASJ Corp. and San Juan in the RTC for the retention of the hatchlings and by-products, which culminated in the RTC ruling in favor of the Evangelistas, piercing the corporate veil and holding ASJ Corp. and San Juan jointly and severally liable for damages amounting to P529,644.80, among other compensations. Both the RTC ruling and the pierce of the corporate veil were affirmed by the Court of Appeals, prompting the petitioners to elevate the case to the Supreme Court, challenging both factual findings and legal conclusions of the lower courts.

****Issues:****

1. Whether the Court of Appeals erred in its judgment regarding the withholding of the chicks and by-products.
2. The correctness of admitting hearsay testimony supporting the Evangelistas' claim.
3. Whether the Evangelistas were at fault for not returning to the hatchery for the remaining hatchlings and by-products.
4. The justification for piercing the corporate veil and holding ASJ Corp. and San Juan as a single entity, and consequently their joint and several liability for damages.

5. The awarding of moral, exemplary damages, and attorney's fees based on alleged violations of Article 19 of the New Civil Code.

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

The Supreme Court partly granted the petition, modifying the Court of Appeals' decision. It found that the Evangelistas were indeed liable to pay P183,416.80 in actual damages to ASJ Corp. and San Juan for unpaid service fees, recognizing the legal basis for withholding the chicks and by-products due to non-payment. However, the Supreme Court differentiated between the act of withholding (which had a legal basis) and subsequent threats (which had none), leading to the reduction of actual damages awarded to the Evangelistas to P408,852.10. The Court upheld the awards for moral and exemplary damages, along with attorney's fees, while emphasizing the sanctity of contracts and the appropriate conduct expected in exercising one's rights.

****Doctrine:****

The case reiterates the doctrine of piercing the corporate veil, applied when the corporate entity is used to defeat public convenience, justify wrong, protect fraud, or defend crime; or when it is made as a shield to confuse the legitimate issues, or where a corporation is the mere alter ego or business conduit of a person.

****Class Notes:****

- In contracts, particularly those with reciprocal obligations, non-performance by one party can justify retention or non-performance by the other.
- The doctrine of piercing the corporate veil applies when the corporation is used to evade a legal obligation or to perpetrate fraud.
- Actual, moral, and exemplary damages, along with attorney's fees, require distinct bases for their award, often grounded in the degree of bad faith or malice in the actions of the defaulting party.
- Article 19 of the Civil Code embodies the principle of acting with justice, giving everyone their due, and observing honesty and good faith in the exercise of one's rights.

****Historical Background:****

The case reflects the nuanced application of corporate law principles in the context of personal and business relationships, particularly in smaller, family-run or closely-held corporations where the lines between the personal and the corporate can blur, thus necessitating the application or invocation of the doctrine of piercing the corporate veil to prevent injustice or perpetration of fraud.