Title:
Development Bank of the Philippines vs. Monsanto Company
[GR No. CV No. 88100]

Facts:
Monsanto International Sales Company (MISCO), sold acrylic fibers to Continental Manufacturing Corporation (CMC) through indentor Robert Lipton and Co., Inc. (Lipton) from 1978 to 1983. Orders were placed through Lipton, who communicated with both parties regarding specifications, pricing, and terms. Transactions were documented via indent orders, with payments made on draft maturity.

When CMC failed to settle its obligations amounting to US$1,417,980.89, a complaint for sum of money was filed by MISCO on 31 July 1986. CMC admitted the obligation but contested MISCO's capacity to sue due to it allegedly doing business without a license in the Philippines. CMC also claimed a novation of the payment agreement, alleging payments of US$184,000.00 had been made.

Development Bank of the Philippines (DBP) denied co-acceptance of the drafts, claiming non-involvement and also contested MISCO's capacity to sue. MISCO was later substituted by Monsanto Company (Monsanto), the mother company and assignee of MISCO's receivables.

Procedural Posture:
At the RTC, Monsanto's complaint was dismissed based on the foreign corporation's lack of license to transact business in the Philippines, as was DBP's counterclaim due to lack of evidence. On appeal, the CA reversed this decision, arguing that mere transactions through a local indentor didn't constitute doing business in the Philippines. The case was remanded to the trial court for decision on merits. The Supreme Court's review centered on the CA's findings and legal interpretations related to foreign corporations doing business in the Philippines.

Issues:
1. Whether MISCO (Monsanto by assignment) was "doing business" in the Philippines such that it required a license and thus had legal capacity to sue.
2. The applicability of the doctrine of estoppel against the respondents (CMC and DBP).

Court's Decision:
The Supreme Court denied the petition, affirming the CA's decision that Monsanto,

transacting through a local indentor, was not deemed doing business in the Philippines as per the definition under relevant laws. It held that soliciting business through an independent middleman (Lipton) did not constitute doing business. It further applied the doctrine of estoppel, preventing CMC and DBP from denying Monsanto's capacity to sue since they had previously engaged in and benefited from contracts with MISCO.

Doctrine:
– Foreign corporations transacting through independent local distributors are not deemed "doing business" in the Philippines and thus can maintain suits in Philippine courts.
– Parties are estopped from challenging a foreign corporation's legal existence if they have acknowledged and benefited from its contract.

Class Notes:
– Essential elements for determining "doing business" by foreign entities in the Philippines include continuity, commercial dealings, appointment of representatives, and tangible presence (offices/branches).
– Distinction between an independent contractor's transactions on its own behalf and acts that directly involve the foreign company.
– Legal capacity to sue can be challenged if a foreign corporation does not comply with local business registration and licensing requirements.
– The doctrine of estoppel can be applied to prevent parties from contesting a foreign corporation's capacity to sue if they have entered into agreements and benefited from them.

Historical Background:
This case provides insight into the evolving interpretation of what constitutes "doing business" by foreign entities within the jurisdiction of the Philippines. It contextualizes the legal framework addressing foreign investments and the rights of unlicensed foreign corporations, highlighting the balance between fostering international trade relations and safeguarding national economic interests.