

****Title:****

MR Holdings, Ltd. vs. Sheriff Carlos P. Bajar, et al. (G.R. No. 130498, February 11, 2003)

****Facts:****

1. Asian Development Bank (ADB) extended a loan of US\$40 million to Marcopper Mining Corp (Marcopper) in 1992, secured by a Deed of Real Estate and Chattel Mortgage over Marcopper's properties.
2. Marcopper defaulted, resulting in its creditor Placer Dome, Inc., which owned 40% of Marcopper, covering the debt through its subsidiary, MR Holdings, Ltd., which subsequently took on Marcopper's obligations to ADB.
3. MR Holdings entered into an Assignment Agreement with ADB on March 20, 1997, obtaining all rights and interests under the initial agreements, followed by a Deed of Assignment from Marcopper in December 1997.
4. In a separate matter, Solidbank Corporation obtained a Partial Judgment against Marcopper in May 1997, and levied on Marcopper's properties.
5. Responding to the levies and scheduled auctions by the sheriffs Carlos P. Bajar and Ferdinand M. Jandusay, MR Holdings filed an Affidavit of Third-Party Claim asserting ownership of Marcopper's assets but was denied.
6. Consequently, MR Holdings initiated a complaint for reivindicacion of properties with the RTC of Boac, Marinduque, seeking a preliminary injunction against the execution initiated by Solidbank.
7. Judge Leonardo P. Ansaldo of the RTC denied MR Holdings' application for a preliminary injunction, questioning its legal capacity to sue as a foreign corporation without a license, and suspecting fraudulent intent behind the Assignments.
8. MR Holdings sought relief from the Court of Appeals which upheld the RTC's decision on January 8, 1999, leading MR Holdings to petition the Supreme Court.

****Issues:****

The Supreme Court needed to address the following issues:

1. Whether MR Holdings, Ltd. had the legal capacity to sue in Philippine courts.
2. Whether the Assignment Agreements were executed in fraud of creditors.
3. Whether MR Holdings, Placer Dome, and Marcopper constituted one entity.
4. Whether MR Holdings was guilty of forum shopping.

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

****1. Legal Capacity to Sue:****

The Supreme Court ruled that MR Holdings was not “doing business” in the Philippines. The Court found the assignments were isolated transactions and not indicative of ongoing business operations. Thus, MR Holdings, Ltd. did not need a license to sue in Philippine courts.

****2. Fraudulent Conveyances:****

The Court determined that the assignments were not made in fraud of creditors. The Deeds of Real Estate and Chattel Mortgage and other agreements dated back to 1992, long before Solidbank's judgment in 1997. The transactions were in fulfillment of obligations that predated Marcopper's debt issues and thus were executed in good faith and for valuable consideration.

****3. Unity of Corporate Entities:****

The Court found no evidence that MR Holdings, Placer Dome, and Marcopper were a single entity. Ownership of stock alone does not justify treating them as one. Other indicators of corporate control or abuse were absent, therefore, the separate corporate identities were respected.

****4. Forum Shopping:****

MR Holdings' filing of a reivindicatory action was considered appropriate per Section 16, Rule 39 of the 1997 Rules of Civil Procedures and not an example of forum shopping, as it was distinct from the other cases involving Marcopper.

****Doctrine:****

The decision reinforced the principles:

- Foreign corporations not “doing business” in the Philippines need no license to sue on

isolated transactions.

- Transactions supporting longstanding obligations are not presumed fraudulent merely due to their timing.
- Mere ownership of stock between corporations doesn't justify merging their separate identities without significant indicators of misuse.
- The right to file a third-party claim independently is maintained, negating forum shopping when distinct and separate from the primary litigation.

****Class Notes:****

- ****Legal Capacity of Foreign Corporations****: Corporations can sue on isolated transactions if not continuously engaging in business in the Philippines.
- ****Fraudulent Conveyances****: Transactions should be examined in the context of their entire chronology to determine intent.
- ****Corporate Veil****: Ownership of stock isn't sufficient proof for piercing corporate veil; substantial evidence is needed.
- ****Forum Shopping****: Filing independent third-party claims is permissible and distinct from primary judicial proceedings.

****Historical Background:****

This case reflects the evolving corporate and credit environment in the Philippine mining industry during the 1990s, dealing with foreign investments, sustainability issues, and complex legal-transactional structures. It addresses the ramifications of corporate financing, restructuring, and creditor disputes, typical in challenging business landscapes.