

Title: ****Signetics Corporation vs. Court of Appeals and Fruehauf Electronics Phils. Inc. (296-A Phil. 782)****

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Facts

1. ****Lease Agreement****: Signetics Corporation (Signetics), a U.S.-based company, through its wholly-owned subsidiary SigFil (Signetics Filipinas Corporation), leased land from Fruehauf Electronics Phils., Inc. (Fruehauf).
2. ****Initial Complaint****: On March 15, 1990, Fruehauf filed a complaint in the Regional Trial Court of Pasig (Civil Case No. 59264) seeking damages, accounting or return of machinery, equipment, accessories, and transfer of buildings, installations, and improvements on the leased land, alleging irregularities in the lease contract.
3. ****Service of Summons****: Summons were served on Signetics through TEAM Pacific Corporation based on the complaint's assertion that Signetics was a subsidiary of US Philips Corporation and could be served at Philips Electrical Lamps or TEAM Pacific Corporation.
4. ****Motion to Dismiss****: Signetics appeared specially to file a motion to dismiss on May 14, 1990, arguing lack of jurisdiction over its person as Signetics claimed it had ceased doing business in the Philippines, relying on *Pacific Micronesian Line, Inc. v. Del Rosario* as precedent.
5. ****Denial of Motion to Dismiss****: The trial court denied the motion to dismiss, citing ****Wang Laboratories, Inc. v. Mendoza**** which interpreted "doing business" more broadly, and Signetics filed a motion for reconsideration which was also denied on March 11, 1991.
6. ****Court of Appeals****: Signetics elevated the case to the Court of Appeals via a petition for certiorari and prohibition (CA-G.R. SP No. 24758), which the Court of Appeals dismissed on February 20, 1992, affirming the trial court's orders.
7. ****Petition for Review****: Upon denial of a motion for reconsideration by the Court of Appeals, Signetics filed a petition for review on certiorari with the Supreme Court, questioning whether the lower court had valid jurisdiction to summon a foreign corporation without proof of it doing business in the Philippines.

Issues

1. ****Jurisdiction over a Foreign Corporation****: Whether the lower court correctly assumed

jurisdiction over Signetics, a foreign corporation, based on allegations in the complaint without proof that it was doing business in the Philippines.

2. **Proof of Doing Business**: Whether adequate proof of “doing business” in the Philippines was necessary before jurisdiction could be established.
3. **Piercing the Corporate Veil**: If the allegations sufficiently indicated circumvention using corporate structures.

Court’s Decision

1. **Jurisdiction**: The Supreme Court affirmed the Court of Appeals decision, ruling that the allegations in the complaint, if taken together, sufficiently established a basis for jurisdiction over Signetics.

- The Court emphasized that jurisdiction is primarily based on allegations in the complaint and not dependent on the defenses raised in a motion to dismiss.

2. **Proof of Doing Business**: The Court clarified that “proof” of doing business is not required at the initial stage; jurisdiction can be assumed based on the complaint’s allegations.

- The Court noted allegations in the complaint about Signetics being interested in engaging in business, organizing SigFil, entering lease contracts, and an attempt to shield actions through a change from SigFil to TEAM Pacific served as sufficient basis initially.

3. **Piercing the Corporate Veil**: The Court found that the allegations were sufficient to potentially pierce the corporate veil, attributing the actions of SigFil and TEAM Pacific directly to Signetics to determine jurisdiction and merits.

Doctrine

1. **Jurisdiction Based on Complaint Allegations**: Jurisdiction is initially determined by allegations in the complaint, independent of the defenses that a defendant might propose.

2. **Piercing the Corporate Veil**: Allegations of fraud or misuse of corporate complexities can justify service of summons and jurisdiction despite a foreign corporation’s contentions of ceasing business.

3. **Service of Summons on Agents**: Summons can be effectively served on entities considered agents acting on behalf of foreign corporations.

Class Notes

- **Jurisdiction Over Foreign Corporations**: Jurisdiction can be based on allegations in complaints; proofs are secondary and determine the merits.

- ****Service of Summons****:
- “Doing business” requirement must be alleged, not immediately proved.
- Summons can be served on general agents, not necessarily formally designated ones.
- ****Piercing the Corporate Veil****: Allegations indicating misuse or fraud through corporate structures can allow courts to pierce the corporate veil.

Key Statutory Provision:

- ****Rule 14, Section 14 of the Rules of Court****: Method of serving summons on foreign corporations doing business in the Philippines.

Historical Background

During the 1980s and early 1990s, increased foreign corporate activities in developing countries, including the Philippines, caused complexities in jurisdictional issues. This period saw significant legal developments clarifying the reach of local jurisprudence over foreign entities amidst rising cross-border trade and investments. The case reflected the period’s legal challenges in enforcing local laws against foreign corporations attempting to evade legal obligations by structuring through subsidiaries or altering corporate identities.