

****Title: Cargill, Inc. vs. Intra Strata Assurance Corporation (G.R. No. 152228)****

****Facts:****

1. ****Contract Formation (16 August 1989):**** Cargill, Inc. (Cargill), a Delaware-based corporation, and Northern Mindanao Corporation (NMC) agreed to sell 20,000 to 24,000 metric tons of molasses to be delivered within January to June 1990, priced at \$44 per metric ton. Cargill would open a “red clause” Letter of Credit (LC) with Bank of Philippine Islands (BPI), enabling NMC to draw up to \$500,000 upon presenting certain documents.
2. ****Contract Amendments:****
 - ****First Amendment (11 January 1990):**** Increased the price to \$47.50 per metric ton.
 - ****Second Amendment (18 June 1990):**** Modified the quantity to 10,500 metric tons and raised the price to \$55 per metric ton.
 - ****Third Amendment (22 August 1990):**** Set shipping schedules for the molasses, required NMC to post a performance bond of \$451,500.
3. ****Issuance of Bonds (10 October 1990):**** Intra Strata Assurance Corporation (Intra Strata) issued a performance bond for P11,287,500 and a surety bond of P9,978,125 to secure NMC’s obligations under the contract.
4. ****Delivery Issues (January 1991):**** NMC delivered only 219.551 metric tons out of the agreed 10,500 metric tons. Following non-compliance from NMC, Cargill sent demand letters to Intra Strata for enforcing the bonds.
5. ****Filing of Complaint (12 April 1991):**** Cargill filed a complaint for a sum of money against NMC and Intra Strata due to non-fulfilment of obligations.
6. ****Compromise Agreement (13 December 1991):**** Parties agreed NMC would pay P3,000,000 and deliver 6,991 metric tons within December 1991, but NMC again failed to fulfill this compulsion.
7. ****Trial Court Judgment (23 November 1994):**** The court ruled in favor of Cargill, ordering Intra Strata to pay P16,993,200 plus interest.
8. ****Court of Appeals Reversal (26 May 2005):**** On appeal by Intra Strata, the CA reversed the trial court decision, dismissing Cargill’s complaint on grounds of it being an unlicensed foreign corporation doing business in the Philippines, thereby lacking capacity to sue.

****Issues:****

1. Whether Cargill was “doing business” in the Philippines and hence required a business license.
2. Whether Intra Strata is estopped from asserting Cargill’s incapacity to sue.
3. If Cargill was transacting business in the Philippines under established jurisprudence.
4. The legitimacy of the advanced payment released to NMC without required documents.

****Court’s Decision:****

1. ****Doing Business in the Philippines:****

- The Supreme Court concluded that Cargill’s activities did not showcase continuity and permanence of business, thus not constituting “doing business” under Philippine law. Hence, Cargill was not transacting business in the Philippines and did not need a business license.

2. ****Estoppel:****

- Although estoppel was discussed, the primary issue rendered its application moot on whether Intra Strata could invoke such a defense.

3. ****Advance Payment:****

- The SC affirmed that the advance payment complied with required conditions. BPI wouldn’t have released funds without proper documentation, dismissing Intra Strata’s refusal to pay Cargill under performance and surety bonds when NMC defaulted.

****Doctrine:****

- Clarification of the “doing business” standard was reiterated, distinguishing one-time transactions from ongoing business activities which necessitate local registration and licensing.

- The burden of proof for establishing that an entity’s operations constitute “doing business” lies on the party asserting it.

****Class Notes:****

1. ****Corporation Code of the Philippines:****

- ****Sec 123**** - Defines foreign corporations and rights to business in the Philippines.

- ****Sec 133**** - Foreign corporations transacting without a license cannot sue in Philippine courts.

2. ****Republic Act No. 7042:****

- Provides standards for “doing business,” including clear exclusions like mere investment or having a non-continuous business presence.

3. **RA 5455 and RA 7042:**

- Acts of “doing business” include continuous commercial dealings that imply regular operation.

Historical Background:

- The case arose amid the late 20th-century efforts to define the extent of foreign corporate activities in the Philippines, reflecting global trade dynamics and evolving jurisprudence on international corporate presence and obligations within local jurisdictions.