

****Title: Heirs of Tan Eng Kee vs. Court of Appeals and Benguet Lumber Company****

****Facts:****

1. ****Post-World War II****: After World War II, Tan Eng Kee and Tan Eng Lay allegedly formed a business named Benguet Lumber, pooling their resources to sell lumber, hardware, and construction supplies. This business was handled jointly until Tan Eng Kee's death on September 13, 1984.
2. ****Incorporation****: In 1981, it was alleged that Tan Eng Lay and his children transformed the business into a corporation, Benguet Lumber Company, allegedly to deprive Tan Eng Kee and his heirs of their rightful share.
3. ****Lawsuit Filed****: After Tan Eng Kee's death, his common-law spouse Matilde Abubo and their children (petitioners) filed a suit for accounting, liquidation, and winding up of the alleged partnership. The complaint was docketed as Civil Case No. 1983-R in the Regional Trial Court (RTC) of Baguio City.
4. ****Amended Complaint****: On March 18, 1991, the petitioners filed an amended complaint to include Benguet Lumber Company, represented by Tan Eng Lay.
5. ****RTC Judgment****: The RTC rendered judgment declaring Benguet Lumber as a joint adventure akin to a partnership and ordered the dissolution and liquidation of its assets, determining the heirs' right to the assets transferred to the corporation.
6. ****Appeal to Court of Appeals****: The RTC's judgment was appealed to the Court of Appeals (CA), which reversed the RTC's decision, ruling there was no partnership between Tan Eng Kee and Tan Eng Lay.
7. ****Supreme Court Petition****: Petitioners elevated the case to the Supreme Court, questioning the factual determinations and findings of the CA.

****Issues:****

1. Whether Tan Eng Kee and Tan Eng Lay formed a partnership entitling Tan Eng Kee's heirs to a share in Benguet Lumber's profits and assets.
2. Whether the Court of Appeals erred in relying on evidence suggesting that Tan Eng Kee was merely an employee of Benguet Lumber.
3. Whether circumstantial evidence and conduct between Tan Eng Kee and Tan Eng Lay suffice to establish the existence of a partnership.

4. Whether the conversion of Benguet Lumber to a corporation amounted to a deprivation of partnership interest for Tan Eng Kee and his heirs.

Court's Decision:

1. **No Partnership Establishment**: The Court concluded that no sufficient evidence was presented to establish the existence of a partnership between Tan Eng Kee and Tan Eng Lay. Petitioners failed to prove that both brothers bound themselves to contribute to a common fund with the intention to divide profits.

2. **Evidence of Employee Status**: The court noted documents such as payroll records indicating Tan Eng Kee was an employee, and not a partner, were not convincingly refuted by petitioners. Additionally, Tan Eng Kee's failure to demand an accounting throughout his life supported this finding.

3. **Circumstantial Evidence Insufficient**: The Court ruled that the circumstantial evidence presented was inadequate to prove a partnership. The conduct and roles described (e.g., both brothers supervising employees, setting prices, placing orders) were consistent with Tan Eng Kee being a trusted employee rather than a partner.

4. **Corporate Conversion**: The transformation of Benguet Lumber into a corporation was not proven to be a ruse to deprive Tan Eng Kee of his share, as no clear partnership existed.

The Supreme Court affirmed the Court of Appeals' decision, ruling no partnership existed and thus no accounting, liquidation, or dissolution of partnership assets was warranted.

Doctrine:

A partnership requires a contract where parties bind themselves to contribute money, property, or industry to a common fund and intend to divide the profits among themselves. Without clear evidence of a partnership, significant contributions, common funds, intent to share profits, or essential legal formalities (such as a public instrument when required), no juridical partnership can be deemed to exist. Circumstantial evidence must firmly support the elements of a partnership to establish its existence.

Class Notes:

- Key Elements of Partnership:

1. **Contract Agreement**: Oral or written, contributing money, property, or industry.
2. **Intention to Share Profits**: Intent to divide profits among partners.
3. **Public Instrument Requirement**: Necessary when involving real property or capital

exceeding P3,000.

- Relevant Statutes: Articles 1767, 1771, 1772 of the Civil Code of the Philippines.
- Application: Partnership must be proven beyond circumstantial evidence like mutual conduct or joint operational roles. Written agreements or formal records strengthen claims of existence.

****Historical Background:****

This case emerged during a period when business operations and ownership structures were often informal. Post-World War II economic conditions led to joint ventures and informal business undertakings among family members. The case reflects the courts' role in meticulously examining evidence to determine the nature of business relationships, distinguishing between employees and partners in Filipino commercial enterprises.