

Title:

Sunga-Chan & Sunga v. Chua

Facts:

1. **Initial Setup (1977):**

- Lamberto T. Chua (respondent) and Jacinto L. Sunga entered into a verbal partnership to distribute Shellane Liquefied Petroleum Gas (LPG) in Manila.
- They agreed to register the business, SHELLITE GAS APPLIANCE CENTER (Shellite), under Jacinto's name as a sole proprietorship for business convenience.
- Initial capital: Both contributed P100,000 each, with profits to be split equally.
- Management: Jacinto managed the business, assisted by Josephine Sy (respondent's sister-in-law).

2. **Business Operation (1977-1989):**

- The business was profitable, but respondent alleged that Jacinto and Josephine might have undervalued business inventories for selfish reasons and tax avoidance.
- Respondent received inventory and balance sheets from Jacinto throughout the years but doubted their veracity.

3. **After Jacinto's Death (Late 1989):**

- Cecilia Sunga and Lilibeth Sunga-Chan (petitioners), Jacinto's wife and daughter, took over the operations without respondent's consent.
- Respondent repeatedly demanded inventory, appraisal, and restitution of his shares but received only P200,000 from Lilibeth as partial payment.

4. **Initial Legal Actions (1992-1993):**

- **June 22, 1992:** Chua filed a complaint for "Winding Up of Partnership Affairs, Accounting, Appraisal and Recovery of Shares and Damages with Writ of Preliminary Attachment" with the Regional Trial Court (RTC).
- **December 19, 1992:** Petitioners filed a Motion to Dismiss, arguing the Securities and Exchange Commission (SEC) had jurisdiction.
- **January 12, 1993:** RTC denied the motion.
- **January 30, 1993:** Petitioners filed their Answer with Compulsory Counterclaims.
- **August 2, 1993:** Second Motion to Dismiss filed by petitioners, suggesting the case be directed to probate court.
- **August 16, 1993:** RTC denied the second motion.
- **November 26, 1993:** Petitioners filed a Petition for Certiorari, Prohibition, and

Mandamus with the Court of Appeals (CA), which was subsequently denied.

5. **Trial Court and Appeals Court Proceedings (1994-2000):**

- **October 7, 1997:** RTC ruled in favor of respondent ordering accounting, restitution, and damages.
- **October 28, 1997:** Petitioners filed a Notice of Appeal.
- **January 31, 2000:** CA dismissed the appeal, affirming the RTC decision.
- **May 23, 2000:** CA denied petitioners' motion for reconsideration.

Issues:

1. **Existence of Partnership:**

- Whether the respondent and the late Jacinto L. Sunga were indeed partners despite the absence of any written agreement.

2. **Applicability of the "Dead Man's Statute":**

- Whether the testimonies of the respondent and Josephine Sy were admissible under the Dead Man's Statute.

3. **Laches and Prescription:**

- Whether the respondent's claims were barred by laches or prescription.

4. **Valuation of Partnership Assets:**

- Whether the amounts determined by the lower courts for the partnership's assets and profits were exaggerated.

Court's Decision:

1. Existence of Partnership:

- The Court affirmed that partnerships can be verbal and do not always require written contracts unless involving immovable property.
- Evidence presented, including testimonies and documents, proved the partnership existed based on mutual contributions and joint interest in profits.

2. Applicability of the "Dead Man's Statute":

- The "Dead Man's Statute" was not applicable here:
- Petitioners filed a compulsory counterclaim, allowing the respondent to testify.
- Josephine Sy's testimony was valid as she was not a party or assignor of a party.

3. Laches and Prescription:

- The action for accounting was timely since it was filed within six years as per Civil Code prescriptions.

- The partnership continues after dissolution until winding up is complete, so the action for accounting was within the legal timeframe.

4. **Valuation of Partnership Assets:**

- The Court found the petitioners' claims unsubstantiated since they failed to present contrary evidence during trial.
- Therefore, the lower courts' valuations of the partnership assets and profits were upheld.

Doctrine:

1. Partnerships can be constituted verbally and require mutual contribution and joint interest without necessitating a written contract unless involving immovables (Article 1772, Civil Code).
2. The "Dead Man's Statute" disqualifies parties from testifying on matters before a deceased's death but does not apply if the deceased's estate has filed a counterclaim.
3. Actions for oral contracts prescribe in six years (Art. 1145, Civil Code).
4. A partnership continues post-dissolution until the winding-up process is complete (Art. 1829, Civil Code).

Class Notes:

- **Partnership Understanding:** Mutual contribution, joint interest, verbal agreement sufficiency.
- **Jurisdiction:** SEC jurisdiction if partnerships involve immovable property.
- **Dead Man's Statute:** Section 23, Rule 130 - disqualification exceptions if the estate files a counterclaim.
- **Prescription Periods:** Oral contract actions within six years (Art. 1145, Civil Code).
- **Legal Continuity of Partnerships:** Partners' rights and obligations continue until winding-up is completed (Articles 1828-1829, Civil Code).

Historical Background:

This case is set in the context of the Philippine legal framework governing partnerships, especially those formed verbally. The decision reiterates principles of partnership law by underscoring that verbal partnerships can be legally valid and that statutory periods and procedural rules, such as the Dead Man's Statute, play critical roles in partnership disputes.