

Title:

W.G. Philpotts vs. Philippine Manufacturing Company and F.N. Berry, 40 Phil. 471 (1919)

Facts:

W.G. Philpotts, a stockholder of the Philippine Manufacturing Company, filed a petition for a writ of mandamus to inspect the records of the company's business transactions since January 1, 1918. Philpotts sought to conduct this inspection either personally or through an authorized agent or attorney. The respondents included the Philippine Manufacturing Company and its secretary, F.N. Berry.

The case was originally filed in the Supreme Court of the Philippines under section 515 of the Code of Civil Procedure, which allows for concurrent jurisdiction with the Court of First Instance in instances where a corporation unlawfully excludes a plaintiff from exercising a right. The respondents demurred, arguing primarily that the action could not be maintained jointly against the corporation and its secretary without an additional allegation that the secretary was the custodian of the business records.

Procedural Posture:

1. **Initial Filing**: Philpotts filed the petition for a writ of mandamus directly with the Supreme Court.
2. **Demurrer Filed**: Respondents filed a demurrer, essentially a formal objection, arguing that there was a defect of parties.'
3. **Supreme Court Proceedings**: The case proceeded to the Supreme Court for determination of the issues raised by the demurrer.

Issues:

1. Whether the action could be properly maintained against both the corporation and its secretary without alleging that the latter is the custodian of the corporation's records.
2. Whether a stockholder's right to inspect corporate records, as provided under section 51 of the Corporation Law, could be exercised through an authorized agent or attorney, instead of personally.

Court's Decision:

The Supreme Court ruled against the demurrer on both counts:

1. **Action Against Both Corporation and Secretary**:
 - The Court found that while the petition could have proceeded solely against the corporation, including the secretary as a respondent was also proper given the secretary's

customary role as custodian of corporate records. There is no indication in the complaint that the secretary is an improper respondent.

- The ruling also cited a California Supreme Court decision in **Barber vs. Mulford** which supported the view that both a corporation and its officers can be proper parties to such an action.

2. **Exercising Right of Inspection Through an Agent or Attorney**:

- The Court held that the right of inspection granted to a stockholder can be exercised by a properly authorized representative or attorney. The Court emphasized that what a person may do personally, they may generally do through another, absent a statutory provision to the contrary.

- The Court drew from U.S. legal precedents and commentaries, noting that the right of inspection would be ineffective if it could not be executed through knowledgeable agents or attorneys.

- Illustrative case references included **Foster vs. White** and **Martin vs. Bienville Oil Works Co.**, which underscored that stockholders' rights should be broadly construed to include inspection by a representative.

Doctrine:

1. **Proper Parties in Mandamus Cases**:

- A corporation, along with its officers, may both be named as respondents in a mandamus proceeding to enforce stockholder rights.

2. **Right of Inspection by Authorized Agents**:

- Stockholder rights to inspect corporate books and records can be exercised through duly authorized agents or attorneys, not solely by the stockholder in person.

Class Notes:

- **Mandamus**: Legal remedy to compel a governmental or corporate official to perform a duty owed to the petitioner.

- **Proper Parties**: A lawsuit may name multiple appropriate parties to ensure effective enforcement of judicial orders.

- **Stockholder Rights**:

- Section 51 of Act No. 1459: Rights of stockholders to inspect corporate records.

- Section 515 and Section 222 of the Code of Civil Procedure: Basis for mandamus jurisdiction and party requirements.

- **California Case Law**:

- **Barber vs. Mulford**: Supports naming both corporation and its officers in mandamus actions.
- **Precedents from U.S. Jurisdictions**:
- **Foster vs. White** and **Martin vs. Bienville Oil Works Co.**: Justify inspection rights exercised by authorized representatives.

Historical Background:

- **Act No. 1459 (Corporation Law)** was modeled on American corporate law principles and was pivotal in shaping corporate governance and stockholder rights in the Philippines during the American period.
- This case exemplifies early 20th-century legal interpretations aligning Philippine corporate law with American precedents to ensure transparent corporate governance and protect minority stockholder rights.