

**\*\*Title:\*\*** San Juan Structural and Steel Fabricators, Inc. vs. Court of Appeals, Motorich Sales Corporation, Nenita Lee Gruenberg, ACL Development Corp., and JNM Realty and Development Corp.

**\*\*Facts:\*\***

On February 14, 1989, San Juan Structural and Steel Fabricators, Inc. (Petitioner) entered an agreement with Motorich Sales Corporation (Respondent) for the transfer of a parcel of land. The deal was represented by Andres T. Co, President of Petitioner, and Nenita Lee Gruenberg, Treasurer of Respondent. The Petitioner paid a down payment of PHP 100,000, with the balance due by March 2, 1989. Petitioner claimed readiness to pay the balance on that date, but Gruenberg did not appear to finalize the deal. Despite repeated demands, Motorich did not execute the Transfer of Rights/Deed of Assignment.

Petitioner filed a complaint for specific performance and damages. Respondents countered that Gruenberg's signature was insufficient without the approval of the President and Chairman of Motorich (Reynaldo Gruenberg), and that Petitioner failed to meet the payment terms as agreed. The RTC dismissed both the complaint and the counterclaim.

The Court of Appeals modified the RTC's decision, ordering Gruenberg to return the down payment to Petitioner. Petitioner then sought further relief from the Supreme Court.

**\*\*Issues:\*\***

1. Was there a valid contract of sale between Petitioner and Motorich?
2. May the doctrine of piercing the veil of corporate fiction be applied to Motorich?
3. Is the alleged alteration of Gruenberg's testimony in the transcript of stenographic notes material to the case's disposition?
4. Are respondents liable for damages and attorney's fees?

**\*\*Court's Decision:\*\***

The Supreme Court denied the petition and affirmed the Court of Appeals' decision.

1. **\*\*Validity of Agreement:\*\***

- The Court ruled there was no valid contract due to the absence of proper authorization from Motorich's board for Gruenberg to sell the property. No proof showed that Gruenberg had such authority or that the agreement was ratified by Motorich.

2. **\*\*Piercing the Corporate Veil:\*\***

- The Court rejected piercing the corporate veil, emphasizing that Motorich is not a close

corporation and that there was no evidence of fraudulent or illegal activities designed to use corporate fiction for illegitimate purposes.

3. **Transcript Alteration:**

- The Court deemed the alleged alteration in the transcript immaterial. Gruenberg's entire testimony showed she did not misrepresent her authorization, and Petitioner's president neglected to verify Gruenberg's authority properly.

4. **Damages and Attorney's Fees:**

- There was no basis for awarding damages or attorney's fees since Petitioner failed to prove fraud or bad faith by Respondents. The PHP 100,000 should be returned to Petitioner as no valid transaction occurred.

**Doctrine:**

- **Authority of Corporate Officers:**

A corporate officer must have explicit authorization from the board of directors to bind the corporation in real estate transactions.

- **Corporate Veil:**

The corporate veil may be pierced only when it is used to commit fraud, illegality, or to shield inequity.

- **Valid Contracts:**

For a contract involving a piece of land to be valid, the agent's authority must be in writing.

**Class Notes:**

- **Authority of Corporate Officers:**

- BP 68, Corporation Code of the Philippines, Sec. 23.

- Civil Code, Art. 1874 & 1878.

- Principle: A corporation acts through its board of directors or authorized officers.

- **Piercing the Corporate Veil:**

- Conditions: Fraud, illegality, inequity.

- Case Law: Applied when corporate fiction shields fraudulent or illegal acts.

- **Valid Contracts:**

- Elements: Consent, object, cause (Art. 1318, Civil Code).

- Written Authority: Required for selling immovable property (Art. 1874, Civil Code).

**\*\*Historical Background:\*\***

The case highlights corporate governance issues in Philippine law, particularly concerning the authorization required for corporate officers to engage in contracts involving significant corporate assets. It underscores the importance of scrutinizing corporate authority and the specific application of the doctrine of piercing the corporate veil in protecting third-party interests from fraudulent activities masked by corporate structure.