

****Title**:** Philippine Products Company vs. Primateria Societe Anonyme Pour Le Commerce Exterieur

****Facts**:**

On October 24, 1951, Primateria Societe Anonyme Pour Le Commerce Exterieur (Primateria Zurich), a foreign juridical entity based in Zurich, Switzerland, entered into an agreement with Philippine Products Company. Under this agreement, the Philippine Products Company was tasked with buying copra in the Philippines for Primateria Zurich. This initially “tentative, experimental period” deal lasted one month but was subsequently extended to February 24, 1952, and then further extended into 1953. Throughout this period, Philippine Products Company arranged for the shipment of copra to various foreign countries as instructed by Primateria Zurich through its local arm, Primateria (Philippines) Inc. (Primateria Philippines), represented by Alexander G. Baylin and Jose M. Crame.

As of May 30, 1955, Philippine Products Company was owed P33,009.71 by Primateria Zurich for these transactions, of which P2,000.00 was later paid, reducing the outstanding debt to P31,009.71. The funds were due for copra shipments conducted under the direction of Primateria Zurich through its agents in the Philippines. Primateria Zurich, however, did not hold the necessary license to transact business in the Philippines.

When Primateria Zurich failed to respond within the legally specified period, it was declared in default, and the Manila court of first instance ruled in favor of Philippine Products Company. This court found Primateria Zurich liable for P31,009.71 with legal interest from the date of filing the complaint and P2,000.00 for attorney’s fees. It absolved the local agents (Primateria Philippines, Alexander G. Baylin, and Jose M. Crame) from liability. Philippine Products Company appealed, seeking to hold these local agents personally liable as well.

****Issues**:**

1. Whether Primateria Zurich qualifies as a foreign corporation under Sections 68 and 69 of the Corporation Law.
2. If so, whether it has transacted business in the Philippines without the necessary license.
3. Whether the local agents of such a foreign corporation can be held personally liable for contracts executed on behalf of their principal (Primateria Zurich).

****Court’s Decision**:**

1. The Supreme Court found that the lower court correctly ruled in not recognizing

Primateria Zurich definitively as a “foreign corporation” under Sections 68 and 69 of the Corporation Law. The distinction between a “societe anonyme” and a corporation was significant to the decision. Therefore, Primateria Zurich did not fall within the purview of the Corporation Law’s regulations for foreign corporations.

2. The Supreme Court did not find it necessary to rule on whether Primateria Zurich transacted business in the Philippines without a license because the key distinction between a “societe anonyme” and a corporation exempted Primateria Zurich from such classification under local law.

3. The Court held that the agents of Primateria Zurich were not personally liable under the New Civil Code, Art. 1897 because there was no evidence that the agents (Baylin and Crame) exceeded their authority or committed personal wrongdoing while acting on behalf of Primateria Zurich. The principal owed the debt and acknowledged the same without questions arising from agent misconduct.

****Doctrine**:**

Primateria Zurich was not classified as a foreign corporation under Sections 68 and 69 of the Corporation Law, given the legal distinction between a corporation and a “societe anonyme.” Under Art. 1897 of the New Civil Code, agents acting within their authority and without overstepping their bounds do not incur personal liability for their principal’s obligations.

****Class Notes**:**

- ****Foreign Corporations****: Defined under Sections 68 and 69 of the Corporation Law, require a license to transact business in the Philippines.
- ****Agency Law****: According to Art. 1897 of the New Civil Code, agents are not personally liable in contracts undertaken within their authority unless otherwise explicitly stipulated.

****Historical Background**:**

The case exemplifies the regulatory framework governing foreign businesses’ operations in the Philippines post-World War II. At its core, it addresses the responsibilities of representatives of foreign entities operating without proper licensing, as well as the implications of specific local corporate laws on international business relations.

This case underscores the importance for foreign firms in understanding and adhering to local business regulations to avoid liabilities and legal conflicts. It highlights the evolution of legal distinctions between different types of business entities and their impact on liability

and agency law.