

**\*\*Title:\*\*** Gregorio F. Ortega, Tomas O. Del Castillo, Jr., and Benjamin T. Bacorro vs. Court of Appeals, Securities and Exchange Commission, and Joaquin L. Misa (315 Phil. 573)

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

The law firm Bito, Misa & Lozada underwent numerous transformations since its inception, as recorded in the Mercantile Registry on January 4, 1937. These amendments continued with changes in the firm's composition and name, the last being "Bito, Misa & Lozada" in 1980. Partners Gregorio F. Ortega, Tomas O. del Castillo, Jr., and Benjamin Bacorro joined in 1980.

**\*\*1. February 17, 1988:\*\*** Joaquin L. Misa wrote to the partners about his withdrawal and retirement effective at the end of the month, requesting a meeting for liquidation mechanics focusing on his interest in the firm's assets, particularly two floors in their building.

**\*\*2. February 19, 1988:\*\*** Misa complained about working conditions and the poor treatment of employees, indicating discord within the partnership.

**\*\*3. June 30, 1988:\*\*** Misa filed a petition with the SEC to dissolve and liquidate the partnership. He sought an official dissolution, a share in the partnership's assets plus profits or interest, a prohibition on using the firm's name, attorney's fees, and damages amounting to at least P850,000.

**\*\*4. July 13, 1988:\*\*** The respondents opposed the petition, which Misa countered with a reply on the same day.

**\*\*5. March 31, 1989:\*\*** The SEC Hearing Officer ruled that Misa's withdrawal did not dissolve the partnership, directing all parties to abide by the partnership agreement.

**\*\*6. January 17, 1990:\*\*** SEC en banc reversed the Hearing Officer's decision, acknowledging that Misa's withdrawal dissolved the partnership since it was a partnership at will. The case was remanded for asset valuation.

**\*\*7. April 4, 1991:\*\*** SEC denied all filed motions for reconsideration and requests for receivership.

**\*\*8. February 26, 1993:\*\*** The Court of Appeals upheld the SEC's decision - the partnership dissolved upon Misa's withdrawal.

During the appellate proceedings, the deaths of partners Bito and Lozada on September 5,

1991, and December 21, 1991, respectively, occurred, causing Misa to renew his request for receivership, which was opposed by other partners. The Court found no harm to the partnership's assets and rejected the appointment of a receiver.

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

1. Whether the law firm was a partnership at will.
2. Whether Misa's withdrawal dissolved the partnership, irrespective of good or bad faith.
3. Whether Misa's demand for the dissolution was in bad faith.

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

1. **\*\*Partnership at Will:\*\***

The Court confirmed the law firm "Bito, Misa & Lozada" was a partnership at will as it did not specify a term or undertaking. The "Duration" clause indicated the firm would continue as long as it was mutually satisfactory, reinforcing its partnership-at-will nature.

2. **\*\*Dissolution by Withdrawal:\*\***

The Court held that Misa's withdrawal dissolved the partnership due to the mutual agency and delectus personae (right to choose associates) principles. The Court agreed that regardless of the withdrawal's good or bad faith, a partner has the power (not necessarily the right) to dissolve a partnership at will, but bad faith could lead to damages.

3. **\*\*Absence of Bad Faith:\*\***

The Court deferred to the factual findings of the SEC and the Court of Appeals that Misa's withdrawal was not in bad faith. His withdrawal was driven by interpersonal conflicts rather than a design to harm the partnership.

**\*\*Doctrine:\*\***

A partnership at will can be dissolved at any time by any partner's withdrawal, irrespective of good or bad faith, although bad faith can result in liability for damages. Partners' mutual agency and the principle of delectus personae allow any partner to force a dissolution at will.

**\*\*Class Notes:\*\***

- **\*\*Partnership at Will:\*\*** Exists without a specified duration or undertaking; can be dissolved by any partner's action.
- **\*\*Delectus Personae:\*\*** Right of partners to choose their associates, foundational to partnership nature.
- **\*\*Dissolution and Winding Up:\*\*** Defined under Civil Code Articles 1830 and 1837.

- **Bad Faith:** Can lead to damages but does not prevent dissolution.
- **Article 1830 (1)(b), Civil Code:** Provides for dissolution by withdrawal of a partner.
- **Article 1837, Civil Code:** Governs the application of partnership property upon dissolution.

**Historical Background:**

The case exemplifies the fluid nature of professional partnerships and the legal intricacies involved in their dissolution, reflecting broader principles of mutual agency and the freedom of association that underscore many legal systems. The timeline reveals shifting dynamics within a long-standing firm, culminating in significant legal clarification on the dissolution of partnerships at will in Philippine jurisprudence.