

### Title:

Gregorio Palacio, on behalf of himself and his minor child Mario Palacio, vs. Fely Transportation Company, 116 Phil. 154 (1962)

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### Facts:

1. **Incident and Injury (December 24, 1952)**:

- Alfredo Carillo, driver for Fely Transportation Company, negligently ran over Mario Palacio, causing a fracture in Palacio's right femur.
- Mario Palacio was hospitalized from December 24, 1952, to January 8, 1953, followed by a five-month treatment.

2. **Losses Sustained**:

- Gregorio Palacio, Mario's father, abandoned his work as a welder to care for his son, losing income and selling equipment at a loss to cover expenses.

3. **Initial Legal Actions**:

- In Criminal Case No. Q-1084, Alfredo Carillo was convicted and ordered to pay Mario Palacio P500.00 in damages.
- After the conviction, Isabelo Calingasan, owner of the jeep involved, transferred the vehicle to Fely Transportation Company.

4. **Civil Case for Liability (May 15, 1954)**:

- Gregorio Palacio filed a civil suit claiming P500 in damages, P1,200 in moral damages, attorney's fees, and other expenses.
- Fely Transportation moved to dismiss the case, arguing lack of cause of action and res judicata, which was deferred.

5. **Procedural Posture and Trial**:

- The trial court dismissed the complaint after considering the affirmative defenses and stipulated facts.
  - Palacio appealed to the Court of Appeals, which certified the case to the Supreme Court due to purely legal questions.
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### Issues:

1. Whether Fely Transportation Company should be held subsidiarily liable for the damages due to the criminal conviction of their employee.
2. Whether the action is precluded by prior judgment in the criminal case.

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### ### Court's Decision:

#### 1. **Subsidiary Liability**:

- The Supreme Court held that Fely Transportation Company was subsumed under the liability of Isabelo Calingasan.
- The incorporation of Fely Transportation, largely by Calingasan's family, appeared to be a maneuver to evade liability.

#### 2. **Doctrine of Piercing the Corporate Veil**:

- The transfer of the jeep post-verdict indicated an attempt to misuse the corporate entity to avoid paying damages, justifying the court's piercing of the corporate veil.
- The court emphasized preventing misuse of corporate fiction to subvert justice, referencing *La Campana Coffee Factory v. Kaisahan ng Manggagawa*.

#### 3. **Non-Applicability of Res Judicata**:

- The court found that the civil action was by no means barred by prior judgment, as it directly stemmed from the indemnity decreed in the criminal trial.

#### 4. **Resolution and Order**:

- The lower court's decision was reversed.
- Fely Transportation and Isabelo Calingasan were held jointly and severally liable to pay the Palacios the P500 indemnity.

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### ### Doctrine:

- **Subsidiary Civil Liability in Criminal Cases**: Employers and their corporations can be held subsidiarily liable for damages resulting from felonies committed by employees within their employment scope.
- **Piercing the Corporate Veil**: A corporate entity's separate personality may be disregarded if it is used to perpetrate fraud, evade legal obligations or achieve injustice.

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### Class Notes:

- **\*\*Subsidiary Liability (Article 103, Revised Penal Code)\*\*:**
  - Applies to employers or corporations by virtue of employee's actions during employment.
  - Key Case: *Palacio v. Fely Transportation*, piercing corporate veil for justice.
- **\*\*Res Judicata\*\*:**
  - A judgment in a prior case bars re-litigation only if the subsequent claim is independently arising and based on the same cause.
- **\*\*Piercing the Corporate Veil\*\*:**
  - Circumstances involve misuse, fraud, or when justice requires circumventing the corporate protection.

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### Historical Background:

- The case highlights evolving judicial approaches to corporate personhood in the 1960s Philippines, particularly to prevent misuse of incorporation for evading responsibilities.
- Reflects the judiciary's eagerness to uphold substantive justice over rigid adherence to formal structures in corporate law.