Title: Velarde vs. Lopez, Inc., G.R. No. 153886

Facts:
On January 6, 1997, Eugenio Lopez Jr., as president of respondent Lopez, Inc., and petitioner Mel Velarde, as general manager of Sky Vision Corporation (a subsidiary of Lopez Inc.), entered a loan agreement for P10,000,000.00. The loan agreement specified terms of payment and events constituting default: failure to pay installments or secure the loan with real property.

Velarde defaulted by failing to make payments. Respondent suggested using Velarde's retirement benefits from Sky Vision to partially settle the debt, provided he first settle his Sky Vision liabilities and instructed Sky Vision accordingly. Velarde disagreed, stating advances from Sky Vision were already liquidated.

Respondent filed a complaint for sum of money with damages at the Regional Trial Court (RTC) of Pasig City, alleging defaults under Section 6 of the loan agreement despite demand letters sent. Velarde countered that the loan was actually a reward for his service and was not meant to be repaid. Consequently, he filed a compulsory counterclaim seeking various unpaid benefits and damages totaling over P100,000,000.00, asserting that these claims arose from his forced retirement.

Lopez, Inc., sought dismissal of the counterclaim for lack of jurisdiction, arguing counterclaims were labor-related and not within RTC's jurisdiction. Velarde opposed. The RTC denied Lopez's motion, asserting the counterclaim was compulsory and justifying the piercing of the corporate veil due to the alleged business conduit relationship between Lopez, Inc., and Sky Vision.

The Court of Appeals reversed this, dismissing Velarde's counterclaims, holding that Lopez, Inc., was not the real party-in-interest, and there was no ground to pierce the corporate veil.

Issues:
1. Did the RTC err in denying Lopez, Inc.'s motion to dismiss the counterclaim?
2. Is Lopez, Inc., the real party-in-interest for Velarde's counterclaims?
3. Are the counterclaims compulsory?

Court's Decision:
1. **Error in Denying the Motion to Dismiss**: The Supreme Court found the RTC indeed erred. The Court of Appeals correctly highlighted that certiorari was proper because the

RTC acted with grave abuse of discretion—an exception to the general rule that certiorari cannot correct mere errors of judgment.

2. **Real Party-in-Interest**: The Court upheld that Lopez, Inc., was not the real party-in-interest for claims relating to Velarde's employment with Sky Vision, its subsidiary. Separate corporate personalities meant claims concerning employment and benefits should be directed at Sky Vision, not Lopez, Inc. The Court also noted that "piercing the corporate veil" was not justified since the subsidiary shared separate juridical personality and there was no fraud or misuse substantiating otherwise.

3. **Nature of Counterclaims**: The Counterclaims were largely related to Velarde's employment (salaries, benefits, etc.), typically within the jurisdiction of the Securities Exchange Commission, later transferred to RTCs under RA 8799. However, filing such claims against Lopez Inc., rather than his actual employer, Sky Vision, was procedurally improper.

Doctrine:
– **Separate Juridical Personality**: A subsidiary has a separate juridical personality distinct from the parent company, warranting independent accountability and liability.
– **Piercing the Corporate Veil**: This is exceptional and done only when a corporation is used unjustly or fraudulently as a shield for wrongdoing, requiring evidence of fraud or manipulation.

Class Notes:
– **Jurisdiction**: RTCs handle intra-corporate disputes post-RA 8799, but claims must be filed against the correct corporate entity.
– **Labor vs. Commercial Claims**: Jurisdictions differ; labor claims to NLRC and intra-corporate to SEC, now RTCs.
– **Veil Piercing**: Requires fraud or misuse indication, often in "control, fraud/wrong, proximate cause of injury" dimensions.

Historical Background:
The decision reflects evolving judicial treatment of corporate responsibility boundaries, aligned with legislative changes transferring intra-corporate dispute jurisdiction to RTCs. This clarifies procedural requirements ensuring claims are correctly directed and not misfiled against non-liable affiliated entities.