

Title: Aetna Casualty & Surety Co. v. Pacific Star Line et al.

Facts:

On December 22, 1961, a shipment of 33 packages of linen and cotton piece goods was consigned by I. Shalom & Co. Inc., aboard the vessel SS Ampal operated by Pacific Star Line, from New York to Manila, consigned to Judy Philippines, Inc. The vessel arrived in Manila on February 10, 1962. Upon unloading, two cases (numbers 5804 and 16705) were noted in bad condition due to pilferage and seawater damage. I. Shalom & Co. filed a claim with the carrier, Pacific Star Line, which was not honored.

The cargo was insured with Aetna Casualty & Surety Company, which indemnified I. Shalom & Co. for the loss and became the subrogee. Aetna, alongside Smith Bell & Co. (Philippines), as subrogee, filed a civil case against Pacific Star Line, The Bradman Co., Manila Port Service, and Manila Railroad Co. in the Court of First Instance (CFI) of Manila to recover US\$2,300 for the lost and damaged goods plus litigation expenses and exemplary damages.

Smith Bell & Co. was later dropped from the case, leaving Aetna as the sole plaintiff. Manila Port Service contended that it exercised due diligence and that any claim should have been filed within 15 days of discharge, as per the management contract with the Bureau of Customs. Pacific Star Line and The Bradman Co. argued the claim had prescribed per the Carriage of Goods by Sea Act and that any liability ended upon delivery to the arrastre operator.

Manila Port Service amended its answer to assert Aetna's lack of capacity to sue, as it was not licensed to do business in the Philippines. The CFI dismissed the complaint, finding Aetna engaged in activities that constituted doing business in the Philippines without the proper license.

Issues:

1. Does Aetna Casualty & Surety Company have the legal capacity to sue in the Philippines without being licensed to do business under Philippine laws?
2. Whether Aetna's activities constitute "doing business" within the Philippines necessitating a license.

Court's Decision:

1. Legal Capacity to Sue: The Supreme Court reversed the CFI's decision, indicating that Aetna was not "transacting" insurance business in the Philippines. The contractual activities and payment occurred in New York, with the proceedings in Manila only addressing its

subrogation rights. Collecting a claim from its subrogee does not constitute doing business.

2. Interpretation of Doing Business: The Court reiterated the principles from previous rulings that a foreign corporation may sue in the Philippines for isolated transactions without being seen as transacting business. Aetna's actions were consistent with isolated transactions, thus, it retained the capacity to sue. The case was remanded for determining the liability of the defendants.

**Doctrine:**

The decision reinforced the doctrine that isolated transactions conducted by foreign corporations in the Philippines do not constitute doing business. This principle allows foreign entities to file suits without needing a local business license when they aren't conducting regular commercial operations within the country.

**Class Notes:**

- Sections 68 & 69 of the Corporation Law prohibit unlicensed foreign corporations from transacting business or suing in the Philippines.
- Foreign corporations conducting isolated transactions (not continuous business) in the Philippines may access local courts.
- Subrogation rights allow a party that compensated a loss to seek recovery from liable parties.
- Carriage of Goods by Sea Act and bill of lading terms dictate carrier's liability duration and limitations in shipping disputes.

**Historical Background:**

The case occurred during a time when international trade was expanding, necessitating clarity in how foreign legal entities interact within domestic jurisdictions. The ruling provided a balance between protecting domestic market regulations and honoring international commercial engagements.