

Title: Sibagat Timber Corporation vs. Adolfo B. Garcia, USIPHIL, Inc. and Stronghold Insurance Co., Inc.

Facts:

1. Background: Sibagat Timber Corporation claimed ownership of certain machinery and equipment previously owned by Del Rosario & Sons Logging Enterprises, Inc. pursuant to deeds of sale.
2. Execution: On August 30, 1988, Sheriff Adolfo B. Garcia was tasked with executing a writ issued by the RTC Makati (Civil Case No. 7180) against Del Rosario & Sons Logging Enterprises, Inc., leading to the levy of various pieces of equipment.
3. Third-Party Claim: Sibagat Timber Corporation, through Mariano Rana, filed a third-party claim asserting ownership of the levied equipment and machinery.
4. Indemnity Bond: USIPHIL, Inc., the judgment creditor, secured an indemnity bond against the third-party claim allowing the sale to proceed.
5. Auction Sale: Despite a petition for injunction and restraining order being filed on September 6, 1988, by Sibagat Timber Corporation, Sheriff Garcia informed that the auction sale had been completed before the restraining order could be served.
6. Legal Proceedings: The Regional Trial Court, on February 28, 1990, dismissed the petition of Sibagat Timber Corporation for certiorari, prohibition, and injunction. An appeal was subsequently made to the Court of Appeals, which was dismissed on February 15, 1991.

Procedural Posture:

- Sibagat Timber Corporation challenged the auction via a petition for certiorari, prohibition, and injunction in Butuan City RTC, which was dismissed.
- The dismissal was affirmed by the Court of Appeals.
- A final petition was filed to the Supreme Court seeking review on certiorari under Rule 45.

Issues:

1. Whether the veil of corporate fiction should be pierced between Sibagat Timber Corporation and Del Rosario & Sons Logging Enterprises, Inc., rendering them as a single entity.
2. Whether Sibagat Timber Corporation is legally distinct and separate from Del Rosario & Sons Logging Enterprises, Inc.
3. Was there procedural impropriety or error in executing the auction notwithstanding the third-party claims?

Court's Decision:

1. Piercing Corporate Veil: The Supreme Court agreed with the lower courts that the entities should be treated as alter egos wherein the veil of corporate fiction could be pierced. The Court identified the similar set of officers and shared premises as contributing factors.
2. Corporate Distinction: Bent on clarifying that legal incorporation does not suffice to assert separateness if effectively used as a facade for fraud. The Court supported the findings that Sibagat acted as an adjunct of Del Rosario & Sons Logging Enterprises, Inc.
3. The Court emphasized that the third-party claim relating to the ownership by Mariano Rana was not persuasive enough to establish true independence and assert valid ownership claims post-auction.

Doctrine:

- The veil of corporate fiction may be disregarded when used as a shield to perpetuate fraud, confuse legitimate issues, and for entities acting as alter egos or mere instruments of another.
- A corporation organized and controlled such that it is an adjunct or instrumentality of another may be treated as one with its controlling entity.

Class Notes:

- Alter Ego Doctrine: Addresses circumstances where corporate separateness is disregarded.
- Rule on Corporate Fiction: Application requires proving control to the extent the separate personalities cease.
- Third-Party Claims: When seeking to prevent execution sale, claimant must hold substantial proof of separate ownership and entity distinct from the judgment debtor.

Historical Background:

- This case arose during a period of significant economic activity surrounding corporate formations in logging and similar industries in the Philippines. The interpretation of corporate separateness was tested as businesses faced financial challenges leading to increased creditor actions and asset seizures, reflecting on the need for clear legal doctrines protecting genuine ownership and preventing misuse of corporate structures for fraudulent purposes.