

Title:

Pacific Rehouse Corporation v. Court of Appeals and Export and Industry Bank, Inc.

Facts:

- **Initial Complaint:** Pacific Rehouse Corporation (and related entities) filed a complaint with the Makati City RTC, Branch 66, against EIB Securities Inc. (E-Securities) for the unauthorized sale of 32,180,000 DMCI shares.
- **RTC Decision:** On October 18, 2005, the RTC rendered judgment directing E-Securities to return the shares and for plaintiffs to reimburse the defendant Php 10,942,200. This decision was affirmed by the Supreme Court and attained finality.

Procedural Developments:

- **Writ of Execution:** The writ of execution was returned unsatisfied. Pacific Rehouse moved for an alias writ of execution to hold Export and Industry Bank, Inc. (Export Bank) liable, claiming E-Securities was a mere alter ego of Export Bank.
- **RTC Ruling:** On July 29, 2011, the RTC held that E-Securities was an alter ego of Export Bank and issued an alias writ of execution against both entities.
- **Omnibus Motion by Export Bank:** Export Bank filed an Omnibus Motion questioning the writ. The RTC denied this motion on August 26, 2011, and directed the garnishment of P1,465,799,000.
- **Petition for Certiorari:** Export Bank petitioned the CA, seeking to nullify the RTC's orders for issuing the alias writ and garnishment, alleging abuse of discretion.
- **TRO Issued by CA:** CA issued a 60-day TRO on September 2, 2011, and eventually a writ of preliminary injunction on October 25, 2011.
- **Final CA Decision:** On April 26, 2012, the CA nullified the RTC orders, stating the alter ego doctrine could not apply without sufficient evidence of Export Bank's misuse of corporate fiction.

Issues:

1. **G.R. No. 199687:** Did the CA commit grave abuse of discretion in granting Export Bank's application for a preliminary injunction?
2. **G.R. No. 201537:**
 - Did the CA err in ruling that Export Bank could not be held liable for E-Securities' obligations by piercing the corporate veil?
 - Did the CA err in ruling that the alter ego doctrine was not applicable?

Court's Decision:

****G.R. No. 199687:****

- ****Mootness:**** The petition challenging the issuance of the preliminary injunction was declared moot since the CA had already rendered a final decision on the case's merits.

****G.R. No. 201537:****

1. ****Liability by Piercing Corporate Veil:****

- ****Jurisdiction:**** The Court reiterated that jurisdiction over a party must be obtained appropriately. Export Bank was never served summons nor had it appeared voluntarily.

- ****CA's Correct Application:**** The CA correctly held that piercing the corporate veil cannot confer jurisdiction and that Export Bank's separate corporate personality must be respected without sufficient proof of misuse.

2. ****Alter Ego Doctrine Not Applicable:****

- ****Requirements for Piercing the Veil:****

1. ****Control:****

- E-Securities required and received financial support from Export Bank.

- Existence of common directors and officers.

2. ****Proof of Fraud or Wrongdoing:****

- Lack of evidence showing Export Bank's fraudulent control or misuse of E-Securities for illicit purposes.

3. ****Proximate Cause of Injury:****

- No evidence that E-Securities' actions directly benefited Export Bank in a fraudulent manner.

Doctrine:

****Piercing the Veil of Corporate Fiction:****

- The Court reaffirmed that piercing the corporate veil is not to confer jurisdiction and is applicable mainly to establish liability, not jurisdiction.

- Jurisdiction over a corporation requires valid service of summons or voluntary appearance and cannot be assumed through another corporation's lawsuit by simply alleging the alter ego doctrine without substantial evidence.

Class Notes:

Key Elements:

1. ****Corporate Veil Doctrine:****

- Requires proof of control, fraud, or misuse, and proximate cause of injury based on control.

2. **Jurisdiction:**

- Jurisdiction over corporations necessitates service of summons or voluntary appearance.

Statutory Provisions:

- **Rule 39, Sec. 10 of Rules of Court:** Governs enforcement of judgments.

- **Internal Rules of CA:** Procedures for handling injunctions and other emergency relief.

Reiteration of Key Points:

- Proper service is fundamental to jurisdiction.

- Mere majority ownership and common officers do not suffice for piercing the corporate veil.

Historical Background:

This case reflects ongoing challenges in balancing corporate independence and accountability. It highlights judicial reluctance to undermine corporate separateness without unequivocal evidence of abuse or fraud, emphasizing due process and proper acquisition of jurisdiction as unyielding prerequisites. The case underscores the delicate interplay between corporate law principles and procedural due process in the Philippine judiciary.