

****Title:****

Tan Boon Bee & Co., Inc. vs. Jarencio, et al.

****Facts:****

1. ****Credit Sale****: Tan Boon Bee & Co., Inc. (Petitioner), doing business as Anchor Supply Co., sold paper products amounting to P55,214.73 on credit to Graphic Publishing, Inc. (GRAPHIC).
2. ****Partial Payment****: Graphic made partial payment of P24,848.74 on December 20, 1972.
3. ****Promissory Note****: A promissory note executed on December 21, 1972, stipulated the balance of P30,365.99 was to be paid in monthly installments, with 12% annual interest for defaults.
4. ****Default****: GRAPHIC defaulted, leading Petitioner to file Civil Case No. 91857 for a sum of money in the Court of First Instance of Manila on September 6, 1973.
5. ****Default Judgment****: The court declared Graphic in default and ruled in favor of Petitioner on January 18, 1974, ordering Graphic to pay the balance plus interest and costs.
6. ****Writ of Execution****: An alias writ of execution was issued after the original writ expired without finding Graphic's property.
7. ****Levy and Auction****: The sheriff levied a "Heidelberg" cylinder press found at GRAPHIC's premises and auctioned it on July 26, 1974, despite a protest from Philippine American Drug Company (PADCO), who claimed ownership.
8. ****Motion to Nullify****: PADCO filed a motion to nullify the sale on July 30, 1974, which the respondent judge granted on March 26, 1975.
9. ****Appeal****: The decision was unsuccessfully contested by Petitioner through a motion for reconsideration and addendum, both denied leading to the present petition.

****Issues:****

1. ****Jurisdictional Error****: Whether the respondent judge exceeded or acted without jurisdiction by considering PADCO's claim under Section 17, Rule 39 of the Rules of Court.
2. ****Corporate Fiction****: Whether the respondent judge erred in not piercing PADCO's corporate veil, given the overlapping control and ownership between PADCO and GRAPHIC.

****Court's Decision:****

1. ****Jurisdictional Error Analysis****:
 - The Supreme Court referenced the Bayer Philippines, Inc. v. Agana case, affirming that third-party claims on levied property should be settled in a separate action, not in the primary case execution.
 - The Court noted Petitioner's active trial participation barred it from later contesting

jurisdiction.

- However, as PADCO wrongly intervened post-judgment in the same trial, the motion's consideration was incorrect, reasserting the need for a separate action.

2. **Corporate Fiction Analysis**:

- General corporate law principles underscore separate corporate identities (Yutivo & Sons Hardware Co. v. CTA, Emilio Cano Enterprises v. CIR).

- The Court emphasized the doctrine where the separate personality may be disregarded to prevent fraud and injustice.

- Based on the interrelated evidence between PADCO and GRAPHIC, the lower court should have pierced the corporate veil, which would allow levying on the property as though it belonged to GRAPHIC.

Doctrine:

1. **Separate Legal Personality** - Corporations generally possess separate legal identities but this can be disregarded in cases of fraud, illegality, or intercorporate egotism.

2. **Third-Party Claims (Rule 39, Section 17)** - Such claims should be adjudicated in separate independent actions and not in the context of the primary execution proceedings.

Class Notes:

1. **Separate Corporate Personality**:

- Recognized under Philippine law to promote convenience and justice.

- Can be disregarded under established circumstances like fraud.

- Citations: Yutivo & Sons Hardware Co. v. CTA, Sulo ng Bayan, Inc. v. Araneta, Inc.

2. **Execution and Third-Party Claims**:

- Section 17, Rule 39, Rules of Court: Claims over levied properties by third parties are to be resolved via independent proceedings, not through intervention.

- Bayer Philippines, Inc. v. Agana defines the proper application.

Historical Background:

- During the 1970s, as the Philippine economy was industrializing, disputes involving corporate entities and their transactions became frequent. This case reflects the complexities in enforcing creditor rights against corporate assets and determining how separate legal entity doctrines and procedural rules are applied to ensure proper judicial recourse and fairness.