

REYNOLDS PHILIPPINE CORPORATION, PETITIONER, VS. HON. COURT OF APPEALS AND SERG'S PRODUCTS, INC., RESPONDENTS.

G.R. No. L-36187. January 17, 1989

Ponente: GRIÑO-AQUINO, J.

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GRIÑO-AQUINO, J.:

This is a petition for review of the decision dated December 1, 1972 of the Court of Appeals in "Reynolds Philippine Corporation vs. Serg's Products, Inc.," dismissing the petitioner's collection suit.

In its complaint of June 2, 1966, the petitioner sought to recover from the private respondent Serg's Products, Inc. the sum of P32,565.62 representing the unpaid price of aluminum foils and cores sold and delivered by it to the latter.

The private respondent denied liability for payment of the account on the ground that the aluminum foils and cores were ordered or purchased by Serg's Chocolate Products, a partnership of Antonio Goquiolay and Luis Sequia Mendoza, not Serg's Products, Inc., a corporation managed and controlled by Antonio Goquiolay and his wife Conchita Goquiolay, as majority stockholders and principal officers.

On July 31, 1968, the trial court rendered judgment finding the private respondent liable and ordered it -

"to pay 'Reynolds Philippine Corporation' the balance of its account in the sum of Thirty Two Thousand Five Hundred Sixty Five Pesos and Sixty-Two Centavos (P32,565.62) with 6% interest per annum from January 26, 1966, until paid; Two Thousand Pesos (P2,000.00) as attorney's fees, and litigation expenses; and costs of this suit." (p. 46, Rollo; pp. 88-89, Record on Appeal.)

Upon private respondent's appeal to the Court of Appeals, that court on December 1, 1972, reversed the trial court and dismissed the complaint on the ground that petitioner had no cause of action against Serg's Products, Inc. (p. 43, Rollo).

Reynolds is now before Us, seeking a review of the Court of Appeals' decision. The petition raises a factual issue: Who is the real debtor of the petitioner? Is it the partnership of Goquiolay and Mendoza, doing business under the trade name of "Serg's Chocolate Products," or the respondent corporation, Serg's Products, Inc.?

Based on the testimony of the witnesses, the trial court held the corporation, "Serg's Products, Inc.," liable as the real buyer and user of the aluminum foils and cores. However, the Court of Appeals relied on the sales orders, delivery receipts, statements of account and demand letters where the purchaser named was "Serg's Chocolate Products," the partnership.

While it is an established principle that in a petition for review under Rule 45 of the Rules of Court, the Supreme Court will review only questions of law and that the factual findings of the Court of Appeals are conclusive upon Us, nevertheless, there are certain recognized exceptions to that rule. The exceptions are: (1) when the conclusion

is grounded entirely on speculation, surmises and conjectures; (2) when the inference is manifestly mistaken, absurd, and impossible; (3) where there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the Court in making its findings, went beyond the issues of the case, and the same are contrary to the admissions of both the appellant and the appellee; (6) when the findings of the Appellate Court are contrary to those of the trial court; (7) when the findings are without citation of specific evidence on which they are based (*Mendoza vs. Court of Appeals*, 156 SCRA 597; *Manlapaz vs. Court of Appeals*, 147 SCRA 238 [1987]; *Sacay vs. Sandiganbayan*, 142 SCRA 609 [1986]; *Guita vs. CA*, 139 SCRA 576 [1985]). It was held that where findings of the Court of Appeals and trial court are contrary to each other, the Supreme Court may scrutinize the evidence on record (*Cruz vs. CA*, 129 SCRA 222 [1984]).

In this case, the trial court which heard the witnesses testify, hence was in a superior position to assess the probative worth of their evidence, found that although the commercial documents were indeed in the name of "Serg's Chocolate Products," the following facts proved that the true purchaser of the aluminum foils and cores from the petitioner, was "Serg's Products, Inc." not the partnership denominated "Serg's Chocolate Products:"

(1) The rolls of aluminum foil were ordered and signed for by Antonio Goquiolay president of Serg's Products, Inc. They were delivered to, accepted, and used by said corporation in its chocolate factory at Cainta, Rizal (p. 47, Rollo; p. 8, Brief for plaintiff-appellee);

(2) Antonio Goquiolay did not appear in court to shed light on whether he signed the purchase orders and delivery receipts as managing partner of "Serg's Chocolate Products," or as president and general manager of "Serg's Products, Inc." Jesus V. Toledo, the Chief Accountant of Serg's Products, Inc., admitted, however, that "we (Serg's Products, Inc.) are buying from them (Reynolds) the aluminum foil." (t.s.n., Dec. 7, 1967, p. 9);

(3) The error in identifying the customer as "Serg's Chocolate Products," instead of "Serg's Products, Inc." in the sales orders, delivery receipts and invoices was caused by Antonio Goquiolay himself who placed the orders;

(4) The trial court noted that "Serg's Products, Inc." "acted in such a manner that third persons dealing with it were led to believe that 'Serg's Products, Inc.' and 'Serg's Chocolate Products' were one and the same party. Serg's Products, Inc. has its address at 109 Cordillera St., Quezon City, which is also the address of Serg's Chocolate Products (see Exhibit 'NN'), and the managing partner of the partnership doing business under the name 'Serg's Chocolate Products' is Antonio Goquiolay who is also the manager of Serg's Products, Inc." (p. 46, Rollo; p. 82, Record on Appeal);

(5) Serg's Chocolate Products ceased to exist in 1959 for under the partnership Agreement between Goquiolay and Mendoza (Exh. "2") the partnership which they formed on March 17, 1954 had a term of five (5) years, or up to 1959 only. While that term was renewable for the same period upon agreement of the parties, no evidence was adduced that it was renewed after it expired in 1959. Having ceased to exist since 1959, the partnership has no more juridical personality nor capacity to sue and be sued. "Serg's Chocolate Products" is nothing but a name now which the manager of Serg's Products, Inc. appears to have used to confuse, deceive, and delay, if not completely evade, the payment of the corporation's just debt to the petitioner.

Those important facts were overlooked by the Court of Appeals.

In *La Campana Coffee Factory, Inc. vs. Kaisahan ng mga Manggagawa sa La Campana*, 93 Phil. 160, where a somewhat similar situation existed as in this case, We ruled:

"The attempt to make the two factories appear as two separate businesses, when in reality they are but one, is but a devise to defeat the ends of the law and should not be permitted to prevail. Although the coffee factory is a corporation and, by legal fiction, an entity existing separate and apart from persons composing it, T and his

family, it is settled that this fiction of law, which had been introduced as a matter of convenience and to subserve the ends of justice cannot be invoked to further an end subversive of that purpose. (13 Am. Jur. 160-162; Anno. 1 A.L.R. 612, s 34 A.L.R. 599.)"

Similarly, apropos is the decision of this Court in Telephone Engineering & Service Company, Inc. vs. Workmen's Compensation Commission, et al., 104 SCRA 354, where We held:

"Petitioner admitted that TESCO and UMACOR are sister companies operating under one single management and based in the same building. Although respect for corporate personality as such, is the general rule, there are exceptions. In appropriate cases, the veil of corporate fiction may be pierced as when the same is made as a shield to confuse legitimate issues."

WHEREFORE, the petition for review is granted. The decision of the Court of Appeals is reversed and set aside, and that of the trial court is reinstated. Costs against the private respondent Serg's Products, Inc.

SO ORDERED.

Narvasa, (Chairman), Cruz, Gancayco, and Medialdea, JJ., concur.

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