

UY SIULIONG, MARIANO LIMJAP, GACU UNG JIENG, EDILBERTO CALIXTO AND UY CHO YEE, PETITIONERS, VS. THE DIRECTOR OF COMMERCE AND INDUSTRY, RESPONDENT.

G.R. No. 15429, December 01, 1919

Ponente: JOHNSON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-15429/>

JOHNSON, J.:

The purpose of this action is to obtain the writ of mandamus to require the respondent to file and register, upon the payment of the lawful fee, articles of incorporation, and to issue to the petitioners as the incorporators of a certain corporation to be known as "Siuliong y Compaiiia, Inc.," a certificate under the seal of the office of said respondent, certifying that the articles of incorporation have been duly filed and registered in his office in accordance with the law.

To the petition the respondent demurred and the cause was finally submitted upon the petition and demurrer.

The important facts necessary for the solution of the question presented, which are found in the petition, may be stated as follows:

- That prior to the presentation of the petition the petitioners had been associated together as partners, which partnership was known as a "mercantil regular colectiva," under the style and firm name of "Siuliong y Cia.;"
- That the petitioners herein, who had theretofore been members of said partnership of "Siuliong y Cia.," desired to dissolve said partnership and to form a corporation composed of the same persons as incorporators, to be known as "Siuliong y Compania, Incorporada;"
- That the purpose of said corporation, "Siuliong y Cia., Inc.," is (a) to acquire the business of the partnership theretofore known as Siuliong & Co., and (5) to continue said business with some of its objects or purposes;
- That an examination of the articles of incorporation of the said "Siuliong y Compania, Incorporada" (Exhibit A) shows that it is to be organized for the following purposes:

(a) The purchase and sale, importation and exportation, of the products of the country as well as of foreign countries ;

(b) To discount promissory notes, bills of exchange, and other negotiable instruments;

(c) The purchase and sale of bills of exchange, bonds, stocks, or "participaciones de sociedades mercantiles e industriales [joint account of mercantile and industrial associations]," and of all classes of mercantile documents; "comisiones [commissions] ;" "consignaciones [consignments];"

(d) To act as agents for life, marine, and fire insurance companies;

(e) To purchase and sell boats of all classes "y fletamento de los mismos [and charterage of same] ;" and

(f) To purchase and sell industrial and mercantile establishments.

While the articles of incorporation of "Siuliong y Cia., Inc." states that its purpose is to acquire and continue the business, with some of its objects or purposes, of Siuliong & Co., it will be found upon an examination of the purposes enumerated in the proposed articles of incorporation of "Siuliong y Cia., Inc.," that some of the purposes of the original partnership of "Siuliong y Cia." have been omitted. For example, the articles of partnership of "Siuliong y Cia." gave said company the authority to purchase and sell all classes "de fmcas rusticas y urbanas [of rural and city real estate]" as well as the right to act as agents for the establishment of any other business which it might esteem convenient for the interests of "la compania [the company]". (Exhibit C).

The respondent in his argument in support of the demurrer contends (a) that the proposed articles of incorporation presented for file and registry permitted the petitioners to engage in a business which had for its end more than one purpose; (6) that it permitted the petitioners to engage in the banking business, and (c) to deal in real estate, in violation of the Act of Congress of July 1, 1902.

The petitioners, in reply to said argument of the respondent, while insisting that said proposed articles of incorporation do not permit it to enter into the banking business nor to engage in the purchase and sale of real estate in violation of said Act of Congress, expressly renounced in open court their right to engage in such business under their articles of incorporation, even though said articles might be interpreted in a way to authorize them so to do. That renouncement on the part of the petitioners eliminates from the purposes of said proposed corporation (of "Siuliong y Cia., Inc.") any right to engage in the banking business as such, or in the purchase and sale of real estate.

We come now to the consideration of the principal question raised by the respondent, to wit: that the proposed articles of incorporation of "Siuliong y Cia., Inc.," permits it to engage in a business with more than one purpose.

If upon an examination of the articles of incorporation we find that its purpose is to engage in a business with but one principal purpose, then that contention of the respondent will have been answered and it will be unnecessary to discuss at length the question whether or not a corporation organized for commercial purposes in the Philippine Islands can be organized for more than one purpose.

The attorney for the respondent, at the time of the argument, admitted in open court that corporations in the Philippine Islands might be organized for both the "importation and exportation" of merchandise and that there might be no relation between the kind of merchandise imported with the class of merchandise exported.

Referring again to the proposed articles of incorporation, a copy of which is united with the original petition and marked Exhibit A, it will be seen that the only purposes of said corporation are those enumerated in subparagraphs (a), (b), (c), (d), (e) and (f) of paragraph 4 above. While said articles of incorporation are somewhat loosely drawn, it is clear from a reading of the same that the principal purpose of said corporation is to engage in a mercantile business, with the power to do and perform the particular acts enumerated in said subparagraphs above referred to.

Without discussing or deciding at this time whether a corporation organized under the laws of the Philippine Islands may be organized for more than one purpose, we are of the opinion and so decide that a corporation may be organized under the laws of the Philippine Islands for mercantile purposes, and to engage in such incidental business as may be necessary and advisable to give effect to, and aid in, the successful operation and conduct of the principal business.

In the present case we are fully persuaded that all of the poiver and authority included in the articles of incorporation of uSiuliong y Cia., Inc.," enumerated above in paragraph 4 (Exhibit A) are only incidental to the principal purpose of said proposed incorporation, to wit: "mercantile business." The purchase and sale,

importation and exportation of the products of the country, as well as of foreign countries, might make it necessary to purchase and discount promissory notes, bills of exchange, bonds, negotiable instruments, stock, and interest in other mercantile and industrial associations. It might also become important and advisable for the successful operation of the corporation to act as agent for insurance companies as well as to buy, sell and equip boats and to buy and sell other establishments, and industrial and mercantile businesses.

While we have arrived at the conclusion that the proposed articles of incorporation do not authorize the petitioners to engage in a business with more than one purpose, we do not mean to be understood as having decided that corporations under the laws of the Philippine Islands may not engage in a business with more than one purpose. Such an interpretation might work a great injustice to corporations organized under the Philippine laws. Such an interpretation would give foreign corporations, which are permitted to be registered under the laws here and which may be organized for more than one purpose, a great advantage over domestic corporations. We do not believe that it was the intention of the legislature to give foreign corporations such an advantage over domestic corporations.

Considering the particular purposes and objects of the proposed articles of incorporation which are specially enumerated above, we are of the opinion that it contains nothing which violates in the slightest degree any of the provisions of the laws of the Philippine Islands, and the petitioners are, therefore, entitled to have such articles of incorporation filed and registered as prayed for by them and to have issued to them a certificate under the seal of the office of the respondent, setting forth that such articles of incorporation have been duly filed in his office. (Sec. 11, Act No. 1459.)

Therefore, the petition prayed for is hereby granted, and without any finding as to costs, it is so ordered.

Arellano, C.J., Torres, and Avanceña, JJ., concur.

CONCURRING
STREET, J.,

The petitioners in this case are desirous of forming a corporation to take over and continue a business which for a number of years has been conducted in the city of Manila as an ordinary collective mercantile partnership under the name of "Siuliong y Compania." To this end it is necessary that the articles of incorporation should be filed in the office of the Director of Commerce and Industry, who, it appears, has withheld approval of the articles submitted to him and has refused to file the same in his office.

The position taken by the Director of Commerce and Industry is that the articles of the proposed corporation state more than one corporate purpose, contrary to the provisions of Act No. 1459 (the Corporation Law). In order to ascertain whether this contention is sound it becomes necessary to examine the provision contained in the proposed articles in relation with the requirements of the Act mentioned.

The purposes for which the corporation is to be formed are stated in the second clause of the proposed articles in the following language:

"Second. That the object for which said corporation is organized are: to acquire the business of the regular partnership 'Siuliong y Compafia,' and to continue operating said business in all its parts, and, incidental to the principal object, the corporation shall have powers to transact the following: the buying and selling, importation and exportation, of native as well as foreign merchandise; the discount of promissory notes, bills of exchange and other negotiable instruments; the buying and selling of bills of exchange, bonds, shares, and interests in mercantile and industrial partnerships; commissions; consignments; life, maritime, and fire

insurance: the buying and selling of vessels of all kinds and charterage of same; and the buying and selling of industrial or mercantile plants."

This language is substantially a reproduction of the fourth clause of the partnership articles under which the business of Siuliong & Company is being now conducted, as may be seen by a comparison with the wording of said fourth clause, which is as follows:

"Fourth. The object of the partnership shall be the continuation of all the business of the partnership 'Siuliong y Compafiiia' which is dissolved on this date, June 30, 1916, or rather the buying and selling, the importation and exportation, of native as well as foreign products; the buying and selling of bills of exchange and of all kinds of commercial documents; commissions; consignments; maritime and fire insurance; the buying and selling of all kinds of rural and city real estate, as well as vessels of all kinds and their charterage; and the manager is hereby authorized to organize any other kind of business which he may deem convenient for the company's interest."

It must be admitted that the second clause of the proposed articles of incorporation is expressed in a way which invites criticism; and if I may be permitted so to suggest the provision would have been better conceived if it had started off something like this:

"The general object of this corporation is to engage in commercial activities, such as the buying and selling of merchandise and commodities of every kind; the importation and exportation thereof; the conduct of the business of commission merchants, consignees, and insurance agencies; the buying and selling of boats and the chartering thereof, as well as the buying and selling of industrial and mercantile plants; etc., etc."

In setting out the corporate purpose with a view to defining the legitimate range of the faculties of the corporation, it is undesirable to state that its primary purpose is to take over the business of some existing concern. Undoubtedly a corporation may obtain its capital and draw its resources from a prior enterprise, but it acquires such business by transfer; and the nature of the activities of the older business has no bearing on the faculties of the new corporation. All the powers that a corporation can lawfully exercise are derived from the state by virtue of the laws governing the creation and conduct of corporations.

Now, what are the limits upon the activities for which a corporation may be created? The answer is to be found, if anywhere, in the Corporation Law. The first chapter of that law deals with corporations in general and contains the provisions common to all corporations. In the second chapter are found various special provisions applicable to particular forms of corporate activities. Of these there are several varieties, to wit, railroad corporations, savings, and mortgage banks, banking corporations, trust corporations, domestic insurance corporations, religious corporations, colleges and institutions of learning, and building and loan corporations.

It is obvious that no single corporation can be permitted to exercise the mixed functions of more than one of these classes; and the Director of Commerce and Industry would be clearly acting within his power in rejecting any proposed articles of a corporation which confers or appears to confer powers particularly appropriate to more than one of these forms of corporate enterprise.

Aside from the lines that are laid down in the fundamental classification contained in the Corporation Law, there seems to be no limit upon the legitimate activities of corporate enterprise. For instance, a corporation organized for commercial purposes can lawfully engage in any one of the thousand or more activities which may be imagined under the head of commercial; but it must abstain from activities peculiar to the forms of corporate enterprise for which special provisions are made.

This implies that the word "purpose" as used in the expression "the purpose for which the corporation is formed," in subsection 2 of section 6 of the Corporation Law, may properly be conceived as including the plural as well as

the singular. But the purposes, when there are more than one, must be capable of being lawfully combined, that is not obnoxious to the classification created by the law.

It is not necessary, and indeed will rarely be found desirable, to attempt to set out in the articles of incorporation the multitude of activities in which the corporation can engage incidentally, as reasonably necessary to accomplish the purpose or purposes for which the corporation was primarily formed. There is general authority for the exercise of all such implied powers in section 13 of the Corporation Law, and they need not be expressed.

Returning now to the second clause of the proposed articles of incorporation for "Siuliong y Compafiia, Incorporated," I entertain a doubt as to the propriety of admitting into that document the words "discount of notes, bills, and other negotiable documents" and "the buying and selling of bills, bonds, stocks, and shares of mercantile and industrial partnerships, as well as mercantile documents of every sort." The reason simply is that in so far as it is necessary to engage in these activities for the accomplishment of the general purposes of the corporation, it may all be done in the exercise of the implied power expressed in section 13; and the insertion into the articles of the words quoted may give rise to the inference that the incorporators may desire to engage in a line of business appropriate only to corporations created for banking purposes. (See sec. 116 of Act No. 1459.)

On the other hand, it may be said that the activities expressed in the words quoted are those peculiar to the business of stock-brokers; and one reason is apparent why the business of stock-broking might not be lawfully combined under one corporate charter with the other mercantile activities mentioned in the second clause of the articles. On the whole, as I understand the opinion written by Justice Johnson, this court intends to hold that the second clause of the proposed articles, when properly interpreted, means that the company to be formed intends primarily to, dedicate itself to industrial and mercantile activities, as its principal object, and that the other activities mentioned are purely subordinate. I have no special criticism to make of this view; and inasmuch as the interpretation which the court thus places upon the proposed charter removes the possibility that the corporation may, under the protection thereof, engage in illegitimate lines of enterprise, I am content to express my concurrence in the result reached by the court. But I really think the proposed articles ought to be amended.

MALCOLM, J., concurs in the result, reserving his opinion concerning the suggestion in the third paragraph from the last of the principal decision.

Writ granted.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.