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THIRD DIVISION

[G.R. No. 196158; January 20, 2021]

MAGNA READY MIX CONCRETE CORPORATION, *Petitioner*, *v.* **ANDERSEN BJORNSTAD KANE JACOBS, INC.,** *Respondent.*

APPEARANCES OF COUNSEL

Richard Nethercott for petitioner.
Sobreviñas Hayudini Navarro & San Juan for respondent.

D E C I S I O N

HERNANDO, *J.*:

This Petition for Review on *Certiorari*[1] assails the September 8, 2010 Decision[2] and March 14, 2011 Resolution[3] of the Court of Appeals (CA) in CA-G.R. CV No. 92647, which affirmed with modifications the August 19, 2008 Decision[4] of the Regional Trial Court (RTC), Branch 161 of Pasig City in Civil Case No. 69953.

The CA ordered petitioner Magna Ready Mix Concrete Corporation (MAGNA) to pay respondent Andersen Bjornstad Kane Jacobs, Inc. (ANDERSEN) the amounts of US$60,786.59,[5] plus 12% legal interest computed from the time of extrajudicial

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[1] *Rollo*, pp. 8-56. Filed on May 6, 2011.

[2] Id. at 57-83. Penned by Associate Justice Mariflor P. Punzalan Castillo and concurred in by Associate Justices Josefina Guevara-Salonga and Franchito N. Diamante.

[3] Id. at 85-86.

[4] Id. at 134-141. Penned by Presiding Judge Nicanor A. Manalo, Jr.

[5] Id. at 82. Peso equivalent to be computed using the exchange rate prevailing on November 29, 1996, the date of the subject contract.

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demand on June 26, 1998[6] until full payment, as well as ₱30,000.00 as exemplary damages and ₱50,000.00 as attorney's fees.

The Factual Antecedents:

This case stemmed from a complaint for collection of a sum of money and damages filed on April 20, 2004 by ANDERSEN against MAGNA.

MAGNA is a corporation organized and existing under the laws of the Philippines.[7] ANDERSEN is a corporation organized and existing under the laws of the State of Washington, United States of America.[8] In its Complaint, ANDERSEN alleged that it was neither doing business in the Philippines nor licensed to do business herein; it is suing on an isolated transaction that it entered into with MAGNA.[9]

In 1996, MAGNA ordered from ANDERSEN the form design and drawing development for its project on the development of a precast plant and P/C double tee design.[10] In this connection, MAGNA issued a purchase order dated October 21, 1996; the parties also allegedly executed an Agreement for Professional Services[11] dated November 29, 1996[12] which provided that MAGNA would compensate ANDERSEN for the performance of services described therein.[13] In February 1997, MAGNA asked ANDERSEN to prepare a preliminary design for its Ecocentrum

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[6] The dispositive portion of the CA Decision has a typographical error in stating that the 12% legal interest should be computed from the time of extrajudicial demand on June 26, 1996; the body of the Decision and the records show that the extrajudicial demand was made on June 26, 1998.

[7] *Rollo*, p. 58.

[8] Id.

[9] Id.

[10] Id. at 58-59.

[11] Id. at unpaginated 123.

[12] Id. at 59.

[13] Id. at 59, 95. See also *records*, pp. 155-158.

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Garage Project.[14] Pursuant to the contract, ANDERSEN delivered the designs.[15]

MAGNA made partial payments, but left an unpaid balance in the amount of US$60,786.59 pertaining to: (a) precast plant inspection and consultation; (b) P/C double tee form design and plant development design; and, (c) Ecocentrum Garage preliminary design for bidding.[16]

ANDERSEN made repeated demands for MAGNA to pay, but to no avail; hence the filing of the complaint.[17] ANDERSEN claimed that MAGNA acted "maliciously, fraudulently, and in gross and evident bad faith" in refusing to pay the balance.[18] ANDERSEN also sought payment of interest, exemplary damages, and attorney's fees.[19]

In its defense, MAGNA claimed that ANDERSEN did not render any inspection or consultation services for it.[20] It averred that ANDERSEN's claims had no basis because the contract upon which they were based was executed after the services had been performed.[21] MAGNA further stated that it could not be liable for the P/C double tee design and plant development design because these were not delivered.[22] The Ecocentrum Garage preliminary design was also not delivered.[23] MAGNA sought moral and exemplary damages, and attorney's fees in its compulsory counterclaim.[24]

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[14] *Rollo*, pp. 59, 96.

[15] Id.

[16] Id. at 59-60.

[17] Id.

[18] Id.

[19] Id. at 59, 97-99.

[20] Id. at 60.

[21] Id.

[22] Id.

[23] Id.

[24] Id.

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Gene Lim (Lim), MAGNA's general manager, testified that the services ANDERSEN allegedly rendered were not for MAGNA's benefit, but were for business development, due diligence, and feasibility studies undertaken for the creation of Structural Pre-cast, Inc. (SPI).[25] SPI was allegedly a corporation that Bharat Soli (Soli), ANDERSEN's principal owner, and Lim had planned to incorporate for their business venture.[26] However, SPI was not formally incorporated due to the Asian Financial Crisis.[27]

During the trial, MAGNA filed a *Motion to Dismiss with Motion to Cancel Hearing*[28] claiming that it later discovered (after filing its answer) that ANDERSEN previously filed a case against another Philippine corporation.[29] In that earlier case, ANDERSEN sought to collect a sum of money from the defendant for the design and development of the latter's projects.[30] MAGNA claimed that the earlier case covered several transactions different from the subject of the instant case but involved the same Ecocentrum design drawing.[31] Due to this discovery, MAGNA asserted that ANDERSEN was indeed doing business in the Philippines but without the necessary license. Hence, it filed the motion to dismiss alleging that ANDERSEN has no legal capacity to sue.

The RTC, in its Order dated March 19, 2007, denied MAGNA's motion to dismiss on the ground that it was already estopped from challenging ANDERSEN's personality after having acknowledged the same by virtue of its entering into a contract with it.[32] Trial then continued.

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[25] Id. at 15.

[26] Id. at 11.

[27] Id. at 12.

[28] Id. at 13.

[29] Id.

[30] Id.

[31] Id.

[32] *Records*, pp. 388-389.

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Ruling of the Regional Trial Court:

In its August 19, 2008 Decision, the RTC ruled in favor of ANDERSEN. However, it did not grant the complete relief of payment of US$60,786.59 which ANDERSEN prayed for but only USD35,694.03 with legal interest, ₱50,000.00 as attorney's fees, and costs of suit.[33] In arriving at the amount of US$35,694.03, the RTC deducted the purported equity participation of Soli and a certain Jun Pelaez (Pelaez) in SPI.[34]

The RTC ruled that ANDERSEN was able to establish by preponderance of evidence that a contract (Agreement for Professional Services) indeed existed between the parties.[35] The trial court also found that there was a series of exchanges of memoranda and notes between the parties showing that MAGNA instructed ANDERSEN to work on the design of the precast manufacturing even prior to the signing of the contract. The former was therefore liable for the services that the latter rendered even prior to the execution of the contract.[36]

The dispositive portion of the RTC Decision reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff Andersen Bjornstad Kane Jacobs, Inc. and against defendant Magna Ready Mix Concrete Corporation [which] is directed to pay plaintiff the following:

1. The amount of $35,694.03 computed at the exchange rate prevailing at the time of the consummated contract on November 29, 1996 with 12% legal interest per annum computed from the time of the filing of the complaint until fully paid.
2. The amount of ₱50,000 as attorney's fees and litigation expenses.

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[33] *Rollo*, p. 141.

[34] Id. at 140.

[35] Id. at 139-140.

[36] Id. at 137-140.

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3. The costs of suit.

SO ORDERED.[37]

Dissatisfied, both parties appealed the case to the CA.

ANDERSEN contended that the RTC erred in: (a) finding that MAGNA is liable only in the amount of US$35,694.03 out of the US$60,786.59 prayed for; (b) holding that the legal interest shall be computed from the time of filing the complaint and not from the time when written demand was made on June 24, 1998; (c) not awarding exemplary damages; and, (d) awarding only ₱50,000.00 as attorney's fees considering that the legal fees it incurred far exceeds that amount.[38]

On the other hand, MAGNA contended that the RTC erred in: (a) not dismissing the complaint despite ANDERSEN's concealment of the fact that it is a foreign corporation doing business in the Philippines without a license, and filing a suit not based on an isolated transaction; (b) ruling that there was a consummated contract between the parties; and (c) holding MAGNA liable for the services ANDERSEN rendered prior to the date of the supposed contract; and, (d) holding that MAGNA was liable for the services ANDERSEN rendered regarding the precast double tee form design, plant development design, and Ecocentrum Garage preliminary design as these were not delivered to MAGNA as agreed.[39]

Ruling of the Court of Appeals:

In its assailed September 8, 2010 Decision, the CA partially granted ANDERSEN's appeal and dismissed MAGNA's. It affirmed the RTC Decision with modification by ordering MAGNA to pay the complete relief ANDERSEN prayed for in the amount of US$60,786.59, subject to 12% legal interest from time of extrajudicial demand on June 26, 1998 until full

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[37] Id. at 141.

[38] Id. at 63-64.

[39] Id. at 64-65.

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payment.[40] It also ordered MAGNA to pay exemplary damages and attorney's fees.[41]

The CA ruled that ANDERSEN's filing of another case against another domestic corporation covering transactions different from the subject of the instant case does not necessarily prove that it is doing business in the Philippines without the requisite license.[42] As the subject matter or transaction in the earlier case is not related nor relevant to the subject of the instant case, the latter is still deemed isolated.[43] Further, the CA held that MAGNA has already waived its right to contest ANDERSEN's legal capacity to sue.[44] Prior to filing of the motion to dismiss, MAGNA had already filed an answer and participated in the proceedings without assailing ANDERSEN's legal capacity to sue.[45] The defense of plaintiff's lack of legal capacity to sue is not deemed waived even if not raised in a motion to dismiss or answer as provided in the Rules of Court and jurisprudence.[46]

The CA ruled that there was a perfected and binding contract between the parties;Magna Ready Mix Concrete Corp. v. Andersen Bjornstad Kane Jacobs, Inc[47] and that MAGNA is estopped from disclaiming the existence of the contract in view of its stipulation during the pre-trial that it executed the said contract with ANDERSEN, which constitutes a judicial admission.[48] Also, Lim himself admitted in his testimony that he signed the said contract.[49] Further, the CA sustained the RTC's

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[40] Id. at 82.

[41] Id.

[42] Id. at 67.

[43] Id.

[44] Id. at 68.

[45] Id.

[46] Id. at 69-70.

[47] Id. at 70.

[48] Id.

[49] Id. at 71.

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finding that even prior to the execution of the contract, MAGNA was already obtaining consultation services from ANDERSEN, making the former liable for the latter's services rendered prior to the contract.[50] With regard to MAGNA's contentions that the various designs and drawings were not delivered, the CA ruled that the evidence (in the form of letters, purchase orders, and correspondences) adequately showed that MAGNA, through Lim, sought ANDERSEN's services and the latter indeed performed the services required of it.[51]

In awarding the whole amount of US$60,786.59, the CA found that the amount the RTC deducted pertaining to the equity participation of Soli and Pelaez in SPI were conditioned on the shares of stock to be issued by SPI.[52] However, as SPI was not formally incorporated, MAGNA therefore remained liable for the amount previously deducted.[53] There was no showing of a new agreement nor a valid novation of the contract transferring the liability to Soli and Pelaez.[54]

The CA reckoned the imposition of legal interest from the time a written demand was made on June 26, 1998.[55] On the award of exemplary damages, it ruled that MAGNA's utter disregard of its contractual obligations to ANDERSEN evinced wanton, reckless, and malevolent conduct.[56] Lastly, the CA found no cogent reason to warrant the increase of attorney's fees as awarded by the RTC.[57]

The dispositive portion of the CA Decision reads:

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[50] Id. at 73-74.

[51] Id. at 75-77.

[52] Id. at. 78.

[53] Id.

[54] Id. at 79.

[55] Id. at 79-80.

[56] Id. at 80-81.

[57] Id. at 81.

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WHEREFORE, premises considered, the appeal of plaintiff-appellant (Andersen) is ***PARTIALLY GRANTED***, while the appeal of defendant-appellant (Magna) is DISMISSED. The decision of the Regional Trial Court of Pasig City, Branch 161 dated 19 August 2008, is **AFFIRMED** with ***MODIFICATIONS***. Defendant-appellant is ordered to pay plaintiff-appellant the amount of $60,786.59 computed at the exchange rate prevailing at the date of the subject contract on 29 November 1996, plus 12% legal interest per annum computed from the time of the extrajudicial demand on June 26, 199[8] until full payment. It is further directed to pay plaintiff-appellant exemplary damages in the amount of ₱30,000.00 and attorney's fees in the amount of P50,000.00.

SO ORDERED.[58]

MAGNA moved for a reconsideration but it was subsequently denied by the appellate court in its March 14, 2011 Resolution.[59]

Hence, this Petition.

Issue

The sole issue for the resolution of the Court is whether ANDERSEN has legal capacity to sue in the Philippines.

Our Ruling

Well-established is the rule that only questions of law should be raised in a petition for review on *certiorari* under Rule 45 of the Rules of Court. This Court is generally not a trier of facts. This rule admits of exceptions[60] but the instant case does

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[58] Id. at 82.

[59] Id. at 85-86.

[60] *Zambales v. Zambales*, G.R. No. 216878, April 3, 2019. The exceptions are: (1) when the findings are grounded entirely on speculations, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (7) when the findings are contrary to that of the trial court; (8) when the findings are conclusions without

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not fall under any of these. This Court has repeatedly stated that:

> A question of law exists when the doubt centers on what the law is on a certain set of facts while a question of fact results when the issue revolves around the truth or falsity of the alleged facts. For a question to be one of law, the question must not involve an examination of the probative value of the evidence presented by any of the litigants. The resolution of the issue must solely depend on what the law provides on the given set of circumstances. Once it is obvious that the issue invites a review of the evidence presented, the question posed is one of fact.[61]

Except for the issue concerning ANDERSEN's legal capacity to sue, the Petition raises questions of facts already ruled upon by the RTC and affirmed by the CA.

The Court resolves that ANDERSEN has no legal capacity to sue for doing business in the Philippines without procuring the necessary license. It is not suing on an isolated transaction on the basis of the contract it entered into with MAGNA. However, MAGNA is already estopped from challenging ANDERSEN's legal capacity when it entered into a contract with it.

Section 133 of the Corporation Code of the Philippines (1980)[62] provides:

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citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; or (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.

[61] *Heirs of Villanueva v. Heirs of Mendoza*, 810 Phil. 172, 178 (2017).

[62] Batas Pambansa Blg. 68, The Corporation Code of the Philippines, Sec. 133 (1980). This is repealed by Republic Act No. 11232, or the Revised Corporation Code of the Philippines, that took effect in 2019. However, Batas Pambansa Blg. 68 is applicable in the instant case.

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Section 133. *Doing Business without License.* — No foreign corporation transacting business in the Philippines without a license, or its successors or assigns, shall be permitted to maintain or intervene in any action, suit or proceeding in any court or administrative agency of the Philippines; but such corporation may be sued or proceeded against before Philippine courts or administrative tribunals on any valid cause of action recognized under Philippine laws.

Thus, a foreign corporation that conducts business in the Philippines must first secure a license for it to be allowed to initiate or intervene in any action in any court or administrative agency in the Philippines. A corporation has legal status only in the state that granted it personality.[63] Hence, a foreign corporation has no personality in the Philippines, much less legal capacity to file a case, unless it procures a license as provided by law.[64]

The case of *Agilent Technologies v. Integrated Silicon*,[65] citing *Mentholatum v. Mangaliman*,[66] discusses the two tests to determine whether a foreign corporation is doing business in the Philippines:

In *Mentholatum*, this Court discoursed on the two general tests to determine whether or not a foreign corporation can be considered as "doing business" in the Philippines. The first of these is the substance test, thus:

> The true test [for doing business], however, seems to be whether the foreign corporation is continuing the body of the business or enterprise for which it was organized or whether it has substantially retired from it and turned it over to another.

The second test is the continuity test, expressed thus:

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[63] See *European Resources and Technologies, Inc. v. Ingenieuburo Birkhahn + Nolte*, 479 Phil. 114, 124 (2004).

[64] Id.

[65] 471 Phil. 582 (2004).

[66] 72 Phil. 524 (1941).

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> The term [doing business] implies a continuity of commercial dealings and arrangements, and contemplates, to that extent, the performance of acts or works or the exercise of some of the functions normally incident to, and in the progressive prosecution of, the purpose and object of its organization.[67]

The number of the transactions entered into is not determinative whether a foreign corporation is doing business in the Philippines; the intention to continue the body of its business prevails.[68] The number or quantity is merely an evidence of such intention.[69] A single act or transaction may then be considered as doing business when a corporation performs acts for which it was created or exercises some of the functions for which it was organized.[70]

As an exception, a foreign corporation may sue without a license on the basis of an isolated transaction. *Eriks Pte. Ltd. v. Court of Appeals*[71] describes the concept of isolated transaction, to wit:

> The phrase "isolated transaction" has a definite and fixed meaning, *i.e.*, a transaction or series of transactions set apart from the common business of a foreign enterprise in the sense that there is no intention to engage in a progressive pursuit of the purpose and object of the business organization. Whether a foreign corporation is "doing business" does not necessarily depend upon the frequency of its transactions, but more upon the nature and character of the transactions.[72]

Based on the foregoing, a single act may be considered as either doing business or an isolated transaction depending on

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[67] *Agilent Technologies v. Integrated Silicon*, supra note 65, at 602-603. Citations omitted.

[68] *Eriks Pte. Ltd. v. Court of Appeals*, 335 Phil. 229, 239 (1997).

[69] Id.

[70] *European Resources v. Ingenieuburo Birkhahn*, supra note 63 at 123.

[71] *Eriks Pte. Ltd. v. Court of Appeals*, supra.

[72] Id. at 239-240.

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its nature. It may be considered as doing business if it implies a continuity of commercial dealings and contemplates the performance of acts or the exercise of functions normally incidental to and in the progressive pursuit of its purpose. Contrarily, it may be considered as an isolated transaction if it is different from or not related to the common business of the foreign corporation in the sense that there is no objective to increasingly pursue its purpose or object. And as stated, a license is not required if the foreign corporation is suing on an isolated transaction.

Here, ANDERSEN alleged in its Complaint that it was suing on an isolated transaction based on its contract with MAGNA but admitting at the same time that it did not have a license to do business in the Philippines. The CA ruled that ANDERSEN was indeed suing on an isolated transaction.

This Court does not agree with the CA's finding in this regard.

ANDERSEN's act of entering into a contract with MAGNA does not fall into the category of isolated transactions. The contract clearly shows that ANDERSEN was to render professional services to MAGNA for a fee. These professional services included the following: (1) providing master plant site layout and plant design; (2) providing plant operation procedures and organization matrix; (3) providing plant management and production staff training; (4) providing plant construction and operation start-up services; and (5) providing consultation services for developing a precast plant program.[73] It is clear then that ANDERSEN, in entering into that contract with MAGNA, was performing acts that were in progressive pursuit of its business purpose, which, as found by the RTC, involved consultation and design services.[74]

Though it was a single transaction, ANDERSEN's act of entering into a contract with MAGNA constitutes doing business

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[73] See *records*, pp. 155-158, Scope of Services Precast Plant Development Program (Appendix "A" to the Agreement for Professional Services).

[74] *Rollo*, p. 135.

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in the Philippines. It cannot be considered as an isolated transaction because the act is related to ANDERSEN's specific business purpose. Thus, in doing business without a license, ANDERSEN had no legal capacity to sue in the Philippines.

However, the Court agrees that MAGNA is already estopped from challenging ANDERSEN's legal capacity to sue. The doctrine of estoppel states that the other contracting party may no longer challenge the foreign corporation's personality after acknowledging the same by entering into a contract with it.[75] This principle is applied in order to "prevent a person (or another corporation) contracting with a foreign corporation from later taking advantage of its noncompliance with the statutes, chiefly in cases where such person has received the benefits of the contract."[76] The case of *Communications Materials and Design, Inc. v. Court of Appeals*[77] elaborates on the doctrine:

> A foreign corporation doing business in the Philippines may sue in Philippine Courts although not authorized to do business here against a Philippine citizen or entity who had contracted with and benefited by said corporation. To put it in another way, a party is estopped to challenge the personality of a corporation after having acknowledged the same by entering into a contract with it. And the doctrine of estoppel to deny corporate existence applies to a foreign as well as to domestic corporations. One who has dealt with a corporation of foreign origin as a corporate entity is estopped to deny its corporate existence and capacity. The principle will be applied to prevent a person contracting with a foreign corporation from later taking advantage of its noncompliance with the statutes chiefly in cases where such person has received the benefits of the contract.
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> The rule is deeply rooted in the time-honored axiom of *commodum ex injuria sua non habere debet* — no person ought to derive any advantage of his own wrong. This is as it should be for as mandated by law, "every person must in the exercise of his rights and in the

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[75] *Global Business Holdings, Inc. v. Surecomp Software, B.V.*, 647 Phil. 416, 426 (2010).

[76] Id.

[77] 329 Phil. 487 (1996).

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performance of his duties, act with justice, give everyone his due, and observe honesty and good faith."

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By virtue of the doctrine of estoppel, a party cannot take undue advantage by challenging the foreign corporation's personality or legal capacity to sue when the former already acknowledged the same by entering into a contract with the latter and derived benefits therefrom.

In this case, MAGNA is already estopped from challenging ANDERSEN's legal capacity to sue due to its prior dealing with the latter, that is, entering into a contract with it. As ruled by the courts below, there was a perfected and binding contract between the parties. By such contract, MAGNA effectively acknowledged ANDERSEN's personality. MAGNA's allegation that it only discovered during the trial that ANDERSEN was doing business in the Philippines without a license, is therefore irrelevant. Moreover, MAGNA had already benefited from the contract because as found by the lower and appellate courts, ANDERSEN indeed rendered services to MAGNA pursuant to their contract and even prior thereto.

Finally, the Court modifies the legal interest imposed by the CA. The appellate court applied the earlier case of *Eastern Shipping Lines v. Court of Appeals*[79] in imposing 12% legal interest per *annum* reckoned from the date of extrajudicial demand on June 26, 1998 until full payment. Subsequently, as the Court discussed and applied in *Nacar v. Gallery Frames*,[80] Resolution No. 796 issued by the Monetary Board of the Bangko Sentral ng Pilipinas which took effect on July 1, 2013, lowered the interest rate from 12% to 6% per *annum* for loans or forbearance of money, goods, and credit, in the absence of an

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[78] Id. at 507-508. Citations omitted.

[79] 304 Phil. 236 (1994).

[80] 716 Phil. 267 (2013).

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express stipulation.[81] Therefore, the interest on the amount due must be bifurcated, and is to be imposed as follows: (a) interest at the rate of 12% per *annum* is to be computed on the amount due from June 26, 1998, the date of extrajudicial demand, until June 30, 2013; and subsequently, (b) interest at the rate of 6% per *annum* is to be computed on the amount due from July 1, 2013 until full payment thereof.[82]

WHEREFORE, the Petition is **DENIED**. The September 8, 2010 Decision and March 14, 2011 Resolution of the Court of Appeals in CA-G.R. CV No. 92647 are **AFFIRMED** with **MODIFICATION** in that the amount of US$60,786.59 shall bear legal interest as follows: (a) 12% per *annum* from June 26, 1998, the date of extrajudicial demand, until June 30, 2013; and (b) 6% per *annum* from July 1, 2013 until full payment thereof. Costs on petitioner.

SO ORDERED.

Leonen (*Chairperson*), *Inting,* and *Delos Santos, JJ.*, concur.

Rosario, J., on official leave.

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[81] Id. at 279-283.

[82] See *Rivera v. Spouses Chua*, 750 Phil. 663, 684-686 (2015), regarding the bifurcation of the imposition of interest following the effectivity of BSP-MB Resolution No. 796 on July 1, 2013, lowering the rate from 12% to 6% per annum.