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THIRD DIVISION

[G.R. No. 171995. April 18, 2012]

STEELCASE, INC., *petitioner, vs.* **DESIGN INTERNATIONAL SELECTIONS, INC.,** *respondent.*

SYLLABUS

1. MERCANTILE LAW; CORPORATION LAW; FOREIGN CORPORATION DOING BUSINESS IN THE PHILIPPINES WITHOUT A LICENSE; "DOING BUSINESS" NOT APPRECIATED WHERE FOREIGN CORPORATION MERELY APPOINTED A DISTRIBUTOR. — The rule that an unlicensed foreign corporations doing business in the Philippines do not have the capacity to sue before the local courts is well-established. x x x The phrase "doing business" is clearly defined in Section 3(d) of R.A. No. 7042 (Foreign Investments Act of 1991), x x x supplemented by its Implementing Rules and Regulations, Rule I, Section 1(f) which elaborates on the meaning of the same phrase: x x x the appointment of a distributor in the Philippines is not sufficient to constitute "doing business" unless it is under the full control of the foreign corporation. x x x [I]f the distributor is an independent entity which buys and distributes products, other than those of the foreign corporation, for its own name and its own account, the latter cannot be considered to be doing business in the Philippines.

2. ID.; ID.; A CORPORATION HAS A SEPARATE AND DISTINCT PERSONALITY FROM OTHER CORPORATIONS WITH WHICH IT MAY BE CONNECTED; CASE AT BAR.— Another point being raised by DISI is the delivery and sale of Steelcase products to a Philippine client by Modernform allegedly an agent of Steelcase. Basic is the rule in corporation law that a corporation has a separate and distinct personality from its stockholders and from other corporations with which it may be connected. Thus, despite the admission by Steelcase that it owns 25% of Modernform, with the remaining 75% being owned and controlled by Thai stockholders, it is grossly insufficient to justify piercing the veil of corporate fiction and declare that

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Modernform acted as the alter ego of Steelcase to enable it to improperly conduct business in the Philippines. The records are bereft of any evidence which might lend even a hint of credence to DISI's assertions. As such, Steelcase cannot be deemed to have been doing business in the Philippines through Modernform.

3. ID.; ID.; FOREIGN CORPORATION DOING BUSINESS IN THE PHILIPPINES WITHOUT A LICENSE; DEFENSE THAT SUCH CORPORATION HAS NO CAPACITY TO SUE BEFORE THE LOCAL COURTS, NOT APPRECIATED IN FAVOR OF ONE WHO HAD BENEFITED THEREFROM.— By acknowledging the corporate entity of Steelcase and entering into a dealership agreement with it and even benefiting from it, DISI is estopped from questioning Steelcase's existence and capacity to sue. This is consistent with the Court's ruling in *Communication Materials and Design, Inc. v. Court of Appeals.*

APPEARANCES OF COUNSEL

Quisumbing Torres for petitioner.
Kapunan Lotilla Flores Garcia and Castillo for respondent.

D E C I S I O N

MENDOZA, *J.*:

This is a petition for review on *certiorari* under Rule 45 assailing the March 31, 2005 Decision[1] of the Court of Appeals *(CA)* which affirmed the May 29, 2000 Order[2] of the Regional Trial Court, Branch 60, Makati City *(RTC)*, dismissing the complaint for sum of money in Civil Case No. 99-122 entitled "*Steelcase, Inc. v. Design International Selections, Inc*."

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[1] *Rollo*, pp. 6-17. Penned by Associate Justice Roberto A. Barrios and concurred in by Associate Justice Amelita G. Tolentino and Associate Justice Vicente S.E. Veloso.

[2] *Id.* at 384-386.

The Facts

Petitioner Steelcase, Inc. *(Steelcase)* is a foreign corporation existing under the laws of Michigan, United States of America *(U.S.A.)*, and engaged in the manufacture of office furniture with dealers worldwide.[3] Respondent Design International Selections, Inc. *(DISI)* is a corporation existing under Philippine Laws and engaged in the furniture business, including the distribution of furniture.[4]

Sometime in 1986 or 1987, Steelcase and DISI orally entered into a dealership agreement whereby Steelcase granted DISI the right to market, sell, distribute, install, and service its products to end-user customers within the Philippines. The business relationship continued smoothly until it was terminated sometime in January 1999 after the agreement was breached with neither party admitting any fault.[5]

On January 18, 1999, Steelcase filed a complaint[6] for sum of money against DISI alleging, among others, that DISI had an unpaid account of US$600,000.00. Steelcase prayed that DISI be ordered to pay actual or compensatory damages, exemplary damages, attorney's fees, and costs of suit.

In its Answer with Compulsory Counterclaims[7] dated February 4, 1999, DISI sought the following: (1) the issuance of a temporary restraining order *(TRO)* and a writ of preliminary injunction to enjoin Steelcase from selling its products in the Philippines except through DISI; (2) the dismissal of the complaint for lack of merit; and (3) the payment of actual, moral and exemplary damages together with attorney's fees and expenses of litigation. DISI alleged that the complaint failed to state a cause of action and to contain the required allegations on Steelcase's capacity

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[3] *Id.* at 25.

[4] *Id.* at 1018.

[5] *Id.* at 81.

[6] *Id.* at 95-102.

[7] *Id.* at 103-138.

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to sue in the Philippines despite the fact that it (Steelcase) was doing business in the Philippines without the required license to do so. Consequently, it posited that the complaint should be dismissed because of Steelcase's lack of legal capacity to sue in Philippine courts.

On March 3, 1999, Steelcase filed its Motion to Admit Amended Complaint[8] which was granted by the RTC, through then Acting Presiding Judge Roberto C. Diokno, in its Order[9] dated April 26, 1999. However, Steelcase sought to further amend its complaint by filing a Motion to Admit Second Amended Complaint[10] on March 13, 1999.

In his Order[11] dated November 15, 1999, Acting Presiding Judge Bonifacio Sanz Maceda dismissed the complaint, granted the TRO prayed for by DISI, set aside the April 26, 1999 Order of the RTC admitting the Amended Complaint, and denied Steelcase's Motion to Admit Second Amended Complaint. The RTC stated that in requiring DISI to meet the Dealer Performance Expectation and in terminating the dealership agreement with DISI based on its failure to improve its performance in the areas of business planning, organizational structure, operational effectiveness, and efficiency, Steelcase unwittingly revealed that it participated in the operations of DISI. It then concluded that Steelcase was "doing business" in the Philippines, as contemplated by Republic Act *(R.A.)* No. 7042 (The Foreign Investments Act of 1991), and since it did not have the license to do business in the country, it was barred from seeking redress from our courts until it obtained the requisite license to do so. Its determination was further bolstered by the appointment by Steelcase of a representative in the Philippines. Finally, despite a showing that DISI transacted with the local customers in its own name and for its own account, it was of the opinion that any doubt in the factual environment should be resolved in favor

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[8] *Id.* at 139-158.

[9] *Id.* at 180.

[10] *Id.* at 202-207.

[11] *Id.* at 224-229.

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of a pronouncement that a foreign corporation was doing business in the Philippines, considering the twelve-year period that DISI had been distributing Steelcase products in the Philippines.

Steelcase moved for the reconsideration of the questioned Order but the motion was denied by the RTC in its May 29, 2000 Order.[12]

Aggrieved, Steelcase elevated the case to the CA by way of appeal, assailing the November 15, 1999 and May 29, 2000 Orders of the RTC. On March 31, 2005, the CA rendered its Decision affirming the RTC orders, ruling that Steelcase was a foreign corporation doing or transacting business in the Philippines without a license. The CA stated that the following acts of Steelcase showed its intention to pursue and continue the conduct of its business in the Philippines: (1) sending a letter to Phinma, informing the latter that the distribution rights for its products would be established in the near future and directing other questions about orders for Steelcase products to Steelcase International; (2) cancelling orders from DISI's customers, particularly Visteon, Phils., Inc. *(Visteon)*; (3) continuing to send its products to the Philippines through Modernform Group Company Limited *(Modernform)*, as evidenced by an Ocean Bill of Lading; and (4) going beyond the mere appointment of DISI as a dealer by making several impositions on management and operations of DISI. Thus, the CA ruled that Steelcase was barred from access to our courts for being a foreign corporation doing business here without the requisite license to do so.

Steelcase filed a motion for reconsideration but it was denied by the CA in its Resolution dated March 23, 2006.[13]

Hence, this petition.

The Issues

Steelcase filed the present petition relying on the following grounds:

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[12] *Id.* at 384-386.

[13] *Id.* at 93-94.

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I

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR WHEN IT FOUND THAT STEELCASE HAD BEEN "DOING BUSINESS" IN THE PHILIPPINES WITHOUT A LICENSE.

II

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN NOT FINDING THAT RESPONDENT WAS ESTOPPED FROM CHALLENGING STEELCASE'S LEGAL CAPACITY TO SUE, AS AN AFFIRMATIVE DEFENSE IN ITS ANSWER.

The issues to be resolved in this case are:

(1) Whether or not Steelcase is doing business in the Philippines without a license; and

(2) Whether or not DISI is estopped from challenging the Steelcase's legal capacity to sue.

The Court's Ruling

The Court rules in favor of the petitioner.

Steelcase is an unlicensed foreign corporation NOT doing business in the Philippines

Anent the first issue, Steelcase argues that Section 3(d) of R.A. No. 7042 or the Foreign Investments Act of 1991 *(FIA)* expressly states that the phrase "doing business" excludes the appointment by a foreign corporation of a local distributor domiciled in the Philippines which transacts business in its own name and for its own account. Steelcase claims that it was not doing business in the Philippines when it entered into a dealership agreement with DISI where the latter, acting as the former's appointed local distributor, transacted business in its own name and for its own account. Specifically, Steelcase contends that it was DISI that sold Steelcase's furniture directly to the end-users or customers who, in turn, directly paid DISI for the furniture they bought. Steelcase further claims that DISI, as a

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non-exclusive dealer in the Philippines, had the right to market, sell, distribute and service Steelcase products in its own name and for its own account. Hence, DISI was an independent distributor of Steelcase products, and not a mere agent or conduit of Steelcase.

On the other hand, DISI argues that it was appointed by Steelcase as the latter's exclusive distributor of Steelcase products. DISI likewise asserts that it was not allowed by Steelcase to transact business in its own name and for its own account as Steelcase dictated the manner by which it was to conduct its business, including the management and solicitation of orders from customers, thereby assuming control of its operations. DISI further insists that Steelcase treated and considered DISI as a mere conduit, as evidenced by the fact that Steelcase itself directly sold its products to customers located in the Philippines who were classified as part of their "global accounts." DISI cited other established circumstances which prove that Steelcase was doing business in the Philippines including the following: (1) the sale and delivery by Steelcase of furniture to Regus, a Philippine client, through Modernform, a Thai corporation allegedly controlled by Steelcase; (2) the imposition by Steelcase of certain requirements over the management and operations of DISI; (3) the representations made by Steven Husak as Country Manager of Steelcase; (4) the cancellation by Steelcase of orders placed by Philippine clients; and (5) the expression by Steelcase of its desire to maintain its business in the Philippines. Thus, Steelcase has no legal capacity to sue in Philippine Courts because it was doing business in the Philippines without a license to do so.

The Court agrees with the petitioner.

The rule that an unlicensed foreign corporations doing business in the Philippines do not have the capacity to sue before the local courts is well-established. Section 133 of the Corporation Code of the Philippines explicitly states:

Sec. 133. Doing business without a 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

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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.

The phrase "doing business" is clearly defined in Section 3(d) of R.A. No. 7042 (Foreign Investments Act of 1991), to wit:

d) The phrase "doing business" shall include soliciting orders, service contracts, opening offices, whether called "liaison" offices or branches; appointing representatives or distributors domiciled in the Philippines or who in any calendar year stay in the country for a period or periods totalling one hundred eighty (180) days or more; participating in the management, supervision or control of any domestic business, firm, entity or corporation in the Philippines; and any other act or acts that imply a continuity of commercial dealings or arrangements, and contemplate to that extent the performance of acts or works, or the exercise of some of the functions normally incident to, and in progressive prosecution of, commercial gain or of the purpose and object of the business organization: Provided, however, That **the phrase "doing business" shall not be deemed to include** mere investment as a shareholder by a foreign entity in domestic corporations duly registered to do business, and/or the exercise of rights as such investor; nor having a nominee director or officer to represent its interests in such corporation; nor **appointing a representative or distributor domiciled in the Philippines which transacts business in its own name and for its own account;** (Emphases supplied)

This definition is supplemented by its Implementing Rules and Regulations, Rule I, Section 1(f) which elaborates on the meaning of the same phrase:

f. "Doing business" shall include soliciting orders, service contracts, opening offices, whether liaison offices or branches; appointing representatives or distributors, operating under full control of the foreign corporation, domiciled in the Philippines or who in any calendar year stay in the country for a period totalling one hundred eighty [180] days or more; participating in the management, supervision or control of any domestic business, firm, entity or corporation in the Philippines; and any other act or acts that imply a continuity of commercial dealings or arrangements, and contemplate

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to that extent the performance of acts or works, or the exercise of some of the functions normally incident to and in progressive prosecution of commercial gain or of the purpose and object of the business organization.

The following acts shall not be deemed "doing business" in the Philippines:

1. Mere investment as a shareholder by a foreign entity in domestic corporations duly registered to do business, and/or the exercise of rights as such investor;

2. Having a nominee director or officer to represent its interest in such corporation;

3. Appointing a representative or distributor domiciled in the Philippines which transacts business in the representative's or distributor's own name and account;

4. The publication of a general advertisement through any print or broadcast media;

5. Maintaining a stock of goods in the Philippines solely for the purpose of having the same processed by another entity in the Philippines;

6. Consignment by a foreign entity of equipment with a local company to be used in the processing of products for export;

7. Collecting information in the Philippines; and

8. Performing services auxiliary to an existing isolated contract of sale which are not on a continuing basis, such as installing in the Philippines machinery it has manufactured or exported to the Philippines, servicing the same, training domestic workers to operate it, and similar incidental services. (Emphases supplied)

From the preceding citations, the appointment of a distributor in the Philippines is not sufficient to constitute "doing business" unless it is under the full control of the foreign corporation. On the other hand, if the distributor is an independent entity which buys and distributes products, other than those of the foreign corporation, for its own name and its own account, the latter cannot be considered to be doing business in the Philippines.[14]

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[14] *La Chemise Lacoste, S.A. v. Fernandez*, 214 Phil. 332, 342 (1984).

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It should be kept in mind that the determination of whether a foreign corporation is doing business in the Philippines must be judged in light of the attendant circumstances.[15]

In the case at bench, it is undisputed that DISI was founded in 1979 and is independently owned and managed by the spouses Leandro and Josephine Bantug.[16] In addition to Steelcase products, DISI also distributed products of other companies including carpet tiles, relocatable walls and theater settings.[17] The dealership agreement between Steelcase and DISI had been described by the owner himself as:

> x x x basically **a buy and sell arrangement** whereby we would inform Steelcase of the volume of the products needed for a particular project and Steelcase would, in turn, give 'special quotations' or discounts after considering the value of the entire package. In making the bid of the project, we would then add out profit margin over Steelcase's prices. After the approval of the bid by the client, we would thereafter place the orders to Steelcase. The latter, upon our payment, would then ship the goods to the Philippines, with us shouldering the freight charges and taxes.[18] [Emphasis supplied]

This clearly belies DISI's assertion that it was a mere conduit through which Steelcase conducted its business in the country. From the preceding facts, the only reasonable conclusion that can be reached is that DISI was an independent contractor, distributing various products of Steelcase and of other companies, acting in its own name and for its own account.

The CA, in finding Steelcase to be unlawfully engaged in business in the Philippines, took into consideration the delivery by Steelcase of a letter to Phinma informing the latter that the distribution rights for its products would be established in the near future, and also its cancellation of orders placed by Visteon. The foregoing acts were apparently misinterpreted by the CA.

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[15] *Top-Weld Manufacturing, Inc. v. ECED, S.A.*, 222 Phil. 424, 431 (1985).

[16] *Rollo*, p. 596.

[17] *Id.* at 626.

[18] *Id.* at 597.

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Instead of supporting the claim that Steelcase was doing business in the country, the said acts prove otherwise. It should be pointed out that no sale was concluded as a result of these communications. Had Steelcase indeed been doing business in the Philippines, it would have readily accepted and serviced the orders from the abovementioned Philippine companies. Its decision to voluntarily cease to sell its products in the absence of a local distributor indicates its refusal to engage in activities which might be construed as "doing business."

Another point being raised by DISI is the delivery and sale of Steelcase products to a Philippine client by Modernform allegedly an agent of Steelcase. Basic is the rule in corporation law that a corporation has a separate and distinct personality from its stockholders and from other corporations with which it may be connected.[19] Thus, despite the admission by Steelcase that it owns 25% of Modernform, with the remaining 75% being owned and controlled by Thai stockholders,[20] it is grossly insufficient to justify piercing the veil of corporate fiction and declare that Modernform acted as the alter ego of Steelcase to enable it to improperly conduct business in the Philippines. The records are bereft of any evidence which might lend even a hint of credence to DISI's assertions. As such, Steelcase cannot be deemed to have been doing business in the Philippines through Modernform.

Finally, both the CA and DISI rely heavily on the Dealer Performance Expectation required by Steelcase of its distributors to prove that DISI was not functioning independently from Steelcase because the same imposed certain conditions pertaining to business planning, organizational structure, operational effectiveness and efficiency, and financial stability. It is actually logical to expect that Steelcase, being one of the major manufacturers of office systems furniture, would require its dealers to meet several conditions for the grant and continuation

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[19] *Francisco Motors Corporation v. Court of Appeals*, 368 Phil. 374, 384 (1999).

[20] *Rollo*, p. 987.

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of a distributorship agreement. The imposition of minimum standards concerning sales, marketing, finance and operations is nothing more than an exercise of sound business practice to increase sales and maximize profits for the benefit of both Steelcase and its distributors. For as long as these requirements do not impinge on a distributor's independence, then there is nothing wrong with placing reasonable expectations on them.

All things considered, it has been sufficiently demonstrated that DISI was an independent contractor which sold Steelcase products in its own name and for its own account. As a result, Steelcase cannot be considered to be doing business in the Philippines by its act of appointing a distributor as it falls under one of the exceptions under R.A. No. 7042.

DISI is estopped from challenging Steelcase's legal capacity to sue

Regarding the second issue, Steelcase argues that assuming *arguendo* that it had been "doing business" in the Philippines without a license, DISI was nonetheless estopped from challenging Steelcase's capacity to sue in the Philippines. Steelcase claims that since DISI was aware that it was doing business in the Philippines without a license and had benefited from such business, then DISI should be estopped from raising the defense that Steelcase lacks the capacity to sue in the Philippines by reason of its doing business without a license.

On the other hand, DISI argues that the doctrine of estoppel cannot give Steelcase the license to do business in the Philippines or permission to file suit in the Philippines. DISI claims that when Steelcase entered into a dealership agreement with DISI in 1986, it was not doing business in the Philippines. It was after such dealership was put in place that it started to do business without first obtaining the necessary license. Hence, estoppel cannot work against it. Moreover, DISI claims that it suffered as a result of Steelcase's "doing business" and that it never benefited from the dealership and, as such, it cannot be estopped from raising the issue of lack of capacity to sue on the part of Steelcase.

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The argument of Steelcase is meritorious.

If indeed Steelcase had been doing business in the Philippines without a license, DISI would nonetheless be estopped from challenging the former's legal capacity to sue.

It cannot be denied that DISI entered into a dealership agreement with Steelcase and profited from it for 12 years from 1987 until 1999. DISI admits that it complied with its obligations under the dealership agreement by exerting more effort and making substantial investments in the promotion of Steelcase products. It also claims that it was able to establish a very good reputation and goodwill for Steelcase and its products, resulting in the establishment and development of a strong market for Steelcase products in the Philippines. Because of this, DISI was very proud to be awarded the "Steelcase International Performance Award" for meeting sales objectives, satisfying customer needs, managing an effective company and making a profit.[21]

Unquestionably, entering into a dealership agreement with Steelcase charged DISI with the knowledge that Steelcase was not licensed to engage in business activities in the Philippines. This Court has carefully combed the records and found no proof that, from the inception of the dealership agreement in 1986 until September 1998, DISI even brought to Steelcase's attention that it was improperly doing business in the Philippines without a license. It was only towards the latter part of 1998 that DISI deemed it necessary to inform Steelcase of the impropriety of the conduct of its business without the requisite Philippine license. It should, however, be noted that DISI only raised the issue of the absence of a license with Steelcase after it was informed that it owed the latter US$600,000.00 for the sale and delivery of its products under their special credit arrangement.

By acknowledging the corporate entity of Steelcase and entering into a dealership agreement with it and even benefiting from it, DISI is estopped from questioning Steelcase's existence and capacity to sue. This is consistent with the Court's ruling

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[21] *Id.* at 118-120.

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in *Communication Materials and Design, Inc. v. Court of Appeals*[22] where it was written:

Notwithstanding such finding that ITEC is doing business in the country, petitioner is nonetheless estopped from raising this fact to bar ITEC from instituting this injunction case against it.

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.

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

Concededly, corporations act through agents, like directors and officers. Corporate dealings must be characterized by utmost good faith and fairness. Corporations cannot just feign ignorance of the legal rules as in most cases, they are manned by sophisticated officers with tried management skills and legal experts with practiced eye on legal problems. Each party to a corporate transaction is expected to act with utmost candor and fairness and, thereby allow a reasonable proportion between benefits and expected burdens. This is a norm which should be observed where one or the other is a foreign entity venturing in a global market.

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[22] 329 Phil. 487 (1996).

By entering into the "Representative Agreement" with ITEC, petitioner is charged with knowledge that ITEC was not licensed to engage in business activities in the country, and is thus estopped from raising in defense such incapacity of ITEC, having chosen to ignore or even presumptively take advantage of the same.[23] (Emphases supplied)

The case of *Rimbunan Hijau Group of Companies v. Oriental Wood Processing Corporation*[24] is likewise instructive:

Respondent's unequivocal admission of the transaction which gave rise to the complaint establishes the applicability of estoppel against it. Rule 129, Section 4 of the Rules on Evidence provides that a written admission made by a party in the course of the proceedings in the same case does not require proof. We held in the case of Elayda *v.* Court of Appeals, that an admission made in the pleadings cannot be controverted by the party making such admission and are conclusive as to him. Thus, our consistent pronouncement, as held in cases such as *Merril Lynch Futures v. Court of Appeals*, is apropos:

> **The rule is that 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 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 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 . . ."**

All things considered, respondent can no longer invoke petitioner's lack of capacity to sue in this jurisdiction. Considerations of fair play dictate that after having contracted and benefitted from its business transaction with Rimbunan, respondent should be barred from questioning the latter's lack of license to transact business in the Philippines.

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[23] *Id.* at 507-509.

[24] 507 Phil. 631 (2005).

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In the case of *Antam Consolidated, Inc. v. CA*, this Court noted that it is a common ploy of defaulting local companies which are sued by unlicensed foreign corporations not engaged in business in the Philippines to invoke the latter's lack of capacity to sue. This practice of domestic corporations is particularly reprehensible considering that in requiring a license, the law never intended to prevent foreign corporations from performing single or isolated acts in this country, or to favor domestic corporations who renege on their obligations to foreign firms unwary enough to engage in solitary transactions with them. Rather, the law was intended to bar foreign corporations from acquiring a domicile for the purpose of business without first taking the steps necessary to render them amenable to suits in the local courts. It was to prevent the foreign companies from enjoying the good while disregarding the bad.

As a matter of principle, this Court will not step in to shield defaulting local companies from the repercussions of their business dealings. While the doctrine of lack of capacity to sue based on failure to first acquire a local license may be resorted to in meritorious cases, it is not a magic incantation. It cannot be called upon when no evidence exists to support its invocation or the facts do not warrant its application. In this case, that the respondent is estopped from challenging the petitioners' capacity to sue has been conclusively established, and the forthcoming trial before the lower court should weigh instead on the other defenses raised by the respondent.[25] (Emphases supplied)

As shown in the previously cited cases, this Court has time and again upheld the principle that a foreign corporation doing business in the Philippines without a license may still sue before the Philippine courts a Filipino or a Philippine entity that had derived some benefit from their contractual arrangement because the latter is considered to be estopped from challenging the personality of a corporation after it had acknowledged the said corporation by entering into a contract with it.[26]

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[25] *Id.* at 650-652.

[26] *Global Business Holdings, Inc. v. Surecomp Software, B.V.*, G.R. No. 173463, October 13, 2010, 633 SCRA 94, 103-104.

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In *Antam Consolidated, Inc. v. Court of Appeals*,[27] this Court had the occasion to draw attention to the common ploy of invoking the incapacity to sue of an unlicensed foreign corporation utilized by defaulting domestic companies which seek to avoid the suit by the former. The Court cannot allow this to continue by always ruling in favor of local companies, despite the injustice to the overseas corporation which is left with no available remedy.

During this period of financial difficulty, our nation greatly needs to attract more foreign investments and encourage trade between the Philippines and other countries in order to rebuild and strengthen our economy. While it is essential to uphold the sound public policy behind the rule that denies unlicensed foreign corporations doing business in the Philippines access to our courts, it must never be used to frustrate the ends of justice by becoming an all-encompassing shield to protect unscrupulous domestic enterprises from foreign entities seeking redress in our country. To do otherwise could seriously jeopardize the desirability of the Philippines as an investment site and would possibly have the deleterious effect of hindering trade between Philippine companies and international corporations.

WHEREFORE, the March 31, 2005 Decision of the Court of Appeals and its March 23, 2006 Resolution are hereby **REVERSED** and **SET ASIDE.** The dismissal order of the Regional Trial Court dated November 15, 1999 is hereby set aside. Steelcase's Amended Complaint is hereby ordered **REINSTATED** and the case is **REMANDED** to the RTC for appropriate action.

SO ORDERED.

Velasco, Jr. (Chairperson), Peralta, Abad, and *Perlas-Bernabe, JJ.,* concur.

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[27] 227 Phil. 267, 276 (1986).