



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **09 December 2020** which reads as follows:*

“G.R. No. 249046 (*Nextphase International Inc. vs. National Labor Relations Commission – Third Division, Hon. Pablo C. Espiritu, Jr., Alex A. Lopez, and Cecilio Alejandro C. Villanueva, Pinky C. Dulalia, Julieta Vargas, Erlinda Dulalia and Argie L. Ibatuan*). — Petitioner seeks affirmative relief from the Court *via* the present Petition for Review under Rule 45. It poses anew whether by piercing the corporate veil of NPPET Global Innovention, Inc. (NPPET), petitioner Nextphase International Inc. and NPPET can be held jointly and severally liable for payment of the money judgment rendered in private respondents’ favor.¹

In their Comment dated October 21, 2020, respondents riposte that petitioner raises pure questions of fact, not of law, which is not the function of a Petition for Review under Rule 45. The factual findings of labor tribunals, especially when affirmed by the Court of Appeals, are binding on this Court since it is not a trier of facts. In any event, the corporate veil was properly pierced in order to give way to the execution of the final and executory judgment of the Court of Appeals in CA-G.R. SP No. 123639, as affirmed by this Court.

Ruling

Petitioner’s arguments are indeed mere rehash of those already presented and resolved in full thrice below, first by the labor arbiter, next by the NLRC, and by the Court of Appeals. Besides, what petitioner repeats here

¹ *Rollo*, pp. 11-48.

h/n

and now are issues of fact and not of law. The Court is not a trier of facts. It will not entertain questions of fact as the factual findings of the appellate courts are final, binding, or conclusive on the parties and upon this Court when supported by substantial evidence, as in this case.² No cogent reason is adduced to warrant a deviation from this rule. Hence, on this ground alone, the petition should already be dismissed outright.

But even on the merits, the petition must fail. *De Castro v. Court of Appeals*³ explains the rationale of the doctrine of piercing the corporate veil, thus:

The conclusion that Silvericon was a mere labor-only contractor and a business conduit of Nuvoland warrants the piercing of its corporate veil. At this point, it is apt to restate the Court's ruling in *Sarona v. National Labor Relations Commission*:

The doctrine of piercing the corporate veil applies only in three (3) basic areas, namely: 1) defeat of public convenience as when the corporate fiction is used as a vehicle for the evasion of an existing obligation; 2) fraud cases or when the corporate entity is used to justify a wrong, protect fraud, or defend a crime; or 3) alter ego cases, where a corporation merely a farce since it is a mere alter ego or business conduit of a person, or where the corporation is so organized and controlled and its affairs are so conducted as to make it merely an instrumentality, agency, conduit or adjunct of another corporation.

As ruled in *Prince Transport, Inc. v. Garcia*, it is the act of hiding behind the separate and distinct personalities of juridical entities to perpetuate fraud, commit illegal acts and evade one's obligations, that the equitable piercing doctrine was formulated to address and prevent: Thus:

x x x A settled formulation of the doctrine of piercing the corporate veil is that when two business enterprises are owned, conducted and controlled by the same parties, both law and equity will, when necessary to protect the rights of third parties, disregard the legal fiction that these two entities are distinct and treat them as identical or as one and the same, x x x However, petitioners' attempt to isolate themselves from and hide behind the supposed separate and distinct personality of Lubas so as to evade their liabilities is precisely what the classical doctrine of piercing the veil of corporate entity seeks to prevent and remedy.(Emphasis supplied)

Here, the Court of Appeals found that the incorporation of NPPET was resorted to by petitioner to evade its obligations to respondent. In other words, petitioner used the corporate veil to perpetrate a fraud. The Court of Appeals thus keenly noted:

² *Pascual v. Burgos*, 776 Phil. 167, 182 (2016).

³ 796 Phil. 681, 703-704 (2016).

In this instance, petitioner denies committing fraud to defeat legal processes and deny private respondents of what is legally theirs, alleging merely that the evidence adduced by the latter is not sufficient to determine fraud or misuse of corporate fiction. However, it must be remembered that allegation is not equivalent to proof and, as such, the party who asserts a particular fact or affirmative defense is duty-bound to support the same with the requisite quantum of evidence.

Here, petitioner miserably failed to support its denial of the commission of fraud to evade liability to private respondents or of the fact that it created NGII at around the same time as the conclusion of the case before the CA where being made to pay for ₱2,735,722.82 was likely. The deceitful purpose for which the second company was created was made clear by the fact that the sheriff was barred from serving the writ of execution to petitioner because its official address was suddenly under a new management whereas the banks to which he had sent notices of garnishment had all but refused. If the two companies were, indeed, separate and distinct from one another, the execution of the judgment would not have encountered a hitch, which it did. Thankfully, the private respondents inquired into the problem that led to the discovery of the surreptitious change in name cum creation of NGII for the purpose of thwarting the enforcement of the judgment award.

In view thereof, there is no doubt that petitioner's attempt to hide behind a new identity constitutes fraud within the meaning of the law. Fraud in this context proceeds from the intentional deception practiced by means of misrepresentation or concealment of a material fact. Petitioner did it by cloaking itself with a new legal personality in the hope that by hiding behind the legal fiction it could evade existing obligations and defeat the rights of the claimants to which it was held liable.

As last ditch effort, petitioner contends that it has a different purpose than that of NGII's. It claims that its main objective is to engage in the business of trading goods such as but not limited to novelty items on wholesale or retail basis whereas NGII is not. However, a reading of its petition yields to the fact that its nature of business is essentially the same as NGII's. "[T]o engage in, conduct and carry on business of manufacturing, importing, exporting, marketing at retail/wholesale" is practically just a stretched-out itemization of the word "trading." The identity of each of the companies' business model (apart from their corporate names, address, contact numbers and website as well as directors, officers and shareholders) is rendered even more plainly and unambiguously by the subject of their enterprise which is plastic.⁴

So must it be.

All told, petitioner fails to sufficiently show that the Court of Appeals committed reversible error in rendering its assailed dispositions in CA-G.R. SP No. 156018 as to warrant the exercise of the Court's discretionary appellate jurisdiction.

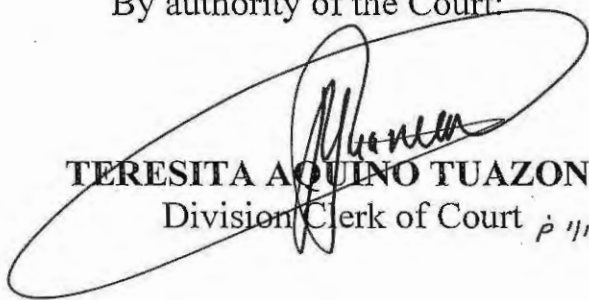
⁴ *Rollo*, pp. 61-62.

ACCORDINGLY, the petition is **DENIED**, and the assailed Decision dated April 12, 2019 and Resolution dated August 16, 2019 of the Court of Appeals in CA-G.R. SP No. 156018 are hereby **AFFIRMED**.

The Court **NOTES** respondents' comment/opposition (to the verified petition for review) dated 21 October 2020 in compliance with the Resolution dated 17 June 2020.

SO ORDERED. (Rosario, J., designated additional member per Special Order No. 2797 dated November 5, 2020)."

By authority of the Court:



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Division Clerk of Court p 112

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