

1. A signs a promissory note payable to B or bearer, and delivers it personally to B. B somehow misplaces the said note and C finds the note lying in the corridor. C endorses the promissory note to D for value by forging the signature of B. May D hold A liable on the note?

- a. No, because the signature of B is forged, hence, it is wholly inoperative, and no right arose from it.
- b. No, but D may hold C liable because the validity of the instrument stops to B, thus, any subsequent endorsement after B is void because the latter's signature was forged.
- c. Yes, because A is a holder in due course as such the enforcement is sought against the maker whose signature is admittedly genuine.

**d. Yes, because the promissory note is a bearer instrument, thus, it is transferred by mere delivery.**

e. None of the above.

2. The following stipulations or features of a promissory note does not affect its negotiability, except:

- a. The date of the promissory note is February 29, 2011.
- b. The PN bears interest payable on the last day of each calendar quarter at a rate equal to 5% above the then prevailing 91-day Treasury bill rate as published at the beginning of the calendar year.
- c. The PN gives maker the option to make payment either in money or check or in quantity of mais or equivalent.**
- d. The PN gives the holder the option either to require payment in money or to require the maker to serve as the bodyguard or escort of the holder for 30 days.
- e. None of the above.

3. Which of the following is not a negotiable instrument?

- a. Manila, September 1993, I promise to pay PSJ or order of the sum of P 5,000.00 ; SGD. Noel Castro

b. For value received, I promise to pay Auto Co. or order at its office in Legaspi City, the sum of P200,000.00 with interest at 12% per annum, payable in 10 equal installments starting next month. ; SGD Perla

**c. I acknowledge to have received from JC P10,000.00 which I promise to pay on demand with interest of 1% per month. If the interest is not due, then both principal and interest shall become due at the option of the holder.**

d. I promise to pay bearer the sum of P4,000.00 ; SGD Lito Avila

e. None of the above

4. E issued a negotiable promissory note and authorized F to fill up the amount in blank up to P20,000.00 only. However, F filled it up to P 50,000.00 and negotiated the note to G. For what amount is E liable to F? Why?

a. E is liable to F for P 50,000.00, because in an incomplete but delivered instrument the holder has prima facie authority to complete the instrument.

b. E is liable for the whole amount, because G as a holder in due course, the note previously completed in breach of instructions can enforce the same as if regularly completed.

c. E is liable only up to P 20,000.00, because G if not a holder in due course cannot enforce the note against E, as the latter may invoke a personal defense of abnormality or deficiency involved.

**d. All of the above.**

e. None of the above.

5. H succeeded in making I affix his signature on a check without I's knowing that it was a check. At the time of the signing, the check was complete in all respects. However, before H was able to encash it, it was stolen by J. The latter thereafter, negotiated it to K, a holder in due course. K encashed the checked. I refused to have the amount of the check be deducted from his bank deposit. Is I liable to K?

**a. Yes, because in a complete but undelivered instrument, if the instrument reaches a holder in due course, the law presumes that all prior deliveries are valid.**

- b. Yes, because in an incomplete but delivered instrument the law presumes that the person in possession of the check has prima facie authority to negotiate the check.
- c. No, because the check is incomplete and undelivered thus, it cannot be a valid contract as against any person who signed it before delivery.
- d. All of the above.
- e. None of the above.

6. L is a Chinese business tycoon. He has this usual practice of leaving unsigned checks to his office. One day, M his secretary stole one of the checks and put the amount of P500,000.00 and affixed the signature of his boss, as the former was authorized to sign in behalf of L whenever the latter is not available. M thereafter, for value, negotiates it to N his best friend. N further negotiates it to O, who endorsed the check to P. May P enforce the check against L?

a. No, because even if M is authorized to sign in behalf of L, the problem did not state that M is authorized to put P500,000.00 for the amount. Thus, the note was not filled up strictly in accordance with the authority given.

**b. No, because if completed and delivered without authority the instrument is not a valid contract as against any person whose signature appears thereon before delivery.**

c. Yes, because if the instrument is out of the hands of the person who signed it, a valid and intentional delivery is disputably presumed.

d. It depends, whether or not P is a holder in due course, because only a holder in due course of the instrument previously completed in breach of instruction can enforce the same as if regularly completed.

e. All of the above.

7. Q draws a bill of exchange against R in favor of S for P10,000.00 requesting the drawee to pay on December 24, 2010. S indorses the instrument to T on November 1 and on November 15 presents it for acceptance. The bill is dishonored. T promptly sues S for payment. Will the case prosper? Reason.

- a. Yes, since the bill was dishonored, the instrument may be enforced against the party secondarily liable like S provided that notice of dishonor was given to him.
- b. No, because no notice of dishonor was given by T, a prerequisite for the enforcement of a negotiable instrument against any secondary party.**
- c. No, because presentment must be made on the day when it falls due. T presented the bill of exchange long before it is due.
- d. All of the above.
- e. None of the above.

8. Who among the following is a holder in due course?

- a. A person who became a holder of a cashier's check indorsed by the person who stole it.
- b. Where a note is acquired by the contract of merger or sale between two banks, and the note is subject to a holdout agreement.
- c. Indorsee of a crossed check.
- d. In a sale of installment, where the goods are defective and cannot be used by the buyer for the purpose which he bought it.
- e. None of the above.**

9. Roger makes a promissory note in favor of Princess a 17 year old college student for P 20,000.00 to help her buy instrument for her dentistry class. Princess, instead of buying her school needs, she indorsed the note to Angelo as payment for a second hand Iphone. Angelo indorses the note to Prince, the latter knows of Princess's minority. If Prince sues on the note, can Roger set up the defenses of minority and lack of consideration?

- a. No, because defenses like being a minor and lack of consideration is a personal defense, hence, cannot be set up by Roger, because it is a defense against immediate party or against a holder not in due course.**

- b. No, because only Princess can invoke his minority. While a minor cannot make a promissory note for lack of contractual capacity, she may, however, validly indorse the note the vest title in the transferee.
- c. Yes, because Prince is not a holder in due course for he knew that Princess is a minor, thus, personal defense can be set up by Roger against him.
- d. Yes, because a contract entered into by a minor is considered valid until annulled. Thus, all subsequent indorsements is presumed by law to be valid.
- e. None of the above.

10. Which statement is incorrect regarding forgery of a negotiable instrument?

- a. It is only the negotiation predicated on the forged indorsement that should be declared inoperative.
- b. A drawee bank who has paid a check on which indorsement has been forged cannot charge the drawer's account for the amount of the check, except if the drawer is guilty of negligence which causes the bank to honor the check.
- c. A forged signature is a real or absolute defense, hence, can be set up as a defense against any holder of the instrument.
- d. If the forgery is in the signature of the indorser, the loss will be borne by the forger or by parties subsequent to said forger.
- e. None of the above.**

**KATRENE JADE O CANIEDO**

**NEGOTIABLE INSTRUMENT LAW**

- 1) The branch of human activity with the purpose of bringing products to the consumer by means of exchanges or operations which tend to supply and extend them to him, habitually, with intent of gain, at the proper time and place and in good quality and quantity (1 Blanco 36).
  - a) **Commerce**
  - b) Commercial Law
  - c) Code of Commerce
  - d) Commercial Activity
  
- 2) Statement 1: Acts of commerce are transactions exclusively contained in the Code of Commerce.  
Statement 2: Commercial transactions shall be governed by the provisions contained in the Code of Commerce, in their absence, by the usages of commerce generally observed in each place; and in the absence of both rules by those of the civil law.
  - a) Only Statement 1 is true
  - b) Only Statement 2 is true**
  - c) Both statements are true
  - d) Statement 2 is false
  
- 3) The following are principal characteristics of commercial law except,
  - a) Uniform
  - b) Equitable
  - c) Particular**
  - d) Progressive
  
- 4) Is it essential that at least one party to a contract in commercial transactions be a merchant?
  - a) Yes. The Code of Commerce provides that at least one party be a merchant for a transaction to be an act of commerce.
  - b) No. The Code of Commerce provides that acts of commerce may be executed by merchants or not.**
  - c) Yes. The Code of Commerce provides that both parties to an act of commerce shall be a merchant.
  - d) No. The Code of Commerce does not provide that one party be a merchant in a commercial transaction.
  
- 5) The following are generally disqualified to become merchants, except:
  - a) Those sentenced to the penalty of civil interdiction
  - b) Insolvents
  - c) Minors**
  - d) Commercial brokers

- 6) It is issued by one merchant to another for the purpose of attending to a commercial transaction.
- a) **Letter of Credit**
  - b) Bank Note
  - c) Trust Receipt
  - d) Merchant Note
- 7) The middleman between the consumer and manufacturer; must do business in his own name.
- a) Producer
  - b) **Merchant**
  - c) Importer
  - d) Vendee
- 8) Statement 1: Days of grace, courtesy or others which under any name whatsoever defer the fulfillment of commercial obligations, shall not be recognized, except those in which the parties may have previously fixed in contract or which are based on a definite provision of law.  
Statement 2: Time is of the essence in commercial contracts, so days of grace are prohibited.
- a) The Statement 1 is False and Statement 2 is True
  - b) The Statement 1 is True and Statement 2 is False
  - c) **Both Statements are true**
  - d) Both Statement are False
- 9) A book where entries are made of merchants and of documents affecting their commercial transactions; or an office established for the purpose of copying and recording verbatim certain classes of documents of commercial nature.
- a) **Commercial Registry**
  - b) Commercial Book
  - c) Book of Commerce
  - d) Registry Book
- 10) A partnership the existence of which was only known to those who had an interest in the same, being no mutual agreements between the partners and without a corporate name indicating to the public in some way that there were other people besides the one who ostensibly managed and conducted the business, as defined in article 239 of the Code of Commerce.
- a) Accidental Partnership
  - b) Professional Partnership
  - c) **Cuentas en Participacion**
  - d) Commercial Partnership

### **Code of Commerce**

#### **CASPE, Roland B.**

1. Jacques Closseau applied for a non-medical life insurance. The insured did not inform the insurer that one week prior to his application for insurance, he was examined and confined at Nodado Hospital where he was diagnosed for lung cancer. The insured soon thereafter died in a plane crash. Is the insurer liable?

- A) No. The concealed fact was not the cause of death of the insured.

**B) No. The concealed fact is material to the approval and issuance of the insurance policy.**

C) Yes. The cause of death of the insured was non-medical.

D) Yes. The insured died after the approval and issuance of the insurance policy.

2. Tomas was issued Policy No. 14344 of the Midland Life Insurance Company on a whole life plan for P20,000 on August 19, 2007. Tomas is married to Cynthia with whom he has three legitimate children. He, however, designated Cindy, his common-law wife, as the revocable beneficiary. Tomas referred to Cindy in his application and policy as the legal wife. Three (3) years later, Tomas died. Cindy filed her claim for the proceeds of the policy as the designated beneficiary therein. The widow, Cynthia, also filed a claim as the legal wife. To whom should the proceeds of the insurance policy be awarded?

A) The proceeds of the insurance policy shall be awarded to Cynthia, being the legal wife of Tomas.

B) The proceeds of the insurance policy shall be awarded to Cindy, being the partner of Tomas when the latter died.

C) The proceeds of the insurance policy shall be awarded to the state.

**D) The proceeds of the insurance policy shall be awarded to the estate of Tomas Cruz.**

3. Atty. Jin Kazama took out a life insurance policy from the Dana Insurance Company (DIC) on 1 September 2008. On 31 August 2009, Roberto died. DIC refused to pay his beneficiaries because it discovered that Atty. Kazama had misrepresented certain material facts in his application. The beneficiaries sued on the basis that DIC can contest the validity of the insurance policy only within two (2) years from the date of issue and during the lifetime of the insured. Decide the case.

**A) I would rule in favor of the insurance company because the incontestability clause applies only if the policy had been in effect for at least two (2) years.**

B) I would rule in favor of the insurance company because there was a misrepresentation of certain material facts in this case.

C) I would rule in favor of the beneficiaries because the 2-year period is counted from the time the insurance becomes effective and after the death of the insured.

D) I would rule in favor of the beneficiaries because DIC failed to contest the life insurance policy before Atty. Kazama died.

4. Mani Pakyaw was the holder of an accident insurance policy effective November 1, 2010 to Oct 31, 2011. At a boxing contest held on January 1, 2011 and sponsored by his employer, Mani Pakyaw slipped and was hit on the face by his opponent so he fell and his head hit one of the posts of the boxing ring. He was rendered unconscious and was dead on arrival at the hospital due to "intra-cranial hemorrhage." Can his mother Jonesha Pakyaw

who is a beneficiary under said insurance policy successfully claim indemnity from the insurance company?

- A) Yes, the mother who is a beneficiary under the accidental insurance can successfully claim indemnity for the death of the insured because Mani Pakyaw died while the accident insurance policy is effective.
- B) **Yes, the mother who is a beneficiary under the accidental insurance can successfully claim indemnity for the death of the insured because the proximate cause of death was the boxing contest and death sustained in a boxing contest is an accident.**
- C) No, the mother who is a beneficiary under the accidental insurance cannot successfully claim indemnity for the death of the insured because the insured voluntarily joined the boxing contest and hence, not an accident.
- D) None of the above.

5. While driving his car along Commonwealth Avenue, Noypi Aquino sideswiped Dakpan Arroyo, causing injuries to the latter. Arroyo sued Aquino and the third party liability insurer for damages and/or insurance proceeds. The insurance company moved to dismiss the complaint, contending that the liability of Aquino has not yet been determined with finality. Is the contention of the insurer correct?

- A) No, the contention of the insurer is not correct. There is no need to wait for the decision of the court determining Cesar's liability with finality before the third party liability insurer could be sued.
- B) No, the contention of the insurer is not correct. The occurrence of the injury to Roberto immediately gave rise to the liability of the insurer under its policy. In other words, where an insurance policy insures directly against liability, the insurer's liability accrues immediately upon the occurrence of the injury or event upon which the liability depends.
- C) **All of the above.**
- D) None of the above.

6. Juris insured her newly acquired car, a Honda Fit against any loss or damage for P50,000.00 and against 3rd party liability for P20,000.00 with the Leaves Insurance Company. Under the policy, the car must be driven only by an authorized driver who is either: 1) the insured, or 2) any person driving on the insured's order or with his permission: provided that the person driving is permitted in accordance with the licensing or other laws or regulations to drive the motor vehicle and is not disqualified from driving such motor vehicle by order of a court. During the effectivity of the policy, the car, then driven by Juris herself, who had no driver's license, met an accident and was extensively damaged. The estimated cost of repair was P40,000.00. Juris immediately notified Leaves Insurance Company, but the latter refused to pay on the policy alleging that Juris violated the terms thereof when she drove it without a driver's license. Is the insurer correct?

- A) The insurer was not correct in denying the claim since the proviso "that the person driving is permitted in accordance with the licensing, etc." qualified only a person driving the vehicle other than the insured at the time of the accident.
- B) The insurer is correct. The clause "authorized driver" in the policy evidently applies to both the insured and any other person driving the vehicle at the time of the accident. The term "authorized driver" should be construed as a person who is authorized by law to driver the vehicle.
- C) **All of the above.**
- D) None of the above.

7. Angelo Rey purchased rice from Thailand from his retirement pabaon, which he intended to sell locally. Due to stormy weather, the ship carrying the rice became submerged in sea water, and with it the rice cargo. When the cargo arrived in Manila, Rey filed a claim for total loss with the insurer, because the rice was no longer fit for human consumption. Admittedly, the rice could still be used as animal feed. Is Reyes' claim for total loss justified?

A) No, Rey's claim for total loss is unjustified. There was no complete destruction of the rice as it could still be used as animal feed. Though the rice has been rendered unfit for human consumption, the same could still be used as animal feed. Hence, there was no total loss.

**B) Yes, Rey's claim for total loss is justified. The rice, which was imported from Thailand for sale locally, is obviously intended for consumption by the public. The complete physical destruction of the rice is not essential to constitute an actual total loss. Such a loss exists in this case since the rice, having been soaked in sea water and thereby rendered unfit for human consumption, has become totally useless for the purpose for which it was imported.**

B) All of the above.

C) None of the above.

8. An insurance company issued a marine insurance policy covering a shipment by sea from Mindoro to Batangas of 1,000 pieces of Mindoro garden stones against "total loss only." The stones were loaded in two lighters, the first with 600 pieces and the second with 400 pieces. Because of rough seas, damage was caused the second lighter resulting in the loss of 325 out of the 400 pieces. The owner of the shipment filed claims against the insurance company on the ground of constructive total loss inasmuch as more than  $\frac{3}{4}$  of the value of the stones had been lost in one of the lighters. Is the insurance company liable under its policy?

A) The insurance company is liable under its policy covering against "total loss only" as there is constructive total loss that can claimed since the  $\frac{3}{4}$  rule is to be computed on the 400 pieces of Mindoro garden stones in the second lighter covered by the single policy coverage.

**B) The insurance company is not liable under its policy covering against "total loss only" the shipment of 1,000 pieces of Mindoro garden stones. There is no constructive total loss that can claimed since the  $\frac{3}{4}$  rule is to be computed on the total 1,000 pieces of Mindoro garden stones covered by the single policy coverage.**

B) All of the above.

C) None of the above.

9. X Company procured a group accident insurance policy for its construction employees variously assigned to its provincial infrastructure projects. Y Insurance Company underwrote the coverage, the premiums of which were paid for entirely by X Company without any employee contributions. While the policy was in effect, five of the covered employees perished at sea on their way to their provincial assignments. Their wives sued Y Insurance Company for payment of death benefits under the policy. While the suit was pending, the wives signed a power of attorney designating X Company executive, PJ, as their authorized

representative to enter into a settlement with the insurance company. When a settlement was reached, PJ instructed the insurance company to issue the settlement check to the order of X Company, which will undertake the payment to the individual claimants of their respective shares. PJ misappropriated the settlement amount and the wives pursued their case against Y Insurance Co. Will the suit prosper?

- A) Yes. The suit will prosper. Y Insurance Company is liable. X Company, through its executive, PJ, acted as agent of Y Insurance Company. The latter is thus bound by the misconduct of its agent. It is the usual practice in the group insurance business that the employer-policy holder is the agent of the insurer.**
- B) No. The suit will not prosper. Y Insurance Company cannot be liable because the settlement amount has already been given to PJ as the authorized representative of the wives. Since the settlement amount was already paid by the insurance company, said company cannot be made to pay what it has already paid.
- C) No. The suit will not prosper because Y Insurance Company had already complied with its obligation to pay the settlement amount. Further, it was not Y Insurance Company which misappropriated the settlement amount.
- D) None of the above.

10. Julie and Alma formed a business partnership. Under the business name Juma Shop, the partnership engaged in a sale of construction materials. Julie insured the stocks in trade of Juma Shop with WGC Insurance Co for P350,000.00. Subsequently, she again got an insurance contract with RSI for P1,000,000.00 and then from EIC for P200,000.00. A fire of unknown origin gutted the store of the partnership. Julie filed her claims with the three insurance companies. However, her claims were denied separately for breach of policy condition which required the insured to give notice of any insurance effected covering the stocks in trade. Julie went to court and contended that she should not be blamed for the omission, alleging that the insurance agents for WGC, RSI and EIC knew of the existence of the additional insurance coverages and that she was not informed about the requirement that such other or additional insurance should be stated in the policy. Is the contention of Julie tenable?

- A) No. An insured is required to disclose the other insurances covering the subject matter of the insurance being applied for.**
- B) No. An insured is not required to disclose the other insurances covering the subject matter of insurance being applied for especially when payment for the insurances has already been made.
- C) Yes. The omission of Julie in failing to disclose the other insurances is not attributed to her but to the three (3) agents of each insurance company.
- D) Yes. Julie was not informed of the need to disclose the other insurances.

**PERLITA PACATANG**

## INSURANCE

1. On September 23, 1990, Tan took a life insurance policy from Philam. The policy was issued on November 6, 1990. He died on April 26, 1992 of hepatoma. The insurance company denied the beneficiaries' claim and rescinded the policy by reason of alleged misrepresentation and concealment of material facts made by Tan in his application. It returned the premiums paid. The beneficiaries contend that the company had no right to rescind the contract as rescission must be done —during the lifetime of the insured within two years and prior to the commencement of the action. Is the contention of the beneficiaries tenable?
  - a. No, the incontestability clause does not apply. The insured dies within less than two years from the issuance of the policy on September 23, 1990. The insured died on April 26, 1992, or less than 2 years from September 23, 1990.
  - b. No, The right of the insurer to rescind is only lost if the beneficiary has commenced an action on the policy.
  - c. All of the above**
  - d. None of the above.
  
2. On April 15, 1986, A procured a life insurance contract for himself from Moon Life. The designated beneficiary was his mother X. on June 26, 1987, the insured died in a plane crash. X filed a claim with Moon Life seeking the benefits of the insurance. Moon life conducted an investigation and its findings prompted it to reject the claim. In its letter, Moon Life informed X, that the insured did not disclosed material facts relevant to the issuance of the policy, thus rendering the contract of insurance voidable. X filed an action for specific performance against Moon Life, holding that the facts concealed by the insured were made in good faith. Can the beneficiary claim despite concealment?
  - a. Yes, good faith is a defense in concealment.
  - b. No, good faith is no defense in concealment.**
  - c. Yes, if the concealment is not the cause of the injury sustained.
  - d. None of the above.
  
3. Jay obtained a life insurance policy for P1 Million designating irrevocably Loyce, a friend, as his beneficiary. Jay, however, changed his mind and wants Joyce and Jojo, his other friends, to be included as beneficiaries considering that the proceeds of the policy are sufficient for the three friends. Can Jay still add Joyce and Jojo as his beneficiaries?

- a. **No, Jay can no longer add Joyce and Jojo as his beneficiaries in addition to Loyce. As the irrevocable beneficiary, Loyce has acquired a-vested right over Jay's life insurance policy.**
  - b. Yes, Jay can still add Joyce and Jojo as his beneficiaries
  - c. Yes, the insured can designate any person to be his beneficiary at his discretion.
  - d. None of the above
4. Case 1: A represented that his yacht was in Taiwan when in fact it was in HK. But at the taking effect of the contract, the yacht had already reached the port in Taiwan.

Case 2: A represented that his yacht was in Taiwan and in fact it was in Taiwan. But at the taking effect of the contract the yacht had already sailed to HK and then it was shipwrecked.

Which in the above case has false representation.

- a. Case 1 only
  - b. Case 2 only**
  - c. Both Case 1 and Case 2
  - d. None of the above.
5. A is the captain of Titanic. James is the shipowner. On Sept. 19, 2004, James applies for an insurance upon Titanic "Lost or Not Lost" with Jack and Rose Insurance Co. However as of Sept. 16, 2004, A already knew that the ship was lost at sea but did not tell James. Can James still recover on the policy?
- a. **No, a captain of the ship is bound to communicate its loss to the owner, and if the latter effects an insurance on the ship "lost or not lost" in ignorance of the antecedent loss due to the fraud or negligence of the captain, the insured cannot recover on the policy.**
  - b. Yes, a captain of the ship is not bound to communicate its loss to the owner, and if the latter effects an insurance on the ship "lost or not lost" in ignorance of the antecedent loss due to the fraud or negligence of the captain, the insured can recover on the policy.
  - c. Yes, a captain of the ship is not bound to communicate its loss to the owner, and the owner still has an insurable interest upon the ship even if it was already lost when the contract was perfected.
  - d. None of the above.
6. A procured insurance on his life through fraudulent concealment or misrepresentation. What is the effect if A dies within two year from the issuance of the policy, and the insurer learned of the concealment or misrepresentation?
- a. His beneficiary cannot recover on the policy because the law says that the policy must have been in force during the lifetime of the insured for a period of two years.

- b. The death of the insured makes the policy no longer “in force” and the insurer can still rescind the contract.
  - c. All of the above**
  - d. None of the above
7. A obtains a fire insurance on his house and as a generous gesture names his neighbor as the beneficiary. If A’s house is destroyed by fire, can B successfully claim against the policy?
- a. Yes, since A is the named beneficiary in the policy.
  - b. No, in property insurance, the beneficiary must have insurable interest in the property insured.**
  - c. Yes, insurable interest is not a requirement for a beneficiary in a property insurance to successfully claim against the policy.
  - d. None of the above
8. The policy of insurance upon his life, with a face value of P100th was assigned by Jose, a married man with 2 legitimate children, to his nephew Y as security for a loan of P50th. He did not give the insurer any written notice of such assignment despite the explicit provision to that effect in the policy. Jose died. Upon the claim on the policy by the assignee, the insurer refused to pay on the ground that it was not notified of the assignment. Upon the other hand, the heirs of Jose contended that Y is not entitled to any amount under the policy because the assignment without due notice to the insurer was void. Resolve the issues.
- a. a life insurance is not assignable, the failure of the notice of assignment would not preclude the assignee from claiming rights under the policy.
  - b. A life insurance is assignable, the failure of the notice of assignment would thus preclude the assignee from claiming rights under the policy.**
  - c. The estate would not be liable for the loan of P50,000 owing in favor of Y.
  - d. None of the Above.
9. A, wanted to open a medicinal herb shop. He placed a long distance phone call to Taiwan and talked to an exporter who willingly agreed to consign several tons of ginsengs with him on the condition that he will come and pick the goods up. A then sent 5 of his cargo vessels to Taiwan. The ships left on August 9. On August 14, A insured the 5 vessels against perils of the South China Sea “Lost or Not Lost” with B Insurance Co. Without the knowledge of both parties, the ships had already sunk on Aug. 14. Is B Insurance Co. liable for the ships?
- a. Yes. This is an example of a past unknown event because the sinking of the ship is a past event at the time that the policy took effect.
  - b. Yes, The contract is valid and B Insurance Co. is liable because he agreed to pay even though the ship be already lost
  - c. All of the above**
  - d. None of the above.

10. A takes an insurance policy on his life and names his friend X as beneficiary, and another insurance on the life of Y in consideration of "love and affection" with A as a beneficiary. Which of the two insurances, if any, is valid and which, if any, is void?
- a. The Insurance taken on A on his life is VALID, because the beneficiary need not have an insurable interest in the life of the insured. It must be the one insuring who has an insurable interest in the life of the person he is insuring, and of course, it goes without saying that one has an insurable interest in his own life and health.
  - b. The insurance taken by A on the life of Y is VOID because "love and affection for the insured" on the part of the person insuring is NOT sufficient ground to qualify as insurable interest.
  - c. All of the above**
  - d. None of the above.

**ROYCE R. AURE**

**INSURANCE**

1. Carlos is the Chairperson and President of NT Corporation and Myrna is the Director. Myrna representing the corporation appointed X Company as the exclusive distributor of NT Corporation's products in Northern Luzon as evidenced by the Dealership Agreement. Is the dealership agreement valid?
- a. No, because Myrna alone represented NT Corporation.
  - b. No, because there is no showing that Myrna was authorized by NT Corporation to enter into a Dealership Agreement with X Company.
  - c. Yes, provided that the act of Myrna is ratified by the NT Corporation through a meeting called for the purpose.
  - d. Yes, because it is voidable only at the option of NT Corporation.**
  - e. None of the above.
2. Strong Cement Corporation was organized primarily for cement manufacturing. Anticipating substantial profits, its President proposed that the corporation invest in quarry operations for limestone in the manufacture of cement. What corporate approvals or votes are needed for the proposed investments?
- a. By a majority of the Board of Directors and the ratification of such approval

by the stockholders representing at least 2/3 of the outstanding capital stock.

**b. By the majority vote of the Board of Directors only.**

c. By at least 2/3 votes of stockholders owning outstanding capital stock.

d. By the President of Strong Cement Corporation only.

e. None of the above.

3. In a complaint filed against ABC Corporation, Luzon Trading Corporation alleged that its President and General Manager, who is also a stockholder, suffered mental anguish, fright, social humiliation and serious anxiety as a result of the tortuous acts of ABC Corporation. May Luzon Trading Corporation recover damages based on the allegations of the complaint?

**a. No, because Luzon Trading Corporation is an artificial being.**

b. Yes, because the President and General Manager of ABC Corporation suffered mental anguish, fright, social humiliation and serious anxiety.

c. No, because a counterclaim may be resorted by ABC Corporation against Luzon Trading Corporation.

d. Yes, because a valid complaint was filed against ABC Corporation.

e. None of the above.

4. In 2004, ABC Corporation passed a board resolution removing X from his position as manager of said corporation. The by-laws of ABC Corporation provide that the officers are the president, vice-president, treasurer and secretary. Upon complaint filed with the Securities and Exchange Commission, it held that a manager could be removed by mere resolution of the board of directors. On motion for reconsideration, X alleged that he could only be removed by the affirmative vote of the stockholders representing 2/3 of the outstanding capital stock. Is the contention X legally tenable?

a. Yes, for the removal of a corporate officer or employee, the affirmative vote of the stockholders representing 2/3 of the outstanding capital stock is needed.

b. Yes, because X is a corporate officer.

**c. No, the approval of stockholder is necessary only for the removal of the members of the Board of Directors.**

d. No, because X is not a named officer in the by-laws of the Corporation.

e. None of the above.

5. In 2010, ABC Manufacturing Inc. finally regained its financial liquidity after the economic reverses suffered from previous years. In the regular meeting held by the corporation this year, its President proposed to the Board of Directors that a bonus of 15% of the company's net income before tax during the preceding year be distributed as bonus to its directors. The President's proposal was unanimously approved by the Board of Directors. A stockholder of ABC Manufacturing Inc. questioned the approved bonus. Is there a valid ground for the said objection?

a. None, because the law provides that a bonus of 15% can be distributed as bonus to Board of Directors.

b. None, because the 15% bonus was approved by the Board of Directors as within its powers granted under the law.

c. Yes, because the 15% should be based on company's net income after income tax.

**d. Yes, because the 15% bonus exceeded the amount allowed by law.**

e. None of the above.

6. Because of disagreement with the Board of Directors (BOD) and a threat by the BOD to expel her for misconduct and inefficiency, Rissa offered in writing to resign as President and member of the BOD, and to sell to the company all her shares therein for PhP500,000.00. Her offer to resign was “effective as soon as my shares are fully paid”. At its meeting, the BOD accepted Rissa’s resignation, approved her offer to sell back her shares of stock to the company, and promised to buy the stocks on a staggered basis. Rissa was informed of the BOD resolution in a letter-agreement to which she affixed her consent. The Company’s new President signed the promissory note. After payment of PhP100,000.00 the company defaulted in paying the balance PhP400,000.00.

Rissa wants to sue the Company to collect the balance. If you were retained by Rissa as her lawyer, where will you file the suit?

- a. Labor Arbiter
- b. Securities and Exchange Commission
- c. Municipal Trial Court
- d. Regional Trial Court**
- e. None of the above

7. A subscription contract was entered into which stated that the authorized capital stock was PhP250,000.00. It turned out that it was increased to PhP500,000.00 but it was not disclosed to the subscriber. What is the effect of non-disclosure to the subscriber of the increase of the authorized capital stock?

- a. The subscription was not binding and the subscriber cannot be compelled to pay his subscription.**
- b. The subscription was binding and the subscriber can be compelled to pay his subscription.
- c. The subscription was not binding and subscriber may annul the increase in the amount of capital stock.
- d. The subscription was binding and the subscriber may retain the shares of capital stock subscribed.
- e. None of the above

8. The Balance Sheet of a manufacturing corporation shows that it has a retained surplus profit in excess of 100% of its paid in capital as of December 31, 2010. Despite the said surplus, the corporation refused to declare dividend due to the following reasons:

- a. It does not have enough cash to declare dividend.
- b. There is a pending corporate expansion.
- c. The retained surplus profit is unrestricted.
- d. There is an existing loan agreement prohibiting the declaration of dividend;

Which among the above reasons justify the refusal of the corporation to declare dividends?

- a. Both a and c.

**b. Both b and d.**

- c. Both a and d.
- d. None of the above.
- e. All of the above.

9. Mercy subscribed 1,000 shares of stock of Maawain Corporation. She paid 25% of said subscription. How many shares can Mercy vote during a stockholder's meeting?

- a. 250 shares.
- b. 500 shares.
- c. 750 shares.
- d. 1,000 shares.**
- e. None since only 25% was paid.

10. Four months before his death, MS assigned 100 shares of stock registered in his name in favor of his wife and his children. When the deed of assignment was brought to the proper corporate officers for registration it was refused on the ground that another heir is contesting the validity of the deed of assignment. When can transfer of share be refused?

- a. If another person is contesting the transfer of shares.
- b. If the shares is not paid in full.
- c. If the corporation holds any unpaid claim.**
- d. All of the above.
- e. None of the above.

**ROSALINA U. BASCAO  
CORPORATION LAW**

- 1. A corporation so defectively created is not to be a de jure corporation but nevertheless the result of a bona fide attempt to incorporate under existing statutory authority, coupled with the exercise or user of corporate powers
  - a. De jure corporation

- b. De facto corporation**
  - c. Corporation by prescription
  - d. Corporation bt estoppels
  - e. None of the above
2. Which of the following qualifications is necessary in order that one may be elected president of the corporation?
- a. He must be a resident and citizen of the Philippines.
  - b. He must not be a stockholder or director of a competitor corporations.
  - c. He must be a president of any other corporations.
  - d. He must be a director of the corporation.**
  - e. All of the above
3. The following are acts within the implied powers of a corporation, EXCEPT:
- a. Acts in the usual cause of business
  - b. Acts to protect debts owing to the corporation
  - c. Embarking in different business which is not a part of the regular business**
  - d. Acts to increase its business
  - e. None of the above
4. The right given to existing stockholders of a corporation to subscribe for a purchase of stock in proportion to their respective shareholding before the share of the corporation are offered to the general public is called:
- a. Stock right
  - b. Pre-emptive right**
  - c. Right of offset
  - d. Right of proxy
  - e. None of the above

5. Corporators of a corporation which has no capital stock are called:
- a. Incorporators
  - b. Promoters
  - c. Members**
  - d. Stockholders
  - e. None of the above
6. The stockholders or members mentioned in the Articles of Incorporation originally forming and composing the corporation and who are signatories thereof:
- a. Incorporators**
  - b. Promoters
  - c. Corporators
  - d. Subscribers
  - e. None of the above
7. How many number of votes the board of directors are required to change the name of the corporation?
- a. 2/3 of all members of the board
  - b. 2/3 vote of all present
  - c. Majority vote of all present constituting a quorum
  - d. Majority vote of the board**
8. A private corporation commences to have a corporate existence and a juridical personality from the date
- a. The officers of the corporation are elected
  - b. The incorporators sign and file the Articles of Incorporation with the SEC.
  - c. The by-laws approved by the SEC
  - d. The SEC issues a certificate of Incorporation.**

9. The difference between a proxy and a voting trust agreement is:
  - a. Proxy is required to be notarized.
  - b. Voting trust agreement is not required to be notarized.
  - c. Presence of the stockholder in the meeting where the proxy is given automatically cancels the proxy.**
  - d. Voting trust must be written
  
10. Voting requirements for the amendment of by-laws
  - a. 2/3 of the outstanding capital
  - b. Majority of the board of directors
  - c. Majority of the board consented to 2/3 of the outstanding capital stock**
  - d. Majority of the board of directors consented to by majority of The stockholders

## **DARWIN PALLONES**

### **CORPORATION LAW**

Two vessels figured in a collision along the Straights of Guimaras resulting in a considerable loss of cargo. The damaged vessels were safely conducted to the port of Iloilo. Passenger A failed to file a maritime protest. B, a non-passenger but a shipper who suffered damage to his cargo, likewise did not file a protest at all.

#### 1. What is Maritime Protest?

a. Notice made within 24 hours after collision in which the circumstances thereof are declared or made known before a competent authority at the point of accident or the first port of arrival if in the Philippines or the Philippine Consul in a foreign country

b. A sworn statement made within 72 hours after collision in which the circumstances thereof are declared or made known before a competent authority at the point of accident or the first port of arrival if in the Philippines or the Philippine Consul in a foreign country

c. Notice made within 72 hours after collision in which the circumstances thereof are declared or made known before a competent authority at the point of accident or the first port of arrival if in the Philippines or the Philippine Consul in a foreign country

**d. A sworn statement made within 24 hours after collision in which the circumstances thereof are declared or made known before a competent authority at the point of accident or the first port of arrival if in the Philippines or the Philippine Consul in a foreign country**

2. Who can successfully maintain an action to recover loses and damages from the collision?

- a. Both
- b. Only A
- c. Only B**
- d. Neither

3. What is the “Kabit system”?

a. A situation whereby a person who has been granted a certificate of public convenience is defrauded by another who owns a motor vehicle, wherein the latter operates under the former's certificate of public convenience without his knowledge.

**b. An arrangement whereby a person who has been granted a certificate of public convenience allows another who owns a motor vehicle to operate under his certificate for a fee or a percentage of the earnings**

c. A situation whereby two persons who have not been granted a certificate of public convenience works together to avoid getting caught.

d. An arrangement whereby a person who has been granted a certificate of public convenience sells such certificate to another who owns a motor vehicle to operate under his certificate for a fee or a percentage of the earnings

Baldo is a driver of Yellow Cab Company under the boundary system. While cruising along the South Expressway, Baldo's cab figured in a collision, killing his passenger Pietro. The heirs of Pietro sued Yellow cab for Damages, but the latter refused to pay the heirs, insisting that it is not liable because Baldo is not its employee.

4. Is Yellow Cab liable?

**a. Yellow Cab is liable because there exists an employer-employee relationship between a jeepney owner and a driver under the boundary system arrangement.**

- b. Yellow Cab is liable because Baldo is a poor man who cannot pay the damages.
- c. Yellow Cab is not liable because there is no employer-employee relationship between a jeepney owner and a driver under the boundary system arrangement.
- e. Yellow Cab is not liable because it exercised diligence in the selection and supervision of its employee.

On a clear weather, M/V Sundo, carrying insured cargo, left the port of Manila bound for Cebu. While at sea, the vessel encountered a strong typhoon forcing the captain to steer the vessel to the nearest island where it stayed for seven days. The vessel ran out of provisions for its passengers. Consequently, the vessel proceeded to Leyte to replenish its supplies.

5. Assuming that the cargo was damaged because of such deviation, who between the insurance company and the owner of the cargo bears the loss?

**a. Since deviation is proper, the insurance company.**

- b. Since deviation is not proper, the owner of the cargo.
- c. Since deviation is proper, the owner of the cargo.
- d. Since deviation is not proper, the insurance company.

6. I. When caused by circumstance over which neither the master or the owner of the ship has any control, deviation is proper.

II. When it is not necessary to comply with a warranty, or to avoid peril, deviation is proper.

**a. a is true, b is false**

- b. a is false, b is true.
- c. Both statements are true.
- d. Both statements are false.

Star Shipping Lines accepted 100 cartons of sardines from Master to be delivered to 555 Company of Manila. Only 88 cartons were delivered, however, these were in bad condition.

555 Company claimed from Star Shipping Lines the value of the missing goods, as well as the damaged goods. Star Shipping Lines refused because the former failed to present a bill of lading.

7. Should Star Shipping pay the claim?

a. Yes. The shipper is always held liable in case of loss of goods.

**b. Yes. The mere fact that some of the cartons were lost and the 88 cartons were damaged is sufficient proof of the fault of Star Shipping Lines.**

c. Yes, but Master should be held liable as well.

d. Yes, but a witness should testify as to the existence of the bill of lading.

8. Is the presentation of the bill of lading important so that the consignee can hold the shipper liable?

a. No. The Bill of Lading may only hold the consignor liable.

**b. No. The surrender of the original Bill of Lading is not a condition precedent for a common carrier to be discharged of its obligation.**

c. Yes. Without the Bill of Lading, there can be no way to determine the actual quantity of the shipment.

d. Yes. Without the Bill of Lading, there can be no way to hold the shipper liable.

9. I. The defense of due diligence in the selection and supervision of an employee is not available to a common carrier.

II. Extraordinary Diligence is required of Common Carriers

a. I is True, II is false

b. I is false, II is true

**c. Both are true.**

d. Both are false.

10. Are the following stipulations valid in a contract of carriage of a common carrier?

I. A stipulation limiting the sum that may be recovered by the shipper or owner to 90% of the value of the goods in case of loss due to theft.

II. A stipulation that in the event of loss, destruction or deterioration of good on account of the defective condition of the vehicle used in the contract of carriage, the carrier's liability is limited to the value of the goods appearing in the bill of lading, unless the shipper or owner declares a higher value.

- a. Both are valid.
- b. Both are invalid.
- c. A is valid, B is not.
- d. A is invalid, B is valid.**

**REIMARIE PATRICIA PANALIGAN**

**TRANSPORTATION LAW**

1. The following are functions of banks except:
  - A. Deposit function
  - B. Loan function
  - C. Make collections and payments
  - D. Outsourcing of functions**
  
2. It is commonly known as an account with fixed term.
  - A. Savings account
  - B. Time deposit**
  - C. Peso deposit
  - D. Dollars account

3. Bank accounts maybe garnished by the creditors of the depositor. Which of the following deposits are exempt from garnishment?
  - A. Foreign Currency deposits and those exempt by rules of Civil Procedure like provision for the family for four months.**
  - B. Deposit that have become dormant for a period of ten (10) years.
  - C. Money or security or other evidence of indebtedness of any kind and interests thereon with banks, buildings and loan associations.
  - D. Loans and other credit accommodations with maturities of more than five (5) years.
  
4. An Act that vests the Banko Central ng Pilipinas with the sole power and authority to issue currency within the territory of the Philippines
  - A. Act No. 3936 -Private Development Banks
  - B. R.A. 9302- Thrift Banks Act
  - C. The New Central Bank Act**
  - D. R.A. 6848- Islamic Investment Bank of the Philippines
  
5. When may the Anti- Money Laundering Council (AMLC) perform an inquiry into deposits of a person?
  - A. For purposes of determining his liabilities.
  - B. To determine his assets with proper court order.
  - C. Upon order of the court when there is probable cause that the deposits are related to crime of unlawful activities defined in R.A. 9194**
  - D. When there is written consent of the depositor.
  
6. The total amount of loans, credit accommodations and guarantees that may be extended by a bank to any person, partnership, association, corporation, or other entity is known as **CEILING**.  
 What is the percentage required of the net worth of such bank?
  - A. 20%
  - B. 30%
  - C. 25%**
  - D. 35%
  
7. The BSP upon approval of at least five (5) members of the Monetary Board, may also grant this kind of loan or advances in the amount not exceeding 50% of its total deposits and deposits substitutes is known as:
  - A. Loans without collateral
  - B. Emergency loans**
  - C. Salary loans
  - D. Banking loans
  
8. The powers that may be conferred to the conservator are such powers as may be necessary in Conservatorship except:
  - A. To take charge of the assets, liabilities, and the management
  - B. To reorganize the management of the subject bank
  - C. To collect all monies and debts due and exercise all powers necessary to restore its viability
  - D. All of the above**
  
9. Any activity resulting from a trustor- trustee relationship involving the appointment of a trustee  
 by a trustor for the administration, holding, management of funds for the use or benefit or advantage of the trustor or of others called beneficiaries
  - A. Partnership Business
  - B. Trust Business**

- C. Corporation Business
- D. Trusteeship Business

10. Entities engaged in the lending of funds obtained in the form of deposits from the public.

- A. Quasi Banks
- B. Banks**
- C. Pawnshop
- D. Commercial Banks

## **SARAH DOMINGO**

### **BANKING LAW**

1. Ramon was asked to enumerate the classification of Banks in the Philippines. Upon answering he enumerated that Universal Bank, Commercial bank, Cooperative Bank Islamic Bank, Thrift and Rural Banks are the different classifications of Banks. After Ramon recited the professor called Ann and asked her the same question. Ann reply and said that bank are classified as the Central Bank, Metro Bank, Banco de Oro , Bank of the Philippine Island and Banco Filipino. If you are called to recite too, will you support Ramon's answer?:

A. No. Ramon's answer is incorrect as Ann correctly enumerated the classifications of Bank in the Philippines

**B. Yes. Ramon correctly enumerated the classifications of Bank in the Philippines**

C. No Ramon and Ann is incorrect

D. No. Ann correctly enumerated the classifications of Bank in the Philippines

2. Which of the following statement is not true about the nature of Banking business?

a. Banking business is fiduciary in nature and requires high standard of integrity and performance

b. Bank must exercise utmost diligence or the highest degree of care in the handling of deposits

c. Banking business is fiduciary in nature and require extraordinary diligence

d. Bank must exercise that degree of care like that of a good father of the family in the handling of deposits

e. **Both A and B are correct while C and D are incorrect**

f. Both C and D are correct while A and B are incorrect

3. All foreign currency deposits are considered of an absolutely confidential in nature and shall exempt from attachment, garnishment or any other order or process of any court, legislative body, government agency or any administrative body whosoever. The following are the exemption to the secrecy of foreign currency deposit except:

A Upon the written permission of the depositor ( Sec 8 Foreign Currency Deposit Act

b. Upon order of competent court in cases of violation of AMLA when it established that there probable cause that the deposits or investments involved are in any way related to a money laundering offense (Sec 11, AMLA)

c. The BSP and PDIC to the Corporation and/or Bangko Sentral may inquire into or examine deposit accounts pursuant to explanation (See. R A 9576 Section 5 in relation to PDIC Charter Sec 8)

d. **The PDIC with prior approval of the Monetary Board (Sec 8, Para 8, PDIC Charter)**

4. All of the following are exceptions to the Bank Secrecy Law except?

a. Upon order of the competent court in cases involving Graft and Corrupt Practices Act

b. Examination by an independent auditor hired by the bank

c. **The BSP and PDIC to the Corporation and/or Bangko Sentral may inquire into or examine deposit accounts pursuant to explanation**

d. In- camera inspection by the Ombudsman

5. Anita received \$ 10, 000 from a foreign bank although she was entitled only to \$1000. In an apparent plan to conceal the erroneously sent amount she opened a dollar account with her local bank, deposited the \$10,000 and issued 4 checks in the amount of \$2000 and 1 checks for \$1000 each payable to different individuals who deposited the same in heir respective dollar accounts with different local banks. The sender bank then brought a civil suit before the RTC for the recover of the erroneously sent amount. IN the course of the trial, the sender presented testimony of bank official to show that the funds were in fact deposited in a bank by Anita and paid to several persons. Anita move to strike out the testimonies invoking the la on bank deposit. If you were the judge what will be your ruling be?

- a. I will strike out the testimonies from the record as the conduct is violative of Bank Secrecy law. The testimonies of bank official indicating where the questioned dollar accounts were opened in depositing, misappropriated sums must be considered as likewise involved in litigation-one which is not among the accepted cases under the Secrecy of Bank Deposits Acts.
- b. I will not strike the testimonies from the record. The testimonies of bank official indicating where the questioned dollar accounts were opened in depositing, misappropriated sums must be considered as likewise involved in litigation-one which is among the accepted cases under the Secrecy of Bank Deposits Acts.**
- c. I will strike out the testimonies as it is contrary to law, morals, good customs and public order
- d. I will not strike out the testimonies as it is not contrary to law, morals, good custom and public order.

6. The following are the grounds when the Monetary Board may close a bank or quasi-bank except?

- a. If unable to pay its liabilities (cash flow test)
- b. Has insufficient realizable assets to meet its liabilities (balance sheet test)
- c. If cannot continue without involving probable losses to its depositors or creditors.
- d. It persistently conducts business in a sound and safe manner**

7. As part of the safeguards against imprudent banking, the General Banking Law imposes limits or restrictions on loans and credit accommodations which may be extended by banks. Which of the following are not considered limits and restriction on loans and credit accommodation?

- a. SBL Rules- those promulgated by the Bangko Sentral ng Pilipinas upon authority if Section 35 of the General Banking Law of 2000
- b. DOSRI Rules- promulgated by BSP, upon authority of section 5 of the General Banking law

c. Anti-Money Laundering Law

**d. No commercial bank shall make any loan or discount on the security of shares of its on capital stocks.**

8. Which of the statements is correct?

Statement 1 : The conservator is appointed to take charge of the assets, liabilities and the management of a bank or a quasi-bank in a state of continuing liability, or unwillingness to maintain a condition of liquidity deemed adequate to protect the interest of depositors and creditors

Statement 2: The receiver is appointed to manage a bank or quasi-bank that is unable to pay its liabilities in the ordinary course of business, or has insufficient realizable assets to meet its liabilities , or cannot continue business without probable losses

- a. Statement 1 is correct , statement 2 is incorrect
- b. Statement 1 is incorrect, statement 2 is correct
- c. Both Statement are correct**
- d. None of the statements is correct

9. Ritchie love to shop and she has a habit of paying only in cash. In one of her shopping sprees in SM North Edsa, she got the shock of he life when for the first time, a store cashier refuse to accept her coins in payment for a purchase worth not more than one hundred pesos. Ritchie was paying 70 pesos in 25-centavo coins and twenty five pesos in 10-centavo coin. The salesgirl told her that her coins where not legal tender. Do you agree?

- a . Yes, Coins shall be legal tender in amounts not exceeding P 75.00 for denominations of 25 centavos and above and 25.00 for denominations of 10 centavos or less
- b No. Coins shall be legal tender in amounts not exceeding P 100.00 for denominations of 25 centavos and above and 25.00 for denominations of 10 centavos or less
- c. Yes. All notes and coins shall be legal tender for all debts , public and private, in amounts not exceeding 100 for denominations of 1, 5, 10 and 25 sentimo coins
- d. Yes. All notes and coins issued by the Bangko Sentral shall be fully guaranteed as legal tender in the Philippines unless otherwise fixed by the Monetary Board, that coins shall be legal tender in amounts not exceeding Fifty pesos (P50.00) for denominations of Twenty-five centavos and above, and in amounts not exceeding Twenty pesos (P20.00) for denominations of Ten centavos or less.**

10. Which is not true about the Bangko Sentral ng Pilipinas?

**a. The Bank Central shall provide policy directions in the areas of money, banking and credit**

b. The Bangko Central is hereby authorized to adopt, alter, and use corporate seal which shall be judicially noticed: to enter into contracts ; to lease or own real and personal property

c. BSP may compromise, condone or release, in whole or in part , any claim of or settled liability to the Bangko Sentral regardless of the amount involved under such term and condition as may be prescribed by the Monetary Board to protect the interest of the Bangko Sentral

d. The Bangko Central may acquire and hold assets and incur such liabilities in connections with its operations authorized by the provision of RA 7653.

**MARTHA ABIGAE VINEGAS  
BANKING LAWS**

1.) Mr. Dela Cruz, a first year law student of University of Luzon, photocopied some pages of the Criminal Law book authored by Atty. L. Boado . Atty. Cruz, his professor in Criminal Law 1, saw the photocopies during one of their classes. He scolded Mr. Dela Cruz for not buying the original book and told him that he violated the copyright law and maybe penalized. Is Atty. Cruz correct?

a) Yes, because the book was photocopied without the consent of the author and used publicly in a classroom.

**b) No, because the private reproduction of a published work in a single copy, where the reproduction is made by a natural person exclusively for research and private study, shall be permitted, without the authorization of the owner of copyright in the work.**

c) No, because Mr. Dela Cruz reproduced a single copy only, exclusively for his private study and he did not gain any profit for photocopying some of the pages of the book.

d) No, because he did not reproduce the whole book but only some of its pages, it can be permitted even without the consent of the owner of the copyright.

e) None of the above.

2.) Kris Aquino commissioned Mr. Magaling to write a biography of her late father, Ninoy Aquino, for a fee. Upon completion of the work, Kris paid Mr. Magaling the agreed price. The biography was copyrighted. Kris, however, changed her mind again upon reading the book and decided not to have it published. Can Kris Aquino sell the property without the consent of Mr. Magaling?

- a) Yes, Kris Aquino can sell the copyrighted biography of her father without need of securing the consent of Mr. Magaling, the writer of said biography.
- b) Mr. Magaling entered into a contract with Kris Aquino and having compensated, he had parted with all his rights to the said book, in effect making Kris his assignee.
- c) The assignee's rights include the right to sell the work without the consent of the writer, Mr. Magaling.
- d) None of the above
- e) All of the above**

3.) Atty. Ana Maganda wrote a legal opinion for a client on the differences of a probationary, regular, casual and seasonal employee. She quoted without permission Atty. Aliling's comment appearing in his book "Annotations on the Labor Code", but she indicated the source of the quotation, the book and the author's name. Atty Aliling is a labor law expert. Can Atty. Aliling hold Atty. Ana Maganda liable for infringement of copyright for quoting a portion of his book without his permission?

- a) Yes, because Atty. Ana Maganda copied somebody else's work without the original author's consent.
- b) No, because the Intellectual Property Code provides that a quotation from a copyrighted work can be used for judicial proceedings or for giving professorial advice by legal practitioner, provided the source are identified.**
- c) Yes, because Atty. Ana Maganda used the work of another for her own gain.

d) No, because everybody can quote somebody as long as the source and the name of the author of the quotation are identified.

e) None of the above.

4.) Read the following statements and determine which of the choices are correct:

Statement 1: Infringement is the use by others without the registrant's consent of a reproduction or colorable imitation of his trademark, tradename or service mark with the purpose of causing to mislead or misleading the public that those goods or services are those of the registrant.

Statement 2: The definition of infringement implies that only registered trademarks, trade names and service marks are protected against infringement or unauthorized use by another or others

- a) **Both statements are true**
- b) Statement 1 is true while Statement 2 is false
- c) Only Statement 1 is true
- d) Only Statement 2 is true
- e) None of the above

5.) To establish trademark infringement, the following elements must be shown: (1) the validity of the plaintiff's mark; (2) the plaintiff's ownership of the mark; and (3) the use of the mark or its colorable imitation by the alleged infringer results in "likelihood of confusion" Of these, the element of \_\_\_\_\_ is the gravamen of trademark infringement.

- a) Element no. 1
- b) Element No. 2
- c) **Element No. 3**
- d) None of the above

e) All of the above

6.) Unilevel Corporation asked your legal advice regarding their plan to use a trademark with the words "SWEET CANDY" However, there is an existing and registered trademark using the words "TWEET CANDY" Which of the following advices are correct.

**a) The firm must abandon the plan because another company uses the trademark Tweet Candy and there is a danger of a suit for infringement. The words Sweet and Tweet is almost similar in sound and they can confuse or mislead the public.**

b) They can use the SWEET CANDY as long as there will be a very different packaging and flavors so as not to mislead the public.

c) Unilevel is a well-known company and their products are patronized country-wide, they can use the trademark SWEET CANDY because TWEET CANDY is owned by a small-time company whose market is within Luzon only.

d) None of the above

7.) Which of the following works are protected and can be copyrighted?

a) A biography containing your life, love and success.

b) Your musical compositions with or without words.

c) News of the day and other facts having the character of mere press information.

d) Any work of the Government of the Philippines.

**e) A and B only**

8.) The Sogod Hotel chain reproduces DVD's, distributes the copies thereof to its hotels and makes them available to hotel guests for viewing in the hotel guest rooms and charges a separate fee for the use of the DVD players. Is Sogod Hotel liable for infringement?

- a) No, the DVD viewing is done privately in the hotel guest rooms.
- b) Yes, because the reproduction of the DVD's violate the copyright or economic rights of the owner of the film. The hotel charge fees for the use of DVD player as well as there are room charges, they earn gain from the use of the DVD because it entice the guests to check-in in their hotel.**
- c) No, the DVD viewing is part of the hotel services and it is the use of the DVD players that is charged and not the cost of the DVD.
- d) None of the above

9.) Narciso Planas invented a gas-saving device, manufactured and sold it to the market without securing a patent. San Miguel Co., a rich and well-known company, bought one gadget, dismantled the device and studied it. In due time, the company is manufacturing a gas-saving device similar to the invention of Narciso Planas. Before offering it for sale, the company secured a patent. Below are the actions and defenses available for Narciso Planas. Which of the following statements are correct?

Statement 1: Narciso Planas should first bring an action for the cancellation of the patent illegally secured by San Miguel Company and on the said proceedings, he must prove that he invented the device.

Statement 2: Narciso Planas, being the inventor of the gadget, is the owner of an intellectual creation and is entitled to legal protection of said property right from the unauthorized use of the same by another person or entity.

Statement 3: While the cancellation proceedings are pending, Narciso Planas may ask the court for preliminary injunction to prevent San Miguel from manufacturing more gadgets.

Statement 4: San Miguel Co. has a better right over the invention because they secured a patent before selling the device.

- a) Statements 1 and 2 are correct.
- b) Statements 1 and 3 are correct
- c) Statement 4 is correct
- d) Statements 1, 2 and 3 are correct**
- e) None of the above

10.) The infringer is liable to the following:

Statement 1: An injunction for such infringement

Statement 2: Pay actual, moral and exemplary damages

Statement 3: Deliver for impounding of the articles alleged to infringe a copyright

Statement 4: Deliver for destruction all copies, devices and other means used for making the infringing copies

Which of the statements above are true:

- a) Statement 1
- b) Statement 2
- c) Statement 3
- d) Statement 4
- e) All of the above**

**PERSIDA E. VELACRUZ**

**INTELLECTUAL PROPERTY**

1. Paul, doing a cosmetics business, owns a copyright to the name of its facial cream “chin chin suk” and patent rights for its heart shape case. John, who owns a merchandising company advertised and sold the same product to the public. Paul filed a petition for preliminary injunction against John for violation of his patent and copyright. Rule.
  - a. The copyright and patent of the name effectively protects Paul from unauthorized use of the same to the exclusion of others
  - b. The copyright and patent registration of a tradename would not guarantee the registrant the right to the exclusive use of the product, not being the proper subjects thereof.**
  - c. A preliminary injunction under the rules of court is not the proper remedy in this case
  - d. All of the above
  - e. None of the above
  
2. Ely commissioned Marcus, a renowned artist, to paint a mural in the lobby of his newly renovated building located at Binondo, for the sum of P2.0 million. Later on, an infringement case was filed by Marcus against Raimund. Raimund contended that Marcus has no right to file the case. Rule.
  - a. Marcus has a right provided he obtains the consent of Ely being as the owner of the painting
  - b. Marcus has a right since he owns the copyright to the painting , being its creator**
  - c. Marcus has no right since he ely owns the painting
  - d. Marcus has no right because he has no interest to the painting
  - e. None of the above
  
3. In the case above, supposed Raimund presented as evidence the contract of Ely and Marcus with a stipulation that the copyright will be owned by A. Rule.
  - a. The stipulation is not valid since it is contrary to public policy and good custom
  - b. The stipulation effectively puts the ownership of the copyright to Ely**
  - c. The stipulation is immaterial since no copyright was registered for the painting
  - d. Raimund cannot use the stipulation since he was not a party thereof
  - e. None of the above
  
4. Rico is a laptop repair technician. A defective laptop was sold to him. He was able to fix. In its hardrive, he found a program which he used to develop FACELOOK. Later, Bob filed an action for damages on account of an infringement of copyright on the program which he owns. Rico raised as a defense that he was unaware that what he used was a copyright material. Rule.

- a. **The defense is not valid. It is immaterial whether the infringer was aware or not that the material he copied has a copyright.**
  - b. The defense is not valid since there was bad faith when he copied the program considering that the laptop was only sold to him
  - c. The defense is valid since the computer program is an invention hence, not covered by a copyright
  - d. The defense is valid. Good faith can be used in this case since the laptop is already beyond repair when it was sold to him.
  - e. None of the above
5. Piolo and sam are famous personalities who kept a secret love affair. They used a special instant messaging service which allows them to see one another's typing on their screen as each letter is pressed. When KC, the controller of the service facility, found out their identities, she kept a copy of all the messages and later published them. Is KC liable for copyright infringement?
- a. No, the letters are not in the form required by law to be protected by copyright
  - b. No, there is no artistic or literary work in the letters published
  - c. **Yes, the law does not distinguish if the letters are handwritten or in electronic form**
  - d. Yes, provided the electronic data is authenticated
  - e. None of the above
6. X sold its energy drink under the brand name of Cobra. He registered a trademark for the drink. Subsequently, Y manufactured boots and sold it under the name of Cobra. X knows that there is no infringement since they have different products. But he wants to file a case on the ground of the theory of dilution so that the case will prosper. He asks you now what are the conditions so he can use this theory.
- a. If there is a connection between the energy drink and the boots
  - b. Actual damage is suffered by the X
  - c. There is confusion in the market as a result of the same brand name with different products
  - d. All of the above
  - e. **None of the above**
7. Mark manufactured rubber shoes under the brand name of Koby. He did not register it but it became popular. Years later, Nelson manufactured rubber shoes using the same design and color as Koby but named it as Shak. Mark filed a case against Nelson. Nelson contended that the name Koby is not protected. Rule.
- a. Nelson is not liable since the name is not registered
  - b. Nelson is liable since the name is already popular
  - c. **Nelson is liable but not for infringement**
  - d. Nelson is not liable because he gave it a different name
  - e. None of the above

8. Che Che invented a device that can transform rain into fuel. He asked Guevarra to help him register it. Guevarra suggested that they form a company and register the same. While the application is pending, CheChe died. Castro, the estranged husband of CheChe now comes contesting the application of the corporation and filed his own patent application as the sole surviving heir. Rule.

a. **Castro has a right being the heir of CheChe. It also appears that the corporation is not authorized to file the application**

b. Castro has a right provided it is proven in the estate proceedings of Che Che

c. Castro has no right since the right to the invention retroacts from its filing hence, favors the corporation

d. Castro has no right since property rights to the invention already passed to the corporation

e. None of the above

9. Alberto found that the theory of relativity of Einstein is wrong and the correct formula is  $E=MC/2$ . He filed a patent for the same. A relative of Einstein learned of the application and went here to pray for the denial of the application. Rule.

a. The application should be denied since the new formula needs to be validated by the science community

b. The relative of Einstein has no personality to file the petition

c. The application should be denied since the formula has no relevance to any human activity or solves any problem

d. All of the above

e. **None of the above**

10. Application 1: Patent for the treatment of the human body by therapy  
Application 2: Trademark for the signature of President Marcos with the consent of Senator Bong Bong Marcos

Application 3: Copyright for a computer program invented by a professor

Which should be approved?

a. Application 1

b. Application 2

c. **Application 3**

d. All the above

e. None of the above

**NOEL S. SUYAT**

**INTELLECTUAL PROPERTY**

