

Corporate Watch-Dogs

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27 *ATENEO L.J.* 15 (1982)

TAG(S): COMMERCIAL LAW, CORPORATION LAW, BOARD OF DIRECTORS

By legal fiction, a corporation has a separate existence from its directors and shareholders. However, the fact remains that such is merely an artificial body to be governed ultimately by natural persons. Consequently, such control is vested in a board of directors composed of such persons who are, in contrast to a partnership, not the owners of the corporation. In this Article, the Author examines the relationship between the directors, on the one hand, with the shareholders, the corporation and third parties, on the other.

The Author first provides for a discussion on the election and qualifications of a director. Subsequently, the nature of his powers, its exercise as well as the capability of its delegation is analyzed. In light of this, a brief discussion on ultra vires acts and transactions is provided. The director's duties are also examined, as well as the concept of him being a principal stockholder. Furthermore, the ramifications of the fiduciary nature of the director's position is discussed vis-à-vis the concepts of interlocking directors, conflicts of interest, business opportunities and secret profits.

After a thorough discussion on the matter, the Author likens the relationship of the director to the company as that of a watch-dog to its master.