

Title: Lao H. Ichong vs. Jaime Hernandez, Secretary of Finance, et al.

Facts:

Lao H. Ichong, in representation of other alien residents, corporations, and partnerships adversely affected by Republic Act No. 1180, filed a petition to obtain a judicial declaration that said Act is unconstitutional and to enjoin the Secretary of Finance and other persons, particularly city and municipal treasurers, from enforcing its provisions. This Act, entitled “An Act to Regulate the Retail Business,” prohibits non-Filipino citizens and entities not wholly capitalized by Filipinos from engaging in the retail trade. Exceptions were made for aliens already engaged in retail at the time of the Act’s passage, but with limitations on future licenses and the establishment of new stores or branches.

The petitioner argued that the Act denies alien residents equal protection of the laws, deprives them of liberty and property without due process, does not express its subject in the title, violates international treaties, and infringes upon hereditary succession and the requirement for Filipino capitalization for corporations and entities to engage in retail.

The Solicitor-General and Fiscal of the City of Manila defended the Act, invoking the state’s police power. The exercise of the police power must, however, comply with constitutional limitations, including the due process and equal protection clauses.

Issues:

1. Whether Republic Act No. 1180 violates the equal protection clause by discriminating against alien residents.
2. Whether the Act denies due process by depriving alien residents of liberty and property.
3. Whether the subject of the Act is expressed in its title as required by the Constitution.
4. Whether the Act violates international and treaty obligations of the Philippines.
5. Whether the provisions against transmission of retail business through hereditary succession to aliens are constitutional.
6. Whether the 100% Filipino capitalization for corporations and entities to engage in retail trade is constitutional.

Court’s Decision:

The Supreme Court upheld the constitutionality of the Act. On the equal protection issue, the Court found reasonable basis for the distinction between aliens and Filipino citizens in the regulation of the retail business. Concerning due process, the Court determined the Act to be a valid exercise of police power, aiming to protect the national economy and promote

economic independence and national security. The Court deemed the title of the Act sufficient in expressing the subject and not misleading. Additionally, it was determined that there was no treaty violation as local policy enacted through legislative power may override treaty obligations, and no specific treaty on the subject existed. Lastly, the Act's provisions on hereditary succession and Filipino capitalization were considered a legitimate exercise of police power for public welfare.

Doctrine:

The case affirms the doctrine that allows for the exercise of police power to advance national interest, particularly in promoting economic independence and preserving national security. It underscores the State's authority to introduce regulations that are reasonable, not arbitrary, and serve a legitimate public purpose. Additionally, it reiterates that distinctions in legislation must have reasonable grounds for such classifications.

Class Notes:

Key Concepts:

- Police Power: The inherent power of the State to regulate behaviors and enforce order for the promotion of the general welfare, health, safety, and morals of the community.
- Equal Protection Clause: Requires the State to treat all persons under similarly circumstanced without favoritism or discrimination.
- Due Process: A guarantee that laws will not be unfair, arbitrary, or unreasonable and that all legal proceedings will be fair and impartial.
- Philippine Constitution prohibitions: Certain activities, such as the operation of public utilities and exploitation of national resources, are reserved to Filipino citizens.

Applicable Statutes:

- Article III, Section 1(1) of the Philippine Constitution: No person shall be deprived of life, liberty, or property without due process of the law, nor shall any person be denied the equal protection of the laws.

Historical Background:

The enactment of the Retail Trade Nationalization Act (Republic Act No. 1180) was a legislative response aimed at curbing the perceived economic threat of alien dominance in the retail sector of the Philippines during the post-World War II era. The case reflects a period of economic nationalism, where the Filipino legislators sought to assert and protect the economic sovereignty of the newly-independent nation by transitioning control of vital economic activities from foreign nationals to Filipinos.