

****Title:****

Acebedo Optical Company, Inc. vs. The Honorable Court of Appeals, et al.

****Facts:****

The Acebedo Optical Company, Inc. (petitioner) applied for a business permit with the Office of the City Mayor of Iligan. After deliberation and in response to opposition from local optometrists, the City Mayor issued Business Permit No. 5342 with notable conditions:

1. Acebedo could establish only a commercial store, not an optical clinic.
2. It was barred from examining/prescribing for patients, as these were functions of an optical clinic.
3. It could not sell reading and similar eyeglasses without a prescription from an independent optometrist or clinic. Direct selling without prescription was limited to products like Ray-Ban glasses.
4. Acebedo was prohibited from advertising optical lenses and eyeglasses but could advertise products like Ray-Ban.
5. It was permitted to grind lenses but solely upon the prescription of an independent optometrist.

On December 5, 1988, the private respondent Samahan ng Optometrist Sa Pilipinas (SOPI) lodged a complaint against Acebedo for violating permit conditions and requested the revocation of the permit. The City Mayor assigned City Legal Officer Leo T. Cahanap to investigate, which resulted in a report finding Acebedo guilty of all violations and recommending their disqualification from doing business in Iligan City. Subsequently, on July 19, 1989, a Notice of Resolution and Cancellation of Business Permit was sent to Acebedo, providing three months to wind up its operations.

Acebedo responded by filing a petition for certiorari, prohibition, and mandamus, with a plea for a restraining order/injunction against the respondents (City Mayor, City Legal Officer, and SOPI) before the Regional Trial Court (RTC) of Iligan City. Acebedo argued that it was denied due process and equal protection, and that the City Mayor and Legal Officer exceeded their authority. SOPI filed a Motion to Dismiss on grounds of non-exhaustion of administrative remedies. The RTC initially deferred this motion and issued a writ of preliminary injunction but later dismissed Acebedo's petition, citing failure to exhaust administrative remedies. A motion for reconsideration by Acebedo was also denied.

Opting not to appeal, Acebedo instead filed a petition for certiorari, prohibition, and

mandamus with the Court of Appeals, but it was dismissed. Acebedo's subsequent motion for reconsideration also failed. Acebedo then appealed to the Supreme Court on the grounds that the special conditions imposed by the City Mayor were ultra vires, and the case was accepted for review.

****Issues:****

1. Whether the City Mayor acted beyond his authority when imposing special conditions on Acebedo's business permit.
2. Whether Acebedo was bound to the imposed conditions as if they formed a "private agreement" despite any perceived ultra vires act.
3. Whether the business permit constituted an exercise of proprietary functions by the City of Iligan.

****Court's Decision:****

The Supreme Court granted the petition, reversed the decision of the Court of Appeals, and ordered the respondent City Mayor to reissue Acebedo's business permit in accordance with law and the Court's disposition. The Court found the imposition of conditions by the City Mayor as ultra vires, not based on any law or ordinance, and therefore, null and void. The City Mayor's authority to restrict a business permit includes the duty to operate within the bounds of the law, and any conditions or restrictions must be reasonable and legitimate under the police power doctrine. The agreement between Acebedo and the City of Iligan was ruled not to be in the nature of a contract but rather a privilege that the City Mayor could not unilaterally amend with arbitrary conditions.

****Doctrine:****

A local government unit may issue, restrict, or revoke business licenses or permits as part of its regulatory duties under police power, provided its actions are in accordance with established laws and uphold the principles of due process and equal protection. Conditions imposed on such permits must be reasonable, non-oppressive, non-discriminatory, and legally justifiable.

****Class Notes:****

- Police power is regulatory in nature, intended to promote health, safety, peace, morals, and general welfare.
- Business permits are a form of regulatory mechanism subject to the governing laws and jurisdictional oversight.
- Ultra vires acts by local government officials (acting beyond their authority) are null and

void and cannot be enforced.

- Doctrine of estoppel does not apply against the government for acts beyond legal authority or ultra vires acts by public officials.

****Historical Background:****

The case reflects the ongoing tension between business rights and the regulatory scope of local government units. It highlights the limits of administrative prerogative in imposing regulations on the practice of professions and commercial activities, underscoring the protection of due process and the checking of abuse of regulatory power. The case is pivotal in establishing jurisprudence on the nature of business permits, the application of police power by local government units, and the legal distinction between regulating a business and regulating the practice of a profession, which cannot be corporatized under Philippine law.