

Title: Megan Sugar Corporation vs. Regional Trial Court of Iloilo, et al.

Facts:

The case involved Megan Sugar Corporation (MEGAN) filing a petition for review on certiorari against the Regional Trial Court (RTC) of Dumangas, Iloilo, New Frontier Sugar Corporation (NFSC), and Equitable PCI Bank (EPCIB). The core of the dispute traces back to July 23, 1993, when NFSC secured a loan from EPCIB, collateralized by a real estate mortgage over NFSC's lands and a chattel mortgage over its sugar mill. Following financial difficulties, on November 17, 2000, NFSC and Central Iloilo Milling Corporation (CIMICO) entered into a Memorandum of Agreement (MOA) for CIMICO to manage NFSC's sugar factory from 2000 to 2003. Issues arose leading NFSC to sue CIMICO for non-payment, and CIMICO to sue NFSC for damages.

On May 10, 2002, EPCIB initiated foreclosure proceedings on NFSC's land and sugar mill for failure to repay the loan, purchasing the properties in a public auction, and employing security to take possession. To counteract, CIMICO filed an amended complaint to include EPCIB and its security provider (PISA) and successfully obtained a restraining order against them. Subsequently, CIMICO entered into a MOA with MEGAN, transferring its rights, interests, and obligations in the property to MEGAN, which then assumed operation of the sugar mill.

Multiple motions for intervention and requests for the deposit of mill shares/rentals ensued from different parties, leading to the RTC issuing orders that significantly involved MEGAN. MEGAN contested these orders, claiming representation without proper authority and challenging the RTC's jurisdiction over it. This escalated to filing a petition for certiorari with the Court of Appeals (CA), which was denied, prompting MEGAN to elevate the case to the Supreme Court.

Issues:

1. Whether MEGAN is estopped from questioning the RTC's orders due to the acts of its unauthorized representative, Atty. Sabig.
2. Whether the RTC had jurisdiction to issue the contested orders.

Court's Decision:

The Supreme Court affirmed the CA's decision, denying MEGAN's petition for lack of merit. The Court ruled that MEGAN is estopped from challenging the RTC's jurisdiction and the authority of Atty. Sabig due to its active participation in the proceedings through Atty.

Sabig, who, despite claiming to represent MEGAN for a limited purpose, undertook actions that bound MEGAN. Furthermore, the Court noted that MEGAN's failure to timely repudiate Atty. Sabig's actions and the receipt of court documents at MEGAN's office, which were forwarded to Atty. Sabig, reinforced MEGAN's apparent acquiescence to the representation and the proceedings.

Doctrine:

The doctrine of estoppel was applied, preventing a party who has acknowledged and invoked the jurisdiction of a court to secure affirmative relief from later denying that same jurisdiction due to public policy considerations. Additionally, the principle of apparent authority was highlighted, where a principal cannot deny the authority of an agent who has been represented to third parties as having such authority.

Class Notes:

- Estoppel can bar a party from denying jurisdiction of a court when said party has actively participated in its proceedings or sought affirmative relief from it.
- The principle of apparent authority establishes that actions by an entity can create a reasonable belief in third parties that an agent has the authority to act on behalf of the principal, binding the principal to the agent's actions even without formal authorization.
- Timely repudiation of an agent's authority is crucial to prevent binding the principal to the agent's actions and representations.

Historical Background:

This legal battle underscores the complexities involved in corporate representation, the foreclosure process, and the legal intricacies of managing and operating assets under disputed ownership. It illustrates how Philippine courts navigate the interplay between corporate law, obligations and contracts, and civil procedure, particularly in dealing with issues of representation, authority, and jurisdiction.