

Title: Fullido v. Grilli: A Test on Unlawful Detainer and the Constitutional Prohibition on Foreign Land Ownership in the Philippines

Facts:

This case originates from a dispute between Rebecca Fullido and Gino Grilli, involving a residential property in Bohol, Philippines. Grilli, an Italian national, met Fullido in 1994 and financed the construction of a house on a lot procured from Fullido's parents, with the title registered under Fullido's name. In 1998, to define their rights over the property amidst their common-law relationship, they executed a lease contract, a memorandum of agreement (MOA), and a special power of attorney (SPA), favoring Grilli. However, these agreements included provisions that were arguably in violation of the constitutional prohibition against foreign land ownership.

The relationship soured over the years, leading to Grilli filing an unlawful detainer case against Fullido before the Municipal Circuit Trial Court (MCTC) in Dauis, Bohol, after his demands for Fullido to vacate the property were ignored. The MCTC dismissed Grilli's complaint, recognizing Fullido as a co-owner of the house. Dissatisfied, Grilli appealed to the Regional Trial Court (RTC), which reversed the MCTC's ruling, emphasizing Grilli's right to possess the property based on the lease agreement. Fullido then appealed to the Court of Appeals (CA), which upheld the RTC's decision, leading Fullido to elevate the case to the Supreme Court (SC) on grounds that the agreements facilitating Grilli's claim over the property were null and void for being contrary to the Philippines' constitutional restrictions on foreign land ownership.

Issues:

1. Whether the lease contract and MOA, claiming to grant possession and eventual ownership rights to a foreign national, are null and void for violating the Philippine Constitution.
2. Whether Fullido's failure to institute a separate action for annulment of contracts precludes questioning the validity of those contracts in an unlawful detainer suit.
3. Whether the doctrine of *in pari delicto* bars Fullido from seeking relief against the contracts for being violative of the constitutional prohibition against foreign ownership of lands.

Court's Decision:

The Supreme Court granted Fullido's petition, reversing and setting aside the CA's decision. The SC declared the lease contract and MOA null and void *ab initio* for circumventing the

constitutional prohibition against land ownership by foreigners. The Court emphasized that contracts violating constitutional provisions and laws confer no rights, create no obligations, and have no legal effect. It was established that void contracts could not serve as a basis for any legal action, including unlawful detainer. As such, Grilli had no cause of action for unlawful detainer against Fullido, lacking any possessory right over the property derived from the void agreements. Lastly, the SC ruled that Fullido was not barred from challenging the agreements despite the doctrine of *in pari delicto*, as the matter involved public policy interests—specifically, upholding the constitutional restrictions on land ownership by foreigners.

Doctrine:

Void contracts, particularly those contravening constitutional provisions, confer no rights, create no obligations, and have no legal effect. Such contracts cannot be the basis for legal actions, including claims of unlawful detainer.

Class Notes:

- A void contract is one that lacks essential elements for validity, either factually or legally, making it ineffective from the outset.
- The constitutional prohibition against foreign ownership of lands in the Philippines extends to arrangements that virtually transfer ownership rights to foreigners, even through seemingly lawful contracts like leases.
- The *in pari delicto* doctrine does not preclude a party from obtaining relief if the contract's illegality undermines fundamental public policies or constitutional provisions.

Historical Background:

This case underscores the Philippines' strict adherence to constitutional safeguards against alienation of land to foreigners, a principle deeply rooted in the desire to conserve national patrimony. Through this ruling, the Supreme Court reinforced the constitutional prohibition by invalidating contracts that, while facially compliant, fundamentally circumvented the law to vest rights akin to ownership in foreigners, ensuring the maintenance of land within the Filipino populace.