Title: Llorente vs. Star City Pty Limited, and Star City Pty Limited vs. Llorente and Equitable PCI Bank

Facts:
Star City Pty Limited (SCPL), an Australian corporation operating the Star City Casino in Sydney, alleged that Quintin Llorente, a patron of its casino, negotiated two Equitable PCI bank drafts worth US$150,000.00 each to play in their Premium Programme, leading to a front money account credit of $300,000.00. Subsequently, SCPL deposited these drafts; however, SCPL received a "Stop Payment Order" from the Bank of New York. SCPL demanded payment from Llorente and EPCIB, but both refused. SCPL filed a complaint for the collection of a sum of money and sought preliminary attachment against Llorente and EPCIB in the Regional Trial Court (RTC) Makati. The RTC ruled in favor of SCPL, ordering Llorente and EPCIB to pay the drafts' value, attorney's fees, and costs of suit jointly and severally, while denying counterclaims and EPCIB's cross-claim. Both Llorente and EPCIB appealed to the Court of Appeals (CA), arguing (1) SCPL's lack of the legal capacity to sue under the isolated transaction rule, (2) SCPL's holder in due course status, and (3) EPCIB's non-liability. The CA ruled SCPL had legal standing, was a holder in due course, but absolved EPCIB from liability. Llorente and SCPL respectively filed petitions for review to the Supreme Court, which were consolidated.

Issues:
1. Does the RTC have jurisdiction over SCPL's complaint?
2. Does SCPL have the legal capacity to sue in Philippine courts under the isolated transaction rule?
3. Does the designation of Jimeno, Jalandoni and Cope Law Offices as SCPL's attorney-in-fact violate Section 69 of the Corporation Code?
4. Should EPCIB be absolved of liability for the dishonored drafts?

Court's Decision:
The Supreme Court ruled as follows:

1. **Jurisdiction:** The RTC had jurisdiction over SCPL's complaint for collection of a sum of money since the amount exceeded the jurisdictional thresholds established under BP 129, Section 19. The fact that elements of the transaction occurred in Australia does not deprive the RTC of jurisdiction because the drafts were issued by a Philippine bank.

2. **Legal Capacity to Sue:** SCPL pleaded it was not doing business in the Philippines and

engaged in a singular and isolated transaction with Llorente. This satisfied the requirement under Philippine law for a foreign corporation to bring an action in local courts without need for a Philippine license. The court upheld SCPL's capacity to sue.

3. **Attorney-in-Fact Designation:** The appointment of Jimeno, Jalandoni and Cope as SCPL's attorney-in-fact did not violate Section 69 of the Corporation Code because SCPL was pursuing an isolated transaction, exempting it from the limitation on unlicensed foreign corporations.

4. **EPCIB Liability:** The SCPL was recognized as a holder in due course of the negotiable instruments, and EPCIB, as the drawer, was found secondarily liable under Section 61 of the Negotiable Instruments Law. The CA's absolution of EPCIB was reversed, reinstating its liability in line with SCPL's rights to enforce the instrument. The court found EPCIB's invocation of the Indemnity Agreement (binding only with Llorente) and unjust enrichment inapplicable; EPCIB remains liable to SCPL while retaining recourse against Llorente per their cross-claim.

Doctrine:
1. **Isolated Transaction Rule:** Foreign corporations not doing business in the Philippines can invoke the local courts' jurisdiction for isolated transactions without requiring a license.
2. **Negotiable Instruments Law Section 61:** The drawer's liability under negotiable instruments remains even with a stop payment order unless invalidated by explicit statutory grounds.
3. **Privity of Contract Not Required for Liabilities in Negotiable Instruments:** Holders in due course can enforce the terms against any party liable on the instrument without needing a direct contractual relationship.

Class Notes:
– **Isolated Transaction Rule:** RA 11232, Section 150; a foreign corporation sues on non-business-based, singular transactions.
– **Holder in Due Course:** Negotiable Instruments Law, Section 52; acquired under complete, regular, good faith terms before dishonor.
– **Drawer Liability:** Negotiable Instruments Law, Section 61; incorporates secondary liability turning primary upon dishonor.
– **Privity of Contract:** Not essential in negotiable instruments enforcement; hinges on instrument warranties/liabilities.

Historical Background:

The SCPL vs. Llorente case arose amidst broader jurisprudential context demarcating the boundaries of foreign entities' litigation rights in the Philippines, inherent in the discourse of the nuanced Negotiable Instruments Law and isolated transaction doctrine—a landscape shaped significantly by evolving corporate and commercial statutes, reinforcing the principle that an instrument's integrity should transcend territorial and contractual intricacies, ensuring rightful and equitable financial recourse.