

****Title:****

Agro Food and Processing Corp. vs. Vitarich Corporation

****Facts:****

1. ****Initial Agreements (October 5, 1995):****

- ****Memorandum of Agreement (MOA):**** Vitarich agreed to buy Agro's chicken dressing plant in Bulacan, with a P20 million deposit and a 45-day evaluation period.
- ****Toll Agreement:**** Agro would dress chickens provided by Vitarich for a toll fee.

2. ****End of Evaluation Period:****

- Vitarich decided to buy the plant but Agro did not accept, thus Agro had to return the P20 million deposit.
- They agreed to deduct 15% of weekly toll fees from the deposit.

3. ****Subsequent Transactions:****

- Vitarich sold live broiler chickens on credit to Agro.

4. ****Complaint Filed:****

- Vitarich filed for the balance of P4,770,916.82 with interest and P4,322,032.36 for the broiler chickens.

5. ****Central Dispute:****

- Vitarich's claim based on amended toll fees from verbal agreements made in 1996-1997.
- Agro argued these amendments were not authorized by its board, alleging lack of binding nature.

****Procedural Posture:****

1. ****RTC Decision (December 29, 2005):****

- Declined Vitarich's claim based on unauthorized amendments.
- Ordered Vitarich to pay Agro P25,430,292.72 plus interest for unpaid accounts from the toll agreement.

2. ****Court of Appeals Decision:****

- Found verbal amendments binding, applying the doctrine of apparent authority.
- Ordered Agro to pay Vitarich P4,734,906.57 and P3,989,851.82 with interest.

3. **Supreme Court Petition:**

- Agro petitioned against the CA's application of the doctrine of apparent authority and the parol evidence rule objection.

Issues:

1. Whether the doctrine of apparent authority was correctly applied by the CA to bind Agro to the amended terms despite lack of explicit board approval.

2. Whether the verbal amendments to the toll fees were barred by the parol evidence rule.

Court's Decision:

1. **Apparent Authority:**

- The SC affirmed the CA, holding that Agro's conduct over two years - including issuing 89 amended billings without protest and accepting benefits - conferred apparent authority on the Finance Manager del Castillo.

- The amendments were binding on Agro as it allowed del Castillo to act within this scope.

2. **Parol Evidence Rule:**

- The issue concerning the amendments was raised in Vitarich's Amended Complaint, thus falling within the exception, making the rule inapplicable.

Doctrine:

1. **Apparent Authority:**

- A corporation can be bound by the acts of its officers if it permits or acquiesces such officers to act within the scope of apparent authority, leading third parties in good faith to rely on these acts.

- "When a corporation intentionally or negligently clothes its officer with apparent authority to act in its behalf, it is estopped from denying its officer's apparent authority as to innocent third parties who dealt with this officer in good faith."

Class Notes:

- **Apparent Authority:** Elements include:

- The agent appears to have authority due to the principal's conduct.

- Third parties must have relied in good faith.

- The principal must be aware of such reliance.

- **Parol Evidence Rule:** Exceptions include:
- Evidence of verbal agreements when these form part of the issue raised in pleadings.

Historical Background:

- This case reflects the evolution of corporate governance and contract law in the Philippines, emphasizing contemporary business practices where verbal agreements and delegated powers via apparent authority are common. Adjustments to standard written protocols are examined within the context of long-standing doctrines, adapting to the dynamic business environment of the period.