

Title: Sally Yoshizaki vs. Joy Training Center of Aurora, Inc. (715 Phil. 609)

Facts:

Respondent Joy Training Center of Aurora, Inc. (“Joy Training”) owned a parcel of land and a building in Baler, Aurora, covered by TCT No. T-25334. Spouses Richard and Linda Johnson, board members of Joy Training, sold the properties to spouses Sally and Yoshio Yoshizaki on November 10, 1998, along with a Wrangler jeep and other personal properties. TCT No. T-25334 was canceled and TCT No. T-26052 was issued to the Yoshizakis on December 7, 1998.

Joy Training challenged the sale by filing an action for Cancellation of Sales and Damages with prayers for TRO/Writ of Injunction against the Johnsons and Yoshizakis, later including the Officer-in-Charge of the Register of Deeds. Joy Training claimed the Johnsons lacked authority, contending the board resolution authorizing the sale was invalid. The RTC admitted the amended complaint but declared the Johnsons and Abordo in default for non-response.

The Yoshizakis defended by asserting the legitimacy of the sale and the board resolution’s validity, whilst questioning the RTC’s jurisdiction over what they deemed an intra-corporate dispute. The RTC ruled in favor of the Yoshizakis, validating the sale by acknowledging the legitimacy of the board’s authorization and the ownership of personal property by the Johnsons.

Upon Joy Training’s appeal, the CA reversed the RTC’s decision regarding the real properties but affirmed its jurisdiction over the action. The CA invalidated the board resolution on the grounds of inadequate authorization as per the Articles of Incorporation and non-compliance with the Corporation Code. Yoshizaki sought Supreme Court review.

Issues:

1. Did the RTC have jurisdiction over the case?
2. Was there a contract of agency between Joy Training and the Johnsons to sell the real properties?
3. Was the contract of sale between Joy Training and the Yoshizakis valid?

Court’s Decision:

1. ****Jurisdiction:**** The Supreme Court upheld the RTC’s jurisdiction. The action involved the application of Civil Code provisions on contracts and agency, falling within the general jurisdiction of the RTC, not an intra-corporate dispute concerning the SEC’s technical

expertise and original jurisdiction.

2. **Contract of Agency:** The Supreme Court found no valid contract of agency authorizing the Johnsons to sell the real properties. The court relied on the Civil Code, particularly Articles 1868 and 1874, which mandate written authorization for the sale of land. The court invalidated the photocopied board resolution and certification, deeming them insufficient as they lacked clarity and compliance with legal formalities.

3. **Validity of Contract of Sale:** Due to the absence of a legitimate agency contract, the sale was deemed unenforceable. The Supreme Court affirmed that the Yoshizakis failed to exercise due diligence in verifying the Johnsons' authority. As TCT No. T-25334 did not explicitly confer such authority, the reliance on it was misplaced. Thus, the Yoshizakis were not regarded as buyers in good faith.

Doctrine:

- **Agency Law:** A special power of attorney, explicitly mentioning the act of sale, is necessary for selling real estate (Article 1874, Civil Code). Representation without explicit authority does not bind the principal.
- **Good Faith in Property Transactions:** Buyers must ascertain the agent's authority to deal with registered land beyond the face of the title.

Class Notes:

- **Contract of Agency:** Articles 1868 (general rule on agency), 1874 (requirement of written authority for land sale), and 1878 (special powers of attorney).
- **Quorum and Board Resolution:** Section 25, Corporation Code - A majority of the fixed number of trustees constitutes a quorum for corporate acts.
- **Best Evidence Rule:** Section 3, Rule 130, Rules of Court - Original documents must be presented except under specific exceptions.
- **Buyer in Good Faith:** Must confirm authority beyond the certificate of title in cases involving agents.

Historical Background:

This case contextualizes the need for stringent compliance with statutory requirements for agency and corporate governance in property transactions. It underscores the judiciary's role in upholding procedural and substantive law to protect corporate and property rights, emphasizing the due diligence obligated on parties dealing with agents. The ruling delineates clear standards for valid authorization in corporate and real estate dealings,

aiming to prevent unauthorized disposals that may jeopardize organizational assets and third-party interests.