

****Title:**** Mauro Lozana vs. Serafin Depakakibo

****Facts:****

1. On November 16, 1954, Mauro Lozana (plaintiff) and Serafin Depakakibo (defendant) entered into a partnership to operate, maintain, and distribute electric light and power in Dumangas, Iloilo, under a franchise held by Mrs. Piadosa Buenaflor. The partnership was capitalized at PHP 30,000, with Lozana contributing 60% and Depakakibo 40%.
2. On May 15, 1955, the Public Service Commission canceled Mrs. Piadosa Buenaflor's franchise. The decision was appealed on October 21, 1955.
3. On December 22, 1955, a temporary certificate of public convenience was issued to Olimpia D. Decolongon.
4. Mauro Lozana sold the partnership's generator to Olimpia D. Decolongon on October 30, 1955.
5. Depakakibo sold his contributed Crossly Diesel Engine to Felix Jimenea and Felina Harder on July 10, 1956.
6. Lozana filed a complaint on November 15, 1955, to reclaim items he alleged were wrongfully detained by Depakakibo.
7. Judge Pantaleon A. Pelayo on November 18, 1955, authorized the sheriff upon Lozana's posting of a PHP 16,000 bond to take possession of and deliver the generator and 70 wooden posts to Lozana.
8. Depakakibo denied Lozana's claim, asserting that the generator and other equipment were contributed to the partnership and could not be reclaimed individually.
9. Depakakibo counterclaimed, seeking damages and the partnership dissolution.
10. The case went to trial, resulting in the lower court ruling in favor of Lozana, declaring him the owner of the equipment.

****Issues:****

1. Whether the generator and other equipment sold by Lozana were partnership properties and could be sold by Lozana without consent from the partnership or Depakakibo.

2. Whether the partnership agreement was null and void due to alleged violations of the Anti-Dummy Law.
3. Appropriate disposition of partnership assets given the cancellation of the franchise and the sale of partnership properties by both partners.

****Court's Decision:****

1. ****Ownership and Sale of Partnership Property:****

- The Supreme Court held that the generator and 70 wooden posts Lozana sold were indeed partnership properties. Since there had been no liquidation, Lozana's unilateral sale of these items without Depakakibo's consent was invalid.

2. ****Validity of Partnership Agreement:****

- The Court found the lower court's interpretation of the Anti-Dummy Law erroneous. The court explained that the Anti-Dummy Law applies to aliens and has no bearing on a partnership between Filipinos such as Lozana and Depakakibo. Thus, the partnership contract was legally sound.

3. ****Remedy:****

- The court ruled that the proper course of action was the dissolution and liquidation of the partnership rather than allowing individual partners to reclaim their contributions. The matter was remanded back to the lower court for further proceedings.

****Doctrine:****

- ****Partnership Contribution and Liquidation:**** The contribution of property to a partnership transforms it into partnership property, which cannot be disposed of by individual partners without consent. Proper dissolution and accounting are required before returning contributions.

- ****Anti-Dummy Law:**** The Anti-Dummy Law pertains specifically to prohibiting aliens from circumventing restrictions on foreign ownership and does not invalidate partnership agreements between Filipinos engaged in lawful enterprises.

****Class Notes:****

- ****Key Elements of Partnership Law:****

- Contribution transforms personal property into partnership property.
- Disposal of partnership assets requires consent or approval from the partnership.

- Proper dissolution and accounting procedures must be followed for the return of partnership contributions.

- **Anti-Dummy Law:**

- **Commonwealth Act 108 as Amended:**

- Intended to prevent aliens from evading ownership restrictions.

- Not applicable to partnerships solely between Filipino citizens.

Historical Background:

- The case context involves the electric utility sector in the 1950s Philippines, a time when ownership and control of public utilities were critical issues. The Anti-Dummy Law was part of broader measures to safeguard economic control by Filipinos in strategically important sectors. This case illuminates early interpretations and applications of partnership and Anti-Dummy laws within the framework of public utility operations.