

Title: Commissioner of Customs vs. Hypermix Feeds Corporation

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Facts:

- On November 7, 2003, the Commissioner of Customs issued Customs Memorandum Order (CMO) No. 27-2003, classifying wheat based on the importer, country of origin, and port of discharge, determining tariffs at either 3% for food-grade wheat or 7% for feed-grade wheat.
- On December 19, 2003, Hypermix Feeds Corporation filed a Petition for Declaratory Relief with the Regional Trial Court (RTC) of Las Piñas City, anticipating the application of CMO 27-2003 to their wheat shipment in transit from China.
- Hypermix claimed the CMO was issued without public participation, prior notice, publication, or registration as mandated by the Revised Administrative Code. They alleged the regulation violated due process and the equal protection clause by classifying them as a feed-grade supplier without proper assessment.
- Respondent further argued that the retroactive application of the CMO was confiscatory.
- On January 19, 2004, the RTC issued a Temporary Restraining Order (TRO) effective for 20 days, preventing the application of CMO 27-2003.
- Petitioners motioned to dismiss the case, arguing lack of RTC jurisdiction, impropriety of declaratory relief, CMO 27-2003 being an internal administrative rule, and that respondent's claims were speculative.
- Both parties agreed to resolve the application for preliminary injunction and the motion to dismiss together in the main case.
- On March 10, 2005, the RTC ruled in favor of Hypermix, declaring CMO 27-2003 invalid for failing to follow procedural requirements and for violating due process and equal protection clauses.
- Petitioners appealed to the Court of Appeals (CA), which upheld the RTC decision.
- Subsequently, petitioners filed a Petition for Review with the Supreme Court, questioning both the lower courts' decisions.

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Issues:

1. Whether the RTC had jurisdiction over the matter.
2. Whether an action for declaratory relief was proper.
3. Whether CMO 27-2003 was valid and constitutional, specifically:

- Compliance with procedural requirements under the Revised Administrative Code.
- Violation of the equal protection clause.
- Whether the CMO was within the delegated authority of the Commissioner of Customs and reasonable in its provisions.

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Court's Decision:

Jurisdiction:

- The Supreme Court affirmed the RTC's jurisdiction, citing that the determination of the constitutionality of administrative regulations falls within the purview of regular courts.

Declaratory Relief:

- The Court confirmed that declaratory relief was appropriate. Hypermix had a legal interest affected by CMO 27-2003, and the issue was ripe for judicial determination due to immediate impacts on their ongoing and future wheat importations.

Procedural Requirements:

- CMO 27-2003 was invalid due to non-compliance with the Revised Administrative Code. The Commissioner of Customs did not undertake necessary steps such as public participation, notice, and proper filing before implementing the MCO.

Equal Protection Clause Violation:

- CMO 27-2003 violated the equal protection clause. The classification based on importer identity, country of origin, and port of discharge was deemed unreasonable. The Court found no substantial distinctions supporting the differentiation, nor did the classification relate to the regulation's objectives.

Scope of Authority and Reasonableness:

- The Commissioner of Customs exceeded his delegated authority, as the regulation foreclosed proper customs assessment by pre-determining wheat classification without an individualized examination, contrary to Section 1403 of the Tariff and Customs Law.

Conclusion:

- The Supreme Court denied the Petition, affirming the Court of Appeals and Regional Trial Court's decisions. CMO 27-2003 was declared invalid and unconstitutional.

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Doctrine:

- Administrative rules significantly affecting rights must follow procedural requirements of public participation, notice, and publication before becoming effective.
 - The equal protection clause demands reasonable classification backed by substantial distinctions pertinent to the law's purposes.
 - Administrative agencies must adhere to delegated authority without encroaching upon the procedural safeguards prescribed by law.
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Class Notes:

- **Elements of Declaratory Relief (Rule 63, Section 1):** Justiciable controversy, adverse interests, legal interest, ripe for judicial determination.
 - **Equal Protection Clause:** Classifications must (1) rest on substantial distinctions, (2) be germane to the law's purpose, (3) apply to existing conditions equally, (4) cover all members of the class.
 - **Procedural Requirements:** Book VII, Chapter 2, Revised Administrative Code - Filing, Notice, Public Participation, and Registration with the UP Law Center.
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Historical Background:

- This case reflects the judiciary's role in ensuring administrative regulations do not circumvent established legal procedures and constitutional protections.
- The emphasis on procedural compliance and reasonable classification addresses historical abuses where administrative rules were implemented arbitrarily, impacting traders and importers disproportionately.