

**Title:** Encarnacion v. Johnson, G.R. No. 191498, June 6, 2018

**Facts:**

- Initial Foreign Judgment:** On October 6, 2000, Thomas Johnson filed a breach of contract action in the Supreme Court of British Columbia, Canada, against spouses Mary Mitchie Edwarson (a.k.a. Mary Encarnacion) and Narvin Edwarson, alleging they defrauded him in a vehicle leasing investment. The court issued a Mareva injunction to freeze their assets.
- Judgment in British Columbia:** On February 26, 2001, a default judgment was rendered against Mary and Narvin for CAD\$380,431.00 plus interest and costs, later ordering each to pay CAD\$25,000.00 in aggravated damages.
- Recognition in the Philippines:** Johnson sought the recognition and enforcement of this foreign judgment in the Philippines by filing a case in the RTC of Olongapo City, which restrained Mary and Narvin from disposing of their assets.
- Judgment by Default in RTC Olongapo:** Mary and Narvin did not respond, leading to a default judgment by the RTC on December 1, 2003, which issued a Writ of Execution.
- Levy and Auction:** The RTC modified the Writ to include properties in the name of Mateo Encarnacion, whose assets were also levied, despite his claims of ownership. Execution levies resulted in public auctions, where Johnson was declared the highest bidder.
- Third-party Claim and Annulment Petition:** Mateo Encarnacion filed a Third-Party Claim, asserting ownership. In 2007, he petitioned the CA to annul the RTC judgment, alleging lack of jurisdiction and extrinsic fraud. The CA dismissed the petition, ruling Mateo a voluntary party to the RTC proceedings.
- Appeal to the Supreme Court:** Petitioners, heirs of Mateo Encarnacion, contested the CA decision, raising procedural and constitutional issues about the execution and subsequent ownership transfer of properties to Johnson, an alien.

**Issues:**

- Whether annulment of judgment was the proper remedy for Mateo Encarnacion.**
- Whether a foreigner, Thomas Johnson, could legally own private lands in the Philippines**

through execution sale.\*\*

**Court's Decision:**

1. **On the Proper Remedy:** The Court held that annulment of judgment was not the appropriate remedy. Mateo Encarnacion, as a third-party claimant, should have pursued remedies under Rule 39, Section 16 of the Rules of Court, not an annulment of judgment.
2. **On Alien Land Ownership:** The Court ruled that the sale of private lands to Johnson, a Canadian citizen, was null and void. Section 7, Article XII of the Philippine Constitution prohibits foreigners from owning private lands. Hence, the public auction and sale were void.

**Doctrine:**

- **Equity Remedy of Annulment:** The annulment of judgment is an exceptional remedy restricted to cases of lack of jurisdiction or extrinsic fraud, and only when other remedies are unavailable.
- **Constitutional Prohibition on Alien Land Ownership:** Section 7, Article XII of the 1987 Constitution strictly forbids aliens from acquiring private lands, rendering contracts or arrangements attempting such acquisition void ab initio.

**Class Notes:**

- **Annulment of Judgment:** Governed by Rule 47, available on grounds of lack of jurisdiction or extrinsic fraud. Not a substitute for overlooked ordinary remedies.
- **Foreign Judgment Recognition:** Limited to procedural compliance with Section 48(b), Rule 39 of the Rules of Court, and cannot re-litigate merits.
- **Alien Land Ownership:** Absolute prohibition under Philippine Constitution, Section 7, Article XII; exceptions must be constitutionally recognized.

**Historical Background:**

This case is set against the backdrop of the constitutional and legal protections in the Philippines against foreign ownership of land, ensuring national patrimony is preserved for Filipino citizens. The judgement underscores the judiciary's vigilance in maintaining this constitutional safeguard, responding to evolving dynamics of international transactions and domestic legal principles.