

****Title:**** Eurotech Industrial Technologies, Inc. v. Cuizon, G.R. No. 168072

****Facts:****

Eurotech Industrial Technologies, Inc. (petitioner) is engaged in the business of importation and distribution of European industrial equipment. Impact Systems Sales (“Impact Systems”), a sole proprietorship owned by Erwin Cuizon (respondent), purchased various products from the petitioner from January to April 1995 amounting to ₱91,338. Erwin’s brother, Edwin Cuizon, acted as the sales manager for Impact Systems.

In addition to the earlier purchases, Impact Systems ordered a sludge pump valued at ₱250,000, making a downpayment of ₱50,000. Petitioner refused to deliver the sludge pump until outstanding debts were settled. On June 28, 1995, Edwin and petitioner’s representative, Alberto de Jesus, signed a Deed of Assignment, where receivables worth ₱365,000 from Toledo Power Corporation were assigned to the petitioner.

Unbeknownst to the petitioner, Impact Systems collected the amount from Toledo Power Corporation, evidenced by a check and an official receipt dated August 15, 1995. Subsequent demands from petitioner led to partial payments. By October 7, 1996, petitioner’s final demand letter stated unpaid obligations of ₱295,000. This led petitioner to file a complaint for sum of money and damages with a preliminary attachment application against Edwin and Erwin Cuizon.

Procedurally, the trial court initially issued a writ of preliminary attachment on January 8, 1997. Edwin admitted the transactions but disputed the debt amount. Edwin filed a motion claiming he was improperly impleaded as he was merely an agent of Impact Systems. On January 29, 2002, the trial court dropped Edwin from the suit, a decision which the petitioner appealed unsuccessfully to the Court of Appeals.

****Issues:****

1. Whether Edwin Cuizon, acting as an agent, should be personally liable under Article 1897 of the New Civil Code.
2. Whether Edwin Cuizon exceeded his authority as an agent warranting personal liability.

****Court’s Decision:****

1. ****Edwin’s Liability as an Agent:**** The Supreme Court held that under Article 1897, an agent acting within the scope of his authority does not carry personal liability unless he expressly binds himself or exceeds his authority without notifying the other party. Edwin acted within his scope as sales manager, thereby only binding Impact Systems, not himself.

****Analysis:**** The Court reasoned that Edwin, as sales manager, was vested with broad powers, and his actions were necessary and required to protect his principal's business interests. Thus, Edwin did not fall under the New Civil Code exceptions that impose liability on an agent.

2. ****Authority of the Agent:**** The Court found that Edwin did not exceed the authority provided by his principal, Impact Systems. The petitioner's acceptance of the downpayment and prolonged negotiation period before signing the Deed of Assignment indicated that Edwin's actions were within the scope of his delegated powers.

****Analysis:**** The Court clarified that Edwin's execution of the Deed of Assignment was a reasonable action to ensure the business needs of Impact Systems were met. Given their relationship and roles, any contrary action would have adversely affected the enterprise.

****Doctrine:****

1. ****Article 1897 of the New Civil Code:**** An agent is not personally liable for contracts entered into within the bounds of his authority unless:

- He expressly binds himself.
- He exceeds his authority and fails to notify the other party about the extent of his powers.

****Class Notes:****

- ****Contract of Agency:****
- ****Elements:**** Consent, a juridical act relation to a third person, representation, and authority within bounds.
- ****Representation:**** The acts of the agent legally bind the principal.
- ****Article 1897 NCC:** Personal liability of an agent arises only in specific circumstances.
- ****Exception 1:**** Expressly binding oneself.
- ****Exception 2:**** Exceeding authority without sufficient notice.

****Historical Background:****

At this period, the judicial emphasis was on protecting the clear delineation of liability in commercial transactions, especially in emphasizing the role and limits of agency relationships in business operations. The case underlines a common commerce issue involving utilization of agency to extend principal's capacity without impinging personal liability on agents acting within defined confines. This decision reinforced the legal shield provided to agents under appropriate authority scopes, balancing equitable contract enforcement.