

PAULINO DUMAGUIN, PLAINTIFF AND APPELLANT, VS. A. I. REYNOLDS, E. J. HARRISON AND BIG WEDGE MINING COMPANY, DEFENDANTS AND APPELLEES.

G.R. No. L-3572. September 30, 1952

Ponente: MONTEMAYOR, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/b0bf0b95c1e4/>

MONTEMAYOR, J.:

For purposes of this decision, the following facts may be said to be agreed upon by the parties or to be without dispute. Because the plaintiff Paulino M. Dumaguin would appear to be the central figure in this case, we shall begin by making reference to his background and his status at the time he entered into the transactions and executed the deeds of conveyance whose legality is now the subject of the present petition.

Paulino M. Dumaguin was a teacher in the public elementary schools for a year and a half, and from 1916 to 1918 was the Manager of the Head Waters Mining Company in Baguio. As Manager of said mining company Paulino acquired some knowledge of mining. On or before May 21, 1929, he was a supervising line-man of the Bureau of Posts. On that date (May 21, 1929) he was admitted to the Insular Psychopathic Hospital at San Felipe Neri (now the National Psychopathic Hospital), Mandaluyong, Rizal, said to be suffering from "paranoia". On October 15, 1929, Dr. Toribio Joson, assistant alienist of said Hospital, submitted the following memorandum:

"MEMORANDUM

"To: the Alienist in Charge Insular Psychopathic Hospital, San Felipe Neri, Rizal.

"Subject: Paulino M. Dumaguin—Male, married, 33 years old, Ex-Supervising Lineman of the Bureau of Posts, admitted to the hospital at 11:25 am., on May 21, 1929.

"1. The patient is well behaved, oriented in all spheres, coherent in his speech and has no more illusion or hallucinations; but is having a delusion that one of the patients in the hospital is trying to chloroform him. He consequently keeps away from the said patient.

"2. He is also not sure that his former officemates whom he erroneously believed chloroformed him before, would not chloroform him anymore when he goes home.

"3. This type of insanity which Paulino M. Dumaguin is suffering from is therefore that of Paranoia, which runs a very chronic course of usually a life time, but which may show improvement as the patient grows older". (See Exhibits 42, folio 195; Italics ours)

After Paulino's discharge from the hospital on or about November 11, 1929, in order to enable his wife to withdraw his retirement gratuity from the Government, on September 16, 1930, she filed guardianship proceedings in the Court of First Instance of Camarines Sur. Said court relying presumably on the report of Dr. Joson above quoted, granted the petition and appointed her as Paulino's guardian.

On February 2, 1931, Paulino and his guardian in a joint motion before the Court of Camarines Sur among others

alleged that—

"4. Que en la actualidad, el citado Paulino M. Dumaguin, ya esta restablecido, por lo que se le ha permitido dejar el Hospital y ahora vive con su familia en esta localidad, que es su residencia.

"5. Que el mencionado Paulino M. Dumaguin ha recibido un cheque del Gobierno por la cantidad de P412.38, como parte de su pension.

"6. Que los comparecientes necesitan el importe de dicho cheque para atender a su subsistencia, pues se hallan en la actualidad faltos de todo necesario."

and asked that they be authorized to cash said check and use its proceeds for their support:

""POR TANTO, suplican al Juzgado que se les autorice a cambiar el referido cheque, y disponer de su producto para su manutencion."

In 1934, the guardianship proceedings were closed.

In and before the year 1930, defendants A. I. Reynolds and E. J. Harrison as gold prospectors had located some mineral claims in the Itogon District, subprovince of Benguet, Mountain Province, known as the "ANACONDA GROUP". They employed Fructuoso Dumaguin, brother of plaintiff Paulino, in their work as prospectors.

At the beginning of 1931, Fructuoso Dumaguin was thus working for said defendants Reynolds and Harrison relocating some of their mining claims previously located and locating new ones, for which work he was paid P5.00 a day. About the same time his brother Paulino M. Dumaguin, plaintiff herein, leaving his home in Camarines Sur went up to Baguio in search of work. To help him, Fructuoso got him employed by the defendants and the two brothers worked together in the mining business for the defendants.

The theory of the plaintiff is that he was employed only to relocate defendants' mining claims in the Anaconda Group while the defense claims that like his brother Fructuoso, Paulino was employed not only to relocate mining claims within the Anaconda, Group but also to stake and locate new mining claims for them. For said work Paulino was also paid by the day by defendants.

During the months of May, June and July of that year 1931 the two brothers Pructuoso and Paulino staked and located ten mining claims or fractions thereof named Victoria, Greta, Triangle, Lolita, Prank, Paul, Leo, Loreto, Arthur and G. Ubalde, all said claims or fractions being later registered in the name of Paulino M. Dumaguin as locator in the office of the Mining Recorder. By virtue of an instrument (Exhibit A) entitled "Deed of Transfer" dated September 10, 1931, Paulino M. Dumaguin conveyed and transferred to defendants A. I. Reynolds and E. J. Harrison nine of the ten mineral claims just mentioned, and in another instrument (Exhibit E) on the same date September 10, 1931, Paulino transferred and conveyed to defendant Reynolds the remaining claim Victoria.

Later, Reynolds as vendee of the mining claim Victoria by virtue of a deed of sale (Exhibit C) dated November 2, 1931 sold and transferred said claim to the defendant Big Wedge Mining Co. In another deed of sale (Exhibit D) dated June 2, 1933, Reynolds and Harrison sold and transferred to the same defendant Big Wedge Mining Co. the claims Frank, Paul, Leo, Loreto and Arthur. In still another deed of sale (Exhibit J), Reynolds and Harrison sold and transferred to the same Big Wedge Mining Co. the Greta, Lolita and Triangle fractions or mineral claim. As a result, all the ten mineral claims or fractions transferred by Paulino to Reynolds and Harrison, with the exception of the claim G. Ubalde were in turn sold and transferred to the Big Wedge Mining Co. What was done with this last claim or fraction G. Ubalde, does not appear on the record, but it must still remain in the name of Reynolds and Harrison.

Plaintiff Dumaguin initiated this case in the Court of First Instance of Baguio by filing his original complaint on

November 5, 1934, later amending it on July 26, 1939 and finally reamending it on June 4, 1940. Under his reamended complaint which contains three causes of action, he alleges that when he executed the deeds of transfer (Exhibits A and B) he was under guardianship and did not possess the mental capacity to contract and so asked the court that the said two deeds be declared null and void. He also alleged that those two deeds being void, Reynolds and Harrison had no title to transmit to the Big Wedge Mining Co., by virtue of the deeds of sale, Exhibits C and D (plaintiff evidently overlooked the deed, Exhibit J), and therefore those two deeds of sale (Exhibits C and D) should also be declared null and void, and that he (Paulino) should be declared the owner of the ten mining claims or fractions in question. Finally, he claimed that the Big Wedge Mining Co., had illegally taken, possession of the ten mining claims and profitably worked or operated them and so he asked that said company be ordered to render an accounting of its operations and the profits made therefrom, and that the defendants should be ordered jointly and severally to pay to the plaintiff such profits, as may have been derived by the Big Wedge Mining Co. as shown by its accounts.

Defendants Reynolds and Harrison filed their original answers on January 30, 1935 and April 12, 1935, respectively, both superseded by their amended answers on January 22, 1936. Defendant Big Wedge Mining Co., filed its answer on January 30, 1935, which was amended on January 18, 1936 and later reamended on February 5, 1940. Reynolds and Harrison claimed in their answers that plaintiff Paulino and his brother Fructuoso had been expressly employed by them to locate and stake mineral claims, and that said two brothers staked and located the ten mineral claims in question for them (defendants), and that there was an understanding between the two brothers and the two defendants that said mineral claims so located would eventually be transferred to them. In its turn defendant Big Wedge Mining Co., followed the theory of Reynolds and Harrison about Paulino having been employed by them and having made the location of the mineral claims in question for their employers, said that the company was not aware of the alleged mental incapacity of plaintiff at the time that he executed the deeds of transfer in favor of Reynolds and Harrison, and that even if plaintiff was under guardianship at the time, yet he confirmed and ratified the deeds of transfer by his acts and letters after his release from guardianship, and that said company bought the said mineral claims in good faith and for valuable consideration from the registered owners.

Hearing was held on July 31, 1940. The evidence submitted was mainly documentary. Only three witnesses took the witness stand. Atty. Alberto Jamir was presented by the Big Wedge Mining Co. to identify a copy of a decision rendered by the Securities and Exchange Commission. Defendant Reynolds testified for the defense. For the plaintiff, only Fructuoso Dumaguin testified for his brother. Why Paulino, the plaintiff, did not take the witness stand, if not to support the allegations of his complaint, at least to refute the evidence for the defense particularly that which tended to show that he was employed by defendants Reynolds and Harrison to stake and locate mineral claims for them with the understanding that he would later transfer said claims to his employers, is not known to this court. After trial, Judge Jose R. Carlos before whom the hearing was held, rendered judgment on January 16, 1941, dismissing the complaint.

Paulino Dumaguin appealed from that decision. His Record on Appeal was approved on April 16, 1941. Appellant's brief was filed on November 3, 1941 and the brief for the Big Wedge Mining Co. was filed or rather is dated December 31, 1941. It is not known whether defendants Reynolds and Harrison ever filed a brief. The fact is that the record of the case was lost or destroyed during the war and only copies of the record on appeal and the briefs were salvaged. As to the oral and documentary evidence which was lost, only those portions of the transcript and documents reproduced and appearing in the briefs are now available. But the parties have agreed to the correctness of these portions so quoted in the briefs.

After the reconstitution of the case, the Court of Appeals which had taken charge of the appeal found that the

amount involved was beyond its jurisdiction and so certified the case to us. Neither Reynolds nor Harrison has appeared before the Court of Appeals or before this court. Appellant's attorney represented that Harrison's counsel could not appear in the appeal due to lack of authority, not having heard from his client since liberation and being of the belief that his client is dead. There was also information to the effect that defendant Reynolds had been killed during the early part of the occupation by the Japanese. So, only the Big Wedge Mining Co., is opposing the present appeal.

The decisive and pivotal question here is whether plaintiff Paulino M. Dumaguin and his brother Fructuoso acting on their account staked and located these mining claims or fractions in dispute for Paulino, or whether they acting as employees and agents of defendants Reynolds and Harrison, staked and located said claims for and in behalf of their employers. We agree with the trial court that the great preponderance of evidence is to the effect that these claims were located for Reynolds and Harrison by Paulino and Fructuoso as employees, and that the latter were purposely employed and paid for this work. All the expenses incident to the staking and location of said claims and the registration of the corresponding declarations of location were paid by Reynolds and Harrison. It is true that in one part of his testimony, Fructuoso claimed that he and his brother were employed merely to relocate the mining claims of defendants within the Anaconda Group but later on, he admitted in his testimony and also in his affidavit (Exhibit 1) which was prepared before these proceedings were initiated in court that he and his brother Paulino working together were paid by the defendants Reynolds and Harrison to locate new mining claims outside the Anaconda Group; that as a matter of fact, Paulino engaged in this work at the beginning, but because he (Fructuoso) found that Paulino physically was not equal to the arduous work of climbing up and down mountains to stake and locate claims, he was placed in charge of the payroll of the defendants and detailed to do paper work which, it is presumed, included the registration of the declarations of location of the mining claims in the office of the Mining Recorder, in his name. Fructuoso also admitted that there was an understanding before and pending the staking and location of said mining claims that they would eventually be transferred to their real owners, Reynolds and Harrison.

In consonance with this correct theory that these mining claims were located for defendants Reynolds and Harrison, as counsel for appellee well observes, Exhibit A and E are both entitled "Deed of Transfer". This conveys the idea that Paulino was merely transferring to the real owners property which technically and in name were registered as his own. Otherwise, if he really owned these mining claims, the two deeds (Exhibits A and B) would have been more appropriately entitled "Deed of Sale" and the body of said instruments should have stated that he was selling the mining claims. On the other hand, we have the instruments (Exhibits C and D) wherein Reynolds and Harrison sold said mining claims or fractions to the Big Wedge Mining Co., and the documents were each entitled "Deed of Sale".

It would really be unfair, even against public policy to allow a person employed to stake and locate mining claims for his employer to make locations on his own account and for his own benefit tho done outside hours of work or employment, because there is an obvious incompatibility and conflict of interests between those of the employer on the one hand and those of the employee on the other, unless there is a clear and express agreement to the contrary. Judge Carlos in his well-considered decision correctly states the fiduciary relation between Paulino and his employers Reynolds and Harrison and the sound and correct rule and public policy on this matter.

"The fiduciary relation between the plaintiff and the defendants A. I. Reynolds and E.J. Harrison is very clear from the evidence. Fructuoso M. Dumaguin has clearly stated that his brother, Paulino M. Dumaguin, was working under him while he was locating the claims in question for A. I. Reynolds and E. J. Harrison. There can be no doubt that these claims in question were among those which these defendants wanted staked because, according to Fructuoso M. Dumaguin himself, they all adjoin the Anaconda Group, which ground he was specifically instructed to stake for the said defendants. The plaintiff herein, therefore, learned of the

existence, especially of the fractional mineral claims, because he was with the party who staked the rest of the claims in that locality. To permit the plaintiff herein to assert his claim of ownership over these claims in question would be tantamount to allowing him to violate and infringe all the sound and age-old rules which govern principal and agent. There can be no doubt that this relation existed because Fructuoso M. Dumaguin, the sole witness for the plaintiff, stated categorically in his affidavit Exhibit 'I' that all the claims subject of this litigation, except the G. Ubalde mineral claim, had been located and staked by him for A. I. Reynolds and E. J. Harrison, though the same were recorded in the name of his brother Paulino. It is quite evident, therefore, that even if no transfers were made or Exhibit 'A' and B' did not exist, these two defendants would still be entitled to an assignment of the said claims. The evidence of the fiduciary relation between the plaintiff and the defendants A. I. Reynolds and E. J. Harrison was given by none other than Fructuoso M. Dumaguin, the brother the only witness of the plaintiff in this case.

"Any act of an agent, the object or tendency of which is to commit a fraud or breach of the agency, should be discouraged. In the first place, such acts are condemned by public policy. They are against the morals; therefore, they should never be tolerated. An agent or trustee, or anybody who acts in a fiduciary capacity, should never be permitted to capitalize on his fiduciary position to mulct or take advantage of his principal or employer.

"It has been the practice of miners to employ others to stake mining claims for them. This is usually done after the prospectors have assured themselves that a mine exists in a certain locality. The man who places the stake could easily leave fractional mineral claims in between the claims without reporting the existence of these fractions to his principal. Later he could stake and claim them. If this is permitted to happen, bona fide miners can easily be held tip by the very man whom they have employed to stake their mining claims. If the mining industry shall be protected and the exploitation of the natural resources of this country encouraged, such practice should not be tolerated. The wrong or the damage that can be done is unlimited. If agents or employees or laborers are permitted to conceal or withhold certain mining claims or fractions thereof in between the mining claims ordered staked by their employer who gave them specific instructions to stake the entire ground in a certain locality, the effect will practically be the condonation and legalization of a holdup. For this reason, Mechem on Agency, Sec. 1224, said the following:

"The well-settled and salutary principle that person who undertakes to act for another shall not, be in the same matter, act for himself, results also in the other rule, that all profits made and advantage gained by the agent in the execution of the agency belong to the principal. And it matters not whether such profit or advantage be the result of the performance or of the violation of the duty of the agent if it be the fruit of the agency. If his duty be strictly performed, the resulting profit accrues to the principal as the legitimate consequence of the relation; if profit accrues from his violation of duty while executing the agency, that likewise belongs to the principal, not only because the principal has to assume the responsibility of the transaction, but also because the agent cannot be permitted to derive advantage from his own default.

"It is only by rigid adherence to this rule that all temptation can be removed from one acting in a fiduciary capacity, to abuse his trust or seek his own advantage in the position which it affords him."

In view of our conclusion and holding that these mining claims were staked and located for the benefit of defendants Reynolds and Harrison, the other points and questions involved in the appeal exhaustively, in detail and with a wealth of authorities, discussed by counsel for both appellant and appellee with ability and skill, become incidental and not of much if any relevancy whatsoever, although we may discuss one or two of them not so much to strengthen our decision but rather to render more clear our views.

Appellant contends that the deeds of transfer (Exhibits A and B) should be annulled for lack of mental capacity because at the time of their execution he was under guardianship for insanity. It is contended that altho in a case of execution of a will by a testator who was under guardianship for mental derangement, the presumption of

insanity is only *juris tantum*, subject to rebuttal, nevertheless, mental incapacity as regards contracts, particularly those transferring property, under similar circumstances, involves a conclusive presumption which cannot be rebutted by evidence. We have studied the arguments and authorities adduced by both counsel on this point and we are inclined to agree with counsel for appellee that the better rule is that even in the execution of contracts, in the absence of a statute to the contrary, the presumption of insanity and mental incapacity is only *prima facie* and may be rebutted by evidence; and that a person under guardianship for insanity may still enter into a valid contract and even convey property, provided it is proven that at the time of entering into said contract, he was not insane or that his mental defect if mentally deranged did not interfere with or affect his capacity to appreciate the meaning and significance of the transaction entered into by him.

"SEC. 66. Generally.—Of course, not every substandard mentality or even every mental infirmity has the effect of rendering the afflicted person disabled for the purpose of entering into contract and making conveyances. *
* * A reasonable test, suggested by several courts for the purpose of determining whether an infirmity operates to render a person incapable of binding himself absolutely by contract, is whether his mind has been so affected as to render him incapable of understanding the nature and consequences of his acts, or, more exactly, whether his mental powers have become so far affected as to make him unable to understand the character of the transaction in question. * * * Some authorities take the view that a grantor may be competent to execute a deed notwithstanding his disability to transact business generally, provided he understands the nature of what he is doing and recollects the property of which he is making a disposition and to "whom he is conveying it. Other authorities, however, take the position that to sustain a deed, the grantor must have the ability to transact ordinary business. In any event, if it appears that the grantor in a deed was incapable of comprehending that the effect of the instrument, when made, executed, and delivered, would be to divest him of title to the land covered by the instrument, it is not binding upon him. * * *." (28 Am. Jur. Insane, etc., Sec. 66, pp. 701-702.)

"* * * Even partial insanity will not render a contract voidable unless it exists in connection with or is referable to the subject matter of the contract. Similarly, a delusion if unconnected with the transaction in question, is not sufficient to affect the validity of a contract consummated by the person thus affected. Monomania or a mental fixation or abnormality respecting a matter disconnected with the act of conveying property will not affect the validity of the conveyance. * * *" (Ibid., p. 703.)

There are many cases of persons mentally deranged who although they have been having obsessions and delusions for many years regarding certain subjects and situations, still are mentally sound in other respects. There are others who though insane, have their lucid intervals when in all respects they are perfectly sane and mentally sound.

In the case of Paulino M. Dumaguin, according to the doctor who observed and examined him, and who made his report on October 15, 1929, and that was more than two years before Exhibits A and B were executed, he (Paulino) while in the hospital was "well behaved, oriented in all spheres, coherent in his speech and has no more illusion or hallucinations; but is having a delusion that one of the patients in the hospital is trying to chloroform him. He consequently keeps away from said patient," and that he was "not sure that his former officemates whom he erroneously believed chloroformed him before would not chloroform him anymore when he goes home." This was in 1929. The same year Paulino was discharged from the hospital presumably because his condition had improved, and on February 2, 1931, Paulino and his wife in a motion assured the court of Camarines Sur that Paulino was already re-established (*ya esta restablecido*). Several months later he went to Baguio looking for work. It is to be presumed that he was then no longer insane. It is equally to be presumed that his brother Fructuoso would not have recommended him for employment by defendants Keynolds and Harrison and actually let him work for them, at the beginning climbing up and down mountains to stake and locate claims for his employers; and if Paulino was then insane, it was not likely that Reynolds and Harrison would employ him to do the work of staking and locating claims to say nothing of taking charge of the payroll of their employees, and

registering with the Mining Recorder the declarations of location of mining claims. There is every reason to believe as we do and hold that at least from about the beginning of the year 1931 when Paulino began working for his employers Reynolds and Harrison, and when he executed Exhibits A and B, he had the mental capacity to transact ordinary business and, was mentally capable of validly entering into a contract even conveying property to another. But even assuming that at the time of executing Exhibits A and B, Paulino were still mentally incapacitated, still, because of his moral and legal obligation to transfer said claims to his employers, he could through his guardian have been compelled by the court to execute said transfer, or after the termination of his guardianship obliged personally to execute said transfer to his employers. He acted as a trustee for his employers and the law will not allow him to invoke insanity or mental incapacity to violate his trust.

In relation with this alleged incapacity of Paulino, it is interesting to note that when he and his lawyers filed his first complaint in 1934, that is, about three years after executing Exhibits A and B, they said nothing about being mentally incapacitated in 1931. They did not ask for the annulment of the deeds of transfer (Exhibits A. and B) on the ground of lack of mental capacity. They assumed and took it for granted and led others to believe that said deeds of transfer were valid. They only asked for the payment of damages. It was not until five years later in the year 1939 when they filed the first amended complaint that they raised this question of mental incapacity. It took him and his lawyers almost five years to discover and claim that he (Paulino) was not mentally capable to enter into a contract when he executed exhibits A and B. In view of all this, we may well and logically presume that all the time that Paulino was employed by Reynolds and Harrison to locate and register mining claims for them, and at the time that he executed Exhibits A and B and for several years thereafter when he continued in their employ, neither Fructuoso, Paulino's brother nor defendants Reynolds and Harrison had any reason to suspect, much less, to believe that Paulino was other than a sane, responsible, and mentally capable individual, able to take care not only of himself and his interest but also of the interests of his employers. Neither did the other employees of Reynolds and Harrison to whom Paulino paid wages on pay-days, he being in charge of the payroll, and the Mining Recorder before whom he executed proper and valid affidavits of locations for purposes of registration, note any mental incapacity on the part of Paulino. All this goes to reinforce the finding that Paulino was mentally sane and capable in 1931.

Counsel for appellant next contends that Exhibits A and B should be declared void for lack of consideration. Said two deeds each mentions P1.00 and other valuable consideration, the receipt whereof was acknowledged, to be the consideration. We believe that that consideration is sufficient, this aside from the provision of law (article 1277 of the Civil Code), that consideration in a contract will be presumed and that it is licit, unless the debtor prove the contrary which Paulino in this case failed to establish. Furthermore, according to Reynolds, in consideration of the transfer of these mining claims, he had later paid Paulino between P3,000 and P5,000. This was not refuted by Paulino. Moreover, under the view we take of the mining claims having been located for the benefit of defendants Reynolds and Harrison, by Paulino in his capacity as their employee, paid for that purpose, no consideration for the conveyances was even necessary. He was merely fulfilling an obligation and complying with a trust.

In conclusion we find and hold that Exhibits A and B were valid conveyances executed by one who was mentally capable. Consequently, Reynolds and Harrison had a valid title to convey as they did convey to defendant Big Wedge Mining Co., in Exhibits C, D, and J.

In view of the foregoing, finding no reversible error in the decision appealed from the same is hereby affirmed, with costs.

Paras, C. J., Bengzon, Padilla, Jugo, Bautista Angelo, and Labrador, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.