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[G.R. No. L-4958. March 30, 1954]

MONICO PUENTEVELLA, JR., CARMEN GONZAGA, TEOFILO GENSOLI, LUIS HERVIAS, ANTONIO P. CIOCON, RICARDO S. CIOCON, ROSARIO GENSOLIN, MARGARITA TULO, DOLORES TANPINCO, ANGELES JARDELEZA, DOLORES ESTROLOGO, TOMAS JAMILE, AND BENJAMIN A. LEDESMA, PLAINTIFFS AND APPELLES, VS. FAR EASTERN AIR TRANSPORT, INC., PHILIPPINE AIR LINES, INC., AND COMMERCIAL AIR LINES, INC., DEFENDANTS, FAR EASTERN AIR TRANSPORT, INC., AND PHILIPPINE AIR LINES, INC., DEFENDANTS AND APPELLANTS.

D E C I S I O N

LABRADOR, J.:

This action was instituted in the Court of First Instance of Occidental Negros by the plaintiffs, who are owners of certain lands adjacent to the City of Bacolod which the U. S. Army converted into an airfield, known as the Bacolod City Airstrip No. 2, to recover from the defendants the value of the use and occupation of said airfield by them.

The lands in question were occupied by the U. S. Army around the month of April, 1945. It constructed thereon, with or without the consent of the owners, permanent improvements in the form of runways for the landing and taking off of planes, parking places—therefor, and approaches thereto. It afterwards entered into a contract of lease with the owners, by virtue of which the United States Government was given authority to use and occupy the lands in question for the period from April 1, 1945, to October 15, 1945, at a monthly rental of one-half centavo per square meter.

In the month of November, 1945, the defendant Far Eastern Air Transport, Inc. [FEATI], began to use the said airstrip. Formal authority for its use was extended by the U. S. Army on November 23,

1945 [Exhibit 5], When the FEATI began to use the airstrip, the owner of the lands occupied by the airstrip objected to the Army authorities [Exhibit A], and also appealed to the American High Commissioner in the Philippines [Exhibit A-2], as well as to the manager of the FEATI [Exhibit A-4], for a clarification of the status of the airstrip, but nothing was done in this respect. One of the owners later learned that the U. S. Army continued occupying the airstrip, and while no objection thereto was made, he, did object to the use of the airstrip by the Commonwealth Government [Exhibit 6]. As early as April 20, 1946, the Commonwealth Government, through the Director of the Bureau of Aeronautics, had offered to lease the lands covered by the airstrip at one-half centavo per square meter per month [Exhibit 7], and it advised the plaintiffs that the Commonwealth Government was under the obligation of furnishing airway facilities and airports to all transportation companies and that it was willing to deal with the owners for a lease of their properties at the rate of one-half centavo per square meter per month [Exhibit 12]. In spite of the absence of any action on the offer of lease, the Bureau of Aeronautics maintained and operated the airstrip for the purpose of commercial operations from April, 1946 and had sufficient funds to pay for the lease of the lands included in the airfield from March 1, 1946, to December 31, 1946 [Exhibit 14J. The owners, however, expressly Stated to the Bureau of Aeronautics that while “they are willing to give the fullest cooperation to the Republic insofar as the use by the Government of their properties, * * *, they reserve to themselves the right of full enjoyment of ownership and the fruits thereof, in their particular dealing with the private air lines engaged in commercial aviation.” [Exhibit 11].

This status of the occupation of the airstrip appears to be in a nebulous state, although it can be clearly inferred from the various documents presented at the trial that even after the termination of the period of the lease signed by the U. S. Army, which lease was originally to end in October, 1945, the U. S. Army continued occupying the airstrip. On April 22, 1947, it was formally transferred from the Foreign Liquidation Commission to the Surplus Property Commission at

the procurement cost of 1116,760 [t. s. n., pp. 295-296]. The Surplus Property Commission adopted the policy of retaining the Bacolod Airstrip No. 2, as the Bureau of Aeronautics had requested it for the furtherance of civil aviation [Exhibit 1]. In this connection, it may be well to note that since July 31, 1946, the Bureau of Aeronautics had advised the defendant Philippine Air Lines that the Bacolod Airstrip had already been released by the U. S. Army, and that the said Bureau was assuming the responsibility of paying rentals for said strip [Exhibit 13]. And on August 29, 1946, it certified that all landing fields and airports in the Philippines, including that of the City of Bacolod, are maintained and operated by it and are available to all aircraft of Philippine registry, free of landing charges, in line with the policy of the Government to promote civil aviation [Exhibit 14].

The FEATI began using the airstrip in question in November, 1945, the Philippine Air Lines on July 16, 1946, and the Commercial Air Lines in January, 1947.

It can be gleaned from the pleadings and from the communications coursed between the parties that the plaintiffs herein seek to make the defendants directly responsible to them for the use of the airstrip, irrespective of and notwithstanding the fact that the U. S. Army, and subsequently the Bureau of Aeronautics of the Commonwealth Government, actually occupied, maintained, and operated the airways for the benefit of commercial aviation.

In the answer of the FEATI, it is alleged as special defense that the Bacolod Airstrip has become an airport and landing field open and available to all commercial aircraft by virtue of the provisions of law and in accordance with the regulations issued by the Bureau of Aeronautics. On the other hand, in its answer to the complaint, the Philippine Air Lines alleged as special defense that the airstrip is maintained by the Government of the Republic of the Philippines, under the control and administration of the Director of the Bureau of Aeronautics, and that the responsibility for the payment of rentals to the owners rested on the Bureau of Aeronautics. Three of the issues that were tried in the court (below are, as stated in the decision, as

follows:

1. Whether the defendant companies had legal authority to use the properties in question on the alleged authority of the Commanding General of the United States Air Force in the Pacific, without the consent of the owners;

2. Whether the Bureau of Aeronautics may exempt the defendant companies, for the use of the airstrip in question, from paying compensation to the plaintiffs on the ground that the said Bureau had the obligation under the law of providing grounding facilities to the planes of the defendant companies, and that it is the responsibility of that Bureau to make such payment;

3. Whether the defendants are directly responsible to the plaintiffs for the use and enjoyment of their properties.

On the first issue the lower court held that the defendants did not properly derive the authority to use the airstrip in question from the United States Army of Liberation. On the second it held that the obligations of the Bureau of Aeronautics to provide landing fields for companies engaged in commercial aviation refers only to airstrip legally acquired by the government and that since the Bureau of Aeronautics recognized the plaintiffs as entitled to rentals, it is estopped from alleging that it can dispose of these properties without the consent of the owners. As to the third it held that as the acts of the defendants are not justified in law, they are directly responsible to the plaintiffs for the value of the use and enjoyment of the properties in question.

One of the assignments of error made in this appeal is that the trial court erred in not ordering the inclusion of the Philippine Government [or the Bureau of Aeronautics as an indispensable party in the final determination of the issues raised by the defendants. It will be noted that if this assignment of error is to be sustained, judgment must be reversed, and it would be unnecessary for us to consider all

the other assignments of error raised in the appeal. ‘

The tendency or effect of the evidence submitted by the defendants, which is not disputed by plaintiffs, is that they have the authorization of the Bureau of Aeronautics to use the air field in question [Exhibits 5, 7, 9, 10, 13, 14]. As a matter of fact, the judgment of the court *a quo* on the second issue contains a finding that the Bureau of Aeronautics recognized that the plaintiffs are entitled to rentals and is estopped from alleging that it can dispose of these properties without the consent of the owners thereof, which holding reveals the indivisibility of the relationship between the defendants and the Bureau of Aeronautics, as the former had been authorized to use the airfield and the latter had given said authority under the express obligation of making with the plaintiffs the necessary arrangements for the use of the land in question as an airfield, and the resulting need of including the Bureau of Aeronautics as a party defendant in order to determine in a just and equitable manner the final responsibility of defendants for the use by them of the airfield.

A careful consideration of the circumstances surrounding the use of the airfield by the defendants clearly reveals that any responsibility that they may have for their use of the airfield can not be distinguished or dissociated from that of the Bureau of Aeronautics. In the first place, the U. S. Army gave the defendants the authority to use the airfield. After the turn-over of the airfield to the Philippine Government was made, the Bureau of Aeronautics occupied the airfield, maintained and operated it, and, pursuant to the policy that the Philippine Government had adopted of furnishing airport facilities in the interest of commercial aviation [Commonwealth Act No. 168, section 6 (c)], it assured the defendants that it would itself obtain the lease of the land from the owners. Certainly, no separate or distinct responsibility for the use of the airstrip on the part of the defendants may arise independently of that of the Bureau of Aeronautics, not only because the latter and the defendants jointly occupied the airstrip, but mainly because the said Bureau permitted and encouraged the defendants to use the airstrip, assuring them that It

had the necessary funds to pay for the use and occupation of the lands. The defendants can not be held liable without making the Bureau of Aeronautics partly or wholly responsible for said liability. The decision appealed from itself discloses the necessity of a finding as to the Bureau of Aeronautics also. It declares that the Bureau of Aeronautics is estopped from alleging that it can dispose of the properties without the consent of the plaintiffs, as it recognizes that the latter are entitled to rentals. The Bureau of Aeronautics has so much interest in the controversy, and its responsibility for the relief sought so bound up with that the defendants, that its presence as a party to the action is an absolute necessity, without which the lower court should not have proceeded. [170 Fed. 2d series, p. 654] Furthermore, it has been held that it is enough that the absence of a party may leave the controversy in such a situation that the final determination may be inconsistent with equity and good conscience. [Davis vs. Henry, C. C. A. Ky., 266 F. 261, 265, 21 W & P 173; State of Washington vs. United States, et al., 87 F. [2] 421, 427-428.] To hold the defendants liable without determining the corresponding liability of the Bureau of Aeronautics, which permitted and encouraged the defendants to use the airstrip, would be clearly inequitous.

It would be noted that the provisions of the code procedure on parties were taken from the rules of equity and not from the rule of common law, and, therefore, a great amount of latitude is allowed in the inclusion of the parties to a case. The evident aim and intent of the rules regarding the joinder of indispensable and necessary parties is the complete determination of all possible issues, not only between parties themselves but also as regards to other persons who may be affected by the judgment. Pursuant to this intent, we hold that the Bureau of Aeronautics is an indispensable party in so far as the determination of the liability of the defendants for the use of the airstrip is concerned.

In Mallow, et al, vs. Hinde, 6 Law Ed. 599, the complaint charges one Taylor of conspiracy with Hinde, but neither Taylor, from whom Hinde obtained his title or right to the land in litigation, nor the other parties from whom the plaintiffs in turn, derived their right,

were made parties. The Supreme Court of the United States held:

> In this case, the complainants have no rights separable from, and independent of, the rights of persons not made parties. The rights of those not before the court lie at the very foundation of the claim or right by the plaintiffs, and a final decision cannot be made between the parties litigant without directly affecting and prejudicing the rights of others not made parties.

In Garcia vs. Reyes, et al., 17 Phil. 127, the plaintiff seeks to annul the transfer of a house that belonged to the defendant's father, and which was sold at public auction by the sheriff to the plaintiff. The complaint alleges that prior to the sale by the sheriff, the deceased father of the defendant transferred his said house to Messrs. Chicote, Miranda & Sierra, a law firm, and this, in turn, transferred the same to Rafael Sierra, one of the members of said firm, who afterwards made a gift of the house to the minor defendants. It was held that all the persons who intervened in the transfers from the original owner to the defendants in the case are parties necessary to the suit, because the transfers and donation are asked to be declared Hull and void.

The principle involved has been briefly stated as follows:

> Where the result of the suit is dependent upon the validity of the right or title of an absent person, as suit for an injunction against one who is acting under the charter of another, or a suit between lessees of different persons for the same property, the absent party is indispensable, [Moore's Federal Practice, Vol. 2, p. 2151, citing Northern Indiana Rr. Co. vs. Michigan Cent. Rr. Co. [1853] 15 How. 233, 14 Law Ed. 674; McConnell vs. Dennis [C. C. A. 8th, 1907] 153 Fed. 547; South Penn Oil Co. vs. Miller [C. C. A. 4th, 1909] 175 729.]

In view of the foregoing considerations, the judgment is hereby set aside and the case

ordered remanded to the court *a quo*,
with the instruction that the Bureau of Aeronautics be made a party defendant, and that thereafter the action proceed in accordance with the rules.

Paras, C. J., Pablo, Bengzon, Padilla, Montemayor, Reyes, Jugo, Bautista, Angelo, Concepcion, and *Diokno, JJ.,* concur.

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