

****Title:** Enrique Lopez vs. Vicente Orosa, Jr., and Plaza Theatre, Inc.**

****Facts:****

In May 1946, Enrique Lopez, doing business under the name of Lopez-Castelo Sawmill in Balayan, Batangas, was approached by Vicente Orosa, Jr., who invited Lopez to invest in a theatre business soon to be organized as Plaza Theatre, Inc. Although Lopez declined the investment offer, he agreed to supply lumber for the theatre's construction on a payment-on-demand basis, based on Orosa's personal assurance for the payment. From May 17 to December 4, 1946, Lopez delivered lumber amounting to a total cost of P62,255.85, but was only paid P20,848.50, leaving a balance unpaid of P41,771.35.

Despite repeated assurances for payment, including a failed promise for a bank loan to be obtained by Plaza Theatre, Inc. for payment, and the execution of a "deed of assignment" for 420 shares of Plaza Theatre's stock in favor of Lopez as security, the obligation remained unsettled. Consequently, Lopez filed a complaint in the Court of First Instance of Batangas against Orosa and Plaza Theatre, Inc., demanding payment for the unpaid lumber and asserting a materialman's lien on the theatre building and the land it was constructed upon.

During case proceedings, it was revealed that the theatre land, initially owned by Orosa, was transferred to Plaza Theatre, Inc. after the commencement of construction and that prior to Lopez's legal action, the corporation had already mortgaged the land and building to Luzon Surety Company without disclosing it in the subsequent land registration.

The trial court ruled that Orosa and Plaza Theatre, Inc. were jointly liable for the unpaid lumber, and Lopez acquired a materialman's lien over the building, but not the land. This decision was affirmed by the Court of Appeals and escalated to the Supreme Court.

****Issues:****

1. Whether a materialman's lien for the value of materials used in construction attaches only to the building and not the land on which it is built.
2. Whether the lien is superior to the mortgage executed in favor of Luzon Surety Company, concerning both the building and the land.

****Court's Decision:****

The Supreme Court affirmed the lower court's decisions, ruling that:

1. A materialman's lien attaches only to the immovable property (building) for which the credit was made and does not extend to the land. This interpretation was based on the separation of land and buildings as distinct immovable properties under the Civil Code, and

the specific reference to the real estate upon which the refection or work was made.

2. The lien in favor of Lopez for the unpaid value of the lumber used in the construction of the building attaches only to said structure and not to the land. Consequently, the prior mortgage registered by Luzon Surety Company on the land stands superior to the materialman's lien.

****Doctrine:****

The Supreme Court elucidated that a materialman's lien for the construction, repair, or refection of a building attaches only to the building itself and not to the land on which the building is erected, underlining the principle that buildings are considered independent immovable properties from the land.

****Class Notes:****

- ****Materialman's Lien:**** A legal claim against a property for unpaid construction work or materials, attaching only to the building or structure for which the expense was incurred.
- ****Immovable Property:**** Includes land, buildings, roads, and constructions of all kinds adhered to the soil, considered independently under Article 415 of the new Civil Code (Art. 334 old).
- ****Priority of Liens:**** A previously registered mortgage on the land has precedence over a materialman's lien on the building constructed on the land.
- ****Doctrine of Specification in Civil Law:**** Upon identifying the specific immovable property (building) for which a credit was incurred, the lien or preferred credit only extends to that specific property, not to ancillary or associated properties (land).

****Historical Background:****

This case reflects the post-World War II reconstruction era in the Philippines, with emerging business ventures like the Plaza Theatre, and the legal complexities involving property rights, liens, and the newly codified Civil Code provisions affecting commercial and civil litigation. The decision highlights the Court's role in clarifying the application of civil law concepts to real estate and construction transactions during a period of economic rebuilding and growth.