

**\*\*Title\*\*:** CJH Development Corporation v. Corazon D. Aniceto: A Dispute Over Lease Contract Stipulations and Rights to Properties

**\*\*Facts\*\*:**

Corazon D. Aniceto owned El Rancho Cafe and Restaurant located in Camp John Hay, Baguio City. The establishment was initially built on a junkyard area provided by CJH Development Corporation (CJH Development). On December 1, 2003, Aniceto and CJH Development entered into a Lease Contract, which was renewed multiple times until it lapsed on May 17, 2007. However, Aniceto continued operating, and the lease was informally renewed on a monthly basis until February 28, 2008. In January 2008, CJH Development, through Federico S. Alquiros, informed Aniceto to vacate the premises for land development. Despite Aniceto's requests for an extension, CJH Development insisted on the eviction. Aniceto attempted legal action to stop the demolition of El Rancho, but the temporary restraining order and the status quo order from the trial court eventually expired, and CJH Development demolished the restaurant and took possession of Aniceto's personal properties within the premises. The trial court found this action illegal and awarded Aniceto damages, which was partially overturned by the Court of Appeals.

**\*\*Issues\*\*:**

1. Whether the stipulation in the lease that allowed CJH Development to take possession of the leased premises without judicial action is valid and binding.
2. The legality and enforceability of the provision granting CJH Development ownership over improvements and alterations made on the property.
3. Liability for personal properties of Aniceto taken by CJH Development.
4. The application and implications of the abuse of rights principle regarding the actions of CJH Development and its legal counsel.

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

1. The lease provisions that enabled CJH Development to repossess the premises and take inventories of Aniceto's merchandise without judicial action were deemed valid. The Supreme Court noted that such stipulations act as a resolutive condition, which is lawful and binding, provided the conditions in the lease contract are met.
2. The Court found the provision granting CJH Development ownership over permanent improvements upon the termination of the lease partially invalid. It contravened the Civil Code directives which necessitate the lessor to either retain the improvements with reimbursement or allow the lessee to remove them. Thus, the section granting CJH Development outright ownership without choice was struck down.

3. CJH Development was not found liable for the personal properties taken during the demolition. The Supreme Court ruled that an obligation to deliver specific items extinguishes if such items are lost or destroyed through no fault of the obligor. Hence, since Aniceto refused to retrieve her properties despite notifications, CJH Development bore no responsibility for their deterioration or loss.

4. The accusations against CJH Development and its legal counsel under the abuse of rights principle were dismissed. The Supreme Court found no evidence of bad faith or malice in the exercise of their rights under the lease contract.

**\*\*Doctrine\*\*:**

1. A stipulation in a lease contract authorizing the lessor to take possession of the leased premises without judicial action is valid and binding, provided it acts as a resolutive condition.

2. Lease provisions granting the lessor ownership of improvements without giving the lessee the option for reimbursement or removal are invalid, as they conflict with Civil Code provisions on lease improvements.

3. The obligation to return or reimburse for personal properties stored by the lessor due to lessee's failure to retrieve them is nullified if the loss or destruction of such properties occurs through no fault of the lessor, especially if the lessee had been given sufficient notice to reclaim them.

4. The exercise of contractual rights in a manner that conforms to the terms agreed upon, even if resulting in adverse outcomes for another party, does not constitute an abuse of rights in the absence of demonstrated bad faith or malicious intent.

**\*\*Class Notes\*\*:**

1. **\*\*Resolutive Condition in Lease Contracts\*\*:** This refers to a provision within a lease agreement that allows the lessor to terminate the contract and repossess the property without requiring court action, based on predefined conditions.

2. **\*\*Improvements and Alterations\*\*:** In lease contracts, any permanent improvements or alterations made on the leased premises by the lessee become the subject of negotiation at the end of the lease term regarding ownership, removal, or compensation.

3. **\*\*Abuse of Rights Principle (Articles 19, 20, and 21 of the New Civil Code)\*\*:** This principle mandates that rights must be exercised in good faith, with due regard for the rights of others. Bad faith or malice must be demonstrated to establish liability under this principle.

4. **\*\*Obligation and Liability for Personal Properties\*\*:** A lessor's responsibility for the lessee's personal properties taken into custody post-lease depends on the conditions

stipulated in the lease contract and the lessor's diligence in notifying the lessee for retrieval.

**\*\*Historical Background\*\*:**

The court's ruling in this case highlights the balance between contract freedom and protections afforded under the Civil Code concerning lease agreements. It demonstrates the judiciary's role in adjudicating disputes over contractual stipulations that might appear unjust or contrary to law, emphasizing the importance of equitability, good faith, and contractual intention in determining the outcomes of such legal disputes. This case provides valuable insights into the intricacies of property lease agreements, improvements, and the respective obligations and rights of lessees and lessors in the Philippines.