

Title: Escaño vs. Republic of the Philippines

Facts:

In 1964, Mamerto Escaño, Inc. sold ten lots totaling 10,639 square meters to the Republic of the Philippines for P31,977, for use by the Civil Aeronautics Administration (CAA) as part of the Lahug Airport in Cebu City. The sale was contingent on a resolutive condition that the title would revert to the seller upon the lots no longer being used for airport purposes, upon repayment of P31,977 without interest. This condition was noted on the title. By 1966, due to several documents including deeds of assignment, the petitioners became the successors of Mamerto Escaño, Inc., inheriting the right to repurchase the lots. Following the cessation of the Lahug Airport's operations in favor of the Mactan Airport in 1966, the petitioners attempted to repurchase the lots in 1972, which was rebuffed by the CAA. Consequently, they filed a lawsuit for reconveyance against the CAA in the Court of First Instance of Cebu, which ruled in favor of repurchase without compensatory damages for use post-tender. Both parties appealed to the Court of Appeals, leading ultimately to a Supreme Court challenge primarily by the petitioners against conditions imposed by the Court of Appeals for the reconveyance.

Issues:

1. Whether the Court of Appeals erred in imposing additional conditions for the reconveyance of the lots to the petitioners.
2. Whether the petitioners are entitled to compensation for the use of the lots from the time of the repurchase tender.

Court's Decision:

The Supreme Court ruled that the Court of Appeals indeed erred by imposing conditions on the reconveyance not agreed upon by the parties and were beyond the scope of the litigations. It was determined these conditions effectively nullified the agreed upon resolutive condition and went beyond what was pleaded by the parties, creating a new contract for them. On the issue of compensation for the CAA's use of the lots post-tender, the Supreme Court found that, while potentially justified, it would be inequitable to require payment from CAA, especially considering it derived no benefit from the lots and that the petitioners had use of the repurchase price during the period in question. Thus, the imposition of conditions by the Court of Appeals was removed, and no compensatory damages were awarded to the petitioners.

Doctrine:

The case reiterates the doctrine that the agreements between parties are the law between them and that courts cannot alter those agreements by imposing new conditions not contemplated by the parties. It also underscores the principle that damage suffered without a violation of a legal right (*damnum absque injuria*) does not warrant legal remedy.

Class Notes:

- The case illustrates the importance of the principle “*pacta sunt servanda*” (agreements must be kept).
- It highlights the distinction between *damnum absque injuria* versus damages with legal remedy.
- Demonstrates the judiciary’s role in interpretation, not creation, of contractual agreements.
- Emphasizes procedural considerations in appeals, particularly the importance of issues being raised in lower courts before being addressed on appeal.

Historical Background:

The *Escaño vs. Republic of the Philippines* case takes place against the historical backdrop of the transition from the Lahug Airport to the Mactan Airport in Cebu, reflecting the evolving infrastructure needs of the region. It embodies the legal challenges surrounding government expropriation for public use and the subsequent rights of original owners upon the discontinued use of such expropriated property, contextualizing the specific legal frameworks governing property rights, governmental authority, and reversionary interests in the Philippines.