

****Title: Rosello-Bentir vs. Leanda and Leyte Gulf Traders, Inc.: A Case on the Prescription of Action for Reformation of Instruments****

****Facts:****

The case commenced when Leyte Gulf Traders, Inc. (respondent corporation) filed a complaint on May 15, 1992, against Yolanda Rosello-Bentir and spouses Samuel and Charito Pormida, petitioners, seeking the reformation of a lease contract, specific performance, annulment of conditional sale, and damages. The case was docketed as Civil Case No. 92-05-88 at the Regional Trial Court (RTC) of Tacloban City, Branch 7. It arose from a lease contract entered into on May 5, 1968, between respondent corporation and petitioner Bentir for twenty years, with an alleged verbal agreement for a right of first refusal should Bentir decide to sell. This right was claimed to have been violated when Bentir sold the leased property to the Pormida spouses on May 5, 1989. The respondent corporation contended that the contract of lease failed to reflect this verbal agreement due to the lawyer's inadvertence.

The petitioners filed an answer, arguing against the grounds for reformation and asserting that the respondent corporation's claim was barred by prescription and laches. Subsequent procedural steps included motions for amendment of complaints and dismissals based on prescription, leading to the case's dismissal by Judge Pedro S. Espina on December 15, 1995. The dismissal was premised on the action for reformation being barred by the 10-year prescriptive period from the contract's execution in 1968.

The case underwent changes in presiding judges and was eventually assigned to Judge Mateo M. Leanda, RTC, Tacloban City, Branch 8, who reversed the dismissal on May 10, 1996, on grounds that the action had not prescribed. This decision was contested by the petitioners through a certiorari petition to the Court of Appeals, which was denied on January 17, 1997, thus moving the petitioners to escalate the matter to the Supreme Court.

****Issues:****

1. Whether the complaint for reformation of instrument filed by the respondent corporation had prescribed.
2. Whether the respondent corporation was entitled to the remedy of reformation.

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

The Supreme Court granted the petition, reversing the Court of Appeals' decision, and reinstated the RTC's original order dismissing the complaint. The Court held that the action

for reformation had indeed prescribed, citing that respondent corporation had ten (10) years from the lease contract's execution in 1968 to file an action for reformation. Filing the action only in 1992, 24 years later, barred the claim by prescription. Furthermore, the Court rejected the lower courts' view that the prescriptive period should start from an alleged lease extension in 1988, emphasizing the statutory ten-year prescriptive period under Article 1144 of the Civil Code.

****Doctrine:****

1. The prescriptive period for an action based upon a written contract, including an action for reformation of an instrument, is ten (10) years under Article 1144 of the Civil Code.
2. Laches and prescription are defenses against stale claims not raised within the legally prescribed period, intended to suppress fraudulent and stale claims from obscure facts over time.
3. The remedy of reformation is subject to limitations, including prescribed periods within which such actions must be brought, in the interest of equity and justice.
4. Actions for reformation of instruments cannot proceed post-breach of the contract in question.

****Class Notes:****

1. ****Prescriptive Period for Written Contracts:**** Ten (10) years from the time the right of action accrues (Article 1144, Civil Code).
2. ****Reformation of Instruments:**** A remedial measure to align the written instrument with the true intention of the parties, subject to a prescriptive period.
3. ****Laches:**** Failure or delay in asserting a right within a reasonable time, warranting a presumption that the party entitled to assert it either has abandoned or declined to assert it.
4. ****Doctrine of Prescription:**** Designed to prevent fraud and surprises through the enforcement of stale claims by limiting the period for filing actions based on written contracts.

****Historical Background:****

This case reflects the Philippine judiciary's strict adherence to procedural rules and statutory prescriptive periods to ensure fairness and prevent the injustice that may result from the prosecution of stale claims. It underscores the balance between the substantive rights of parties to seek reformation of instruments that do not reflect their true intentions and the procedural doctrines designed to stabilize legal relations and affairs over time.