

****Title:**** Rapid City Realty and Development Corporation vs. Lourdes Estudillo Paez-Cline et al.

****Facts:**** This case originated from a complaint filed by Sta. Lucia Realty and Development, Inc. (Sta. Lucia Realty) and Rapid City Realty and Development Corporation (Rapid City Realty) against Lourdes Estudillo Paez-Cline (Lourdes), Orlando Villa (collectively Spouses Villa), the Department of Public Works and Highways (DPWH), Department of Environment and Natural Resources (DENR), the Register of Deeds of Antipolo, and the Office of the Solicitor General (OSG). The plaintiffs sought the annulment of Transfer Certificates of Title (TCT), subdivision plans approved by the DENR, and a deed of absolute sale between Lourdes and the Republic of the Philippines through DPWH. The complaint alleged that the property in dispute was a road lot that was part of the Marikina-Infanta Road, now Marcos Highway, which should serve as the point of ingress and egress for Parkehills Executive Village to Marcos Highway.

The Regional Trial Court (RTC) of Antipolo City dismissed the motion to dismiss by the OSG and DPWH and declared the Spouses Villa and other government instrumentality in default for failing to submit responsive pleadings. Upon the failure of the Spouses Villa to comply with an order to file their responsive pleading, all respondents were declared in default, and the plaintiffs were allowed to present evidence ex parte. Based on the evidence presented, the RTC ruled in favor of Sta. Lucia Realty and Rapid City Realty, declaring the contested titles, subdivision plans, and the deed of sale null and void.

The Spouses Villa, alongside the OSG and DPWH, appealed to the Court of Appeals (CA), which reversed the RTC decision, highlighting that Sta. Lucia Realty and Rapid City Realty were not real parties in interest to seek the nullification and cancellation of titles, plans, and the deed of sale.

****Issues:****

1. Did the CA err in declaring that Rapid City Realty is not a real party in interest and the complaint states no cause of action against respondents?
2. Did the CA err in not affirming the RTC decision?
3. Did the CA, in issuing its decision and resolution, grossly misappreciate or misapprehend the facts, which is tantamount to grave abuse of discretion?

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

The Supreme Court denied the petition, citing that the CA appropriately identified Sta.

Lucia Realty and Rapid City Realty as not being real parties in interest regarding their challenge against the deed of absolute sale between Lourdes and the Republic through DPWH. The Court reiterated the principle of relativity of contracts, stating only parties to a contract or those who assume their position can challenge its validity. The Supreme Court found no merit in petitioners' claim as real parties in interest, underscoring that mere incidental benefits do not confer the right to challenge contract validity.

****Doctrine:****

The decision underscored established jurisprudence that only parties to a contract, their assigns, or heirs may challenge its validity, based on the principle of relativity of contracts as detailed in Article 1311 of the Civil Code. It also reiterated the criteria under which a taxpayer's suit may prosper, emphasizing the necessity of direct injury and illegal disbursement of public funds derived from taxation.

****Class Notes:****

- ****Real Party in Interest Doctrine:**** Defined under Rule 3, Section 2 of the Rules of Court as the party who stands to be benefited or injured by the judgment in the suit or the party entitled to the avails of the suit. This case highlights that not being a party to a contract limits one's capacity to challenge its validity.
- ****Doctrine of Relativity of Contracts:**** As per Article 1311 of the Civil Code, contracts only bind the parties who entered into them, their assigns, and heirs. A non-party cannot challenge a contract's validity unless they show direct injury or their rights are negatively impacted.
- ****Taxpayer's Suit Legitimacy Criteria:**** For a taxpayer's suit to be considered legitimate, it must be shown that public funds derived from taxation are at stake, and the plaintiff must directly be affected by the alleged misuse of funds or violation of law.

****Historical Background:**** This case provides an insight into the intricacy of land disputes in the Philippines, particularly involving transactions with governmental bodies. It emphasizes the strict standards for questioning the validity of government contracts and titles, underscoring the judiciary's role in upholding property rights while maintaining adherence to procedural and substantive legal standards.