

****Title**:** East Asia Traders, Inc. vs. Republic of the Philippines, represented by the Director, Lands Management Bureau

****Facts**:**

On December 15, 1986, Galileo Landicho filed Free Patent Application No. 1427 with the Bureau of Lands for Lot No. 4355 in Niogan, Laurel, Batangas. On March 6, 1987, Acting District Land Officer Constante Asuncion approved the application and issued Free Patent No. 1516. Subsequently, the Registry of Deeds of Tanauan, Batangas issued to Landicho Original Certificate of Title (OCT) No. P-3218 on January 22, 1988.

On June 7, 1989, Landicho sold Lot No. 4355 to Teresita Reyes, leading to the cancellation of OCT No. P-3218 and the issuance of TCT No. 36341 in Reyes' name. On June 7, 1990, Reyes sold the same lot to East Asia Traders, Inc., represented by Vice-President Betty Roxas Chua, and TCT No. 38609 was issued in the name of East Asia Traders, Inc.

The Department of Environment and Natural Resources (DENR) conducted an investigation under Section 91 of Commonwealth Act No. 141 and found that Lot No. 4355 was inalienable as it was intended for a national road. Respondent Republic of the Philippines, through the Director of the Lands Management Bureau, filed a complaint for reversion and cancellation of Free Patent No. 1516, OCT No. P-3218, and its derivative titles on March 9, 1998, docketed as Civil Case No. CT-98-001 at the Regional Trial Court (RTC), Branch 83, Tanauan, Batangas. Impleaded defendants were East Asia Traders, Inc., Landicho, Reyes, and the Register of Deeds of Tanauan, Batangas.

Petitioner East Asia Traders, Inc. filed a motion to dismiss the complaint on the grounds of prescription, *litis pendentia*, and failure to state a cause of action. The RTC denied this motion and its subsequent motion for reconsideration. Petitioner then filed a petition for certiorari and prohibition with the Court of Appeals, which was dismissed for lack of merit on November 26, 2001, and the decision was upheld upon reconsideration on April 9, 2002.

****Issues**:**

1. Whether prescription has already set in against the State.
2. Whether a private land can be the subject of reversion proceedings.
3. Whether the complaint states a cause of action against East Asia Traders, Inc.

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

1. ****Prescription Against the State**:** The Court held that prescription does not run against the State. Basic principles assert that the government is not bound by prescription because

public policy requires the unimpaired exercise of its sovereign functions. Therefore, the action for reversion is not barred by prescription or laches.

2. **Reversion of Private Land**: The Court resolved that whether Lot No. 4355 is alienable or not can only be properly determined during a trial on the merits. The appellate court erred in summarily deciding the land's inalienability without a trial. Nonetheless, given that the State alleges the land was intended for a national road, proper proceedings must be conducted to ascertain the validity of this claim.

3. **Sufficiency of Cause of Action**: The complaint filed by the respondent adequately stated a cause of action for reversion. The allegations suggested that the petitioner and its predecessors-in-interest procured the title to the lot through fraudulent means and that the land was inalienable as it was for public use. These allegations, presumed true for purposes of the motion to dismiss, stated sufficient grounds for the reversion action.

The petition for certiorari was denied on the ground that the RTC did not commit any grave abuse of discretion, and the respondent's complaint was legally sufficient.

Doctrine:

1. **Prescription Does Not Run Against the State**: Following established legal principles, the State is not bound by prescription in asserting its rights or recovering its property.
2. **Inalienability Determination via Trial**: Matters concerning the nature of land (alienable or inalienable) must be determined during a trial on the merits, not through summary judgment.

Class Notes:

- **Prescription (Civil Code Articles 1108 and 1113)**: "Prescription, both acquisitive and extinctive, does not run against the State and its subdivisions."
- **Public Land Act (Commonwealth Act No. 141, Section 91)**: Fraudulent procurement of public lands renders issued titles void, justifying reversion.
- **Land Registration Act (Act No. 496, Section 38)**: Certificates of title are conclusive, yet procurement by fraud voids such protections.

Historical Background:

This case illustrates the government's attempt to correct fraudulent and erroneous grants of land titles. It underscores the government's perennial objective to protect public lands and its right to take legal action despite potential defenses such as prescription and statutes of limitations. The case reflects broader policies during the post-Marcos era aimed at

enforcing property rights and revisiting suspicious land grants.

In light of the procedural nuances, this case serves as a keystone for understanding land reversion issues, state immunity from prescription, and procedural proprieties in handling motions to dismiss in the Philippine judicial system.