

Title: William Alain Mialhe v. Court of Appeals and Republic of the Philippines, 407 Phil. 182

Facts:

- Initial Ownership and Possession:** William Alain Mialhe, on behalf of his family, owned three parcels of land located at J.P. Laurel St., San Miguel, Manila, with an aggregate area of 5,574.30 square meters, and a one-story building.
- Seizure during Martial Law:** On August 1, 1976, during President Ferdinand Marcos's martial law regime, the Armed Forces of the Philippines unlawfully seized the property without paying rent.
- Forced Sale Under Duress:** On August 19, 1977, due to threats and intimidation, Mialhe and his family were coerced into selling the property to the Development Bank of the Philippines (DBP) at a grossly undervalued price of PHP 2,376,805 (approximately PHP 400 per square meter).
- Subsequent Sale:** DBP subsequently sold the property to the Republic of the Philippines through the Office of the President in 1982.
- Post-Marcos Era Demands:** After Marcos was ousted on February 24, 1986, Mialhe made repeated extrajudicial demands for the return and reconveyance of the property, the last of which was on October 24, 1989.

Procedural Posture:

- Filing of Complaint:** On March 23, 1990, Mialhe filed a complaint for annulment of sale, reconveyance, and damages.
- DBP's Defense:** DBP claimed the action had prescribed and that no forcible takeover occurred, while maintaining the sale price was fair.
- Motion to Dismiss:** On March 5, 1992, the DBP filed a motion to dismiss, citing prescription under Article 1391 in conjunction with Article 1390 of the Civil Code.
- Pre-trial Order:** The Regional Trial Court of Manila denied the preliminary hearing of the motion and deferred its resolution until trial.
- Petition for Certiorari:** The Republic filed a petition for certiorari with the Court of Appeals, arguing grave abuse of discretion by the trial court.

Issues:

- Whether the trial court acted with grave abuse of discretion in deferring the resolution of the motion to dismiss.**
- Whether the action for annulment of the Contract of Sale had prescribed.**
- Whether extrajudicial demands by Mialhe interrupted the prescriptive period.**

Court's Decision:

1. **Grave Abuse of Discretion:** The Court of Appeals (CA) noted the lapse of the prescriptive period was evident from the records and found the trial court's deferment of its decision as inappropriate. Thus, the CA annulled the trial court's order and dismissed the complaint based on prescription.

2. **Prescription of the Action:**

- **Starting Point for Prescription:** The four-year prescriptive period commenced when the alleged intimidation ceased, i.e., when Marcos left the country on February 24, 1986.

- **Timing of the Complaint:** The complaint was filed on March 23, 1990, beyond the four-year period that expired on February 24, 1990.

3. **Interruption of Prescription:**

- **Extrajudicial Demand Claim:** Mialhe argued that his extrajudicial demands interrupted the prescriptive period pursuant to Article 1155 of the Civil Code.

- **Court's Interpretation:** The Court clarified that Article 1155, applicable to creditor-debtor relationships, did not pertain here as there was no existing obligation recognized between the parties that would create a creditor-debtor relationship. The voidable contract of sale was binding unless annulled in court thus rendering extrajudicial demands ineffective in interrupting the prescription.

Doctrine:

1. **Prescription in Annulment of Contracts:** Actions to annul voidable contracts on grounds such as intimidation are subject to a prescriptive period of four years, starting from when the defect in consent ceases.

2. **Non-Applicability of Article 1155 for Voidable Contracts:** Article 1155 of the Civil Code on prescription interruption by extrajudicial demands applies only within the context of existing obligations in a creditor-debtor relationship, not to voidable contracts requiring judicial annulment.

Class Notes:

1. **Elements of Annulment Claims Due to Intimidation:**

- Existence of intimidation at the time of contract formation.

- Immediate cessation of the intimidating circumstance (prescription begins here).

- Four-year prescriptive period from cessation of intimidation.

- Extrajudicial demands do not interrupt prescription unless a creditor-debtor relationship exists.

Citation: Article 1391 and 1155 of the Civil Code.

2. **Judicial Annulment of Contracts:** A voidable contract remains binding unless annulled by a proper judicial action.

Historical Background:

1. **Martial Law Context:** The case arose during the era of martial law under President Ferdinand Marcos, marked by widespread coercion and state overreach.

2. **Post-EDSA Revolution:** The plaintiff's actions were prompted by a political shift post the 1986 EDSA Revolution, leading to heightened assertions for the rectification of past abuses under martial law.