

Title: Princess Rachel Development Corporation and Boracay Enclave Corporation v. Hill View Marketing Corporation, Stefanie Dornau, and Robert Dornau

Facts:

1. **Initial Complaint and Properties**: On January 25, 2008, Princess Rachel Development Corporation (PRDC) filed a Complaint for Accion Publiciana and Damages against Hillview Marketing Corporation (Hillview), Stefanie Dornau, and Robert Dornau. PRDC owned two parcels of land in Aklan, with Hillview allegedly encroaching 2,614 square meters of this land.
2. **Relocation Survey Findings**: Engineer Lester Madlangbayan conducted a survey revealing Hillview's encroachment, leading to buildings being constructed without PRDC's knowledge. Another survey in 2007 showed a larger encroachment area due to an error involving the Vargas family's property.
3. **Response from Hillview**: Hillview claimed ownership and development within its boundaries, citing good faith based on approved plans and no visible boundary marks. They argued the separate legal personality of Hillview Corporation from the Dornaus individually in their defense.
4. **Court-Ordered Surveys and Findings**: At the request of the Regional Trial Court (RTC), a Commissioner conducted another survey, confirming Hillview's encroachment onto PRDC's land. Hillview failed to provide their own survey report during proceedings.
5. **Testimonies and Proceedings**: Witnesses, including Engineer Lopez, indicated forewarning about the encroachment to Martin Dornau, a Hillview principal, who chose to proceed with construction regardless, citing bad faith. The Department of Environment and Natural Resources testified on the validity and approval of the initial survey plans.
6. **RTC Decision (April 30, 2012)**: The RTC found Hillview to have acted in bad faith and ordered them to demolish structures at their own cost and awarded litigation costs to PRDC.
7. **Appeal to the Court of Appeals (CA)**: Hillview challenged the encroachment finding and the bad faith ruling by the RTC, alleging errors in survey processes and good faith reliance on originally approved surveys. The CA affirmed the RTC's findings of encroachment but reversed its ruling on bad faith, applying Articles 448, 546, and 548 of the Civil Code on good faith builders.

Issues:

1. **Was Hillview a builder in good faith?**
2. **Did the CA err in modifying the RTC's relief based on Articles 448, 546, and 548 of the Civil Code dealing with builders in good faith?**

Court's Decision:

1. **Supreme Court Findings:**

- **Hillview's Bad Faith:** The Court held Hillview as a builder in bad faith, noting their presumptive knowledge of the boundary and encroachment based on Engr. Lopez's testimony and clarified survey boundaries.

- **PRDC as a Landowner in Good Faith:** PRDC had acted in good faith, asserting rights promptly upon discovery of the encroachment.

2. **Implication of Constructive Notice:** Given the lands were registered, Hillview was expected to know the precise boundaries, failing which constitutes bad faith, thus not receiving the protections accorded to builders in good faith under civil law.

3. **Application of Law:** The Court found the CA wrong in applying Articles 448, 546, and 548. Instead, Articles 449, 450, and 451 governed Hillview's obligations as a builder in bad faith, allowing PRDC to either demand demolition, retain the construction without indemnification, or compel payment for the land.

4. **Remanding for Further Action:** The case was remanded to the RTC for proceedings consistent with the rights of a landowner reclaiming possession under Articles 449-451. Additionally, Hillview was ordered to pay nominal damages for the encroachment.

5. **Solidary Liability:** The Court absolved Stefanie and Robert Dornau of personal liability, focusing obligations on the corporate entity, Hillview Marketing Corporation.

Doctrine:

- **Possessor's Presumptive Knowledge:** Land registered under the Torrens system, like PRDC's, invokes a presumptive knowledge rule described by the "constructive notice" principle, whereby builders encroaching upon such land cannot claim good faith.

- **Builder's Obligation:** Article 449 mandates losing improvements without indemnity for bad faith encroachment, demonstrating strict liability for knowledge prior to construction.

Class Notes:

- **Torrens System Knowledge:** Those dealing with registered land are presumed to

understand land boundaries precisely.

- ****Encroachment Equals Bad Faith****: Builders must substantiate ignorance of ownership boundaries to claim good faith, particularly in disputes involving Torrens registered lands.
- ****Legal System Interactions****: Articles 448-454 of the Civil Code interact based on the nature of possession when determining builder's bad or good faith.
- ****Civil Code Citations****: Articles 449, 450, 451 for builders in bad faith; Articles 448, 546, 548 for builders in good faith.

Historical Background:

- ****Land Registration Law****: Enacted to formalize land ownership and prevent disputes; significant here is how the Torrens system underpins claims of ownership and possession in Philippine jurisprudence, enforcing clarity on land borders through in rem proceedings.