

ILAYA TEXTILE MARKET, INC., PLAINTIFF-APPELLANT, VS. FELIX OCAMPO, INC., MARIA YAP, HON. JOSE B. HERRERA, THE REGISTER OF DEEDS OF MANILA AND THE SHERIFF OF MANILA AND HIS DEPUT...

G.R. No. L-27823. March 20, 1970

Ponente: CONCEPCION, C.J.

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CONCEPCION, C.J.:

Appeal from an order of dismissal of the Court of First Instance of Manila. The factual background is this:

The defendants are Felix Ocampo, Inc. - hereinafter referred to as Ocampo - Maria Yap - later referred to as Mrs. Yap - the Honorable Jose B. Herrera, as Judge of the Municipal Court of Manila, the Register of Deeds of Manila, the Sheriff thereof and his deputies.

On February 16, 1967, plaintiff, Ilaya Textile Market, Inc., commenced this action, in the Court of First Instance of Manila, in which it was docketed as Civil Case No. 68488 and assigned to Branch XI of said Court. In its complaint herein, plaintiff has set up three (3) causes of action.

Plaintiff's allegations under its first cause of action are, substantially, as follows: Ocampo is the registered owner of two (2) parcels of land situated at Ilaya street, Tondo, Manila and covered by Transfer Certificate of Title No. 36389 of Manila. Sometime in November, plaintiff and Ocampo entered into a contract, whereby Ocampo leased said land, for ten (10) years, beginning from December 1, 1962, to the plaintiff, who, aside from the payment of rentals, bound itself to construct, on the leased premises, a 3-storey semi-concrete building worth not less than P150,000.00. To conceal the true nature of said agreement, Ocampo required, however, that the deed of lease be placed in the name of Mrs. Yap as lessee - although the contract therein set forth is purely simulated - and that the agreement between Ocampo and the plaintiff be made to appear as a contract of sublease between Mrs. Yap and the plaintiff. In consideration of this, Ocampo, moreover, collected the sum of P75,000.00 from the plaintiff. In fact, on December 1, 1952, Ocampo gave its written conformity to the so-called contract of sublease between Mrs. Yap and the plaintiff, which provided that all rights and obligations of Mrs. Yap, as lessee under her simulated contract with Ocampo - particularly those referring to the construction of the building and the payment of monthly rentals for the use of Ocampo's land - were transferred to and assumed by the plaintiff. Accordingly, plaintiff constructed the building known as Ilaya Textile Market Building on said land of Ocampo, with the latter's full knowledge, consent, conformity, approval and active participation, as well as under its direct supervision, in accordance with plans, details and specifications which showed that plaintiff is the owner of the Building and were sub-mitted to and approved by Ocampo. Plaintiff faithfully complied, also, with all other terms and conditions of the so-called sublease contract and plaintiff's agreement with Ocampo, one of which is that plaintiff would pay the corresponding monthly rentals to Mrs. Yap, who would, in turn, deliver the same to Ocampo.

Acting in conspiracy with each other, Ocampo and Mrs. Yap caused a memorandum of the "lease" contract

between them, including the obligation to construct the building aforementioned, to be annotated on the back of TCT No. 36387. Then Mrs. Yap purportedly failed to deliver to Ocampo the rentals from July 1, to December, 1965, amounting to P30,000.00, which plaintiff had given to her, for delivery to Ocampo, and, invoking this supposed default of Mrs. Yap, on November 26, 1965, Ocampo asked the Court of First Instance of Manila, to order that said building be recorded and inscribed, in TCT No. 36387, as its property. Although aware that the same belongs to the plaintiff, Ocampo did not cause the latter to be notified of said petition, in violation of section 112 of Act No. 496, requiring notice to all parties in interest. Neither did Mrs. Yap oppose said petition, which was accordingly granted in an order, on December 7, 1965 and registered on the same date. Said order is null and void, because of lack of previous notice to the plaintiff and because there is a serious dispute on the ownership of the Market Building, which renders section 112 of Act No. 496 inapplicable.

On December 29, 1965, Ocampo, likewise, filed Civil Case No. 14425 of the City Court, for ejectment against Mrs. Yap, as well as to recover back rentals, apart from taxes, damages and attorney's fees aggregating P14,976.86, which is beyond the jurisdiction of the City Court. Subsequently, the latter ordered that summons be made by publication, upon the ground that, according to Ocampo, the whereabouts of Mrs. Yap could not be ascertained, but that summons is null and void, an ejectment case being an action in persona, for which personal service of summons, within the state of the forum, is essential to the acquisition of jurisdiction over the person of the defendant. Hence, the proceedings had in said case No. 14425, including the decision therein rendered are null and void. In furtherance, evidently, of the conspiracy between Ocampo and Mrs. Yap, the latter waived, in effect, her right to assail the validity of said proceedings upon the ground of lack of jurisdiction over her person, by filing, on March 10, 1966, a motion to dismiss the ejectment case, upon a ground other than said lack of jurisdiction over her person and the subject-matter of the case, which was denied, on July 8, 1966.

Having been granted leave to intervene in said case No. 14425, plaintiff filed therein, on June 6, 1966, its complaint in intervention, against Ocampo and Mrs. Yap. On November 14, 1966, the City Court rendered a decision against Mrs. Yap by default sentencing her inter alia to vacate the entire premises of the building in question. On November 19, 1966, Ocampo moved for the execution of this decision, but, on subsequent motion of Ocampo, and before said writ was signed, or on November 29, 1966, the City Court amended the dispositive part of said decision so as to be directed, not only against Mrs. Yap, but, also, against "her assigns and successors in interest and all persons claiming under her." On January 6, 1967, plaintiff filed a motion to dismiss said case No. 14425, upon the ground that the court has no jurisdiction over its subject-matter, because a determination of the ownership over the Market Building is essential to the disposition of the case and because Ocampo seeks to recover almost P15,000.00, apart from the rentals or compensation for the use and occupation of its land. This motion was denied in an order of February 10, 1967, which, moreover, dismissed plaintiff's complaint in intervention and reiterated the decision of November 14, 1966, aside from making a finding to the effect that the decision against Mrs. Yap is applicable to and enforceable against the plaintiff, the latter being merely her sublessee. For reasons already adverted to, that order is null and void.

Besides, the ten-year period of the lease contract between Ocampo and the plaintiff has not expired, as yet, and still has six (6), years to go, plaintiff not having violated any of the terms and conditions of said contract. However, Ocampo and Mrs. Yap have conspired and continue to conspire to de-prive the plaintiff of its lawful ownership over the Market Building and its interest, as lessee of Ocampo's land, by maliciously and intentionally making it appear that Mrs. Yap had not turned over to Ocampo the sum of P30,000.00, given and delivered to her by plaintiff, as rentals from July 1st to December, 1965, in order to have a ground for rescinding the simulated sublease contract between Mrs. Yap and plaintiff and paving the way for plaintiff's ejectment from said land. Unless a writ of injunction be issued, restraining respondent Judge from granting Ocampo's motion for execution, dated February 15, 1967, a writ of execution of the decision rendered against Mrs. Yap will be issued

and enforced against the plaintiff herein, to the latter's irreparable injury. Plaintiff is entitled to the relief prayed for, which consists, in part, in restraining the defendants from committing or procuring the commission of the acts already mentioned, and is ready and willing to file the requisite bond.

Plaintiff alleged, also, by way of second alternative cause of action, that, granting *arguendo* that the contract of lease between Ocampo and Mrs. Yap is valid, still their aforementioned acts constitute a clear violation of plaintiff's rights, as owner of the Market Building and lessee of Ocampo's land, by cession or assignment, to the plaintiff, of the rights of Mrs. Yap, and that plaintiff had, time and again, tendered payment of the amount of the rentals allegedly not satisfied by Mrs. Yap, but Ocampo has unjustifiably and unreasonably refused to accept said payment. Plaintiff further averred, as third cause of action, that the acts of Ocampo and Mrs. Yap constitute a clear attempt to circumvent the provisions of Art. 1678 of the Civil Code of the Philippines; that Ocampo and Mrs. Yap had conspired and confabulated to deprive the plaintiff of the Market Building, as well as deliberately deceived the Court of First Instance of Manila and the City Court thereof "into believing, not only that the plaintiff is, not the owner" of the Market Building, but, also, that it is not the lessee of the land on which it stands; and that Ocampo and Mrs. Yap should, accordingly, be sentenced to pay to the plaintiff, not only actual damages and attorney's fees, but, also, exemplary damages.

Based upon the foregoing allegations, plaintiff prayed, under its first cause of action, that said writ of preliminary injunction be issued, restraining respondent Judge from hearing and granting Ocampo's motion for execution of February 15, 1967, or, in the event that a writ of execution be issued, from enforcing the same against the plaintiff; that, after due hearing, said injunction be made permanent; that the order of the Court of First Instance of Manila, of December 7, 1965, in the land registration proceedings, declaring that Ocampo is the owner of the Market Building, and the decision of the City Court in the ejectment case, dated November 14, 1965, as well as its order of February 10, 1966; denying plaintiff's motion to dismiss, be declared null and void because of denial of due process and lack of jurisdiction; that Ocampo and Mrs. Yap be ordered, jointly and severally, to return to the plaintiff the sum of P75,000.00, with interest thereon; that Ocampo be ordered to comply with its Obligations, in accordance with its agreement with the plaintiff, as embodied in the so-called sublease contract between plaintiff and Mrs. Yap; that the Register of Deeds of Manila be ordered to annotate, or cause the annotation, on TCT No. 36387 of plaintiff's title as owner of the Market Building in question; and that the so-called lease contract between Ocampo and Mrs. Yap be declared null and void.

Under its second cause of action, it was prayed that plaintiff be held to be the lessee of the land in question, by cession or assignment thereto of the corresponding rights, and that Ocampo be ordered and compelled to accept the rentals for the period beginning from January 1, 1966. Under the third cause of action, plaintiff prayed that the provisions of Art. 1678 of the Civil Code be enforced and that Ocampo, as well as Mrs. Yap, be sentenced to pay damages.

Upon the filing of plaintiff's complaint, the Court of First Instance of Manila issued the writ of preliminary injunction therein prayed for. Soon thereafter, Ocampo moved for the dissolution of said writ and the dismissal of the complaint, upon the ground that the same is insufficient in form and in substance; that the continuance of the injunction would cause great damage to the movant; that the plaintiff's bond is grossly insufficient; that the court has no jurisdiction over the nature of the action; and that there is another action pending between the same parties and for the same cause. Despite plaintiff's opposition thereto, this motion was, on April 8, 1967, granted, the writ of preliminary injunction dissolved and the case dismissed. A reconsideration of the order to this effect having been denied on May 26, 1967, plaintiff interposed the present appeal.

The orders appealed from do not state the reasons relied upon in support thereof. Upon the other hand, Ocampo's motion to dissolve the writ of preliminary injunction and to dismiss the complaint is predicated upon the theory:

(1) that the complaint is insufficient in form and in substance, because true copies of the judgment and orders therein assailed have not been attached to said pleading and Branch XI of the Court of First Instance of Manila - to which the present case had been assigned - has no jurisdiction to annul the order, issued, by Branch IV thereof, on December 7, 1965, in the land registration case, apart from the circumstance that plaintiff had appealed, to the same court, from the decision of the City Court in the ejectment case; (2) that plaintiff's individual stockholders - who, according to Ocampo, are indispensable parties - have not been impleaded in the case at bar; (3) that the continuance of the injunction would cause grave damage to the movant, because plaintiff is bound to pay a monthly rental of P6,500.00, which was not satisfied since January 1, 1966, and aggregated P97,500.00, at the time of the filing of the motion to dismiss, to which sum the rentals accruing thereafter should be added; (4) that plaintiff's injunction bond of P10,000.00 is grossly insufficient to fully indemnify the movant; (5) that said Branch XI of the Court of First Instance of Manila has no jurisdiction over the subject-matter of the present case, insofar as the same seeks to annul an order issued by another branch of the same court; and (6) that the issues in this case are identical to those litigated in the ejectment case, which has been appealed to the same court, and may have been assigned to another branch thereof.

None of these grounds justifies the orders appealed from. The issue in the ejectment case, insofar as plaintiff herein is concerned, is a procedural one - whether the City Court could decide it without passing upon the question whether plaintiff had ceased to be the owner of its Market Building, which is beyond the jurisdiction of said court - whereas the case at bar involves the merits of that question, namely, whether plaintiff is still the owner of such building. Similarly, the issue in the land registration case is, likewise, one of procedure or jurisdiction - whether the court may, under the provisions of section 112 of Act No. 496, pass upon the question of ownership over said building, which is claimed, on the one hand, by Ocampo and, on the other, by plaintiff herein.

Needless to say, the alleged simulation of the lease contract between Ocampo and Mrs. Yap, the question whether there had been a direct contract of lease between Ocampo and plaintiff herein, whether Ocampo and Mrs. Yap had illegally and fraudulently conspired to deprive the plaintiff of his title to the Market Building, and, for this purpose, made it appear falsely that Mrs. Yap had not turned over to Ocampo the rentals paid to her by the plaintiff, in order to clear the way for the inscription, in TCT No. 36387 of Manila, of Ocampo's alleged title to said building, and for plaintiff's ejectment therefrom, are obviously not susceptible of determination, either in the ejectment case or in the land registration case, pursuant to section 112 of Act 496.

As regards the great damage caused to Ocampo by the issuance of the writ of preliminary injunction and the alleged inadequacy of plaintiff's bond therefor, it is obvious that the lower court should have merely required the plaintiff to increase the amount of said bond to such sum as may be deemed proper to protect sufficiently the rights of Ocampo. Then, too, it is manifest that plaintiff's stockholders are not indispensable parties in the case at bar, their interests being amply represented by plaintiff herein. Again, if Branch XI of the court cannot annul an order of Branch IV or other branches of the same court, what the trial court should have done was, not to dismiss this case, but to order that the same be assigned to the branch handling the land registration case and/or the appeal in the ejectment case. After all, plaintiff herein had nothing to do with the assignment of cases among the different branches of the Court of First Instance of Manila, and it is unfair to deprive him of the right to the relief prayed for in its complaint, in consequence, merely, of the assignment thereof, made by somebody else, to a branch other than that handling the land registration case or the appeal in the ejectment case.

Lastly, plaintiff's failure to attach to its complaint in this case certified copies of the judgment and orders assailed therein constituted, at most, an insubstantial defect of form, insofar as the motion to dismiss is concerned, the same having hypothetically admitted the truth of the allegations of said complaint. Considering that the Rules of Court should be construed liberally in order to promote the ends of justice, the lower court should have merely

ordered the plaintiff to submit the requisite copies, instead of dismissing the case.[1]

WHEREFORE, the orders appealed from, dated April 8, and May 26, 1967, are hereby set aside and this case is re-manded to the lower court for further proceedings, with the costs of this instance against private defendant-appellee, Felix Ocampo, Inc.

IT IS SO ORDERED.

Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Castro, Fernando, Teehankee, Barredo, and Villamor, JJ., concur.

[1] Lazatin v. Kapunan, L-29894, Mar. 28, 1969; Heirs of Castro v. Bustos, L-25913, Feb. 28, 1969; Clorox Co. v. Dir. of Patents, L-19531, Aug. 10, 1967; Arches v. Bellosillo, L-23534, May 16, 1967; Torres v. Caluag, L-20906, July 30, 1966; Luzon Stevedoring Corp. v. CIR, L-17411, 18681, 18683, Dec. 31, 1965; Quibuyen v. Court of Appeals, L-16854, Dec. 26, 1963; Urbayan v. Caltex (Phil.), L-15379, Aug. 31, 1962; Ronquillo v. Marasigan, L-11621, May 31, 1962; Perez v. Evite, L-16003, Mar. 29, 1961; McEntee v. Manotok, L-14968, Oct. 27, 1961; Castro v. De los Reyes, L-14970, July 30, 1960; Blanco v. Bernabe, 63 Phil. 124.

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