

SAGRADA ORDEN DE PREDICADORES DEL SANTISIMO ROSARIO DE FILIPINAS, PLAINTIFF AND APPELLEE, VS. NATIONAL COCONUT CORPORATION, DEFENDANT AND APPELLANT.

G.R. No. L-3756. June 30, 1952

Ponente: LABRADOR, J.

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LABRADOR, J.:

This is an action to recover the possession of a piece of real property (land with warehouses) situated in Pandacan, Manila, and the rentals for its occupation and use. The land belongs to the plaintiff, in whose name the title was registered before the war. On January 4, 1943, during the Japanese military occupation, the land was acquired by a Japanese corporation by the name of Taiwan Tekkosho for the sum of P140,000, and thereupon title thereto issued in its name (Transfer Certificate of Title No. 64330, Register of Deeds, Manila). After liberation, more specifically on April 4, 1946, the Alien Property Custodian of the United States of America took possession, control, and custody thereof under Section 12 of the Trading with the Enemy Act, 40 Stat. 411, for the reason that it belonged to an enemy national. During the year 1946 the property was occupied by the Copra Export Management Company under a custodianship agreement with the United States Alien Property Custodian (Exhibit G), and when it vacated the property it was occupied by the defendant herein. The Philippine Government made representations with the Office of the United States Alien Property Custodian for the use of the property by the Government (See Exhibits 2, 2-A, 2-B, and 1). On March 31, 1947, the defendant was authorized to repair the warehouse on the land, and actually spent thereon for repairs the sum of P26,898.27. In 1948 defendant leased one-third of the warehouse to one Dioscoro Sarile at a monthly rental of P500, which was later raised to P1,000 a month. Sarile did not pay the rents, so action was brought against him. It is not shown, however, if the judgment was ever executed.

Plaintiff made claim to the property before the Alien Property Custodian of the United States, but as this was denied, it brought an action in court (Court of First Instance of Manila, Civil Case No. 5007, entitled "La Sagrada Orden de Predicadores de la Provincia del Santisimo Rosario de Filipinas," plaintiff vs. Philippine Alien Property Administrator, defendant, Republic of the Philippines, intervenor) to annul the sale of the property to the Taiwan Tekkosho, and recover its possession. The Republic of the Philippines was allowed to intervene in the action. The case did not come for trial because the parties presented a joint petition in which it is claimed by plaintiff that the sale in favor of the Taiwan Tekkosho was null and void because it was executed under threats, duress, and intimidation, and it was agreed that the title issued in the name of the Taiwan Tekkosho be cancelled and the original title of plaintiff re-issued; that the claims, rights, title, and interest of the Alien Property Custodian be cancelled and held for naught; that the occupant National Coconut Corporation has until February 28, 1949, to recover its equipment from the property and vacate the premises; that plaintiff, upon entry of judgment, pay to the Philippine Alien Property Administration the sum of P140,000; and that the Philippine Alien Property Administration be free from responsibility or liability for any act of the National Coconut Corporation, etc. Pursuant to the agreement the court rendered judgment releasing the defendant and the intervenor from liability,

but reserving to the plaintiff the right to recover from the National Coconut Corporation reasonable rentals for the use and occupation of the premises. (Exhibit A-1.)

The present action is to recover the reasonable rentals from August, 1946, the date when the defendant began to occupy the premises, to the date it vacated it. The defendant does not contest its liability for the rentals at the rate of P3,000 per month from February 23, 1949 (the date specified in the judgment in Civil Case No. 5007), but resists the claim therefor prior to this date. It interposes the defense that it occupied the property in good faith, under no obligation whatsoever to pay rentals for the use and occupation of the warehouse. Judgment was rendered for the plaintiff to recover from the defendant the sum of P3,000 a month, as reasonable rentals, from August, 1946, to the date the defendant vacates the premises. The judgment declares that plaintiff has always been the owner, as the sale to the Japanese purchaser was void ab initio; that the Alien Property Administration never acquired any rights to the property, but that it held the same in trust until the determination as to whether or not the owner is an enemy citizen. The trial court further declares that defendant can not claim any better rights than its predecessor, the Alien Property Administrator, and that as defendant has used the property and had subleased portion thereof, it must pay reasonable rentals for its occupation.

Against this judgment this appeal has been interposed, the following assignment of error having been made on defendant-appellant's behalf:

"The trial court erred in holding the defendant liable for rentals or compensation for the use and occupation of the property from the middle of August, 1946, to December 14, 1948.

"1. Want of "ownership rights" of the Philippine Alien Property Administrator did not render illegal or invalidate its grant to the defendant of the free use of the property.

"2. The decision of the Court of First Instance of Manila declaring the sale by the plaintiff to the Japanese purchaser null and void ab initio and that the plaintiff was and has remained as the legal owner of the property, without legal interruption, is not conclusive.

"3. Reservation to the plaintiff of the right to recover from the defendant corporation not binding on the latter;

"4. Use of the property for commercial purposes in itself alone does not justify payment of rentals.

"5. Defendant's possession was in good faith.

"6. Defendant's possession in the nature of usufruct."

In reply, plaintiff-appellee's counsel contends that the Philippine Alien Property Administration (PAPA) was a mere administrator of the owner (who ultimately was decided to be plaintiff), and that as defendant has used it for commercial purposes and has leased portion of it, it should be responsible therefor to the owner, who had been deprived of the possession for so many years. (Appellee's brief, pp. 20, 23.)

We can not understand how the trial court, from the mere fact that plaintiff-appellee was the owner of the property and the defendant-appellant the occupant, which used it for its own benefit but by the express permission of the Alien Property Custodian of the United States, so easily jumped to the conclusion that the occupant is liable for the value of such use and occupation. If defendant-appellant is liable at all, its obligation must arise from any of the four sources of obligations, namely, law, contract or quasi-contract, crime, or negligence. (Article 1089, Spanish Civil Code.) Defendant-appellant is not guilty of any offense at all, because it entered the premises and occupied it with the permission of the entity which had the legal control and administration thereof, the Alien Property Administration. Neither was there any negligence on its part. There was also no privity (of contract or obligation) between the Alien Property Custodian and the Taiwan Tekkosho, which had secured the possession of

the property from the plaintiff-appellee by the use of duress, such that the Alien Property Custodian or its permittee (defendant-appellant) may be held responsible for the supposed illegality of the occupation of the property by the said Taiwan Tekkosho. The Alien Property Administration had the control and administration of the property not as successor to the interests of the enemy holder of the title, the Taiwan Tekkosho, but by express provision of law (Trading with the Enemy Act of the United States, 40 Stat. 411, 50 U.S.C.A. 189). Neither is it a trustee of the former owner, the plaintiff-appellee herein, but a trustee of the Government of the United States (32 Op. Atty. Gen. 249, 50 U.S.C.A. 283), in its own right, to the exclusion of, and against the claim or title of, the enemy owner. (Youghioghney & Ohio Coal Co. vs. Lasevich (1920) 179 N.W. 855, 171 Wis., 347; 50 U.S.C.A. 282-283.) From August, 1946, when defendant-appellant took possession, to the date of the judgment on February 28, 1948, the Alien Property Administration had the absolute control of the property as trustee of the Government of the United States, with power to dispose of it by sale or otherwise, as though it were the absolute owner. (U.S. vs. Chemical Foundation (C.G.A. Del. 1925) 5 F. [2d] 191; 50 U.S.C.A. 283.) Therefore, even if defendant-appellant were liable to the Alien Property Administration for rentals, these would not accrue to the benefit of the plaintiff-appellee, the old owner, but to the United States Government.

But there is another ground why the claim for rentals can not be made against defendant-appellant. There was no express agreement between the Alien Property Custodian and the defendant-appellant for the latter to pay rentals on the property. The existence of an implied agreement to that effect is contrary to the circumstances. The Copra Export Management Company, which preceded the defendant-appellant in the possession and use of the property, does not appear to have paid rentals therefor, as it occupied it by what the parties denominated a "custodianship agreement," and there is no provision therein for the payment of rentals or of any compensation for its custody and/or occupation and use. The Trading with the Enemy Act, as originally enacted, was purely a measure of conservation, hence it is very unlikely that rentals were demanded for the use of the property. When the National Coconut Corporation succeeded the Copra Export Management Company in the possession and use of the property, it must have been also free from payment of rentals, especially as it was a Government corporation, and steps were then being taken by the Philippine Government to secure the property for the National Coconut Corporation. So that the circumstances do not justify the finding that there was an implied agreement that the defendant-appellant was to pay for the use and occupation of the premises at all.

The above considerations show that plaintiff-appellee's claim for rentals before it obtained the judgment annulling the sale to the Taiwan Tekkosho may not be predicated on any negligence or offense of the defendant-appellant, or on any contract, express or implied, because the Alien Property Administration was neither a trustee of plaintiff-appellee, nor a privy to the obligations of the Taiwan Tekkosho, its title being based by legal provision on the seizure of enemy property. We have also tried in vain to find a law or provision thereof, or any principle in quasi-contracts or equity, upon which the claim can be supported. On the contrary, as defendant-appellant entered into possession without any expectation of liability for such use and occupation, it is only fair and just that it may not be held liable therefor. And as to the rents it collected from its lessee, the same should accrue to it as a possessor in good faith, as this Court has already expressly held. (Resolution, National Coconut Corporation vs. Francisco Geronimo, 83 Phil. 467.)

Lastly, the reservation of this action may not be considered as vesting a new right; if no right to claim for rentals existed at the time of the reservation, no rights can arise or accrue from such reservation alone.

Wherefore, that part of the judgment appealed from, which sentences defendant-appellant to pay rentals from August, 1946, to February 23, 1949, is hereby reversed. In all other respects the judgment is affirmed. Costs of this appeal shall be against the plaintiff-appellee.

Paras, C. J., Pablo, Bengzon, Padilla, Tuazon, Montemayor, and Bautista Angelo, JJ., concur.

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