MORINE BANAY ROJAS, ACCOMPANIED BY HER HUSBAND OSCAR ROJAS AND CARINA BANAY TOLEDANO, ACCOMPANIED BY HER HUSBAND MARINO TOLEDANO, PETITIONERS, VS. THE HON. COURT OF APPEALS AND ...

G.R. Nos. L-24151 & L-24152. May 31, 1971

Ponente: CASTRO, J.

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CASTRO, J.:

On July 8, 1952, Carina Banay Toledano and Morine Banay Rojas, owners of parcels of sugar land in Murcia, Negros Occi-dental, separately leased them to Felix P. Amante, with all the improvements thereon and the sugar quota allotments appertain-ing thereto. The contracts of lease executed by the parties were for a period of ten years beginning with the agricultural year 1952-53 up to and including the crop year 1961-62. Both contracts of lease contained a common provision, to wit:

> "That this lease shall be for a period of TEN (10) years beginning the agricultural year 1952-53; more specifically from the date of this contract and up to and including the crop year 1961-62, both inclusive, with option for another FIVE (5), years on such terms and conditions as may be agreed upon between the same parties."

Toledano, on July 13, 1960, wrote Amante a letter inform-ing him of her intention not to have the period of the lease extended for five more years because she intended to personally undertake the cultivation of her share of the leased sugar lands. Rojas com-municated a similar intention to Amante on February 13, 1961. In reply, Amante informed Toledano and Rojas of his intention to exercise the option granted to him under the contracts to continue with the lease.

Sometime in the month of December, 1961, Toledano and Rojas took possession of such parts of their respective sugar lands where the 1961-62 sugar cane crops had already been harvested and milled, in order to prepare the said lands for the ensuing crop year.

Due to the misunderstanding between them and the avowed intention of Amante to avail himself of the provision in the con-tracts for extension of the lease period for an additional five years, Amante filed the present action with the Court of First Instance of Negros Occidental. The lower courts, after hearing the evidence, ruled for Toledano and Rojas, and held the option invalid for failure to stipulate the terms and conditions of the lease during the five-year period covered by the provision in question.

Amante appealed to the Court of Appeals which reversed the decision of the lower court. The appellate court ruled that the provision for the extension of the lease period for another five years was obligatory, and stated that

> "lessee appellant was given that option to renew upon the termination of the original period, but upon such terms and conditions as the parties should thereupon agree, and if they should not thereupon agree, then the terms and conditions shall be upon 'reasonable terms' as said in Slade v. Lexington, supra, wherein the Court

> might have to step in; this interpretation would give full force and effect to the stipulation, which it should have, without doing violence to the will of the par-ties ..."

Toledano and Rojas filed a motion for reconsideration of the appel-late court's decision. After its denial, Toledano and Rojas lodged the present petition for certiorari to review the decision of the Court of Appeals and its resolution denying their motion for recon-sideration.

The petitioners argue that the respondent appellate court gravely erred (a) in holding that the stipulation in question, "with option for another FIVE (5) years on such terms and conditions as may be agreed upon between the same parties," clearly means that the option imposes upon the petitioners the compulsory obli-gation to extend the period of the lease, although the contracting parties still have to agree upon the "reasonable terms" for the extended period; (b) in ignoring the contemporaneous words and acts of the contracting parties to the lease in the determination of their true intention; and (c) in ignoring the fact that Amante violated the terms of the contracts of lease.

Resolution of the issue in the present appeal hinges upon the proper interpretation of the stipulation in question which pro-vides, "with option for another FIVE (5) years on such terms and conditions as may be agreed upon between the same parties."

The petitioners contend that the stipulation in question im-poses upon them no obligation to grant an extension of the lease period for an additional five years. Citing articles 1370 and 1371[1] of the Civil Code, the petitioners claim that, in accordance with these provisions, the intention of the parties must prevail and govern the contracts. The petitioners maintain that, as original-ly understood and agreed upon by the parties, the stipulation was intended and was accepted to mean that "(1) The parties would agree whether or not the lease would be extended; (2) Then the de-tails would be further agreed upon by the parties." Continuing, the petitioners claim that no contract as to the extension exists because "if this proviso could be considered as part of a contract the object and the cause of the agreement should have been clear. The fact is that, although the land to be leased was known, the consideration for that lease was not agreed upon." Hence, there being an absence of price certain "because the price would be 'as may be agreed upon between the same parties,' [and] there was no assurance that the price would be agreed upon," the petitioners state that "there is no contract until those details have been agreed upon, or at least until the basis or guidelines for the agree-ment have been ascertained."

The petitioners further argue that even if the option be considered as an offer, still, the same imposes upon the parties no compulsory obligation to negotiate on the terms and conditions for the extension. Considering, they state, the life of the original lease as the period within which their offer could be ac-cepted, they were permitted to withdraw said offer anytime be-fore the original period of the lease expired, in consonance with article 1324[2] of the Civil Code.

For his part, the respondent Amante claims the original period of the lease as compulsorily extendible under the option in the contracts. He contends that the option, a privilege given to him to continue or not with the lease after the expiration of the original period, cannot be brushed aside unilaterally by the peti-tioners, having been agreed upon bilaterally. As to the terms and conditions applicable to the extended period, Amante maintains that the option should relate back to the contracts of lease and should be governed by the same terms and conditions relative to the original lease period. Amante also points out that even if the option be considered an offer which the petitioners could withdraw at anytime before his acceptance, still, the option implies the legal obligation of the petitioners to keep the offer open to him until the expiration of the period for the exercise thereof.

After a thoroughgoing examination of the record, we find that the Court of Appeals, in its decision dated November 6, 1964, aside from ruling that the option to extend the period of the lease is obligatory, also ordered

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the retention by Amante of the leased sugar lands "in the meantime that the parties have not agreed as to the reasonable terms of the contract, for the extended period of five (5) years, under the same terms and conditions in the origi-nal contract." The petitioners, in their motion for reconsideration filed with the Court of Appeals on December 1, 1964, admitted the actual possession and enjoyment of the leased premises by Amante for two (2) crop years (1962-1963 and 1963-1964) - which crop years represent the first two years of the five-year additional pe-riod provided for in the contracts of lease - on account of the pen-dency of the appeal.

Thus, this Court, considering the foregoing and noting the expiration in 1967 of the five years (corresponding to the period of extension of the lease contract) as well as the absence in the record of any indication of a contrary situation, required the parties, in a resolution dated February 19, 1971, to show cause why the case at bar should not be dismissed as moot and academic.

The petitioners complied with the resolution of this Court by filing their manifestation on April 23, 1971, agreeing to the dismissal of this case for being moot and academic. The respondent has not filed any written objection.

The turn of events, in the case at bar, clearly renders resolution of the merits of the controversy purposeless. The lapse of time or, to be exact, the expiration in 1967 of the five-year additional period for the efficacy of the lease contracts, forecloses any determination as to the juridic nature of the stipulation in question - whether or not the same imposes upon the petitioners a compulsory obligation to allow the respondent Amante to continue with his occupancy of the leased premises. Anent the problem of the terms and conditions applicable to the expired five-year addi-tional period, the Court of Appeals specifically required the par-ties to abide by the same terms and conditions provided for in the original contracts of lease, and by these the parties have, from all indications, abided.

ACCORDINGLY, this case is hereby dismissed, for being moot and academic. No costs.

Concepcion, C.J., Reyes, Dizon, Makalintal, Zaldivar, Fernando, Teehankee, Barredo, Villamor, and Makasiar, JJ., concur.

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[1] Article 1370. If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control.

If the words appear to be contrary to the evident intention of the parties, the latter shall prevail over the former.

Article 1371. In order to judge the intention of the contracting parties, their contemporaneous and subse-quent acts shall be principally considered.

[2] Article 1324. When the offeror has allowed the offeree a certain period to accept, the offer may be withdrawn at any time before acceptance by communicating such withdrawal, ex-cept when the option is founded upon a consideration, as something paid or promised.

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