

**PELTAN DEVELOPMENT, INC., PATROCINIO E. MARGOLLES,  
EDGARDO C. ESPINOSA, VIRGINIA E. VILLONGCO, LUCIA E.  
LAPERAL, NORMA C.**

*G.R. No. 117029. March 19, 1997*

Ponente: PANGANIBAN, J.

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**PANGANIBAN, J.:**

In resolving a motion to dismiss for failure to state a cause of action, should the Court of Appeals invoke a Supreme Court decision promulgated after such motion was filed by defendants and ruled upon by the trial court? Is such invocation violative of the rule that motions to dismiss based on lack of cause of action should be ruled upon only on the basis of the allegations of the complaint? Who are the real parties-in-interest in an action to cancel a Torrens certificate of title?

Petitioners challenge the Decision[2] of public respondent[3] in CA-G.R. CV No. 28244 promulgated on June 29, 1994, which ruled as follows:[4]

“WHEREFORE, the appealed order dated August 22, 1989 is REVERSED and SET ASIDE. The trial court is ordered to try the case on plaintiffs’ (herein private respondents) complaint/amended complaint against all defendants (herein petitioners).

Let the original record of the case be returned to the court of origin.”

In a Resolution[5] promulgated on September 2, 1994, Respondent Court denied petitioners’ motion for reconsideration.

The order reversed by public respondent had been issued by the Regional Trial Court of Pasay City, Branch 112, in Civil Case No. LP-8852-P. The order in part ruled:[6]

“Considering the arguments and counter-arguments urged by the parties in this case, particularly on the nature and effect of the action filed by plaintiffs, the Court is inclined to grant the Motion to Dismiss filed by defendant Peltan Development Corporation on the basis of the Supreme Court ruling in Gabila vs. Barriga, 41 SCRA 131. The ultimate result of the cancellation prayed for by the plaintiffs, if granted by this Court, would be to revert the property in question to the public domain. Therefore, the ultimate beneficiary of such cancellation would be the Government. Since the Government can only be represented by the Office of the Solicitor General, which has repeatedly refused to institute or join an action for cancellation of defendant’s titles, then, the real party in interest cannot be said to have instituted the present action. It is the Government, not the plaintiffs which is the real party in interest. Plaintiffs not being the real party in interest, they have no cause of action against the defendants.

WHEREFORE, the Motion to Dismiss is hereby granted and this case is hereby dismissed, without prejudice to plaintiffs’ pursuing administrative relief in the proper government agencies concerned.”

**The Facts**

The facts, as found by public respondent, are undisputed by the parties, to wit:[7]

“On February 20, 1981 plaintiffs (herein private respondents) filed against eleven (11) defendants (herein petitioners) a complaint captioned for ‘Cancellation of Titles and Damages’. On December 15, 1981, the complaint was amended by including or impleading as the twelfth defendant the City Townhouse Development Corporation. Omitting the jurisdictional facts, the allegations in the amended complaint are quoted hereunder:

## ‘II

Plaintiffs are applicants for a free patent over a parcel of land comprising an area of 197,527 square meters, more or less, situated in Barrio Tindig na Manga, Las Piñas, Metro Manila.

## III

Prior to the filing of their petition for free patent, plaintiffs had for many years been occupying and cultivating the aforestated piece of land until their crops, houses and other improvements they introduced thereon were illegally bulldozed and destroyed by persons led by defendant Edgardo Espinosa x x x Thereafter, the same persons forcibly and physically drove out plaintiffs therefrom.

## IV

Plaintiffs filed their petition for issuance of free patent covering the aforesaid property with the Bureau of Lands in May 1976, as a result of which they were issued by the Lands Bureau Survey Authority No. 54 (IV-1) on December 16, 1976.

## V

Accordingly, and on the strength of the aforesaid authority to survey, plaintiffs had the property surveyed by Geodetic Engineer Regino L. Sobrerinas, Jr. on December 20-21, 1976.

## VI

During the years that plaintiffs were occupying, cultivating, planting and staying on the aforestated parcel of land, neither x x x one of the defendants was in possession thereof.

## VII

The processing and eventual approval of plaintiffs’ free patent application or petition over the subject piece of land have, however, been obstructed and/or held in abeyance, despite the absence of any opposition thereto, because of the alleged existence of several supposed certificates of title thereon, x x x of the defendants, namely:

Peltan Development, Inc. — Transfer Certificate of Title No. S-17992

xxx xxx xxx

## VIII

The aforestated transfer certificates of title of the abovenamed defendants, plaintiffs discovered, and therefore they hereby allege, were all derived from an alleged Original Certificate of Title No. 4216 supposedly issued by the Register of Deeds of Rizal and registered in the name of the Spouses Lorenzo Gana and Maria Juliana Carlos in 1929 allegedly pursuant to Decree No. 351823 issued by the Court of First Instance of Rizal in Land Registration Case (LRC) No. 672.

## IX

Plaintiffs, however, subsequently discovered, after a thorough research, that the alleged Original Certificate of Title No. 4216 of the Spouses Lorenzo Gana and Juliana Carlos — whence all the transfer certificates of title of the x x x abovenamed defendants originated and/or were derived from — was FICTITIOUS and/or SPURIOUS x x x

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Being, thus, derived and/or having originated from a FICTITIOUS and/or SPURIOUS original certificate of title (OCT No. 4216), as herein above shown, ALL the aforestated transfer certificates of title of the x x x abovenamed defendants are, logically and imperatively, FAKE, SPURIOUS and/or NULL AND VOID as well. Hence, they all must and should be CANCELED.

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## XIV

Before they decided to institute this action, plaintiffs informed, indeed they warned, the defendants that their so-called titles over the parcels of land or portions thereof covered by plaintiffs' free patent application and/or petition are either fake, spurious or void for reasons aforestated. But the defendants simply ignored plaintiffs' admonitions.

## XV

Accordingly, plaintiffs were compelled to retain the services of the undersigned counsel to file this complaint not only because they have been materially and substantially prejudiced by the existence of defendants' spurious titles, but also because as citizens and taxpayers of this country they have a legitimate interest in the disposition of alienable lands of the State, as well as the right to question any illegitimate, unlawful or spurious award, disposition or registration thereof to protect not just their interest but also the public.

## XVI

Because of the defendant's illegal titling of the parcel of land or portions thereof covered by plaintiffs' free patent application, and particularly by the unlawful disturbance of plaintiff's possession thereof and destruction of plaintiffs' plants and dwellings thereon, which was caused and/or directed by the defendants Edgardo Espinosa and Pat C. Margolles, said defendants should be ordered to pay plaintiffs actual or compensatory damages in such amount as may be proven during the trial of this case.' (Original Records, Vol. I, pp. 202-214)

On the basis of the foregoing allegations, the prayer in the amended complaint states:

'WHEREFORE, it is most respectfully prayed that after hearing, judgment (should) be rendered:

1. Canceling the transfer certificates of titles of the defendants as specified in par. VII hereof and/or declaring them null and void for having originated or being derived from a fictitious, spurious or void original certificates of title.
2. Ordering defendants Edgardo Espinosa and Pat C. Margolles to pay plaintiffs actual or compensatory damages as may be proven during the trial of this case. And —
3. Ordering the defendants to pay plaintiffs appropriate amount of exemplary damages and reasonable amount of attorney's fees, as well as to pay the costs.

Plaintiffs further respectfully pray for such other reliefs just and equitable in the premises.’ (Original Records, Vol. I, p. 215)

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On April 3, 1985, defendant Peltan Development Corporation (Peltan, for brevity) filed a ‘Motion For Preliminary Hearing on Affirmative Defenses’ mainly on the ground that the complaint states no cause of action against defendant Peltan. It is alleged in the motion that plaintiffs are not the real parties in interest in the action as they do not assert any present and subsisting title of ownership over the property in question. Invoking the case of Gabila vs. Barriga, L-28917, promulgated on September 30, 1971, the defendant Peltan contends that the action being one for cancellation of the certificates of title the Government, through the Solicitor General — not a private individual like plaintiff Gabila — was the real party in interest.

On April 27, 1989 plaintiffs filed their opposition to defendant Peltan’s aforesaid motion in which plaintiffs reasserted their cause of action as set forth in their complaint, and pointed to the trial court the pertinent averments in their action showing their rights and interests or claims that had been violated which thus placed them in the status of a real party in interest. Subsequently, defendant Peltan filed its reply to plaintiffs’ opposition, with plaintiffs submitting their rejoinder thereto. Then finally defendant Peltan filed its comment on the rejoinder.

On August 22, 1989, the trial court dismissed the complaint. Holding that the plaintiffs were not the real parties-in-interest, the RTC ruled that they had no cause of action against the defendants. The order was reversed by public respondent. Hence, this petition for review.

In a motion filed before this Court on March 8, 1996, petitioners prayed for the cancellation of the notice of lis pendens annotated on their titles “under Entry No. 210060/T-12473-A.” The notice was caused by Private Respondent Alejandro Rey because of the pendency of Civil Case No. LP-8852-P, the dismissal of which is the issue at bench.[8]

#### Ruling of the Court of Appeals

As observed earlier, the Court of Appeals reversed and set aside the order of the Regional Trial Court, holding that the two elements of a cause of action were present in the complaint, to wit: 1) the plaintiff’s primary right and 2) the delict or wrongful act of the defendant violative of that right. The CA held that private respondents had a right over the property as shown by the allegation that they had been occupying the landholding in question and that they had applied for a free patent thereon; and that petitioners committed a delict against private respondents by forcibly driving them out of the property, and delaying the processing and approval of their application for free patent because of the existence of petitioners’ transfer certificates of title derived from OCT No. 4126.[9] The CA further held that the RTC “should have treated the case as an accion publiciana to determine who as between the parties plaintiffs and defendants have a better right of possession.”[10]

Stressing that only the facts alleged in the complaint should have been considered in resolving the motion to dismiss, Respondent CA held that the trial court had erred in accepting the allegations of herein petitioners that private respondents’ requests for the Solicitor General to file an action to annul OCT No. 4216 had been repeatedly denied.

Public respondent also rejected the application of the Gabila[11] ruling to the case at bar. It reasoned:[12]

“True, plaintiffs in their complaint prayed inter alia for the cancellation of the transfer certificates of title of the defendants for being derived from a spurious or false original certificate of title. Relying on the case of Gabila vs. Barriga, supra, defendants argued that the ultimate result of a favorable decision on complaints of such nature is for the lands to revert back to the ownership of the state, and hence, such actions may only be

instituted by the Government through the Solicitor General (sic). This argument is misplaced. Firstly, unlike the Gabila case, the herein plaintiffs in their complaint did not assert and pray for reversion. Secondly, the prayer for cancellation of the defendants' Torrens titles does not negate nor eliminate the presence of the elements of plaintiffs' cause of action on the basis of the allegations in the complaint, as already discussed. Thirdly, the prayer of a complaint is not a material factor in determining the relief grantable, which rests upon the facts proved (Lacson vs. Diaz, 47 O.G. No. 12 Supp. 377, Aug. 4, 1950, No. L-2839). Precisely, as a matter of practice, complaints filed in court usually contain a general prayer 'for other relief which may be just and equitable in the premises' like the complaint in the case at bar. Fourthly, in the Gabila case, the Supreme Court did not affirm the trial court's dismissal order. Instead, per dispositive portion of the decision, it ordered the setting aside of the appealed dismissal order and directing the return of the records of the case to the trial court with admonition to the party interested to formally implead the Bureau of Lands with notice to the Solicitor General. Obviously, the posture of defendants Peltan is not entirely supported by the Gabila case."

### The Issues

Petitioners assign the following errors committed by public respondent:[13]

"a. Ordering the trial court to proceed on private respondents' cause of action for the nullification of OCT No. 4216 on the ground that it is fake/spurious when the Supreme Court had already ruled in G.R. No. 109490 and in G.R. No. 112038 that OCT No. 4216 is genuine and valid -- and in disregarding and refusing to pass upon the said squarely applicable decisions of this Honorable Court;

b. Ordering the trial court to proceed on private respondents' cause of action for damages for the supposed acts of the private respondents Margolles and Espinosa despite non-payment of the jurisdictional docket fees when this cause of action had already prescribed -- and in disregarding and refusing to pass upon the squarely applicable Manchester ruling;

c. In not applying the Gabila ruling to dismiss the subject complaint considering that respondents do not even pretend to have any title or right to the subject property to authorize them to ask for a free patent thereon since it is already (a) private property covered by petitioners' torrens title derived from OCT No. 4216 issued in 1929."

### The Court's Ruling

We grant the petition and reverse the public respondent.

#### What Determines Cause of Action?

It is a well-settled rule that the existence of a cause of action is determined by the allegations in the complaint.[14] In the resolution of a motion to dismiss based on failure to state a cause of action, only the facts alleged in the complaint must be considered. The test in cases like these is whether a court can render a valid judgment on the complaint based upon the facts alleged and pursuant to the prayer therein.[15] Hence, it has been held that a motion to dismiss generally partakes of the nature of a demurrer which hypothetically admits the truth of the factual allegations made in a complaint.[16]

It is axiomatic nonetheless that a court has a mandate to apply relevant statutes and jurisprudence in determining whether the allegations in a complaint establish a cause of action. While it focuses on the complaint, a court clearly cannot disregard decisions material to the proper appreciation of the questions before it. In resolving a motion to dismiss, every court must take cognizance of decisions this Court has rendered because they are proper subjects of mandatory judicial notice as provided by Section 1 of Rule 129 of the Rules of Court, to wit:

"SECTION 1. Judicial notice, when mandatory. — A court shall take judicial notice, without the introduction of evidence, of the existence and territorial extent of states, their political history, forms of government and symbols

of nationality, the law of nations, the admiralty and maritime courts of the world and their seals, the political constitution and history of the Philippines, the official acts of the legislative, executive and judicial departments of the Philippines, laws of nature, the measure of time, and the geographical divisions.” (Emphasis supplied.)

The said decisions, more importantly, “form part of the legal system,”[17] and failure of any court to apply them shall constitute an abdication of its duty to resolve a dispute in accordance with law, and shall be a ground for administrative action against an inferior court magistrate.

In resolving the present complaint, therefore, the Court is well aware that a decision in *Margolles vs. CA*,[18] rendered on 14 February 1994, upheld the validity of OCT No. 4216 (and the certificates of title derived therefrom), the same OCT that the present complaint seeks to nullify for being “fictitious and spurious.” Respondent CA, in its assailed Decision dated 29 June 1994, failed to consider *Margolles vs. CA*. This we cannot countenance.

In finding that the complaint stated a cause of action, Public Respondent CA recognized that private respondent had a valid right over the property in question, based on their actual possession thereof and their pending application for a free patent thereon. The linchpin of this right, however, is the validity of OCT No. 4216. In other words, private respondents’ right is premised on the allegation that the title of herein petitioners originated merely from the “fictitious and/or spurious” OCT No. 4216.

Because it had failed to take cognizance of *Margolles vs. CA*, the CA was unable to consider that the legality of OCT No. 4216. As adverted to earlier, *Margolles vs. CA* upheld the validity of this title and the titles derived therefrom by, among others, Petitioner Peltan Corporation. Clearly, private respondents’ possession of the land, and their pending application for a free patent thereon, did not vest in them a right superior to the valid title of petitioner originating from OCT No. 4216. Indeed, private respondents can invoke no right at all against the petitioners. Accordingly, the first element of a cause of action, i.e., plaintiff’s right, is not present in the instant case.

In this light, the CA’s treatment of the present suit as an *accion publiciana* to determine which one among the parties had a better right over the property is but an exercise in redundancy. As discussed above, the same issue has been foreclosed by the Supreme Court in *Margolles*.

The Supreme Court promulgated *Margolles* ahead of the assailed CA decision. It was incumbent upon Respondent CA to take judicial notice thereof and apply it in resolving this case. That the CA did not is clearly a reversible error.

Furthermore, allowing repeated suits seeking to nullify OCT No. 4216, like the present case, will bring to naught the principle of indefeasibility of titles issued under the Torrens system of land registration.[19] Thus, in a resolution[20] dated 10 August 1994, the First Division of this Court, applying the *Margolles* ruling, dismissed a petition for review involving herein petitioner Peltan Corporation which had raised as issue the validity of OCT No. 4216. The Court, in the case at bench, can do no less. Subjecting OCT No. 4216 to further scrutiny, as proposed in the amended complaint, is no longer an available option.

Are Private Respondents the Real Parties-in-Interest?

The Court also holds that private respondents are not the proper parties to initiate the present suit. The complaint, praying as it did for the cancellation of the transfer certificates of title of petitioners on the ground that they were derived from a “spurious” OCT No. 4216, assailed in effect the validity of said title. While private respondents did not pray for the reversion of the land to the government, we agree with the petitioners that the prayer in the complaint will have the same result of reverting the land to the government under the Regalian doctrine.[21]

Gabila vs. Barriga ruled that only the government is entitled to this relief. The Court in that case held:

“The present motion to dismiss is actually predicated on Section 1(g), Rule 16 of the Revised Rules of Court, i.e., failure of the complaint to state a cause of action, for it alleges in paragraph 12 thereof that the plaintiff admits that he has no right to demand the cancellation or amendment of the defendant’s title, because, even if the said title were canceled or amended, the ownership of the land embraced therein, or of the portion thereof affected by the amendment, would revert to the public domain. In his amended complaint the plaintiff makes no pretense at all that any part of the land covered by the defendant’s title was privately owned by him or by his predecessors-in-interest. Indeed, it is admitted therein that the said land was at all times a part of the public domain until December 18, 1964, when the government issued a title thereon in favor of defendant. Thus, if there is any person or entity to relief, it can only be the government.

In the case at bar, the plaintiff’s own averments negate the existence of such right, for it would appear therefrom that whatever right might have been violated by the defendant belonged to the government, not to the plaintiff. Plaintiff-appellant argues that although his complaint is captioned as one for cancellation of title, he has nevertheless stated therein several causes of action based on his alleged rights of possession and ownership over the improvements, on defendant-appellees alleged fraudulent acquisition of the land, and on the damages allegedly incurred by him (plaintiff-appellant) in relation to the improvements. These matters are merely ancillary to the central issue of whether or not defendant-appellee’s title should be canceled or amended, and they may not be leaned upon in an effort to make out a cause of action in relation to the said focal issue. Indeed, the principal relief prayed for in the amended complaint is the cancellation or amendment of defendant-appellee’s title.”[22]

#### Nonpayment of Docket Fees

As we have already ruled that the private respondents are not the real parties in interest, we find no more need to pass upon the question of nonpayment of filing fees.

WHEREFORE, the petition is GRANTED and the assailed Decision is REVERSED and SET ASIDE. The complaint of private respondents in Civil Case No. LP-8852-P is DISMISSED. The notice of lis pendens, annotated in the titles of petitioners because of Civil Case No. LP-8852-P, is ordered CANCELED. No costs. SO ORDERED.

Narvasa, C.J., Melo, and Francisco, JJ., concur.

Davide, Jr., J., concurs but only on ground that private respondents are not the real party in interest.

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[1] The middle initial is E in the case of Margolles vs. Court of Appeals, 230 SCRA 97, February 14, 1994.

[2] Rollo, pp. 28-38.

[3] Thirteenth Division composed of Justice Alfredo Marigomen, ponente, and Justices Ma. Alicia Austria-Martinez and Ruben T. Reyes, concurring.

[4] Rollo, pp. 37-38.

[5] Ibid., p. 40.

[6] Ibid., pp. 32-33.

[7] Ibid., pp. 28-32.

[8] Ibid., pp. 166-169.

[9] CA Decision, pp. 6-7; Rollo, pp. 33-34.

[10] Ibid., p. 8; Rollo, p. 35.

[11] Supra.

[12] Rollo., pp. 35-36.

[13] Ibid., p. 7.

[14] Republic vs. Estenzo, 158 SCRA 282, 285, February 29, 1988.

[15] Galvez vs. Tuason, 10 SCRA 344, February 29, 1964; Mindanao Realty Corp. vs. Kintanar, 6 SCRA 814, November 30, 1962; Uy Chao vs. De la Rama Steamship Co., Inc., 6 SCRA 69, September 29, 1962; Zobel vs. Abreu, et al., 98 Phil. 343 (1956); De Jesus, et al., vs. Belarmino, et al., 95 Phil. 365 (1954).

[16] Perpetual Savings Bank & Trust Co. vs. Fajardo, 223 SCRA 720, June 28, 1993.

[17] Article 8 of the Civil Code provides that “[J]udicial decisions applying or interpreting the laws or the Constitution shall form part of the legal system of the Philippines.”

[18] Supra.

[19] See, Widows & Orphans Association vs. Court of Appeals, 212 SCRA 360, August 7, 1992.

[20] Goldenrod, Inc., vs. Court of Appeals and Peltan Development, Inc., G.R. No. 112038, August 10, 1994.

[21] Section 2 of Article XII of the 1987 Constitution provides:

“All lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces of potential energy, fisheries, forests or timber, wildlife, flora and fauna, and other natural resources are owned by the state. . . .” Regalian doctrine is enunciated in the case of Piñero, Jr. vs. Director of Lands, 57 SCRA 386, June 14, 1974.

[22] 41 SCRA at 135-136, September 30, 1971

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