

PUBLIC ESTATES AUTHORITY, PETITIONER, VS. JESUS S. YUJUICO AND AUGUSTO Y. CARPIO, RESPONDENTS.

G.R. No. 140486. February 06, 2001

Ponente: VITUG, J.

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VITUG, J.:

The instant petition for review, with a prayer for the issuance of a temporary restraining order and/or writ of preliminary injunction, seeks the reversal of the 13th September 1999 decision and 19th October 1999 resolution of the Court of Appeals, both issued in CA-G.R. SP No. 50855, entitled "Public Estates Authority vs. Hon. Raul E. De Leon, in his capacity as Presiding Judge, Regional Trial Court, National Capital Judicial Region, Branch 258, Parañaque City and Jesus S. Yujuico and Augusto Carpio."

The relevant antecedents:

On 24 July 1996, private respondents filed with the Regional Trial Court of Parañaque City, a complaint, docketed Civil Case No. 96-0317, for the "Removal of Cloud and Annulment of Title with Damages" against petitioner. Respondent Yujuico averred being the registered owner of Lot 1 of the subject area along Roxas Boulevard, Parañaque City, with an area of 10,000 square meters, covered by Transfer Certificate of Title (TCT) No. 446386, dated 07 June 1974, of the Registry of Deeds for the Province of Rizal. Respondent Carpio, in his case, himself maintained to be the registered owner of Lot 2 with an area of 7,343 square meters, covered by TCT No. 44265, dated 16 June 1976, of the same registry. The two lots were originally consolidated in one title registered in the name of one Fermina Castro under Original Certificate of Title (OCT) No. 10215, dated 31 May 1974, of the Registry of Deeds for the province.

Sometime in 1989, petitioner Public Estates Authority (PEA) obtained ownership of various parcels of land along Manila Bay for the purpose of constructing the Manila-Cavite Coastal Road. It was issued OCT No. Sp 02 on 13 January 1989. Petitioner likewise acquired ownership of some other parcels of land along the Manila Bay Coast covered by TCT No. 7310 and TCT No. 19346 portions of which were subsequently sold by it to the Manila Bay Development Corporation ("MBDC"). The MBDC, in turn, leased portions of the aforesaid lots to Uniwide Holdings, Inc. Petitioner proceeded to carve out the path of the Coastal Road. Private respondents claimed that a subsequent verification survey commissioned by them showed that the coastal road directly overlapped their property and that a portion of the area sold by petitioner to the MBDC was also owned by them (private respondents). Private respondents contended that the titles issued in the name of petitioner and the MBDC, being then invalid, ineffective, or voidable, should be nullified and set aside.

In its answer, petitioner denied that the Coastal Road had overlapped the property of private respondents, stating that the area covered by the infrastructure was granted to it by the government through a Special Patent and that the title to the subject area was issued in its name on 13 January 1989 (for OCT No. SP 02) and on 04 April 1988 (for TCT No. 7310). Petitioner assailed the title of private respondents' predecessor-in-interest, Fermina Castro, claiming that the latter acquired her title to the subject land in 1974 when the same was yet under water and

therefore still then part of the public domain.

After the issues were joined, and during the pendency of the proceedings, petitioner, through its former General Manager, Atty. Arsenio B. Yulo, Jr., asked the Office of the Government Corporate Counsel ("OGCC") to make an in-depth study on the validity of the titles of private respondents, the possible reversion of the property to the government, and the question of the correct position of Tie-Point T-12-A of the PEA property sold to MBDC shown in the PEA Survey Plan. In an opinion, dated 13 October 1997, the OGCC upheld the validity of the titles of private respondents and expressed that there was no legal ground for filing reversion proceedings. There was, according to the OGCC, a mispositioning of the PEA survey reference point by about 88 meters westward based on the documentary evidence submitted to the court, resulting in the overlap of the PEA and the Yujuico property. The OGCC recommended that petitioner should instead negotiate an amicable settlement with private respondents. Upon request of Atty. Yulo, the Office of the Solicitor General (OSG) also gave an opinion, dated 22 December 1997, to the effect that, premised on the matters on record, there was no sufficient basis for the government to institute an action to annul OCT No. 10215 in the name of Fermina Castro and the derivative titles of private respondents.

Petitioner created a special committee of three PEA board directors composed of Atty. Nestor Kalaw, as Chairman, and Gregorio Fider and Edgardo de Leon, as members, to study the matter of a possible settlement of the case and to submit its recommendation. In due time, the committee recommended an amicable settlement of Civil Case No. 96-0317 and submitted a proposed compromise agreement which the PEA Board approved on 17 April 1998.

Following a series of negotiations, a compromise agreement was concluded on 15 May 1998 by then PEA General Manager Atty. Arsenio B. Yulo, Jr., assisted by the OGCC, and by Benedicto Yujuico, attorney-in-fact of private respondents, assisted by counsel Atty. Angel Cruz. The compromise agreement contained, among other things, two major provisions, i.e., -

(a) that because PEA is not in a position to settle by cash payment, it was agreed that private respondents' property with a combined area of 1.7343 hectares covered by TCT No. 446386 and TCT No. 44265 shall be exchanged with PEA property to be taken from PEA's property described as CBP-1A, shown on the Sketch Plan attached as Annex "A" of the Compromise Agreement, and that all taxes and registration expenses for the property to be conveyed under the exchange shall be for the account of the conveying party; and

(b) that private respondents were given an Option to purchase an additional 7.6 hectares from said PEA property CBP-1A within a period of three years from the date of the approval by the Court of the Compromise Agreement at the price based on the market value as determined by PEA on the date of the exercise of the Option.

The compromise was approved by the trial court in its resolution of 18 May 1998.

On 17 June 1998, pursuant to the compromise, the parties executed a "Deed of Exchange of Real Property" with a sketch plan showing where the PEA property with an area of 1.4007 hectares to be conveyed to private respondents (in 3 Lots) would be taken in exchange for private respondents' property with a combined area of 1.7343 hectares.

On 31 July 1998, the incumbent PEA General Manager, Carlos P. Doble, informed the Office of the Solicitor General that the new PEA board and management had reviewed the compromise agreement and decided to defer and hold in abeyance its implementation in view of the letter, dated 27 July 1998, of the former PEA General Manager, Atty. Arsenio Yulo, Jr., to the effect that the compromise agreement which he signed did not reflect a condition required by the previous PEA Board, i.e., the approval by the Office of the President.

On 14 September 1998, the new management of PEA filed a petition for relief from the resolution, dated 18 May 1998, of the trial court which approved the compromise agreement on the ground of mistake and excusable negligence consisting of "inadvertence" on the part of former General Manager Yulo in the signing of the compromise agreement without the requisite approval of the Office of the President. Private respondents opposed the petition and prayed for its dismissal in that (a) it was filed beyond the reglementary period provided under Section 3, Rule 38, of the 1997 Rules of Civil Procedure, and (b) the allegation of mistake and excusable negligence was a sham because it was through and upon the recommendation of a special committee of three PEA directors and assisted by the OGCC, as well as guided by the legal opinions of both the OGCC and the OSG, that PEA entered into and approved the compromise agreement.

The petition for relief was dismissed by the trial court on 06 November 1998 on the ground that it was filed out of time and that the allegation of mistake and excusable negligence had no valid basis. Petitioner filed a motion for reconsideration of the 06th November 1998 order of the trial court but its motion was denied on 07 January 1999.

Petitioner elevated the case to the Court of Appeals via a petition for certiorari but the petition was dismissed by the appellate court on 13 September 1999 for petitioner's failure to pay the required docket fees and for lack of merit. The appellate court agreed with the findings of the trial court that the alleged inadvertence on the part of former PEA General Manager in signing the compromise agreement on the belief that everything was in order could hardly be considered the mistake or excusable negligence contemplated by the rules of civil procedure sufficient to support a petition for relief from judgment. It further ruled that the petition for relief filed on 14 September 1998 came much too late considering that the resolution approving the compromise agreement was issued by the trial court on 18 May 1998 and Civil Case No. 96-0317 was dismissed on 03 July 1998. Petitioner's motion for reconsideration was denied by the Court of Appeals on 19 October 1999.

Hence, the instant petition.

Petitioner raises the following grounds for allowance of the petition:

I.

THE COURT OF APPEALS COMMITTED SERIOUS ERROR OF LAW AND ACTED WITH GRAVE ABUSE OF DISCRETION IN HOLDING THAT PETITIONER IS NOT EXEMPT FROM THE PAYMENT OF DOCKET AND OTHER LEGAL FEES IN THE INSTANT CASE DESPITE THE FACT THAT IT WAS SUED BY RESPONDENTS NOT FOR ANY PECUNIARY ACTIVITY BUT IN RELATION TO CERTAIN RECLAIMED PARCELS OF LAND REGISTERED AND OWNED BY PETITIONER UNDENIABLY FOR AND ON BEHALF OF THE NATIONAL GOVERNMENT.

II.

THE COURT OF APPEALS COMMITTED SERIOUS ERROR OF LAW AND ACTED WITH GRAVE ABUSE OF DISCRETION IN BARRING PETITIONER, THROUGH PROCEDURAL TECHNICALITIES, FROM SEEKING EQUITABLE AND JUDICIAL RELIEFS WHEN IT HELD THAT THE PETITION FOR RELIEF FILED A QUO, DESPITE THE PECULIAR CIRCUMSTANCES OF THE INSTANT CASE, WAS FILED OUT OF TIME.

III.

THE COURT OF APPEALS COMMITTED SERIOUS ERROR OF LAW AND ACTED WITH GRAVE ABUSE OF DISCRETION IN AVOIDING AND EVADING, BASED ON A TECHNICAL AND/OR PROCEDURAL GROUND, THE ISSUE OF FRAUD.

Petitioner admits that it has been paying docket fees in filing court petitions but asserts that since it is being sued not in relation to any pecuniary activity but as a government entity holding reclaimed parcels of land for and on

behalf of the National Government pursuant to the purpose and objective of its creation, it should be exempt from such fees conformably with Section 19, Rule 141, of the Revised Rules of Court. Petitioner claims that fraud has attended the execution of the compromise agreement, adding that the unexplained deletion of the condition of prior approval by the Office of the President constitutes extrinsic fraud which has prevented it from having a trial or from presenting its case in court.

In refutation of the above assignment of errors private respondents contend that petitioner as an "incorporated agency" of the government is liable and not exempt from the payment of docket fees. Respondents argue that the distinction made by petitioner with respect to its being sued not in relation to any pecuniary activity but as a government entity owning reclaimed parcels of land for and on behalf of the National Government is frivolous as not being based on any provision of the PEA Charter. Respondents aver that petitioner, in fact, appears to concede that its petition for relief has been filed out of time. In any case, respondents submit, there is absolutely no extrinsic fraud perpetrated upon the petitioner and that the appellate court has properly disregarded this allegation as having been raised for the first time on appeal.

Petitioner has raised a valid point in its first assignment of error.

In both original and appealed cases, the court can be tasked to take cognizance over such cases only upon the payment of the prescribed docket fees.[1] In this regard, Section 1 and Section 19, Rule 141, of the Revised Rules of Court provide:

"Sec. 1. Payment of Fees. - Upon the filing of the pleading or other application which initiates an action or proceeding, the fees prescribed therefor shall be paid in full."

"Sec. 19. Government Exempt. - The Republic of the Philippines, its agencies and instrumentalities, are exempt from paying the legal fees provided in this Rule. Local governments and government-owned or controlled corporations with or without independent charters are not exempt from paying such fees."

Section 2, paragraph 10, of the Administrative Code of 1987 defines instrumentality as an agency of the National Government, not integrated within the department framework, vested with special functions or jurisdiction by law, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy, usually through a charter. The term, under the Code, includes regulatory agencies, chartered institutions and government-owned or controlled corporations.

Petitioner is a creation of Presidential Decree No. 1084, dated 04 February 1977, as a government corporation wholly owned by the Government. It has been empowered to exercise the right of eminent domain in the name of the Republic of the Philippines. In the acquisition of real estate by condemnation proceedings, the title to such real estate is to be taken in the name of the Republic of the Philippines; thereupon, such real estate shall be entrusted to the Authority as the agent of the Republic of the Philippines.[2] Although vested with personality separate and distinct from the government, petitioner is not thereby divorced from its being an agent or instrumentality of the government within the purview of Section 19, Rule 141, of the Revised Rules of Court. Petitioner, in having been charged with the construction of the Manila-Cavite Coastal Road, exercises a governmental function, as so distinguished from a mere proprietary interest, and it is in relation thereto that it has here been sued. In *Iron Steel Authority vs. Court of Appeals*,[3] the Court has observed that certain agencies or instrumentalities of the National Government are cast in corporate form, that is to say, incorporated agencies or instrumentalities, at times with and at other times without capital stock, and correspondingly vested with a juridical personality distinct from the personality of the Republic.

At all events, while a court may refused to entertain a suit for non-payment of docket fees, such failure does not

preclude it, however, from taking cognizance of the case as circumstances may so warrant or when the ends of justice would be best served if the case were to be given due course. Verily, the payment of fees is by no means a mere technicality of law or procedure.[4] It is also an indispensable step in the perfection of an appeal.[5] While it is mandatory on the litigant, the court, however, is not necessarily left without any alternative but to dismiss the appeal for non-payment of docket fees. Thus, the failure to pay the appeal docketing fee confers a discretionary authority, not mandatory charge, on the part of the court to dismiss an appeal. This discretion must, of course, be exercised soundly, wisely and prudently, and with great deal of circumspection[6] in accordance with the tenets of fair play, never capriciously, and always with a view to substance.[7]

Similarly, the Court has had occasions to suspend its own rules, or to except a particular case from its operation, whenever the purposes of justice require it.[8] Strong compelling reasons, such as serving the ends of justice and preventing a miscarriage thereof, can warrant a suspension of the rules.[9] While there is a crying need to unclog court dockets, on the one hand, there is, on the other hand, an incomparable demand for resolving disputes fairly and equitably.[10]

The Court, in fine, holds that petitioner, as and when it sues or is sued in the exercise of a governmental function, could come within the category of an exempt agency of government under the Rules.

The Court now addresses the issue of whether or not the petition for relief has been filed with the trial court within the reglementary period prescribed therefor.

Section 3, Rule 38, of the 1997 Rules of Civil Procedure provides that a verified petition for relief must be filed within sixty (60) days after the petitioner learns of the judgment, final order, or other proceeding to be set aside and not more than six (6) months after such judgment or final order has been entered or such proceeding has been taken. It must be accompanied with affidavits showing the fraud, accident, mistake, or excusable negligence relied upon, and the facts constituting petitioner's good and substantial cause of action or defense.

In the instant case, the trial court issued the order approving the compromise agreement on 18 May 1998. Consequentially, two hearings were held in both of which instances petitioner was represented by counsel. The first was on 01 June 1998 when petitioner's co-defendant, Manila Bay Development Corporation ("MBDC"), through Atty. William Chua, openly manifested that it was no longer pursuing its counterclaim against private respondents and its cross-claim against petitioner because of the approval of the compromise agreement. On 17 June 1998, the parties executed a Deed of Exchange of Real Properties pursuant to the compromise. The second hearing took place on 02 July 1998, where the counsel for private respondents similarly manifested that they were withdrawing all claims against Uniwide and MBDC. Thus, the trial court, in its order dated 03 July 1998, dismissed with prejudice all the claims by the plaintiffs and defendants against each other. This narration was neither denied nor refuted by petitioner.

Surprisingly, petitioner, while reiterating in its own Memorandum the same sequence of events, would now argue, however, that its incumbent management was not aware that prior to 15 July 1998, its previous counsel was already aware of the existence of the 18th May 1998 resolution of the trial court, indicating parenthetically, that indeed the petition for relief was filed beyond the sixty-day period allowed therefor. It would not be right to allow a mere change of management of PEA to defeat the operation of the Rules on reglementary period.

Having thus concluded, the Court may not freely take on the third issue raised by petitioner.

Significantly, one other substantive matter brought up during the oral argument of the case is that the property subject matter of the case was still under water[11] when titled, in the name of Fermina Castro and when it was thereafter conveyed to private respondents; however, this issue, yet unventilated and a subject beyond the limited

coverage of PEA's charter, is not appropriate for consideration and determination, nor can it be peremptorily adjudged, by the Court in this instance. In resolving this petition, the Court does not thus foreclose the right of the Republic of the Philippines itself from pursuing any proper recourse in such separate proceedings as it may deem warranted.

WHEREFORE, the instant petition is DENIED, and the temporary restraining order previously issued is accordingly lifted. No costs.

SO ORDERED.

Melo, (Chairman, Third Division), Panganiban, Gonzaga-Reyes, and Sandoval-Gutierrez, JJ., concur.

[1] Manchester Development Corporation vs. Court of Appeals, 149 SCRA 562.

[2] Section 5, paragraph (n), Presidential Decree No. 1084.

[3] 249 SCRA 538.

[4] Acda vs. Minister of Labor, 119 SCRA 306.

[5] Manchester Development Corporation vs. Court of Appeals, 149 SCRA 562; Rodillas vs. Commission on Elections, 245 SCRA 702; Pedrosa vs. Hill, 257 SCRA 373.

[6] Cucio vs. Court of Appeals, 136 SCRA 669; Del Rosario & Sons Logging Enterprises, Inc. vs. NLRC, 136 SCRA 669; Manila Mandarin Employees Union vs. NLRC, 264 SCRA 320.

[7] San Andres vs. Court of Appeals, 212 SCRA 1; Santos vs. Court of Appeals, 253 SCRA 632.

[8] Vda. De Ordoveza vs. Raymundo, 63 Phil. 275; Ronquillo vs. Marasigan, 5 SCRA 304.

[9] PNB vs. Court of Appeals, 246 SCRA 304 citing Workmen's Insurance Co. vs. Augusto, 40 SCRA 123.

[10] Santos vs. Court of Appeals, Supra.

[11] The transcript of stenographic notes during the oral argument before the Court held on 06 September 2000 reads, in part, thusly:

JUSTICE ARTEMIO V. PANGANIBAN:

Going back to this property. This property is not part of the Coastal Road?

ATTY. CRUZ:

No, no, Your Honor, it has been there since the hearing of the case on the merits in 1974, they presented documents, the Bureau of Lands.

JUSTICE ARTEMIO V. PANGANIBAN:

Is this property already traversed by the Coastal Road?

ATTY. CRUZ:

Yeah, but they did not institute any expropriation proceeding and we discovered this only so from then on when they found out that this property was traversed by the Coastal Road, no expropriation proceedings has been filed. The plaintiffs made representation with the Bureau of Public Works, the PEA, the Department of Justice, the Solicitor General, no action was taken until the plaintiff were compelled to file this case on 21 July 1996 paying a filing fee of 5 Million and 50 pesos, they know that.

JUSTICE ARTEMIO V. PANGANIBAN:

Yes, not necessarily the 17 thousand square meters, it has already been used.

ATTY. CRUZ:

Yes, it was traversed by the Coastal Road directly.

JUSTICE PANGANIBAN:

It has already been used.

x x x x x x x x

ASSISTANT SOLICITOR GENERAL DE LEON:

Your honor, unfortunately it was the old management that agreed to have a compromise despite the many defects of the title and the admission comes now from counsel that the property lies under the Coastal Road.

JUSTICE JOSE A. R. MELO:

That was traversed, according to them.

ATTY. CRUZ:

Traversed.

ASSISTANT SOLICITOR GENERAL DE LEON:

The whole coastal road is reclaimed area. There is nothing there that was not reclaimed. That means when they got their title in 1974 there is no reclamation yet. So, what was that before, before, it is not yet land at that time, coming from them, traversed by the coastal road.

JUSTICE JOSE A. R. MELO:

Is it entirely reclaimed in the sense that it was reclaimed from the sea or, tinambakan lang ulit.

ASSISTANT SOLICITOR GENERAL DE LEON:

Yes, Your Honor, from the sea. I do not know because they were in charge with the project. The fact is that the Coastal Road started '75 and just finished in 1985, it took 10 years to finish that reclamation because of the long road. So, if they admit now that they are traversed by the coastal road and they got the title in 1974, how could that be, how could they register a title to the property.

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