

ASIAN TRANSMISSION CORPORATION, PETITIONER, VS. CANLUBANG SUGAR ESTATES, RESPONDENT.

G.R. No. 142383. August 29, 2003

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

This is a petition for review on certiorari under Rule 45 of the 1997 Rules of Civil Procedure filed by Asian Transmission Corporation for the nullification of the Decision[1] of the Court of Appeals dated August 19, 1999 dismissing the petition for review of the petitioner in CA-G.R. SP No. 40757 and its Resolution dated March 14, 2000 denying the petitioner's motion for reconsideration of the said decision.

Antecedents

The respondent Canlubang Sugar Estates (CSE) is a domestic corporation duly organized and existing under the laws of the Philippines. Controlled by the Yulo family, the CSE is the owner of a parcel of land covered by Transfer Certificate of Title No. 76420 with an area of fifty thousand square meters located within the Canlubang Industrial Park in Canlubang, Laguna. The Yulo family managed another corporation, the CARCO, a domestic corporation engaged in car manufacturing.

Sometime in 1972, Nisho-Iwai Co., Ltd., Mitsubishi Motors Corporation and Chrysler Philippines, at the initiative of CARCO, formed a joint venture for the purpose of establishing and operating a transmission manufacturing plant in the Philippines in line with the car manufacturing program of the government.

On December 13, 1972, the three corporations, as lessees, executed a lease contract, with the CSE as lessor, over the aforecited property for a period of twenty-five years renewable at the option of the lessees under the same terms and conditions. The parties further agreed that the annual rent shall be P150,000 payable on or before April 30, 1973 and every year thereafter, with a provision that--

... a reasonable adjustment of the rental shall be agreed upon by the parties upon the renewal and on the fifteenth year of the original and the renewal terms of this lease.[2]

In the meantime, Nisho-Iwai Co., Ltd., Mitsubishi Motors Corp., and Chrysler Philippines organized themselves into a corporation known as the Asian Transmission Corporation (ATC). On May 30, 1978, the CSE and the ATC executed a deed denominated as an Adoption of Lease Agreement (with amendments), over the same property under which the parties agreed inter alia that (a) the lease shall be for a period of twenty-five years effective July 1, 1973, subject to renewal at the option of the lessee for another term of twenty-five years under the same terms and conditions except only as to the annual rental payable; (b) the annual rental for the first five years shall be P62,473.20 or P1.20 per square meter. The following provision was also incorporated in the lease agreement:

... The annual rental shall be reviewed by the parties, and if indicated reasonably adjusted by their mutual agreement, every five (5) years during the effectivity of the lease, both in the rental term thereof and in the additional term of twenty-five (25) years upon the renewal that the LESSEE may elect to effect pursuant to the option given to it in Paragraph 2 of this agreement, above.[3]

In 1991, the ATC and the CSE negotiated and agreed to adjust the annual rental for the leased premises. On July 24, 1991, the ATC and the CSE executed a Memorandum of Agreement (MOA) under which the annual rental for the property was increased to P3,373,552.80 for the period of July 1, 1991 to June 30, 1992. The rental from July 1, 1992 to June 30, 1993 was increased by 8%, or P3,642,187.50.[4] There was, however, no agreement as to the annual rental subsequent to 1993. The parties agreed that the other terms and conditions of the amended lease agreement formed part of the MOA.

In the meantime, the CSE proposed a reduction of the leased area by 14.4% or seven thousand five hundred (7,500) square meters and the increase of the annual rental to P15,000,000. Negotiations forthwith ensued. The CSE offered to give a corresponding adjustment in the annual rental. For its part, the ATC engaged the services of the General Appraisal Company (GAC) to conduct an appraisal of the fair rental value of the property. On April 27, 1993, the GAC submitted the following report:

After an analysis of the foregoing we have estimated the capitalization rate to be 3%. Relating this rate to the indicated value of the land, the fair rental value of the property is estimated as follows:

Land Value _____
P41,649,000

Interest on Land Value

P41,649,000 @ 3%
= P 1,249,470.00

Real Estate Tax
= 46,854.90

P 1,296,324.90

P1,296,000 per year or

SAY

P 108,000 per month

Based on Assessed Value of the property gathered from the Assessor's office of the Province of Laguna which has a value of P1,561,830. Applying a 3% rate tax is computer (sic) as P46,854.90 per annum.[5]

On August 26, 1993, the ATC tendered the amount of P3,461,265.17 to the CSE in payment of the annual rental for the period of July 1, 1993 to June 30, 1994 pending agreement on the new lease rate.[6]

In a Letter dated September 3, 1993, the CSE informed the ATC that it was accepting the amount as partial payment for the rental for the said period subject to the outcome of the on-going negotiations.[7]

On October 11, 1993, the ATC wrote the CSE, objecting to the reduction of the area of the leased property and the increase of the annual rental by 500% or to P15,000,000 for the following reasons: (a) the area of the property to be excluded was already being used by the ATC for storage and expansion of warehouse facilities, and the exclusion of the said portion of the property from the lease contract would derail its expansion plan; (b) the proposed rental rate of P15,000,000 a year for the period of July 1, 1992 to June 30, 1993 and subsequent thereto was excessive considering that the rental for the preceding year was P3,642,187.50; (c) under the contract, no term or condition other than the rental may be reviewed or adjusted and only once every five years, and since the last review and adjustment was made in 1991, the annual rental could be reviewed after five years thereafter, or in

1996. The ATC offered to return not more than 2,061 square meters for the construction of the road to serve as ingress and egress points to the Silangang Canlubang Industrial Park from the superhighway, and to increase the annual rental for the property to not more than P3,642,187.50. The ATC even offered to buy the property as an alternative. In closing, the ATC remarked, "thus we shall of course appreciate your thoughts on the matter as well." [8]

The CSE considered the October 11, 1993 letter of the ATC as a rejection of its proposal for a revised annual rental of the leased premises and a violation of the MOA and their lease agreement. On October 25, 1993, the CSE notified the ATC of the termination of the lease agreement effective October 26, 1993 and requested the ATC to vacate the property within fifteen days from notice. [9] The CSE stated that the ATC's stand was a manifestation of bad faith. The CSE did not demand the payment of back rentals.

On November 4, 1993, ATC Senior Vice-President Gregorio Eleosida met with Atty. Jose Enrique Yulo of the CSE to negotiate the lease agreement, to no avail. Nevertheless, on November 5, 1993, the ATC, represented by counsel, wrote the CSE proposing a meeting to further negotiate the terms of the lease agreement, preferably before November 8, 1993, in the hope of finding a mutually acceptable solution. The ATC requested the CSE to withhold any action pending the result of the meeting. [10]

On November 11, 1993, the ATC filed a complaint for specific performance with damages against the CSE with application for temporary restraining order and/or writ of preliminary injunction before the Regional Trial Court of Calamba, Laguna, Branch 37, docketed as Civil Case No. 2052-93-C. [11] The ATC alleged inter alia that (a) by unilaterally terminating the lease upon its insistence that a new annual rental of P15,000,000 be imposed, the CSE breached the contract of lease, more particularly the provision allowing the review of the annual rental only after every five years upon mutual agreement, and after the rent has been proven to be unreasonable; (b) the unilateral termination of the contract would disturb the ATC's peaceful possession of the property, thus violating the lease agreement in a wanton, fraudulent, reckless, oppressive and malevolent manner necessitating the award of exemplary damages of at least P500,000; (c) the ATC was compelled to litigate to protect its rights because of the CSE's unilateral termination of the lease and its demand to vacate the property; (d) due to the irreparable damage that would arise out of the termination of the contract, a temporary restraining order or a writ of preliminary injunction should be granted. The ATC alleged that--

3.4 CSE should, therefore, be directed to comply with the conditions of the Lease Agreement, the Adoption of Lease, and the MOA which granted [the] lessee peaceful use and possession of a fixed area of property for a fixed term for 25 years (until 1998) at the last agreed rental of P3,461,265.17. [12]

It prayed that, after due proceedings, judgment be rendered in its favor, thus:

3. After trial on the merits, this Court render judgment:

a.

In favor of plaintiff and against defendant compelling defendant to comply with the terms and conditions of the lease and allow plaintiff to continue in peaceful possession of the leased premises during the term of the lease;

b. Convert the preliminary injunction into a permanent injunction; and

c. Ordering defendant to pay plaintiff:

- Actual damages in the amount of P500,000;

- Moral damages in the amount of P500,000;

- Exemplary damages in the amount of P500,000; and

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Attorney's fees and appearances in litigation in the amount of P200,000.[13]

For its part, the CSE filed on November 25, 1993 a civil complaint for unlawful detainer against the ATC with the Municipal Trial Court of Calamba, Laguna, alleging inter alia that the ATC violated its lease agreement by refusing, per its October 11, 1993 Letter, to review the annual rental rate over the leased property on or before July 1, 1993. The CSE did not, however, claim reasonable compensation for the ATC's use of the property from July 1, 1993. The CSE prayed that after due proceedings judgment be rendered in its favor, to wit:

WHEREFORE, after due process, it is respectfully prayed that judgment be rendered in favor of plaintiff:

- Ordering defendant and all other persons claiming right under it to VACATE the subject premises.

- For other just reliefs.[14]

The case was docketed as Civil Case No. 3215. The ATC filed a supplemental complaint in Civil Case No. 2052-93-C impleading the MTC of Calamba as party-defendant. In its answer to the complaint, the CSE alleged that the ATC violated the MOA and the parties' lease agreement by refusing to negotiate the amount of annual rental on or before July 1, 1993.

On January 25, 1994, the RTC, Branch 37, issued in Civil Case No. 2052-93-C a temporary restraining order, restraining the MTC of Calamba from hearing the unlawful detainer case so as not to render the RTC decision moot and academic.[15] The court thereafter issued a writ of preliminary injunction.

During the pre-trial in Civil Case No. 2052-93-C, the ATC marked in evidence as Exhibit "F" a copy of the Fair Rental Study of the leased property made by the Asian Appraisal Co., Inc. On March 23, 1994, the court issued a pre-trial order defining the issues to be litigated by the parties:

"1. Was the termination by CSE of the Lease Agreement dated December 13, 1972, the Adoption of Lease Agreement with Amendments dated May 30, 1975, and the Memorandum of Agreement dated July 24, 1991, valid or not?

2. Can ATC recovered (sic) damages, attorney's fees and cost from CSE and vice versa? x x x"[16]

On April 14, 1994, the CSE filed a motion for summary judgment. On August 22, 1994, the RTC granted the motion. On August 23, 1994, a decision was rendered in favor of the CSE, the decretal portion of which reads:

IN VIEW OF THE FOREGOING, the Court hereby renders judgment in favor of the defendant Canlubang Sugar Estate (CSE) and against the plaintiff Asian Transmission Corporation (ATC) and declaring CSE's termination of the lease contract as valid. The writ of preliminary injunction issued by this Court against the defendants is hereby lifted and set aside. The complaint and the supplemental complaint are DISMISSED.[17]

The court held that the plaintiff violated its MOA and lease agreement with the CSE when it refused to negotiate for an increased annual rental effective July 1, 1993 as provided for in Section 5 of the MOA and lease agreement:

Thus, the first (1st) review and adjustment of annual rental were to cover the period from July 1, 1973 to June 30, 1978, the second (2nd) five (5) year period to cover the period from July 1, 1978 to June 30, 1983, the third (3rd) five (5) year period to cover the period from July 1, 1983 to June 30, 1988, the fourth (4th) five-year period to cover period from July 1, 1988 to June 30, 1993 and the fifth (5th) five (5) year period to cover the period from July 1, 1993 to June 30, 1998. Clearly, by refusing to enter into a review of the rental and to claim that the review should be done in 1996 is a violation of the above-cited provision of the Lease Agreement. Consequently, CSE acted within its rights when it rescinded the lease agreement.[18]

The court dissolved the writ of preliminary injunction issued by it. Aggrieved, the ATC interposed an appeal before the Court of Appeals, docketed as CA-G.R. CV No. 45820.

The MTC forthwith proceeded with the unlawful detainer case in Civil Case No. 3215. It issued on September 26, 1995 an Order defining the issues for its resolution, to wit:

... (1) Did Canlubang Sugar Estate violate the lease agreement by making a unilateral demand without consultation to vacate on account of Asian's failure to agree with its demand to increase the rental to 15 million; (2) Whether or not the increase in rental would be reasonable or any increase was mutually agreed upon; and (3) Did the plaintiff act properly or with valid ground in filing this complaint.[19]

On October 27, 1995, the MTC of Calamba rendered a decision in favor of the CSE. It ruled that the ATC violated the lease agreement and the MOA when it refused, through its October 11, 1993 Letter, to negotiate for the increase of the rental over the leased property. The decretal portion of the decision reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff, Canlubang Sugar Estate and against the defendant Asian Transmission Corporation, and the said defendant and all persons claiming any rights under it are ordered to immediately vacate the leased premises covered by TCT No. T-76420 located at Canlubang Industrial Park, Canlubang, Calamba, Laguna, with costs against the defendant. And to pay the annual rentals demanded by the plaintiff.

The compulsory counter-claim interposed by the defendant is hereby dismissed for lack of merit.[20]

The ATC appealed the decision to the RTC of Calamba, Laguna, which was docketed as Civil Case No. 2247-95-C. The case was raffled to Branch 92.

On January 16, 1996, the Court of Appeals rendered a decision[21] in CA-G.R. CV No. 45820 reversing the RTC decision in Civil Case No. 2052-93-C. The CA held that the October 11, 1993 Letter of the ATC was not indicative of its refusal to enter into a review of the rental. The letter should instead be construed as a mere proposal, in reply to the CSE's offer to increase the annual rent to P15,000,000 and reduce the land area leased. Hence, it cannot be said that the ATC violated the provisions of the lease agreement, particularly the provision on the renewal of the annual rent. Even assuming that the lease agreement was violated, it was not a substantial breach as to warrant a rescission of the lease agreement. The CA ruled that there were genuine triable issues posed by the parties in their pleadings, such as the interpretation of the lease agreement regarding the adjustment of rental rates; consequently, a summary judgment was improper. The decretal portion of the CA decision reads:

WHEREFORE, premises considered, the appealed decision is hereby REVERSED and SET ASIDE and the records of this case are remanded to the Court of origin for trial on the merits with full opportunity for both parties to present their evidence and thereafter for the trial court to render the proper decision. In the meantime, Asian Transmission Corporation shall continue its peaceful possession and enjoyment of the property.[22]

The decision of the CA became final and executory.

On May 3, 1996, the RTC rendered a decision in Civil Case No. 2247-95-C affirming with modification the decision of the MTC in Civil Case No. 3215. The court ruled that the CSE was entitled to an annual rental in the amount of P15,000,000 starting July 1, 1993, thus:

In view of the foregoing, judgment is rendered in favor of Canlubang Sugar Estate and against Asian Transmission Corporation. The said defendant Asian Transmission Corporation and all persons claiming rights under it are ordered to vacate the lease (sic) premises covered by TCT No. T-76420, located at the Canlubang Industrial Park, Canlubang, Calamba, Laguna and to pay the plaintiff the amount of P15,000,000.00 per annum starting July 1, 1993 up to the time the premises in question is vacated and to pay the costs. The compulsory counterclaim by the defendant is dismissed for lack of merit.

The decision of the Municipal Trial Court, Calamba, Laguna dated October 27, 1995 is affirmed, but modified accordingly.[23]

The ATC filed a petition for review before the Court of Appeals docketed as CA-G.R. SP No. 40757 with a plea for a temporary restraining order. On June 21, 1996,[24] the CA issued a temporary restraining order which was later converted into a writ of preliminary injunction, enjoining Branch 92 of the RTC of Calamba, Laguna, from implementing its decision pending the appeal of the case.

On May 18, 1998, the ATC wrote the CSE that it would be turning over the leased premises to the CSE on June 30, 1998.[25] On June 23, 1998, the ATC reaffirmed that it would turn over possession of the property to the CSE on June 30, 1998.[26] However, the CSE did not agree to the removal of the ATC's improvements on the property, claiming that the property would thereby sustain damage.[27]

On August 19, 1999, the CA rendered a decision in CA-G.R. SP No. 40757 affirming the decision of the RTC, and dismissing the petition for review filed by the ATC.[28] The CA ruled that through its October 11, 1993 Letter to the CSE, the ATC rejected the CSE's offer and violated the lease agreement as well as the MOA.

The CA also held that the statement of the court in CA-G.R. CV No. 45820, that the October 11, 1993 Letter for the ATC was not indicative of its refusal to enter into a review of the rental, was merely an obiter dictum. The appellate court ruled that the ATC failed to adduce proof to controvert the amount of rental to be paid by the ATC as adjudged by the MTC and the RTC in the amount of P15,000,000. The ATC filed a motion for the reconsideration of the decision of the CA.[29] The ATC alleged that the CSE never claimed in its complaint with the MTC the payment of back rentals after June 30, 1993, much less the amount of P15,000,000 as annual rental. The issue of the fair rental value of the property was raised by the parties in Civil Case No. 2052-93-C, where the ATC adduced in evidence an appraisal report.[30]

Before its motion could be resolved by the CA, the ATC filed on October 25, 1999 a Manifestation and Motion alleging that:

... in view of the completion of the construction of its new manufacturing plant in Carmelray, Laguna, it was willing to vacate the premises by the end of June 1998 and that "in order to settle the dispute regarding the improvements therein and to proceed with their agreement to negotiate a mutually acceptable compromise, the parties undertook to engage the services of an independent appraiser to determine the fair rental value of the improvements owned by ATC existing thereon," ...[31]

The CA denied the ATC's motion for reconsideration holding that:

Moreover, we cannot consider the appraiser's report on the fair rental value in the absence of clear and convincing evidence that the said report was mutually agreed upon by the parties as claimed by petitioner. Besides, it appears significant to us that the limiting conditions in the appraiser's report state that:

"7. Neither the whole nor any part of this report and valuation nor any reference thereto may be included in any document, circular or statement without our written approval of the context in which it will appear.

"8. This appraisal is invalid unless it bears the service seal of GENERAL APPRAISAL COMPANY, (PHILIPPINES), INC."

The appraiser's report is in effect hearsay and we cannot give it evidentiary weight. To our mind it would be just and equitable that private respondent be authorized to withdraw the remainder of the rental deposit in the amount of P3,319,688.94.[32]

The CA set the case for hearing on the issue of damages which the CSE claimed arose from the issuance of a writ of preliminary injunction on March 30, 2000. The CA stated that in view of the ATC's October 25, 1999

Manifestation, the issue of possession of the leased property had become moot and academic. The ATC forthwith filed on March 29, 2000 its petition for review with this Court.

In CA-G.R. CV No. 45820, the CA ordered that, pending resolution of Civil Case No. 2052-93-C, the ATC should continue in peaceful possession and enjoyment of the property. In contrast, the CA in CA-G.R. SP No. 40757, affirmed the decision of the RTC in Civil Case No. 2247-95-C which affirmed the decision of the MTC in Civil Case No. 3215 ordering the eviction of the ATC from the property.

While the present case was pending, the CSE filed on May 5, 2000 a motion for execution pending appeal in Civil Case No. 2247-95-C (the appealed unlawful detainer case) before Branch 92 of the RTC of Calamba, Laguna.[33] The ATC opposed the motion contending that the filing of its petition for review on certiorari suspended all proceedings before the RTC. The ATC cited the ruling of this Court in *Eternal Gardens Memorial Park Corporation v. Court of Appeals*.^[34] Fearing that the RTC would grant the CSE's motion for execution, the ATC filed in this Court on June 13, 2000 a Very Urgent Motion for the Issuance of a Temporary Restraining Order to restrain the RTC of Calamba, Laguna, Branch 92, from issuing a writ of execution. The CSE opposed the motion. By way of reply, the ATC alleged that it had vacated the property and there was nothing left to execute, except the collection of the rent in arrears under the lease agreement.

On June 14, 2000, this Court issued a Resolution merely noting the urgent motion of the ATC for the issuance of a TRO. On July 24, 2000, the RTC issued an order denying the motion for a writ of execution filed by the CSE. Undaunted, the CSE filed a motion for reconsideration, and on November 6, 2000, the RTC issued an order reconsidering its July 24, 2000 Order and granted the CSE's motion for execution. A writ of execution was later issued. The writ was forthwith enforced by the ex-officio sheriff by garnishing the funds of the ATC with its depository banks. Alarmed, the ATC filed on November 20, 2000 a petition for certiorari with the CA for the nullification of the November 6, 2000 Order of the RTC in Civil Case No. 2247-95-C and the writ of execution issued by the said court with a prayer for the issuance of a temporary restraining order to enjoin the court from enforcing and implementing the writ of execution issued by it.^[35] The CA issued a TRO staying the implementation of the writ of execution issued by the RTC. In its Comment on the petition with the CA, the CSE alleged that the ATC was guilty of forum shopping when it filed the said petition for certiorari.

On January 22, 2001, this Court gave due course to the petition at bar. The CSE filed its comment on the petition asserting that:

I.

THE APPEAL IS MANIFESTLY FRIVOLOUS AND DILATORY SINCE THE ISSUES PRESENTED BY PETITIONER ARE PURELY QUESTIONS OF FACT.

II.

PETITIONER ADMITS THAT IT HAS BEEN GUILTY OF FORUM-SHOPPING.^[36]

On February 7, 2001, the CSE filed with this Court a motion for leave to file a supplemental comment and/or another notice of forum shopping and to admit the said Comment. The Court granted the CSE's motion and admitted its supplemental comment, wherein it was contended that:

- There is no doubt that petitioner ATC was shopping for a friendly forum when it filed a new case (CA-G.R. SP No. 61722) after its "Verified Urgent Motion for Issuance of Temporary Restraining Order" dated June 7, 2000 was not granted by this Honorable Court.
- Respondent CSE is praying in its motion for reconsideration before the Court of Appeals for the dismissal of

CA-G.R. SP No. 61722. In the same vein, the instant petition before this Honorable Court must also be dismissed. When forum shopping is deemed to exist, the summary dismissal of both actions is warranted (Prubankers Association vs. Prudential Bank Trust Co., 302 SCRA 74).[37]

In the meantime, the CA rendered a decision[38] in CA-G.R. SP No. 61722 on January 23, 2001 granting the ATC's petition and nullifying the November 6, 2000 Order of the RTC in Civil Case No. 2247-95-C. The CA ruled that since the CSE had regained possession of the leased property, there was no longer a need to execute the decision of the RTC. The CSE filed a motion for reconsideration of the decision alleging that the CA ignored its submission that the ATC was guilty of forum shopping. The CA denied the motion. The CSE filed a petition for review on certiorari on September 1, 2001 with this Court docketed as G.R. No. 149211 for the reversal of the decision of the CA which reversed the November 6, 2000 Order of the RTC.

In its petition at bar, the petitioner ATC assails the August 19, 1999 Decision and March 14, 2000 Resolution of the CA, contending that:

A.

THE COURT OF APPEALS' RULING IN CA GR 45820 CONSTITUTES THE LAW OF THE CASE ON WHETHER OR NOT ATC VIOLATED ITS LEASE AGREEMENT WITH THE CSE.

B.

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN RULING THAT ATC IS THE PARTY GUILTY OF COMMITTING A BREACH OF CONTRACT CONSIDERING:

B.1. THAT THE FINDING ATC REFUSED TO NEGOTIATE IS CONTRARY TO THE EVIDENCE EXISTING ON THE RECORDS.

B.2. THAT THE LAW ON INTERPRETATION OF CONTRACTS INDICATE THAT THE LEASE RENTAL WAS NOT UP FOR REVIEW WHEN CSE DEMANDED AN INCREASE THEREON AND THUS, ATC HAD NO OBLIGATION TO NEGOTIATE.

C.

THE COURT OF APPEALS ERRED IN IMPOSING THE RENTAL TO BE PAID BY ATC CONSIDERING THAT THE COURT HAS NO AUTHORITY TO COERCE THE PARTIES TO AGREE TO THE AMOUNT OF RENTALS. FURTHERMORE, THE COURT OF APPEALS IN AN APPEAL FROM AN EJECTMENT CASE HAS NO POWER TO FIX A RENTAL RATE DIFFERENT FROM THAT AGREED UPON BY THE PARTIES UNDER A CONTRACT.

D.

THE COURT OF APPEALS ERRED IN SETTING THE CASE FOR HEARING ON THE APPLICATION FOR DAMAGES AGAINST THE BOND.[39]

The Court shall resolve the issues posed by the respondent and the petitioner sequentially.

The respondent CSE avers that the petitioner is guilty of forum shopping because after filing its Very Urgent Motion for a Temporary Restraining Order to enjoin the RTC from granting its motion for a writ of execution in Civil Case No. 2247-95-C, the petitioner ATC filed a petition for certiorari with the Court of Appeals in CA-G.R. SP No. 61722 for the nullification of the November 6, 2000 Order of the RTC in Civil Case No. 2247-95-C, which granted the respondent's motion for a writ of execution pending appeal. The respondent posits that the petitioner should have filed the motion for the issuance of a temporary restraining order in this Court. Consequently, the present petition and the petition in CA-G.R. SP No. 61722 should be dismissed, conformably to Section 5, Rule 7 of the 1997 Rules of Civil Procedure, as amended.[40]

We do not agree. We take judicial notice^[41] that the respondent already raised this same issue of forum shopping in CA-G.R. SP No. 61722, when the petitioner herein filed the said petition for certiorari instead of filing a motion for the nullification of the November 5, 2000 Order of the RTC in Civil Case No. 2247-95-C. When the CA granted the petition and denied the respondent's motion for reconsideration, the respondent filed its petition for review on certiorari with this Court.^[42] The respondent alleged therein that its petition for certiorari with the appellate court in CA-G.R. SP No. 61722, after filing its Very Urgent Motion for Issuance of a Temporary Restraining Order to enjoin the RTC from granting the respondent's motion for a writ of execution in Civil Case No. 2247-95-C was merely noted by this Court in G.R. No. 142383. The petitioner should have filed a motion in this case for the issuance of a temporary restraining order to enjoin the RTC from granting the motion for reconsideration of the respondent in Civil Case No. 2247-95-C.

This Court issued a Resolution in G.R. No. 149211 on October 2, 2001 denying the petition, for the respondent CSE's failure to sufficiently show that the CA committed any reversible error in the challenged decision as to warrant the exercise of the Court's discretionary appellate jurisdiction. The resolution of this Court became final and executory on December 19, 2001. Entry of judgment was thereafter made of record. The Court is therefore proscribed from delving into and once more resolving the same issue of forum shopping raised by the respondent in this case.

From our review of the records, we believe that the issue of whether or not the trial court and the CA erred in holding that the petitioner was obliged to enter into a review of the annual rental after June 30, 1993 and that it breached its lease agreement with the respondent when it refused to do so had become moot and academic. The petitioner had surrendered the possession of the leased property on June 30, 1998 to the CSE and the latter had accepted the same. The inefficacy of the lease agreement of the parties including the MOA is now a *fait accompli*. The only issue that remains to be resolved by the Court is whether or not the petitioner is liable to the respondent for the amount of P15,000,000 as reasonable compensation for the lease of the property as decreed by the MTC, the RTC and the CA in their respective decisions.

The petitioner avers that the CA erred in affirming the decision of the RTC ordering it to pay to the respondent the amount of P15,000,000 as reasonable compensation for the leased premises from July 1, 1993 until the property was vacated. The petitioner contends that there is no basis for awarding the amount of P15,000,000 as rental for the property from July 1, 1993; in fact, the respondent, in its complaint before the MTC, did not claim the payment of back rentals from July 1, 1993 in the said amount. It merely prayed that the petitioner be ordered to vacate the property. Even if the respondent did pray for payment in the amount of P15,000,000, the trial court had no authority to award a fair rental value different from or in excess of that fixed by the parties in their lease agreement.

We agree with the petitioner that the respondent failed to allege in its complaint any claim for reasonable compensation by way of annual rental for the leased property in the amount of P15,000,000 from July 1, 1993 onwards. The respondent did not specifically pray in its complaint that the petitioner be ordered to pay reasonable compensation for its possession of the leased property amounting to P15,000,000 effective July 1, 1993. The respondent merely prayed for "other just reliefs" in addition to its plea that the petitioner be ordered to vacate the property. There is authority that prayer is not part of a cause of action and cannot supply facts not stated in the complaint.^[43] The facts set forth in the complaint and not the prayer ordinarily determine the basis of the plaintiff's relief.^[44] The prayer in the complaint will not be construed as enlarging on the complaint so as to embrace a cause of action not pleaded therein.^[45] Citing its decision in *Emmanuel v. Barnard*,^[46] the State Supreme Court of Nebraska held in *Branz v. Hylton*,^[47] that:

It is also a general principle of law that a court cannot set itself in motion, nor has it power to decide questions

except as presented by the parties in their pleadings. Anything that is decided beyond them is coram non-judice and void. Therefore where a court enters a judgment or awards relief beyond the prayer of the complaint or the scope of its allegations the excessive relief is not merely irregular but is void for want of jurisdiction, and is open to collateral attack.

The appellate court also ruled that "a judgment of a court upon a subject within its general jurisdiction, but which is not brought before it by any statement or claim of the parties, and is foreign to the issues submitted for its determination, is a nullity.[48] However, prescinding from the aforecited case law, the MTC was not precluded from rendering judgment for reasonable compensation by way of rentals for the leased premises.

First. Under Section 17, Rule 70 of the Revised Rules of Court, the trial court is empowered to award reasonable compensation for the use and occupation of the leased premises if the same is duly proved.[49]

Second. As gleaned from the trial court's pre-trial order, the parties agreed to litigate on the issue of whether or not the increase in rental to P15,000,000 was reasonable, or whether or not any increase was mutually agreed upon by the parties. The petitioner did not impugn the said pre-trial order of the court. By submitting the issue for the court's resolution, the petitioner was thus estopped from asserting that it was beyond the power of the MTC to award reasonable compensation by way of rentals in favor of the respondent, if proved with the requisite quantum of evidence.

It must be stressed, however, that it was not enough for the respondent as plaintiff in the MTC to make a claim for reasonable compensation for its property. The respondent, as plaintiff therein, had the burden to prove its claim by a preponderance of evidence, which means evidence of greater weight or more convincing than that which is offered in opposition to it.[50] Fair rental value is recoverable in the concept of actual damages. Hence, the plaintiff must offer proof of such claim. Section 17, Rule 70 of the 1997 Rules of Civil Procedure, as amended, is clear - the trial court is empowered to award reasonable compensation only if the claim is true. In *Badillo v. Tayag*,[51] we held that a court may fix the reasonable amount of rent, but must still base its action on the evidence adduced by the parties.

Moreover, the trial court is mandated to set out in its decision the facts alleged and proven, with a particularization of the evidence, testimonial and documentary, upon which the findings of facts are based; otherwise, it would be impossible for the appellate court to determine whether or not such findings were sufficiently and logically supported by the evidence relied upon by the parties and the court.[52] In *Nicos Industrial Corporation v. Court of Appeals*,[53] we held that a decision that does not clearly and distinctly state the facts and the law on which it is based leaves the parties in the dark as to how it was reached and is especially prejudicial to the losing party, who is unable to pinpoint the possible errors of the court for review by an appellate court.

We agree with the assertion of the petitioner in this case that as held by this Court, the rental stipulated in a contract of lease shall be the measure of the reasonable compensation for the use by the lessee of the leased property. However, the rental stipulated in said contract that has expired or has been validly rescinded or terminated may no longer be the reasonable value for the use and occupation of the premises as a result or by reason of the change or rise in values.[54] In this case, whether or not the lease contract of the parties had been validly rescinded or terminated after June 30, 1993 is of no moment, because under the MOA, the parties failed to fix the rental of the property after June 30, 1993, to wit:

This will confirm our agreement that Asian Transmission Corporation has agreed to pay Canlubang Sugar Estate the annual rental of THREE MILLION THREE HUNDRED SEVENTY-THREE THOUSAND FIVE HUNDRED FIFTY-TWO 80/100 (P3,373,552.80) effective July 1, 1991 up to June 30, 1992. Said annual rental shall be increased by eight percent (8%) during the period July 1, 1992 to June 30, 1993.

It is understood that the terms and conditions of the Lease Agreement executed between Canlubang Sugar Estate and Asian Transmission Corporation dated May 30, 1975 notarized by Atty. A.C. Flores, under Doc. No. 138; Page No. 29; Book No. IV, and Series of 1975, are hereby adopted as integral parts of this agreement except as above stated and agreed.[55]

During the negotiations for the adjustment of the rental, the parties failed to agree on the rental to be paid by the petitioner over the leased property after June 30, 1993. Consequently, the reasonable amount of rental for the petitioner's use and occupation of the leased property after June 30, 1993 shall be that as proved by the respondent.

Fair rental value is defined as the amount at which a willing lessee would pay and a willing lessor would receive, for the use of a certain property, neither being under compulsion and both parties having a reasonable knowledge of all facts, such as the extent, character and utility of the property, sales and holding prices of similar land and the highest and best use of the property. In *Herpolsheimer v. Christopher*,^[56] it was held that the rental value refers to the value as ascertained by proof of what the property would rent or by evidence of other facts from which the fair rental value may be determined.

In this case, we reviewed the decision of the MTC and found that no findings were made on the fair rental value of the leased property, with particular reference to the evidence adduced by the respondent to prove the same. The trial court ordered the petitioner "to pay the annual rentals demanded by the plaintiff." In fine, the trial court ordered the petitioner to pay the said amount of P15,000,000 merely and solely because such was the amount demanded by the respondent. The RTC in its decision concluded and ordered the petitioner to pay P15,000,000 as reasonable compensation for the property in this wise:

As to the second issue, this Court holds that Canlubang Sugar Estate is entitled to recover from Asian Transmission Corp. the amount of P15,000,000.00 as annual rental starting July 1, 1993, representing the compensation due Canlubang Sugar Estate for the use of its property.

CONCLUSION:

In view of the foregoing, judgment is rendered in favor of Canlubang Sugar Estate and against Asian Transmission Corp. The said defendant Asian Transmission Corporation and all persons claiming rights under it are ordered to vacate the lease[d] premises covered by TCT No. T-76420, located at the Canlubang Industrial Park, Canlubang, Calamba, Laguna, and to pay the plaintiff the amount of P15,000,000.00 per annum starting July 1, 1993 up to the time the premises in question is vacated and to pay the costs. The compulsory counterclaim by the defendant is dismissed for lack of merit.

The decision of the Municipal Trial Court, Calamba, Laguna, dated October 27, 1995 is affirmed, but modified accordingly.

SO ORDERED.[57]

But the court made no ratiocination as to how it arrived at the amount of P15,000,000 with reference to the evidence that the respondent adduced, if any, to prove the said claim, vis-à-vis the evidence adduced by the petitioner. The court made a conclusion without any factual basis. What is so worrisome is that under their MOA, the parties fixed the annual rental of the property for the period of July 1, 1991 to June 30, 1992 at P3,373,352.80; and for the period of July 1, 1992 to June 30, 1993 at the said amount plus 8% or in the amount of P3,642,187.50. But in its decision, the MTC increased the amount by no less than 500% for the period of July 1, 1993 onwards. The trial court did not bother to explain or elucidate how and for what reason the rental value of the property was increased by 500% from P3,642,187.50 to P15,000,000 annually.

The CA decision is likewise as nebulous. It affirmed the decision of the RTC, which affirmed on appeal the

decision of the MTC, fixing the reasonable compensation at P15,000,000 simply because the petitioner offered no controverting evidence as to the fair rental value of the leased property--

With respect to the rental fixed by the trial court, suffice it to say that petitioner failed to present controverting evidence as to the fair rental value of the leased premises. The burden of proof to show that the rental demanded is unconscionable or exorbitant rests upon the lessee. The trial court had the authority to fix the reasonable value for the continued use and occupancy of the premises after termination of the lease contract.[58]

It must be underscored that the respondent was the plaintiff in the MTC. It had the burden to adduce evidence to prove the fair rental value or reasonable compensation for the leased property. If the respondent failed to discharge its burden, the petitioner was not obligated to adduce controverting evidence. The burden of evidence would be shifted to the petitioner only if the respondent, as plaintiff, would be able to adduce preponderant evidence to prove its claim.

IN LIGHT OF ALL THE FOREGOING, the petition is GRANTED. Let this case be remanded to the Municipal Trial Court of Calamba, Laguna, for it to determine, based on the evidence on record, the fair rental value or reasonable compensation for the use and occupation of the leased property from July 1, 1993 up to the time the petitioner vacated the premises. Costs against the respondent.

SO ORDERED.

Bellosillo, (Chairman), Austria-Martinez, and Tinga, JJ., concur.
Quisumbing, J., in the result.

[1] Penned by Associate Justice Eubulo G. Verzola, with Associate Justices Artemio G. Tuquero and Elvi John S. Asuncion concurring.

[2] Rollo, pp. 80-81.

[3] Id. at 86-87.

[4] Annex "E," Petition, id. at 90-91.

[5] Id. at 233.

[6] Annex "F," Petition, id. at 91.

[7] Annex "G," Petition, id. at 92.

[8] Annex "H," Petition, id. at 93-96.

[9] Annex "I," Petition, id. at 97.

[10] Annex "J," Petition, id. at 98-99.

[11] Annex "K," Petition, id. at 100-152.

[12] Id. at 108.

[13] Id. at 111-112.

[14] Id. at 217.

[15] Id. at 148.

[16] Id. at 141.

[17] Id. at 144.

[18] Id.

[19] Id. at 149.

[20] Id. at 152.

[21] Penned by Associate Justice Eugenio S. Labitoria with Associate Justices Cancio C. Garcia and Portia Aliño Hormachuelos concurring.

[22] Id. at 164.

[23] Id. at 171.

[24] Annex "Q," Petition, id. at 172.

[25] Id. at 256.

[26] Id. at 257.

[27] Id. at 261.

[28] Annex "A," Petition, id. at 54-71.

[29] Id. at 182-279.

[30] Id. at 199-200.

[31] Id. at 75-76.

[32] Id. at 76-77.

[33] Id. at 286-288.

[34] 164 SCRA 421 (1988).

[35] Docketed as CA-G.R. SP No. 61722.

[36] Rollo, p. 348.

[37] Id. at 409.

[38] Penned by Associate Justice Andres B. Reyes, Jr., with Associate Justices B.A. Adefuin-Dela Cruz and Rebecca De Guia-Salvador concurring.

[39] Id. at 21-22.

[40] SEC. 5. Certification against forum shopping. - The plaintiff or principal party shall certify under oath in the complaint or other initiatory pleading asserting a claim for relief, or in a sworn certification annexed thereto and simultaneously filed therewith: (a) that he has not theretofore commenced any action or filed any claim involving the same issues in any court, tribunal or quasi-judicial agency, and to the best of his knowledge, no such other action or claim is pending therein; (b) if there is such other pending action or claim, a complete statement of the present status thereof, and (c) if he should thereafter learn that the same or similar action or claim has been filed or is pending, he shall report that fact within five (5) days therefrom to the court wherein his aforesaid complaint

or initiatory pleading has been filed.

Failure to comply with the foregoing requirements shall not be curable by mere amendment of the complaint or other initiatory pleading but shall be cause for the dismissal of the case without prejudice, unless otherwise provided, upon motion and after hearing. The submission of a false certification or non-compliance with any of the undertakings therein shall constitute indirect contempt of court, without prejudice to the corresponding administrative and criminal actions. If the acts of the party or his counsel clearly constitute willful and deliberate forum shopping, the same shall be ground for summary dismissal with prejudice and shall constitute direct contempt, as well as a cause for administrative sanctions. (Section 5, Rule 7, *supra*.)

[41] In *Republic v. Court of Appeals*, 277 SCRA 633 (1997), we ruled that:

Mr. Justice Edgardo L. Paras opined:

"A court will take judicial notice of its own acts and records in the same case, of facts established in prior proceedings in the same case, of the authenticity of its own records of another case between the same parties, of the files of related cases in the same court, and of public records on file in the same court. In addition, judicial notice will be taken of the record, pleadings or judgment of a case in another court between the same parties or involving one of the same parties, as well as of the record of another case between different parties in the same court. Judicial notice will also be taken of court personnel."

[42] Docketed as G.R. No. 149211, raffled to the First Division.

[43] *Speizman v. Guill*, 25 S.E.2d 731 (1943).

[44] *Woodley v. Combs*, 187 S.E. 762 (1936).

[45] *Mathes v. Williams*, 134 S.W.2d 853 (1939).

[46] 99 N.W. 666 (1904).

[47] 265 N.W. 16 (1936).

[48] *Lincoln National Bank v. Virgin*, 55 N.W. 218 (1893).

[49] SEC. 17. Judgment. - If after trial the court finds that the allegations of the complaint are true, it shall render judgment in favor of the plaintiff for the restitution of the premises, the sum justly due as arrears of rent or as reasonable compensation for the use and occupation of the premises, attorney's fees and costs. If it finds that said allegations are not true, it shall render judgment for the defendant to recover his costs. If a counterclaim is established, the court shall render judgment for the sum found in arrears from either party and award costs as justice requires.

[50] *Rivera v. Court of Appeals*, 284 SCRA 673 (1998).

[51] G.R. No. 143976, April 3, 2003.

[52] *People v. Escobar*, 157 SCRA 541 (1988).

[53] 206 SCRA 127 (1992).

[54] *Limcay v. Court of Appeals*, 215 SCRA 1 (1992) citing *Aylong v. Jugo*, 78 Phil. 818 (1947).

[55] *Rollo*, p. 90.

[56] 111 N.W. 359 (1907).

[57] Rollo, p. 171.

[58] Id. at 70.

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