

DR. MELANIO MALICDEM AND ROY C. FERRER, PETITIONERS, VS. ROMEO FLORES, RESPONDENT.*G.R. NO. 151001. September 08, 2006*

Ponente: CORONA, J.

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On August 3, 1993, Dr. Apolinario G. Bautista, the former dean of Pangasinan State University (PSU),^[1] entered into a "contract of agreement"^[2] with respondent Romeo Flores and a certain Francisco Lotivio. In the contract, Dr. Bautista, as PSU's representative, allowed them to lease the canteen building and general merchandise store for a monthly rental of P1,200. The contract also obligated them to "shoulder in advance the cost of the required repair/renovation of the said building."^[3] The P1,200 rent was to be deducted from the cost of the repair/renovation until the amount they spent therefor was paid. The term of the contract was six years (September 16, 1993 to September 15, 1999) "subject to extension by agreement of the parties."^[4] Respondent and Lotivio thereafter repaired/renovated the premises and started operating the canteen.

In 1995, Lotivio withdrew from his partnership with respondent.

Before the expiration of the contract, respondent was allegedly assured by PSU^[5] that the contract would be renewed for another six years to enable him to recover the expenses he had incurred for the repair/renovation and operations of the canteen. On September 12, 1999, respondent formally informed the new dean, petitioner Dr. Melanio Malicdem, of his intention to renew the lease contract.^[6] On October 27, 1999, respondent received a letter from Dr. Malicdem notifying him that the contract was not going to be renewed and that PSU President Dr. Rodolfo Asanion had extended the term of the contract to October 31, 1999 only.^[7] In his reply-letter,^[8] respondent reiterated his request to renew the lease contract for another six years. On November 17, 1999, respondent was informed that PSU's decision not to renew the lease was final.^[9]

Because of these developments, respondent instituted an action for specific performance and damages, with prayer for a temporary restraining order (TRO) and/or preliminary injunction against PSU, represented by university officials Dr. Rodolfo Asanion, President; Dr. Melanio D. Malicdem, College Dean and Roy C. Ferrer, Special Director for Administrative Services.^[10] It was docketed as Civil Case No. SCC-2308.

On December 14, 1999, the trial court^[11] set the hearing on respondent's application for issuance of a TRO on December 15, 1999.^[12] At the scheduled hearing, petitioners asked to be represented by the Office of the Solicitor General. The trial court consequently reset the hearing to December 27, 1999.

On December 20, 1999, Dr. Rodolfo Asanion, as PSU's representative, filed an answer^[13] alleging that the lease in question "was an unauthorized contract for it was never approved by the President of the PSU." Furthermore, petitioners never assured respondent that the lease contract would be renewed. In fact, as early as June 9, 1995, the university had advised respondent that the lease contract would be terminated effective at the start of the school year 1995 to 1996.^[14]

This move was meant to comply with the Commission on Audit's recommendation to nullify the contract of lease for being defective. Not only was there no public bidding, the six-year term also violated the two-year limit allowed by Sections 531[15] and 533[16] of the General Accounting and Auditing Manual (GAAM).[17] Dr. Asanion also averred that the complaint did not state a cause of action because "a contract of lease (was) a consensual contract and the court (had) no authority to force the (petitioners) to enter into one."

On December 27, 1999, petitioners requested another postponement of the hearing on the issuance of the TRO.

On January 21, 2000, respondent filed a "{motion for issuance of TRO and/or writ of preliminary injunction,"[18] asserting that despite the advice of the trial court to maintain the status quo, petitioners started the construction of a new canteen near the disputed premises.

On the same date, petitioners filed a "motion to dismiss (with opposition to the prayer for issuance of a TRO and preliminary injunction)."[19] They maintained that respondent had no cause of action against them "as they (were) not legally bound to renew the contract of lease." Petitioners also stated that they had no intention of renewing the contract because respondent allegedly violated several provisions of the lease, namely: (a) failing to pay rentals amounting to P3,510; (b) failing to settle water and electric bills; (c) using the canteen as dwelling place and (d) making improvements without PSU's prior approval.[20]

In his "comment and/or opposition[21]" to the motion to dismiss, respondent maintained that he repaired/renovated the premises because of the assurances made to him that the lease contract would be renewed. He further asserted that the civil case was not only for specific performance but also for damages.

On February 23, 2000, the court a quo issued an order, the pertinent part of which read:

After a careful examination of the divergent stances of the contending parties, this court deems it best to hear the above-cited issues raised by both the plaintiff and the defendants. Besides, this motion was filed after the filing of the answer of the defendants, hence, it should be denied in consonance with Section 1, Rule 16 of the Rules of Court.

WHEREFORE, premises considered, instant Motion to Dismiss is hereby denied for lack of merit.

SO ORDERED.[22]

Petitioners moved for reconsideration[23] but the same was denied on April 5, 2000.[24]

Aggrieved, petitioners filed a special civil action for certiorari[25] in the Court of Appeals. They contended that the trial court acted without or in excess of jurisdiction or with grave abuse of discretion when it denied the motion to dismiss the complaint.

The appellate court dismissed the petition[26] and likewise denied petitioners' motion for reconsideration.[27]

Hence, this petition for review on certiorari[28] on the grounds that:

I

THE COURT OF APPEALS GRAVELY ERRED WHEN IT RULED THAT [THE TRIAL COURT] STATED SUFFICIENT BASIS IN [ITS] ORDER DATED FEBRUARY 23, 2000 WHICH DENIED PETITIONERS' MOTION TO DISMISS IN CIVIL CASE NO. SCC-2308.

II.

THE COURT OF APPEALS GRAVELY ERRED WHEN IT AFFIRMED [THE TRIAL COURT'S] ORDER DENYING PETITIONERS' MOTION TO DISMISS IN CIVIL CASE NO. SCC-2308.

III.

THE COURT OF APPEALS GRAVELY ERRED WHEN IT RULED THAT [RESPONDENT] HAS SUFFICIENTLY STATED A CAUSE OF ACTION AGAINST PETITIONERS.[29]

There is no merit in the petition.

The special civil action for certiorari filed by petitioners with the Court of Appeals was not the proper remedy to assail the denial by the trial court of the motion to dismiss. The order of the trial court denying the motion to dismiss was merely interlocutory. It neither terminated nor finally disposed of the case as it still left something to be done by the court before the case was finally decided on the merits.[30] This being so, the general rule applied: the denial of a motion to dismiss cannot be questioned in a certiorari proceeding under Rule 65 of the Rules of Court as it is a remedy designed to correct errors of jurisdiction and not errors of judgment.[31]

However, in a few instances,[32] we allowed the denial of the motion to dismiss to be the subject of a certiorari proceeding. The parties filing it, however, clearly showed that the trial court committed grave abuse of discretion in denying the motion. Not so in this case, however, as no grave abuse of discretion was demonstrated to have been committed by the trial court in denying petitioners' motion to dismiss. The Court of Appeals therefore did not err in upholding the assailed order of the trial court.

First, the motion to dismiss was clearly dismissible because petitioners had already filed an answer before they filed the motion to dismiss. Section 1, Rule 16 of the Rules of Court provides that the motion to dismiss must be filed "within the time for but before filing the answer to the complaint or pleading asserting a claim." The records undeniably show that petitioners, through Dr. Asanion, filed an answer dated December 20, 1999, a month before they filed the motion to dismiss on January 21, 2000.[33] The answer filed by Dr. Asanion as PSU's representative was binding on petitioners because they were not sued in their personal capacities but as PSU officials.

Second, petitioners' contention that the trial court failed to state its reasons for denying the motion is not correct. The trial court's order denying the motion to dismiss complied fully with Section 3, Rule 16.[34] It narrated the conflicting claims of the parties and concluded that their divergent positions were best threshed out in a full-blown hearing.

It also denied the motion to dismiss on the basis of Section 1, Rule 16 for having been filed after the filing of an answer. This was sufficient to deny the said motion. The trial court followed the right procedure because, after the issues were joined by the filing of the answer, trial should have ensued.

Besides, the requirement of specificity of rulings under Section 14, Article VIII[35] of the Constitution and Section 1, Rule 36[36] is stringently applied only to judgments and final orders. A liberal interpretation of this requirement, on the other hand, may be given to interlocutory orders.[37]

Lastly, contrary to petitioners' contention that respondent failed to state a cause of action, suffice it to say that the allegations in the complaint constituted, at the very least, a cause of action for damages.

Section 1, Rule 8 of the Rules of Court provides that the complaint needs only to allege the ultimate facts upon which plaintiff (respondent herein) bases his claim.

The rules of procedure require that the complaint must make a concise statement of the ultimate facts or the essential facts constituting the plaintiff's cause of action. A fact is essential if it cannot be stricken out without leaving the statement of the cause of action inadequate. A complaint states a cause of action only when it has its three indispensable elements, namely: (1) a right in favor of the plaintiff by whatever means and under whatever law it arises or is created; (2) an obligation on the part of the named defendant to respect or not to violate such right; and (3) an act or omission on the part of such defendant violate of the right of plaintiff or

constituting a breach of the obligation of defendant to the plaintiff for which the latter may maintain an action for recovery of damages.[38]

It might have been true that PSU was under no legal compulsion to renew the contract with respondent. It might have also been true that there was a violation of Sections 531 and 533 of the GAAM due to the absence of public bidding and violation of the two-year limit on a revenue-generating contract. However, nothing is more settled than the rule that, in a motion to dismiss for failure to state a cause of action, the focus is on the sufficiency, not the veracity, of the material allegations. Moreover, the determination is confined to the four corners of the complaint[39] and nowhere else.

In a motion to dismiss a complaint based on lack of cause of action, the question submitted to the court for determination is the sufficiency of the allegations made in the complaint to constitute a cause of action and not whether those allegations of fact are true, for said motion must hypothetically admit the truth of the facts alleged in the complaint.

The test of the sufficiency of the facts alleged in the complaint is whether or not, admitting the facts alleged, the court could render a valid judgment upon the same in accordance with the prayer of the complaint.

If the allegations of the complaint are sufficient in form and substance but their veracity and correctness are assailed, it is incumbent upon the court to deny the motion to dismiss and require the defendant to answer and go to trial to prove his defense. The veracity of the assertions of the parties can be ascertained at the trial of the case on the merits.[40] (emphasis ours)

Furthermore, the issue of whether or not respondent in fact secured PSU's prior approval before he undertook the said repair/renovation was, among other things, a matter best threshed out in a full-blown trial. In short, all this should be resolved in a hearing on the merits of Civil Case No. SCC-2308 where both parties can present their respective evidence.

In *Parañaque Kings Enterprises, Inc. v. Court of Appeals*,[41] we held that:

We find no more need to pass upon the question of whether the complaint states a cause of action for damages or whether the complaint is barred by estoppel or laches. As these matters require presentation and/or determination of facts, they can be best resolved after trial on the merits.

Private respondents cannot be denied their day in court. While, in the resolution of a motion to dismiss, the truth of the facts alleged in the complaint are theoretically admitted, such admission is merely hypothetical and only for the purpose of resolving the motion. In case of denial, the movant is not to be deprived of the right to submit its own case and to submit evidence to rebut the allegation in the complaint. Neither will the grant of the motion by a trial court and the ultimate reversal thereof by an appellate court have the effect of stifling such right. So too, the trial court should be given the opportunity to evaluate the evidence, apply the law and decree the proper remedy. Hence, we remand the instant case to the trial court to allow private respondents to have their day in court. (emphasis ours)

Everything considered, reason dictates that the parties should proceed with the trial to determine their respective rights and obligations.

WHEREFORE, the petition is hereby DENIED. The assailed decision and resolution of the Court of Appeals are AFFIRMED.

Costs against petitioners.

SO ORDERED.

Puno, C.J., (Chairperson), Sandoval-Gutierrez, Azcuna and Garcia, JJ., concur.

* The original complaint in the trial court was filed against Pangasinan State University, represented by Dr. Rodolfo Asanion, President; Dr. Melanio Malicdem, College Dean and Roy C. Ferrer, Special Director for Administrative Services. Only Malicdem and Ferrer, however, appealed to the Court of Appeals and the Supreme Court.

** Judge Edelwina Catubig Pastoral was impleaded in her capacity as Presiding Judge of the Regional Trial Court of San Carlos City, Pangasinan, Branch 50. However, under Rule 45, Section 4 of the Rules of Court, the lower court or judges thereof need not be impleaded in petitions for review filed before this Court.

[1] Bayambang, Pangasinan Campus.

[2] Rollo, pp. 54-55.

[3] Paragraph 2, Contract of Agreement; id.

[4] Paragraph 10, Contract of Agreement; id.

[5] Respondent did not specify who among the PSU representatives assured him of the renewal of the contract.

[6] Rollo, p. 91.

[7] Id., p. 92.

[8] Id., pp. 93-94.

[9] Id., p. 96.

[10] Id., pp. 98-100.

[11] Branch 56, Regional Trial Court, San Carlos City, Pangasinan presided by Judge Edelwina Catubig Pastoral.

[12] Rollo, p. 101.

[13] Id., pp. 102-104.

[14] Id., p. 56.

[15] SEC. 531. Revenue-generating contract defined. - A revenue-generating contract is an agreement whereby the government agent grants to a lessee, contractor, or concessionaire the right to manage and operate the revenue-generating project or facility of the former for a fixed fee, such as, but not limited to, buildings, market and market stalls and spaces, port facilities, cargo handling, warehouse operations, stevedoring, transport service and the like. Except for the rental or lease of market stalls and spaces, no such contracts shall be awarded for the first time or renewed and entered into without the required public bidding. Such public bidding shall be in accordance with pertinent laws, rules and regulations. xxx (underscoring ours)

[16] SEC. 533. Limited period of revenue- generating contract. - As a general rule, the contract shall be limited to one year. It shall be the responsibility of the head of the agency to see to it that the public bidding and award can already be made before the expiration of the contract. A contract period longer than one year but not exceeding two years may, however, be fixed to allow the lessee, contractor or concessionaire to recover the cost of equipment or leasehold improvement necessary to be brought into or introduced in the operation to effectively

fulfill its part of their agreement. (underscoring ours)

[17] Annual Audit Report on the PSU conducted by the COA for 1996; rollo, pp. 58-87.

[18] *Id.*, pp. 112-113.

[19] *Id.*, pp. 105-111.

[20] Petition, p. 26.

[21] Dated February 14, 2000; *id.*, pp. 125-126.

[22] Penned by Judge Edelwina Catubig Pastoral; *id.*, p. 127.

[23] Rollo, pp. 129-136.

[24] *Id.*, p. 137.

[25] Under Rule 65 of the Rules of Court; *id.*, pp. 138-162.

[26] Penned by Associate Justice Renato C. Dacudao and concurred in by Associate Justices Romeo J. Callejo, Sr. (now Associate Justice of the Supreme Court) and Perlita J. Tria Tirona (retired) of the Thirteenth Division of the Court of Appeals; dated August 16, 2001; *id.*, pp. 46-52.

[27] Dated November 26, 2001; *id.*, p. 53.

[28] Under Rule 45 of the Rules of Court.

[29] Petition for Certiorari, rollo, p. 26.

[30] *East Asia Traders, Inc. v. Republic of the Philippines*, G.R. No. 152947, 7 July 2004, 433 SCRA 716.

[31] *Lu Ym v. Nabua, et al.*, G.R. No. 161309, 23 February 2005, 452 SCRA 298.

[32] Under certain situations, recourse to certiorari or mandamus is considered appropriate, that is, (a) when the trial court issued the order without or in excess of jurisdiction; (b) where there is patent grave abuse of discretion by the trial court; or, (c) appeal would not prove to be a speedy and adequate remedy as when an appeal would not promptly relieve a defendant from the injurious effects of the patently mistaken order maintaining the plaintiff's baseless action and compelling the defendant needlessly to go through a protracted trial and clogging the court dockets by another futile case. (*Far East Bank and Trust Company v. Court of Appeals*, 395 Phil. 701 [2000])

[33] See note 14.

[34] Sec. 3, Rule 16: Resolution of motion. - After the hearing, the court may dismiss the action or claim, deny the motion, or order the amendment of the pleading.

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In every case, the resolution shall state clearly and distinctly the reasons therefor.

[35] Sec. 14, Article VIII, 1987 Constitution: No decision shall be rendered by any court without expressing therein clearly and distinctly the facts and the law on which it is based.

[36] Sec. 1, Rule 36: Rendition of judgments and final orders. - A judgment or final order determining the merits of the case shall be in writing personally and directly prepared by the judge, stating clearly and distinctly the facts and the law on which it is based, signed by him, and filed with the clerk of the court.

[37] See note 32.

[38] Balo v. Court of Appeals, G.R. No. 129704, 30 September 2005, 471 SCRA 227.

[39] Id.

[40] Id., citing Paredes v. Intermediate Appellate Court, G.R. No. 70717, 8 May 1990, 185 SCRA 134.

[41] 335 Phil. 1124 (1997).

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