

NELSIE B. CAÑETE, RONA ANAS, MILAGROSA APUAN, ERLINDA AQUINO, GODOFREDO AQUINO, CORITA BARREDO, TESSIE BARREDO, JESUS BATRINA, ALBERTO BUENAVENTURA, BONIFACIO BUENAVENTURA, EUSE...

G.R. No. 154080. January 22, 2008

Ponente: YNARES-SATIAGO, J.

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YNARES-SATIAGO, J.:

This petition for review on certiorari seeks to set aside the Decision[1] of the Court of Appeals dated January 9, 2002 in CA-G.R. SP No. 64337 entitled “Genuino Ice Company, Inc. vs. Hon. Victorino P. Evangelista, Nelsie B. Cañete, et al.,” and its Resolution[2] dated June 26, 2002, dismissing petitioners’ “Second Amended Complaint” in Civil Case No. Q-99-36483 filed in Branch 223 of the Regional Trial Court of Quezon City.

Records show that on January 11, 1999, petitioners filed a complaint for cancellation of title to property covered by Transfer Certificate of Title (TCT) Nos. N-140441;[3] 14399;[4] RT-94384 (292245);[5] RT-94794 (292246);[6] and 292247.[7] Petitioners alleged that said titles are spurious, fictitious and were issued “under mysterious circumstances,” considering that the holders thereof – including their predecessors-in-interest – were never in actual, adverse and physical possession of the property, rendering them ineligible to acquire title to the said property under the Friar Lands Act.[8] Petitioners also sought to nullify Original Certificate of Title (OCT) No. 614 from which the foregoing titles sought to be cancelled originated or were derived.

Respondent Genuino Ice Co., Inc. filed a motion to dismiss[9] on the ground that the complaint states no cause of action because petitioners are not real parties-in-interest; that no relief may be granted as a matter of law; and that petitioners failed to exhaust administrative remedies, but it was denied by the trial court. Respondent moved for reconsideration but the same was denied.

On November 4, 1999, petitioners filed a “Second Amended Complaint”[10] which sought to annul, in addition to the titles already alleged in the original complaint, TCT Nos. 274095 and 274096;[11] 274097 and 274098;[12] and 274099.[13]

The Second Amended Complaint alleged the following causes of action, as well as the remedy sought to be obtained, thus:

- That plaintiffs (petitioners) and their predecessors-in-interest are among those who have been in actual, adverse, peaceful and continuous possession in concept of owners of unregistered parcels of land situated at Sitio Mabilog, Barangay Culiati, Quezon City, Metro Manila, which parcels of land are more particularly described as follows:

(1) “A parcel of unregistered land known as Lot 668, situated at Barangay Culiati, Quezon City x x x.”

(2) “A parcel of unregistered land known as Lot 669, situated at Barangay Culiati, Quezon City x x x.”

- That the above-described real property is a portion of a friar land known as “Piedad Estate,” which property is

intended for distribution among the bona fide occupants thereof pursuant to the Friar Lands Act.

- That transfer certificates of title allegedly having originated or derived from Original Certificate of Title No. 614 were issued by the Register of Deeds of Quezon City, which transfer certificates of title are in truth and in fact fictitious, spurious and null and void, for the following reasons: (a) that no record of any agency of the government shows as to how and in what manner was OCT 614 issued; (b) that no record of any proceedings whatsoever, whether judicial or administrative, can support defendants' claim that the above-described property originated from OCT 614; and (c) that the transfer certificates of title over the above-described property were issued under mysterious circumstances for the above-named defendants and their so-called predecessors-in-interest never had any actual, adverse, physical possession of the said property, thus, not allowed to acquire title over the property in litigation pursuant to the Friar Lands Act.

- That defendants are holders of transfer certificates of title of the above-described property, which transfer certificates of title are null and void, for reasons specifically mentioned in Paragraph 6 hereof x x x;

- That the acts in acquiring and keeping the said transfer certificates of title in violation of the Friar Lands Act and other existing laws are prejudicial to plaintiffs' rights over the above-described property.

- That equity demands that defendants' transfer certificates of title as specified in Paragraph 7 hereof be declared fictitious, spurious and null and void ab initio.

P R A Y E R

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Court that judgment be rendered in favor of plaintiffs and against defendants:

- (1) Declaring as null and void ab initio OCT 614 and all transfer certificates of title derived therefrom;
- (2) Declaring as null and void defendants' transfer certificates of title over the property in litigation;
- (3) Ordering defendant Register of Deeds of Quezon City to cancel defendants' transfer certificates of title and all transfer certificates of title derived therefrom;
- (4) Declaring the plaintiffs as bona fide occupants of the property in litigation pursuant to the provisions of the Friar Lands Act and other existing laws.[14]

Respondent moved to dismiss the Second Amended Complaint on the following grounds:

- a) The complaint states no cause of action because: (1) on the allegations alone, plaintiffs (petitioners) are not real parties in interest who may bring suit to cancel defendants' (including respondent) titles; (2) based on the allegations and prayer of the complaint, no relief, as a matter of law, may be granted;
- b) Prescription has set in;
- c) There are earlier similar complaints (Civil Case Nos. Q-95-22834 and Q-95-23111) filed by a different set of plaintiffs against a different set of defendants but which involve the same subject matter, cause of action and allegations of the plaintiffs, with respect to the cancellation of OCT 614 and succeeding titles derived from it. Said complaints have since been dismissed by Branch 93 of the Regional Trial Court of Quezon City, the dismissal of which is the subject of a pending certiorari proceeding in the appellate court.[15]

On January 3, 2001,[16] the trial court denied respondent's motion to dismiss the Second Amended Complaint. Its motion for reconsideration was likewise denied hence respondent filed a petition for certiorari with the Court of Appeals.

The appellate court granted respondent's petition for certiorari and dismissed petitioners' Second Amended Complaint for failure to state a cause of action. Hence, the instant petition raising the following issues:

- THAT THE COURT OF APPEALS ERRED IN DECLARING THAT THE COMPLAINT FILED BY THE PETITIONERS WITH THE REGIONAL TRIAL COURT OF QUEZON CITY IN CIVIL CASE NO. Q-99-36483 DOES NOT STATE A VALID CAUSE OF ACTION;
- THAT THE COURT OF APPEALS ERRED IN DECLARING THAT THE PETITIONERS ARE NOT REAL PARTIES IN INTEREST;
- THAT THE COURT OF APPEALS ERRED IN APPLYING THE DOCTRINE OF "EXHAUSTION OF ADMINISTRATIVE REMEDIES"; and,
- THAT THE COURT OF APPEALS ACTED WITH GRAVE ABUSE OF DISCRETION AND DENIED PETITIONERS' RIGHT TO DUE PROCESS WHEN IT DISMISSED THEIR COMPLAINT.[17]

We deny the petition.

The subject lots are part of the Piedad Estate, Quezon City, a Friar Land acquired on December 23, 1903 by the Philippine Government from the Philippine Sugar Estates Development Company, Ltd., La Sociedad Agricola de Ultramar, the British-Manila Estate Company, Ltd., and the Recoleta Order of the Philippine Islands, as indicated in Public Act No. 1120 (Friar Lands Act) enacted on April 26, 1904.[18]

After the Piedad Estate was registered in OCT No. 614 in the name of the Philippine Government in 1910 under the provisions of Act 496, the area was subdivided originally into 874 lots. As a result of subsequent surveys executed in the course of disposition, the number of lots increased to 1,305. Disposition of these lots was made by the Bureau of Lands thru sales, under the Friar Lands Act, as early as 1910 and records show that even before the Second World War, all lots in the Piedad Estate have been disposed of.[19] The Piedad Estate has long been segregated from the mass of the public domain and has become private land duly registered under the Torrens system following the procedure for the confirmation of private lands prescribed in Act 496. Thus the lands inside the Piedad Estate are no longer lands of the public domain.[20]

One who acquires land under the Friar Lands Act, as well as his successors-in-interest, may not claim successional rights to purchase by reason of occupation from time immemorial, as this contravenes the historical fact that friar lands were bought by the Government of the Philippine Islands, pursuant to an Act of Congress of the United States, approved on July 1, 1902, not from individual persons but from certain companies, a society and a religious order. Under the Friar Lands Act, only "actual settlers and occupants at the time said lands are acquired by the Government" were given preference to lease, purchase, or acquire their holdings, in disregard of the settlement and occupation of persons before the government acquired the lands. [21]

The basic rules of proper pleading and procedure require that every pleading shall contain in a methodical and logical form, a plain, concise and direct statement of the ultimate facts on which the party pleading relies for his claim or defense, as the case may be, omitting the statement of mere evidentiary facts.[22] And in all averments of fraud or mistake, the circumstances constituting fraud or mistake must be stated with particularity.[23]

It is axiomatic that the averments of the complaint determine the nature of the action, and consequently, the jurisdiction of the courts. This is because the complaint must contain a concise statement of the ultimate facts constituting the plaintiff's cause of action and must specify the relief sought. No rule is better established than that which requires the complaint to contain a statement of all the facts constituting the plaintiff's cause of action. Additionally, Section 5, Rule 8 of the Rules of Court provides that in all averments of fraud or mistake, the circumstances constituting fraud or mistake must be stated with particularity. In the case at bar, while there are allegations of fraud in the above quoted complaints, the same are not particular enough to bring the

controversy within the SEC's jurisdiction. The said allegations are not statements of ultimate facts but are mere conclusions of law.

A pleading should state the ultimate facts essential to the rights of action or defense asserted, as distinguished from mere conclusions of fact, or conclusions of law. General allegations that a contract is valid or legal, or is just, fair and reasonable, are mere conclusions of law. Likewise, allegations that a contract is void, voidable, invalid, illegal, ultra vires, or against public policy, without stating facts showing its invalidity, are mere conclusions of law.[24]

“Ultimate facts” means the essential facts constituting the plaintiff's cause of action, or such facts as are so essential that they cannot be stricken out without leaving the statement of the cause of action inadequate.[25] “Cause of action” has been defined as an act or omission of one party in violation of the legal right or rights of the other;[26] and its essential elements are: 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 the named defendant violative of the right of the 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. If these elements are not extant, the complaint becomes vulnerable to a motion to dismiss on the ground of failure to state a cause of action.[27] In the resolution of a motion to dismiss based on failure to state a cause of action, only the facts alleged in the complaint as well as its annexes must be considered.[28] The test in such case is whether a court can render a valid judgment on the complaint based upon the facts alleged and pursuant to the prayer therein.[29]

Corollarily, the question of whether or not a complaint states a cause of action against a defendant or the action is premature is one of law. The trial court can consider all the pleadings filed, including annexes, motions and the evidence on record. However in so doing, the trial court does not rule on the truth or falsity of such documents. It merely includes such documents in the hypothetical admission. Any review of a finding of lack of cause of action based on these documents would not involve a calibration of the probative value of such pieces of evidence but would only limit itself to the inquiry of whether the law was properly applied given the facts and these supporting documents. Therefore, what would inevitably arise from such a review are pure questions of law, and not questions of fact.

The trial court must likewise 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. The said decisions, more importantly, form part of the legal system, 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.[30]

Considering the foregoing, it is not difficult to see the need for particularity and incipient substantiation in the petitioners' Second Amended Complaint.

First, their initial claim that OCT 614 – of which all the other subject titles are derivatives – is null and void, has been proven wrong. As has been held in *Pinlac* and other cases, OCT 614 did legally exist and was previously issued in the name of the Philippine Government in 1910 under the provisions of Act 496.

Second, the Ad Hoc Committee of the then Ministry of Natural Resources, which was specifically tasked to investigate the historical background of the Piedad Estate, found that as early as the period prior to the Second World War, all lots in the Piedad Estate had already been disposed of.

Third, the Piedad Estate has been placed under the Torrens system of land registration, which means that all lots therein are titled.

Fourth, as held in the Balicudiong case, one who acquires land under the Friar Lands Act, as well as his successors-in-interest, may not claim successional rights to purchase by reason of occupation from time immemorial, which means that petitioners' claimed actual, adverse, peaceful and continuous possession of the subject property is really of no moment unless it is shown that their predecessors-in-interest were actual settlers and occupants at the time said lands were acquired by the Government, and whose rights were not disregarded even though they were in occupation of the same before the government acquired the land; yet, no period of time in relation to adverse possession is alleged.

Petitioners' Second Amended Complaint betrays no more than an incomplete narration of facts unsupported by documentary or other exhibits; the allegations therein partake of conclusions of law unsupported by a particular averment of circumstances that will show why or how such inferences or conclusions were arrived at. It is replete with sweeping generalizations and inferences derived from facts that are not found therein. While there are allegations of fraud upon the claim that the subject titles were fictitious, spurious and obtained under "mysterious circumstances," the same are not specific to bring the controversy within the trial court's jurisdiction. There is no explanation or narration of facts as would show why said titles are claimed to be fictitious or spurious, contrary to the requirement of the Rules that the circumstances constituting fraud must be stated with particularity; otherwise, the allegation of fraud would simply be an unfounded conclusion of law. In the absence of specific averments, the complaint is defective, for it presents no basis upon which the court should act, or for the defendant to meet it with an intelligent answer.

As to the second issue raised, petitioners claim that they are bona fide occupants of the subject property within the contemplation of the Friar Lands Act, having allegedly been in actual, adverse, peaceful and continuous possession of the property, although it is not stated for how long and since when. In their second amended complaint, they seek judgment –

(4) Declaring the plaintiffs as bona fide occupants of the property in litigation pursuant to the provisions of the Friar Lands Act and other existing laws. (Emphasis supplied)

They do not pray to be declared owners of the subject property – despite their alleged adverse possession – but only to be adjudged as the "bona fide occupants" thereof. In other words, petitioners concede the State's ownership of the property.

Being so, petitioners may not be considered the real parties in interest for the purpose of maintaining the suit for cancellation of the subject titles. The Court of Appeals is correct in declaring that only the State, through the Solicitor General, may institute such suit. Jurisprudence on the matter has been settled and the issue need not be belabored. Thus –

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. *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.”[31]

Under Rule 3, Section 2 of the Rules of Court, a real party in interest is the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit. “Interest” within the meaning of the rule means material interest, an interest in issue and to be affected by the decree, as distinguished from mere interest in the question involved, or a mere incidental interest. The interest of the party must also be personal and not one based on a desire to vindicate the constitutional right of some third and unrelated party. Real interest, on the other hand, means a present substantial interest, as distinguished from a mere expectancy or a future, contingent, subordinate, or consequential interest.[32]

If petitioners are to be believed, they would possess a mere inchoate interest in the properties covered by the subject titles, a mere expectancy conditioned upon the fact that if the questioned titles are cancelled and the property is reverted to the State, they would probably or possibly be given preferential treatment as qualified buyers or lessees of the property under the Friar Lands Act. But this certainly is not the “interest” required by law that grants them license or the personality to prosecute their case. Only to the State does the privilege belong.

On the issue of exhaustion of administrative remedies, suffice it to state that since petitioners do not possess the necessary interest to prosecute the case for cancellation of title in the courts, neither do they have the right to pursue administrative remedies outside thereof. They are not the owners; nor are they qualified applicants therefor. It has not been shown by their complaint that they have previously taken steps to avail of the benefits under the Friar Lands Act, since all they seek, should the questioned titles be nullified, is to be declared bona fide occupants of the property covered by the questioned titles. Neither is there any indication that they possess the qualifications necessary to enable them to avail of the preference granted under the Act.

Finally, there is no merit in petitioners' contention that respondent belatedly filed the petition for certiorari with the Court of Appeals, and that the appellate court gravely abused its discretion when it entertained and resolved the same.

The Order of the trial court dated January 3, 2001 denying respondent's motion to dismiss the Second Amended Complaint was received by the respondent on January 16, 2001. Respondent filed a motion for reconsideration on January 18, 2001 which was denied on February 28, 2001. Respondent received the order denying its motion for reconsideration on March 27, 2001. On the same day, it filed a Notice to File Petition for Certiorari. On April 2, 2001, the petition for certiorari was filed with the Court of Appeals. Clearly, the same was timely filed hence, the appellate court correctly entertained the same.

WHEREFORE, the petition is DENIED. The Decision of the Court of Appeals dated January 9, 2002 in CA-G.R. SP No. 64337 dismissing petitioners' "Second Amended Complaint" in Civil Case No. Q-99-36483 and the Resolution dated June 26, 2002 denying the motion for reconsideration, are AFFIRMED.

SO ORDERED.

Austria-Martinez, Corona, Nachura, and Reyes, JJ., concur.

* In lieu of Justice Minita V. Chico-Nazario, per Special Order No. 484 dated January 11, 2008.

[1] Penned by Associate Justice Alicia L. Santos and concurred in by Associate Justices Buenaventura J. Guerrero and Marina L. Buzon; CA rollo, pp. 232-240.

[2] Penned by Associate Justice Marina L. Buzon and concurred in by Associate Justices Buenaventura J. Guerrero and Eubulo G. Verzola; Id. at 250-251.

[3] Registered in the name of herein respondent Genuino Ice Company, Inc., Sheila Culata, Rosario Navarro, Erlinda Calleja, Jose de Guzman and Rommel Ng.

[4] Registered in the name of Felicidad Magsaysay and Labrador Devt. Corp.

[5] Registered in the name of Antonio Arambulo.

[6] Registered in the name of Angel Arambulo.

[7] Registered in the name of Rosita Valle Arambulo.

[8] Act No. 1120 (1904).

[9] CA rollo, pp. 134-144.

[10] Rollo, pp. 34-42.

[11] Registered in the name of Mariano Tiaoqui.

[12] Registered in the name of Manuel Tiaoqui.

[13] Registered in the name of Marcelino Escueta and Aurora De Santos Escueta.

[14] Rollo, pp. 36-39.

[15] Id. at 132-135.

[16] Id. at 150-152.

[17] Id. at 22.

[18] Liao v. Court of Appeals, G.R. Nos. 102961-62, 107625 & 108759, January 27, 2000, 323 SCRA 430, 442.

[19] Pinlac v. Court of Appeals, G.R. No. 91486, January 19, 2001, 349 SCRA 635, 646, citing the Comments and Recommendations of the Ad Hoc Committee created by the then Ministry of Natural Resources, as embodied in its Special Order No. 426, Series of 1986.

[20] Id. at 647.

[21] Balicudiong v. Balicudiong, G.R. No. L-29603, June 7, 1971, 39 SCRA 386, 390.

[22] RULES OF COURT, Rule 8, Sec. 1.

[23] *Id.*, Sec. 5.

[24] *Abad v. Court of First Instance of Pangasinan*, G.R. Nos. 58507-08, February 26, 1992, 206 SCRA 567, 579-580.

[25] *Vda. de Daffon v. Court of Appeals*, 436 Phil. 233, 240 (2002).

[26] *Davao Light & Power Co., Inc. v. Judge, Regional Trial Court, Davao City, Branch 8*, G.R. No. 147058, March 10, 2006, 484 SCRA 272, 284.

[27] *Ceroferr Realty Corporation v. Court of Appeals*, 426 Phil. 522, 528 (2002).

[28] *Francia, Jr. v. Power Merge Corp.*, G.R. No. 162461, November 23, 2005, 476 SCRA 62, 70.

[29] *First Bancorp., Inc. v. Court of Appeals*, G.R. No. 151132, June 22, 2006, 496 SCRA 221, 239.

[30] *Peltan Development, Inc. v. Court of Appeals*, G.R. No. 117029, March 19, 1997, 270 SCRA 82, 91-92.

[31] *Id.* at 94-95.

[32] *VSC Commercial Enterprises, Inc. v. Court of Appeals*, 442 Phil. 269, 276-277 (2002).

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