

ASSOCIATED LABOR UNIONS (ALU) AND DIVINE WORD UNIVERSITY EMPLOYEES UNION-ALU (DWUEU-ALU), PETITIONERS, VS. COURT OF APPEALS, THE ROMAN CATHOLIC ARCHBISHOP OF PALO, LEYTE, AND DI...

G.R. No. 156882. October 31, 2008

Ponente: VELASCO JR., J.

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VELASCO JR., J.:

Petitioners Associated Labor Unions and Divine Word University Employees Union-ALU (Union) represented the Union members which prevailed in the labor case entitled *Divine Word University of Tacloban v. Secretary of Labor and Employment*[1] under G.R. No. 91915 and promulgated on September 11, 1992. A direct consequence of the case was that the Divine Word University of Tacloban (DWUT) ended up owing petitioners over a hundred million pesos for unpaid benefits.

The Roman Catholic Archbishop of Palo, Leyte (RCAP) is a corporation sole which sold to *Societas Verbum Dei* (SVD) or the Society of the Divine Word the subject 13 parcels of land, to wit: Lot Nos. 529, 4901, 528, 2067, 498, 507, 497, 506, 508, 2068E, 2068D, 2065, and 2410, the last four of which were untitled when the sale was concluded. The Deed of Sale[2] executed on October 1, 1958 contained the following conditions and restrictions, among others:

IV. That the SOCIETY OF THE DIVINE WORD shall use these lands and properties for educational purposes, especially and as far as possible, for the maintenance and further development of the institution known as the ST. PAUL'S COLLEGE;

x x x x

VI. That the above described properties and all improvements and any land, buildings or equipment which shall have been later acquired by the ST. PAUL'S COLLEGE and which are in direct and actual use by the College, as such, shall be turned over to the ownership and possession of the Roman Catholic Bishop of Palo in case there is or are circumstances which will be beyond the control of the contracting parties forcing the abandonment of educational and religious work of the Society of the Divine Word with no hope for its resumption in the foreseeable future, that in this case the terms of the conversion of the property rights shall be determined by the Apostolic [Nunciature] in Manila and/or the Apostolic See in Rome. (Emphasis added.)

While the conveying document was not notarized, the SVD was able to secure the corresponding transfer certificates of title (TCTs) over the subject lots, but the deed conditions, restrictions, and reversionary right of the RCAP were not annotated on the new titles.

It must be noted that before the sale, the Tacloban Catholic Institute, a school then run by the RCAP, was already standing over some of the properties sold. At the time of the sale, the school had been renamed St. Paul's College. In line with the purpose of the sale, that is, to further educational and religious work, the SVD would later rename St. Paul's College the Divine Word College and then DWUT when the school attained university status.

Due to labor unrest, DWUT, run by the SVD, and petitioners engaged in a protracted legal battle from 1988 until the finality of the decision in the Divine Word University of Tacloban case on February 11, 1994, or shortly after the Court denied DWUT's motion for reconsideration on January 19, 1994. By then, DWUT's liability to petitioners amounted to PhP 200 million, more or less.

On April 27, 1995, the RCAP filed a petition^[3] before the Regional Trial Court (RTC), Branch 8 in Tacloban City, docketed as Cadastral Case No. 95-04-08 and entitled "In the Matter of the Annotation of Encumbrances on Certain Titles [in the Name of Divine Word University of Tacloban] to Show Restrictions on Use and a Reversionary Interest Therein." In it, the RCAP prayed for an order directing the Registry of Deeds of Tacloban City to register the October 1, 1958 Deed of Sale and annotate on the corresponding SVD titles the conditions, restrictions, and a reversionary interest of the RCAP stipulated in the deed.

On May 9, 1995, DWUT issued notices to petitioners' members, advising them of the decision of the DWUT Board of Trustees to close the university starting academic year 1995-1996, or on June 16, 1995, and, thus, to consider themselves dismissed effective at the close of business hours of June 15, 1995.

Meanwhile, on July 7, 1995, the National Conciliation and Mediation Board ordered DWUT to pay PhP 163,089,337.57 to the members of petitioner Union as partial satisfaction of the January 19, 1994 final resolution of this Court in G.R. No. 91915.

Prompted by the closure of DWUT and the resulting termination of its members' services, the Union filed a complaint, as later amended,^[4] against DWUT, its Board of Trustees, and the RCAP for Unfair Labor Practice, Illegal Dismissal, and Damages before the Regional Arbitration Branch (RAB) No. VIII in Tacloban City, docketed as NLRC Case No. RCB-VIII-7-0299-95. The Union alleged in its complaint that the sale of the subject properties over which the DWUT is located was incomplete due to the adverted conditions, restrictions, and a reversionary right of the RCAP over the subject properties. What is more, the RCAP did not, despite the sale, sever its employment relations with DWUT which, thus, rendered the RCAP solidarily liable with DWUT for the payment of the benefits of the Union members.

On August 3, 1995, petitioners filed their Motion to Intervene in Cadastral Case No. 95-04-08, asserting their legal interest over the subject properties, such interest, according to them, emanating from a judgment lien over the subject properties based on the Entry of Final Judgment dated February 11, 1994 under G.R. No. 91915. And relying on Article 110 of the Labor Code in relation to Arts. 2242, 2243, and 2244 of the Civil Code on concurrence and preference of credits, they asserted preferential rights over the subject properties now owned by and registered under the name of the SVD.

On March 8, 1996, the RTC issued an Order^[5] dismissing the petition in Cadastral Case No. 95-04-08.

The RTC held that it has no jurisdiction over the case for annotation owing to what it considered as petitioners' right to a judgment lien referred to earlier. The trial court also held that the RCAP violated SC Circular No. 04-94 on forum shopping on account of the pendency of NLRC Case No. RCB-VIII-7-0299-95 where he was impleaded. Finally, the trial court deemed as moot the resolution of RCAP's formal offer of evidence and petitioners' motion to intervene.

Unsatisfied, the RCAP filed a motion for reconsideration faulting the RTC for misappreciating the facts of the case, the evidence adduced, and the applicable laws. He argued that the RTC has jurisdiction over all cadastral cases, like the instant case, in accordance with Section 2 of Presidential Decree No. 1529 entitled Amending and Codifying the Laws Relative to Registration of Property and for Other Purposes, as applied in *Ignacio v. Court of Appeals*^[6] and related cases.^[7] Continuing, the RCAP contended that he precisely filed the cadastral case

because the October 1, 1958 Deed of Sale was not notarized, adding that the registration and annotation process would be ministerial on the part of the register of deeds had the sale been in a public document.

Moreover, the RCAP asserted that the reference to the complaint in NLRC Case No. RCB-VIII-7-0299-95 was only made to underscore the fact that the Union duly acknowledged in the complaint the existence and due execution of the October 1, 1958 Deed of Sale. Besides, he pointed out, DWUT, by its manifestation filed before the trial court, did not question the due execution of the deed. Anent the issue of a judgment lien, the RCAP contended that he was never a party in the labor case under G.R. No. 91915 and, hence, could not be bound by the decision in it, much less by its execution. Finally, he denied violating the circular on forum shopping, alleging that the Union filed its complaint in NLRC Case No. RCB-VIII-7-0299-95 two months after he filed the cadastral case for annotation.

The RTC by an Order[8] dated June 7, 1996 denied RCAP's motion for reconsideration.

While it concurred with the RCAP's arguments set forth in his motion for reconsideration, the trial court still denied the motion on the ground of laches, noting that it took the RCAP 37 years after the execution of the deed of sale before taking judicial action to assert his rights.

Aggrieved, the RCAP timely filed his Notice of Appeal assailing the above orders of the trial court before the Court of Appeals (CA). The appeal was docketed as CA-G.R. CV No. 56482.

In the meantime, on February 24, 1997, the RCAP, the DWUT, and the Union entered into a Memorandum of Agreement[9] (MOA) whereby they agreed on the following: (1) the Union would withdraw NLRC Case No. RCB-VIII-7-0299-95 against DWUT and the RCAP; (2) DWUT would pay the Union PhP 100 million as final settlement of G.R. No. 91915 (NCMB-RB-80NS-04-024-88) and NLRC Case No. RCB-VIII-7-0299-95; (3) DWUT would continue to recognize the Union as the sole bargaining agent for collective bargaining agreement (CBA); and (4) DWUT and the Union would negotiate and enter into a new CBA in lieu of the CBA imposed in G.R. No. 91915.

For the payment of the final settlement of PhP 100 million, it was agreed that PhP 15 million should be paid upfront, while payment of the remaining PhP 85 million should be by dacion en pago. Covered by the dacion en pago arrangement were the Imelda Village and a 1,000-sq. meter property known as San Jose land. The MOA signing paved the way for the re-opening of the DWUT.

On April 29, 2002, the CA rendered the assailed decision,[10] reversing the March 8, 1996 and June 7, 1996 Orders of the RTC and directed the annotation of encumbrances on the TCTs of the subject properties to show the restrictions on use and reversionary interest of the RCAP. The decretal portion of the CA's decision reads:

WHEREFORE, premises considered, the Orders of the court a quo dated 08 March 1996 and 07 June 1996 respectively are hereby REVERSED. The petition for the annotation of encumbrances on certain titles to show restrictions on use and a reversionary interest therein is GRANTED.

SO ORDERED.

At the outset, the CA noted that the RTC failed to categorically resolve the Union's motion for intervention under Sec. 2 of Rule 12, as amended by Sec. 1, Rule 19 of the Rules of Court, since the RTC merely stated in its March 8, 1996 Order that the resolution of the motion for intervention was mooted. Noted, moreover, was the fact that said order became final as against the Union on account of its failure to question the order within the reglementary period available to it. Consequently, the CA held that the Union cannot, on appeal, be considered a proper party in the instant case, as it did not acquire personality to be a party to the proceedings in the case. Thus, the CA treated as mere scrap of paper the Union's appellee's brief.

In reversing the assailed RTC orders, the CA disagreed with the trial court's finding and application of the equitable remedy of laches. Relying on *Eduarte v. Court of Appeals*[11] and related cases,[12] where the Court applied laches to bar judicial remedies in the plaintiff's exercise of legal rights, as allowing plaintiff to do so would be inequitable and unjust to the defendant, the CA held that the RCAP was not barred by laches from asserting his legal right to cause the annotation of the pertinent paragraphs of the deed of sale on the TCTs covering the subject properties. It ratiocinated that despite the lapse of 37 years, the annotation would not be inequitable or prejudicial to any party since the SVD, under whose name the TCTs of the subject properties were issued, did not interpose any objection to the annotation. It noted that the June 7, 1996 RTC Order did not specify the party who would be prejudiced by the annotation.

The Union's motion for reconsideration was rejected by the CA through the assailed January 20, 2003 Resolution.[13]

Hence, we have this Petition for Review on Certiorari under Rule 45, raising the following issues for our consideration:

WHETHER THE COURT OF APPEALS ERRED IN ALLOWING THE ANNOTATION OF ENCUMBRANCE ON CERTAIN [TITLES] TO SHOW RESTRICTIONS ON USE AND REVERSIONARY INTERESTS THEREIN

WHETHER THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN CONSIDERING THE APPELLEES' BRIEF OF PETITIONERS AS A MERE SCRAP OF PAPER AND ASSAIL[ING] THE PERSONALITY OF THE PETITIONER[S] IN THE INSTANT CASE[14]

On the first issue, petitioners argue that the appellate court erred in not affirming and applying the equitable remedy of laches. They assert that due to the adjudged substantial liabilities of DWUT pursuant to G.R. No. 91915 and for which it is hard put of meeting, the subject properties over which DWUT stands must be used. Considering that no annotations were made on the TCTs covering the subject properties and considering too the resultant judgment lien attaching on them, the desired annotation is clearly prejudicial and inequitable both for the DWUT and petitioners, for how, petitioners wonder, could the school pay its adjudged obligations without the substantial assets composed of the subject properties?

Petitioners contend further that the instant case for annotation was pursued only after they have filed notices of lis pendens over the subject properties for the ultimate satisfaction of their adjudicated monetary claims against DWUT. Clearly, they posit, the RCAP is trying to move the subject properties out of the reach of petitioners through the requested annotation. Thus, they conclude that the principle of laches has attached and the annotation of the encumbrance or reversionary right of the RCAP is properly barred.

Corollary to the first issue, petitioners aver under the second issue that the appellate court gravely abused its discretion in holding that petitioners are not prejudiced and will not be affected by the resolution of the instant case for annotation. As petitioners would argue, their rights would greatly be prejudiced since the resolution ordering annotation will not only delay the execution proceedings but will render for naught the final decision of this Court in G.R. No. 91915.

Petitioners also take umbrage of the CA's ruling on the issue of personality of the Union in the instant case as the RCAP never questioned its standing in his opposition to the motion to intervene. Besides, they emphasize, the personality issue was not raised in the proceedings before the trial court and, thus, cannot be raised for the first time on appeal.

On the other hand, the RCAP argues that petitioners have not sufficiently shown that they will be prejudiced by

the annotation of his interest over the subject properties. The RCAP contends: First, the SVD and DWUT, the parties who could be so prejudiced, have not opposed the annotation. Second, petitioners have not shown that the SVD and DWUT have no other properties to answer for the adjudicated liabilities in G.R. No. 91915. In fact, the February 24, 1997 MOA executed by the Union, DWUT, represented by the SVD, and the RCAP envisioned a final settlement of petitioners' claim without involving the subject properties. Third, the judgment lien issue is immaterial since there is as yet no levy on execution over the subject properties. Besides, the preference of credit asserted in connection with the perceived lien is only applicable where there is an insolvency proceeding and payment of debts have to be equitably distributed among the creditors. And fourth, the CA can, on appeal, rule on the issue of the Union's personality since an appeal opens the case de novo and the appellate court has discretion to rule on issues which it deems are necessary for the proper adjudication of the case, like the matter of personality which the appellate court resolved *motu proprio* and not upon the instance of the RCAP.

Considering the arguments and counter-arguments earnestly pressed by the parties, the main issues to be determined are first, whether the Union has acquired legal personality to intervene in the instant case; and second, whether laches has set in to bar the RCAP's cause of action.

We answer both issues in the negative.

As the appellate court aptly noted, the RTC did not resolve the motion for intervention of the Union. It bears stressing that the March 8, 1996 RTC Order held that the dismissal of Cadastral Case No. 95-04-08 mooted the resolution of the Union's motion for intervention. Likewise, the RTC did not allow intervention in its June 7, 1996 Order as it denied the RCAP's motion for reconsideration on the ground of laches. Since it did not question these RTC orders which lapsed into finality later, the Union cannot be said to have acquired any legal personality to intervene or participate in the instant case. Therefore, the appellate court did not gravely abuse its discretion in holding that the Union has no legal personality to participate in the proceedings of the instant case, and consequently, the instant petition of the Union is dismissible on this ground alone.

The instant petition will nevertheless fail even if we concede that the Union has legal personality to institute it. The judgment lien over the subject properties is really non-existent as it has not been shown that a levy on execution has been imposed over the subject properties. While the Decision in G.R. No. 91915 is indeed final and executory, such reality does not ipso facto burden all the lands and properties owned by the SVD over which the DWUT is erected, absent proof that the SVD cannot pay its adjudicated obligations and that a levy on execution was indeed made over the subject properties.

We agree with the RCAP that a judgment lien over the subject properties has not legally attached and that Art. 110[15] of the Labor Code, in relation to Arts. 2242, 2243, and 2244 of the Civil Code on concurrence and preference of credits, does not cover the subject properties. Art. 110 of the Labor Code applies only to cases of bankruptcy and liquidation. Likewise, the abovementioned articles of the Civil Code on concurrence and preference of credits properly come into play only in cases of insolvency. Since there is no bankruptcy or insolvency proceeding to speak of, much less a liquidation of the assets of DWUT, the Union cannot look to said statutory provisions for support.

Moreover, we note the utter lack of showing that DWUT has no other assets to answer its obligations. DWUT may have liquidity problems hampering its ability to meet its judicially-imposed obligations. The school, however, appears to have other properties it can and in fact did use to settle its obligations as shown in the February 24, 1997 MOA between DWUT, the Union, and RCAP. A scrutiny of the MOA readily shows that the subject properties were not included in the assets or properties earmarked to settle DWUT's obligations.

The Court takes judicial notice of the fact that the Union has judicially admitted the existence, due execution, and

validity of the October 1, 1958 Deed of Sale with the conditions, restrictions, and a reversionary right of the RCAP embodied in it. In its complaint before the RAB for Unfair Labor Practice, Illegal Dismissal, and Damages, the Union impleaded the RCAP as solidarily liable with the DWUT on the Union's monetary claims precisely on the basis of said conditions, restrictions, and a reversionary right of the RCAP. Such averment is a clear admission against the interests of the Union.

The Union likewise cannot be permitted to take two opposite positions on the issue of the stipulated reversionary right of RCAP over the subject properties. It cannot invoke such reversionary right of RCAP to render the RCAP solidarily liable with the DWUT in the RAB case while, at the same time, resisting the annotation of that reversionary right in the instant case.

On the issue of laches, we agree and so hold that it is inapplicable to the instant case. Estate of the Late Encarnacion Vda. de Panlilio v. Dizon explains the concept of laches in this wise:

According to settled jurisprudence, "laches" means "the failure or neglect, for an unreasonable and unexplained length of time, to do that which—by the exercise of due diligence—could or should have been done earlier." Verily, laches serves to deprive a party guilty of it of any judicial remedies. Its elements are: (1) conduct on the part of the defendant, or of one under whom the defendant claims, giving rise to the situation which the complaint seeks a remedy; (2) delay in asserting the complainant's rights, the complainant having had knowledge or notice of the defendant's conduct as having been afforded an opportunity to institute a suit; (3) lack of knowledge or notice on the part of the defendant that the complainant would assert the right in which the defendant bases the suit; and (4) injury or prejudice to the defendant in the event relief is accorded to the complainant, or the suit is not held barred.

In Santiago v. Court of Appeals, we explained that there is "no absolute rule as to what constitutes laches or staleness of demand; each case is to be determined according to its particular circumstances." [16]

Of the foregoing elements, the fourth and most important element, that is, injury or prejudice to the defendant in the event relief is accorded to the complainant or the suit is not held barred, is not present under the premises. As the CA aptly observed, no prejudice can result from the annotation pleaded by the RCAP since the SVD, the property purchaser in the October 1, 1958 transaction, did not oppose the annotation of the conditions, restrictions, and a reversionary right of the RCAP over the subject properties, as evidenced by a manifestation the DWUT filed before the trial court. More so, no prejudice can befall the Union for no judgment lien has attached or been imposed over the subject properties and, as earlier explained, there is no showing that the subject properties are the only properties the DWUT has or that its other assets and properties are insufficient to meet its obligations. Thus, failing to show any actual interest over the subject properties that need judicial protection, the Union will not suffer any damage with the annotation on SVD's titles of the conditions, restrictions, and a reversionary interest of the RCAP.

Indeed, there is no dispute as to the existence and due execution of the October 1, 1958 Deed of Sale in question. Its validity is immediately apparent from the fact that the RCAP's titles over the properties covered by the deed had been canceled and new TCTs issued in the name of the SVD. The fact that the deed is not notarized is of little moment because, for purposes of validity between the parties, a deed of sale need not be in a public document. [17] With the judicial acquiescence of the SVD to the annotation, the subject matter of the instant case, we so hold such to be in order.

WHEREFORE, we DENY this petition and AFFIRM IN TOTO the April 29, 2002 Decision and January 20, 2003 Resolution of the CA in CA-G.R. CV No. 56482, with costs against petitioners.

SO ORDERED.

Carpio-Morales, (Acting Chairperson), Austria-Martinez, Corona,[*] and Tinga, JJ., concur.

* Additional members as per April 21, 2008 raffle.

[1] 213 SCRA 759.

[2] Rollo, pp. 73-74.

[3] Id. at 70-72.

[4] Id. at 98-113.

[5] Id. at 29-30. Penned by Judge Mateo M. Leanda.

[6] G.R. No. 98920, July 14, 1995, 246 SCRA 272.

[7] Quiroz v. Manalo, No. L-48162, June 16, 1992, 210 SCRA 60; Philippine National Bank v. International Corporate Bank, G.R. No. 86679, July 23, 1991, 199 SCRA 508; Vda. de Arceo v. Court of Appeals, G.R. No. 81401, May 18, 1990, 185 SCRA 489.

[8] Rollo, pp. 31-32.

[9] Id. at 114-120.

[10] Id. at 36-48. Penned by Associate Justice Andres B. Reyes, Jr. and concurred in by Associate Justices Conrado M. Vasquez, Jr. (now Presiding Justice) and Mario L. Guariña III.

[11] G.R. No. 121038, July 22, 1999, 311 SCRA 18.

[12] Vda. de Cabrera v. Court of Appeals, G.R. No. 108547, February 3, 1997, 267 SCRA 399; Catholic Bishop of Balanga v. Court of Appeals, G.R. No. 112519, November 14, 1996, 264 SCRA 181; Republic v. Sandiganbayan, G.R. No. 112708, March 29, 1996, 255 SCRA 438.

[13] Rollo, p. 49.

[14] Id. at 18.

[15] ART. 110. Worker Preference in Case of Bankruptcy.--In the event of bankruptcy or liquidation of an employer's business, his workers shall enjoy first preference as regards their wages and other monetary claims, any provisions of law to the contrary notwithstanding. Such unpaid wages and monetary claims shall be paid in full before claims of the government and other creditors may be paid.

[16] G.R. Nos. 148777 & 157598, October 18, 2007, 536 SCRA 565, 593-594.

[17] Tigno v. Aquino, G.R. No. 129416, November 25, 2004, 444 SCRA 61, 76; citations omitted.

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