G.Q. GARMENTS, INC., PETITIONER, VS. ANGEL MIRANDA, FLORENDA MIRANDA AND EXECUTIVE MACHINERIES AND EQUIPMENT CORPORATION, RESPONDENTS.

G.R. NO. 161722. July 20, 2006

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

Before the Court is a Petition for Review on Certiorari for the reversal of the Decision[1] of the Court of Appeals (CA) in CA-G.R. CV No. 45567, as well as its Resolution[2] denying the motion for reconsideration thereof.

Angel Miranda is the registered owner of a 9,646 square meters parcel of land located at Niog, Bacoor, Cavite ("Property"). The property was covered by Transfer Certificate of Title (TCT) No. T-60679[3] of the Registry of Deeds of Cavite.

In 1984, Angelito Miranda, the son of Angel Miranda, established the Executive Machineries and Equipment Corporation (EMECO), a domestic corporation engaged primarily in the manufacture and fabrication of rubber rollers. Angelito owned 80% of the stocks of the corporation, while his wife Florenda owned 10%. That year, Angel entered into a verbal contract of lease over the Property with EMECO, and allowed it to build a factory thereon. The agreement was on a month-to-month basis, at the rate of P8,000 per month. EMECO constructed its factory on the property. At the outset, EMECO paid the monthly rentals. However, after Angelito died on June 21, 1988, EMECO failed to pay the rentals but still continued possessing the leased premises.

On November 19, 1989, the factory of EMECO was totally razed by fire. In a letter to EMECO dated June 3, 1991, Angel demanded the payment of accrued rentals in the amount of P280,000.00 as of May 1991. EMECO was also informed that the oral contract of lease would be terminated effective June 30, 1991. However, EMECO failed to pay the accrued rentals and to vacate the property. Another demand letter dated September 27, 1991 was sent to EMECO. It vacated the leased premises, but the accrued rentals remained unpaid.

Sometime in November 1991, Florenda arrived at the office of petitioner and offered to sublease the property to Wilson Kho, the Officer-in Charge of the corporation. Florenda showed Kho a purported copy of a contract of lease[4] over the said property allegedly executed by Angel in favor of EMECO. After visiting and viewing the property, Kho agreed to rent the area upon the condition that its true and registered owner would personally sign the lease contract in his presence. When Florenda failed to present Angel for said purpose, Kho turned down her proposal.

Later, Kho was able to locate Angel at Noveleta, Cavite and offered, in behalf of petitioner, to lease the property, as to which Angel agreed. On December 23, 1991, Angel and the corporation, represented by its Executive Vice-President, Davy John Barlin, executed a contract of lease[5] over the subject property. The lease was for a period of 15 years, commencing on February 1, 1992 until January 31, 2007 for a monthly rental of P30,000.00. Petitioner paid P90,000.00 representing two months deposit and advance rental for one month. As lessee, it was authorized to introduce improvements, structures, and buildings on the property as it may deem necessary and for

the purpose for which it was leased.

Consequently, petitioner secured the following documents: mayor's permit, sanitary permit, business sticker, and an application for municipal license. Thereafter, it moved into the property with its equipment, machinery, appliances, supplies, and other construction materials. The construction of a building and factory in the leased premises commenced.

However, on January 27, 1992, Florenda, together with several armed men who identified themselves as policemen, forcibly evicted petitioner from the leased premises, claiming that she was the owner and that the place was already covered by another existing contract of lease. During the encounter, Florenda and her men took some equipment, machinery and other properties belonging to petitioner, thereby causing loss and damage to said properties.

In the meantime, Angel secured a copy of the purported contract of lease he allegedly executed in favor of EMECO. On March 12, 1992, he forthwith filed a complaint for declaration of nullity of the contract of lease before the Regional Trial Court (RTC) of Makati, Branch 66, docketed as Civil Case No. 92-699. Angel alleged therein that his signature as lessor in the purported contract was a forgery. He prayed that judgment be rendered in his favor declaring the said contract null and void.

Meanwhile, petitioner sought the help of the Philippine National Police (PNP). General Gerardo N. Flores, Deputy Director General and Chief Directorial Staff, issued a Memorandum[6] to Superintendent Wenceslao A. Soberano, Provincial Director of the Cavite PNP Provincial Command, ordering the latter to prevent his men from interfering with the pending civil case. Petitioner subsequently regained possession over the leased premises. However, Florenda and her group were undaunted. They went back to the place and ousted the guards and other personnel manning the corporation's office, and even removed their equipment, and ransacked anew their raw materials, electric wire and other valuables inside.

On April 20, 1992, petitioner instituted an action for damages and recovery of possession of the property before the RTC of Cavite City, Branch 17, with Angel, EMECO and Florenda, as alternative defendants. The case was docketed as Civil Case No. N-5573. The corporation alleged the following in its complaint:

> VI
>
> G.R. No. 161722That on December 23, 1991, Plaintiff leased from Alternative Defendant ANGEL MIRANDA the premises just adverted to, for a period of FIFTEEN (15) years, commencing on February 1, 1992 and to expire on January 31, 2007, as evidenced by the Contract of Lease x x x ;
>
> VII
>
> That by the terms of said lease agreement, Plaintiff was to pay to Alternative ANGEL MIRANDA rentals in the sum of THIRTY THOUSAND PESOS (P30,000) per month, with SIXTY THOUSAND PESOS (P60,000) as deposit, and THIRTY THOUSAND PESOS (P30,000) as advance rental, all of which were complied with by Plaintiff;
>
> VIII
>
> That in accordance with the same agreement, Plaintiff was authorized to introduce into the premises such improvements as it may find necessary;
>
> IX
>
> That Plaintiff took possession of the leased premises and moved thereto its equipments (sic), machineries, appliances, supplies and kindred items, as well as certain construction materials necessary for the repairs and

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improvement of the facilities therein; that, as a matter of fact, Plaintiff had already commenced the construction of roofs over the concrete structures in the leased premises;

X

That, furthermore, Plaintiff secured from the proper authorities all the needful licenses and permits for its construction and business activities;

XI

That on January 27, 1992, Alternative Defendant FLORENDA MIRANDA, in her behalf and in representation of Alternative Defendant EMECO, and in the company of armed men, forcibly evicted Plaintiff from the premises, not only stopping the construction works being performed in the premises, but also physically bringing out Plaintiff's equipment, machineries, and other personalities (sic) of the leased realty;

XII

That the Alternative Defendants just named did the acts just described under the claim that the premises are either owned by Alternative Defendant FLORENDA MIRANDA or that the same are covered by [a] still existing lease agreement by and between Alternative Defendants, the latter claim being evidenced by the Contract of Lease x x x;

XIII

That regardless of the validity of either claim on the part of Alternative Defendants FLORENDA MIRANDA and EMECO, the same cannot be pleaded in derogation of Plaintiff's possessory rights over the premises, for the reason that the realty in question is covered by a torrens certificate in the name of Alternative Defendant ANGEL MIRANDA on which document third parties have a legally-authorized right to rely (in the first instance), and that in order to evict Plaintiff from the premises, proper ejectment proceedings would have to be instituted (in the second instance);

XIV

That under the law, Alternative Defendant ANGEL MIRANDA has the obligation to keep and maintain Plaintiff in peaceful possession of the leased premises, which obligation said defendant failed to observe and discharge;

XV

That as a result of the forcible eviction of Plaintiff from the leased property, it suffered damages not only in terms of destruction and/or impairment of its machineries, equipments (sic), appliances, personalities, supplies and materials, but also in terms of lost profits and business opportunities, besmirched reputation, administrative cost overruns, tarnished goodwill and impairment of credit facilities, the total pecuniary value of which amounts to not less than TWO MILLION PESOS (P2,000,000);[7]

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

- That upon due notice and hearing, a writ of preliminary mandatory injunction issue, restoring Plaintiff to the possession of the premises in question;

- That after trial, judgment issue directing Alternative Defendants, singly or collectively, and any person or persons claiming right under them to surrender possession of the leased premises to Plaintiff;

- That either Defendant, or all of them, be condemned to pay to Plaintiff the sum of TWO MILLION PESOS (P2,000,000) by way of actual, compensatory, and moral damages;

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- That either Defendant, or all of them, be condemned to pay attorney's fees and litigation expenses in the sum earlier set forth; and

- That either Defendant, or all of them, be condemned to pay the costs of this suit;

- OTHER RELIEFS and remedies as are just and equitable under the premises are likewise prayed for.[8]

On June 25, 1992, Angel and petitioner, as plaintiffs, filed a separate complaint for ejectment against Florenda before the Municipal Trial Court (MTC) of Bacoor, Cavite, docketed as Civil Case No. 1265. After due proceedings, the court rendered judgment on July 2, 1993, ordering the eviction of Florenda and all those claiming the property in her behalf. The decision was appealed to the RTC. However, for failure to pay a supersedeas bond, the decision was executed and Florenda was evicted from the property.

On November 26, 1993, the RTC rendered judgment in Civil Case No. N-5573, dismissing the complaint against all the alternative defendants without prejudice. It declared that plaintiff was entitled to damages, but it had to dismiss the complaint because of the pendency of Civil Case Nos. 92-699 and 92-1265.[9]

However, the RTC resolved to deny the motion of petitioner prompting it to appeal to the Court of Appeals. Angel Miranda also appealed the decision, which was docketed as CA-G.R. CV No. 45567.

Meantime, on September 22, 1994, the RTC rendered judgment in Civil Case No. 92-699 in favor of Angel and declared the contract of lease purportedly executed by him and EMECO void.

In its Brief as appellant in CA-G.R. CV No. 45567, petitioner alleged that:

THE LOWER COURT GRIEVOUSLY ERRED IN FAILING TO AWARD DAMAGES IN FAVOR OF PLAINTIFF BY DISMISSING THE CASE DESPITE ITS CLEAR FACTUAL FINDINGS THAT THE LATTER IS ENTITLED TO DAMAGES PRAYED FOR IN THE COMPLAINT.

I

THE DISMISSAL OF THE COMPLAINT ON THE GROUND OF "LITIS PENDENTIA" IS DEVOID OF ANY FACTUAL AND LEGAL BASIS.

II

IN THE SAME VEIN, THE AWARD OF DAMAGES IN THE PRESENT CASE WOULD NOT PRE-EMPT ANY DECISION THAT MIGHT BE RENDERED IN THE "PENDING CASES."[10]

It maintained that the trial court erred in dismissing its complaint on the ground of litis pendentia and in not ordering Angel Miranda to reimburse the P360,000.00 it had paid as rentals for the property.

For his part, Angel averred that the trial court should have dismissed the complaint against him with prejudice for the reason that there is no allegation in the complaint that he participated, directly or indirectly, in the forcible ejectment of petitioner from the property, and in the looting and taking of its properties.[11] He insisted that it was Florenda who forcibly evicted the corporation and took its properties. Thus, he cannot be held responsible for the tortious and wrongful acts of third persons, as there is no law to that effect. Under Article 1664 of the New Civil Code, he is not obliged to answer for a mere act of trespass, and the lessee has a direct action against the intruder. He pointed out that the law unconditionally and unequivocally absolves the lessor from any liability arising from an act of trespass by a third person. The duty to maintain the lessee in the peaceful and adequate enjoyment of the lease for the duration of the contract is merely a warranty by the lessor that the lessee shall not be disturbed in his legal, not physical, possession.

On October 29, 2002, the CA rendered judgment reversing the decision of the RTC. The fallo reads:

> WHEREFORE, the judgment appealed from is hereby REVERSED and SET ASIDE and a new one entered dismissing the complaint with prejudice against Angel Miranda and ordering Florenda Miranda to pay G.Q. Garments, Inc. the amount of:
>
> - P300,000.00 as and for nominal damages;
>
> - P200,000.00 as and for attorney's fees; and
>
> - To pay the costs of suit.
>
> SO ORDERED.[12]

The appellate court absolved Angel of any liability due to the absence of evidence showing that he had participated, directly or indirectly, in the looting of GQ Garment's properties and in forcibly ejecting the latter from the premises in question. While under Article 1654, paragraph 3, of the New Civil Code, a lessor is obliged to maintain the lessee in peaceful and adequate enjoyment of the lease for the entire duration of the contract, the law, however, does not apply to him since the unlawful acts were caused by a third person or an intruder. Under Article 1664, he is not obliged to answer for a mere act of trespass which a third person may cause on the use of the thing leased, but the lessee shall have a direct action against the intruder.

Moreover, the appellate court declared that the warranty of a lessor under Article 1654 of the New Civil Code extends only to non-disturbance of legal possession and not of physical possession. As ruled in the case of Bohol, Sr. v. Torres,[13] "the duty to maintain the lessee in the peaceful and adequate enjoyment of the lease for the duration of the contract is merely a warranty that the lessee shall not be disturbed in his legal, not physical possession." According to the CA, the evidence on record clearly showed that Florenda disturbed only the physical possession of the leased premises, and not legal possession. Thus, the complaint with respect to Angel Miranda should be dismissed with prejudice for lack of cause of action.[14]

Petitioner moved to have the decision reconsidered on the following grounds:

I

> THE HONORABLE COURT ERRONEOUSLY HELD THAT THE LOSS OF THE ARTICLES VALUED AT P9,960,000.00 WAS NOT PROVED BY EVIDENCE.
>
> II
>
> THE HONORABLE COURT ERRED IN NOT FINDING DEFENDANT-APPELLANT ANGEL MIRANDA LIABLE TO HEREIN PLAINTIFF-APPELLANT.[15]

Petitioner filed a motion for the reconsideration of the decision,[16] claiming that it adduced proof that it sustained actual damages. It claimed that Angel was liable for damages against it for disturbance in law. It was not just "a mere act of trespass," since Florenda claimed to have a prior contract of lease with Angel and by virtue of a supposedly legal judicial order, Florenda questioned its (GQ Garment's) right to enjoy the property and deprived it of possession thereof. Besides, Angel filed an ejectment suit and an action for the nullity of the contract of lease against Florenda only after it was dispossessed of the subject property.[17]

Petitioner averred that Angel was liable for damages under Article 1654(3) of the New Civil Code, under which, as lessor, he was obliged "to maintain the lessee in the peaceful and adequate enjoyment of the lease for the entire duration of the contract." It likewise cited De la Cruz vs. Seminary of Manila[18] where it was ruled that in case of legal disturbance, the lessor is liable for whatever the lessee has lost by virtue of the breach of the contract and that it is the duty of the lessor to place the lessee in legal possession of the premises and to maintain him in the

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peaceful possession of the property during the lifetime of the lease. It insisted that the lessor who fails in the performance of such obligation must indemnify the lessee for the damages occasioned thereby, the true measure of damages being the actual loss to the lessee arising from the breach of the contract on the part of the lessor.

Petitioner averred that it complied fully with its contract of lease and had paid Angel two (2) months deposit in the amount of P60,000.00; one (1) month advance rental of P30,000.00 and nine (9) months advance deposit in the amount of P270,000.00 or the total sum of P360,000.00.

On cross-examination, Angel admitted that he received P360,000.00 from petitioner. The plaintiff asserted that, in the interest of justice and fairness, the trial court should order the defendant to reimburse the actual damages it suffered and return the amounts of rentals and deposits received, considering that it failed to "enjoy" the leased premises. To rule otherwise, according to GQ Garments, would be to sanction the unjust enrichment of one at the expense of another.[19]

The CA denied the motion.

Petitioner filed the instant petition for review on certiorari on the following issues:

> I.
>
> WHETHER OR NOT THE HONORABLE COURT OF APPEALS COMMITTED A MANIFEST ERROR IN AWARDING DAMAGES TO THE PETITIONER WAY BELOW THAT PRAYED FOR IN THE COMPLAINT, THUS, TOTALLY DISREGARDING THE EVIDENCE ON RECORD.
>
> II.
>
> WHETHER OR NOT THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN NOT FINDING THAT RESPONDENT ANGEL MIRANDA SHOULD LIKEWISE BE HELD LIABLE FOR DAMAGES TO THE PETITIONER.[20]

Petitioner asserts that it adduced preponderant evidence that it sustained actual damages when its equipment and machineries were destroyed, and that such damaged property is valued at P10,000,000.00. It points out that aside from respondent Florenda Miranda's testimony, it also adduced in evidence photographs of the damaged property. Respondent Angel Miranda failed to adduce any evidence to rebut the same. Petitioner also avers that the damages it suffered was not merely an act of trespass but a disturbance in law for which respondent Angel Miranda is liable. He violated its right, as lessee; hence, he is liable for damages under Article 1654(3) of the New Civil Code. To buttress its claim, petitioner cites the ruling of this Court in De la Cruz vs. Seminary of Manila.[21] It insists that respondent Angel Miranda should pay actual damages of P10,000,000.00 and P360,000.00 it had paid to him by way of reimbursement, and prays that the Court render judgment as follows:

> - Respondents Florenda Miranda and Angel Miranda to pay petitioner, jointly and severally, actual damages in the sum of P10,000,000.00;
>
> - Respondent Florenda Miranda to pay petitioner exemplary damages in the amount to be determined by the Honorable Court;
>
> - Respondent Angel Miranda to reimburse petitioner the amount of P360,000.00 plus interest at 12% per annum from the time the complaint was filed until the same is fully paid;
>
> - Respondent Angel Miranda to pay petitioner moral, exemplary, temperate and nominal damages for breach of his warranty in the Contract of Lease;
>
> - Respondents to pay attorney's fees and the costs of suit.

Other reliefs just and equitable under the premises are likewise prayed for.[22]
Respondents did not file any comment on the petition, and were thus considered to have waived their right to do so.

The issues are the following: (1) whether respondents are liable to petitioner for the amount of P10,000,000.00 by way of actual damages; (2) whether respondent Angel Miranda is liable to reimburse to petitioner the P360,000.00 paid as rentals.

Petitioner asserts that the P10,000,000.00 in actual damages was specifically alleged in its complaint and that evidence was adduced to prove the same, consisting of the testimonies of respondent Florenda Miranda and her witnesses to determine the extent of petitioner's damages.

We agree with the ruling of the appellate court that petitioner's claim for actual damages was not properly substantiated by evidence. The CA correctly ruled as follows:

> Considering the above provisions of the law, there is no question that defendant-appellee Florenda Miranda and/or EMECO should be held accountable for the damage sustained by plaintiff-appellant due to their willful and wanton disregard of the lease rights of plaintiff-appellant over the property in question. However, we find that the alleged loss of articles, machinery and equipment in the total sum of P9,960,000.00 was not proven by clear and convincing evidence. Other than the bare testimony of Mr. Wilson Kho and the witnesses he presented, there was no poof as to the existence of these items prior to the taking over of Florenda over the property in question. The listing of lost items contained in plaintiff-appellant's Exhibits "I" and "I-1" is self-serving considering that no inventory was made on the said items prior to its delivery to the premises in question and that no receipt or proof of acquisition of these listed items were presented during the trial of the case.[23]

Under Article 2199 of the New Civil Code, actual damages include all the natural and probable consequences of the act or omission complained of, classified as one (1) for the loss of what a person already possesses (daño emergente) and the other, for the failure to receive, as a benefit, that which would have pertained to him (lucro cesante). As expostulated by the Court:

> Under Article 2199 of the Civil Code, actual or compensatory damages are those awarded in satisfaction of, or in recompense for, loss or injury sustained. They proceed from a sense of natural justice and are designed to repair the wrong that has been done, to compensate for the injury inflicted and not to impose a penalty. In actions based on torts or quasi-delicts, actual damages include all the natural and probable consequences of the act or omission complained of. There are two kinds of actual or compensatory damages: one is the loss of what a person already possesses, (daño emergente), and the other is the failure to receive as a benefit that which would have pertained to him (lucro cesante) (citations omitted).[24]

The burden of proof is on the party who will be defeated if no evidence is presented on either side. His burden is to establish his case by preponderance of evidence which means that the evidence, as whole, adduced by one side, is superior to that of the other. Actual damages are not presumed. The claimant must prove the actual amount of loss with a reasonable degree of certainty premised upon competent proof and on the best evidence obtainable. He must point out specific facts that could afford a basis for measuring whatever compensatory or actual damages are borne. Actual damages cannot be anchored on mere surmises, speculations or conjectures. As the Court declared:

> As stated at the outset, to enable an injured party to recover actual or compensatory damages, he is required to prove the actual amount of loss with reasonable degree of certainty premised upon competent proof and on the best evidence available. The burden of proof is on the party who would be defeated if no evidence would be presented on either side. He must establish his case by a preponderance of evidence which means that the evidence, as a whole, adduced by one side is superior to that of the other. In other words, damages cannot be

> presumed and courts, in making an award must point out specific facts that could afford a basis for measuring whatever compensatory or actual damages are borne.[25]

The claimants are not, however, mandated to prove damages in any specific or certain amount in order to recover damages for a substantial amount.[26] When the existence of a loss is established, absolute certainty as to its amount is not required.[27] The amount of the damages should be determined with reasonable certainty. The law does not require that the amount fixed be absolute or beyond conjectural possibilities. The ascertainment of the amount of damages should be by the plainest, easiest and most accurate measure which will do justice in the premises.[28]

The Court further declared that "where goods are destroyed by the wrongful acts of the defendant, the plaintiff is entitled to their value at the time of the destruction, that is normally, the sum of money which he would have to pay in the market for identical or essentially similar good plus, in a proper case, damages for the loss of the use during the period before replacement.[29]

To be entitled to an award of actual damages, it is necessary to prove the precise amount of the loss with a reasonable degree of certainty, premised upon competent proof and on the best evidence obtainable by the injured party to justify such award.[30] The award of actual damages cannot be simply based on the mere allegation of a witness without any tangible claim, such as receipts or other documentary proofs to support such claim.[31] Failing to satisfy the court that petitioner certainly suffered actual damages, its claim must now fail.

In this case, there is no question that, indeed, petitioner sustained damages because its equipment, machineries, and other valuables were taken, and its building was destroyed by respondent Florenda Miranda and her cohorts. Respondent Angel Miranda did not cause the damages sustained by petitioner's property. However, the only evidence adduced by the petitioner to prove the value of said property is the testimony of Kho, viz.:

> ATTY. QUIJANO:
>
> Q. You said defendant Miranda looted all your items, machinery and other valuables inside the premises, do you have a list of those which you claimed to [have] been lost and stolen from the premises?
>
> MR. KHO:
> A. We have a partial list of the equipment and materials lost.
>
> ATTY. QUIJANO:
>
> May we request that the list be marked as Exhibits I and I-1, respectively.
> WITNESS:
> The first page represents the items lost on January 27 and the second page, items lost in the middle of March up the (sic) of June.
>
> COURT:
>
> Mark it. x x x .
>
> x x x x x x x x x
>
> Q. Considering that you have been forcibly evicted from the premises, what did you do?
> A. We seek (sic) the services of M .R. Pamaran Law Office.
>
> Q. And do you have any arrangement with said office?
>
> A. The agreement is P200,000.00 plus P2,000.00 per appearance, damaged equipment and loss is P10,000,000.00 and the actual items lost is more than P10,000,000.00 plus construction materials,

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P11,000,000.00.

COURT:
Q. The actual damage is P10,000,000.00?
A. P10,000,000.00, including the building x x x.
(TSN dated 10 July 1992, pp. 26-28, bold ours)[32]

No other proof was adduced to establish the value or price of the equipment, machineries and valuables taken by respondent Florenda Miranda, as well as the damage to petitioner's building. The bare claim of Kho that the petitioner sustained actual damages in the amount of

P10,000,000.00 is utterly insufficient on which to anchor a judgment for actual damages in the amount of P10,000,000.00; it is speculative and merely a surmise.

The Court notes that respondent Florenda Miranda admitted, when she testified, that she and her cohorts caused the damages to the property of the petitioner:

ATTY. QUIJANO:

Q. When you went to the premises in question, you found out that there were already some construction going on?

MS. MIRANDA:

A. Construction? Not construction but there [were] some machineries inside but not installed.

x x x x x x x x x

Q. There [were] purlins and trusses already in the '?
A. No, in the latter part only.

x x x x x x x x x

Q. You said that you did not throw their equipment but just pulled it out and transferred it to another lot. How long did it take you to transfer

that?

A. The first one it took us one day to be able to pull out or get outside, I think six or nine machineries and then it was stopped.

Q. How did you bring it out?
A. By means of forklift.

Q. So, you hired a forklift?
A. Yes, Sir.

x x x x x x x x x

Q. Are all the machineries pulled out?

A. On the first time, it wasn't because it was stopped x x x so it took us another, I think a month or weeks also before we could hire another trucking firm.

Q. You mean this truck was hired by Mr. Kho and not by you?
A. No, by me.

x x x x x x x x x

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> Q. So, you hired this truck to pull all these machineries out?
>
> A. Yes. x x x (TSN dated 11 June 1993, pp. 20-23 before the RTC, Cavite, emphasis ours)[33]

With this admission, Florenda Miranda is clearly liable for damages to the equipment, machineries and building of petitioner.

We agree with the ruling of the CA that respondent Angel Miranda is not liable for damages caused to petitioner's property. Article 1654 of the New Civil Code reads:

> Art. 1654. The lessor is obliged:
>
> (1) To deliver the thing which is the object of the contract in such a condition as to render it fit for the use intended;
>
> (2) To make on the same during the lease all the necessary repairs in order to keep it suitable for the use to which it has been devoted, unless there is a stipulation to the contrary;
>
> (3) To maintain the less in the peaceful and adequate enjoyment of the lease for the entire duration of the contract.

Under the provision, a lessor is obliged to maintain petitioner's peaceful and adequate enjoyment of the premises for the entire duration of the lease. In case of noncompliance with these obligations, the lessee may ask for the rescission of the lease contract and indemnification for damages or only the latter, allowing the contract to remain in force.[34]

The trespass referred to in Article 1654, paragraph 3, of the New Civil Code, is legal trespass or perturbacion de mero derecho. The lessor is not liable for the mere fact of a trespass or trespass in fact (perturbacion de mero hecho) made by a third person of the leased property. The lessee shall have a direct action against the trespasser and not against the lessor. As explained by the Court, if the act of trespass is not accompanied or preceded by anything which reveals a really juridic intention on the part of the trespasser, in such wise that the lessee can only distinguish the material fact, such a trespass is merely a trespass in fact.[35]

The duty of the lessor to maintain the lessee in the peaceful and adequate enjoyment of the leased property for the entire duration of the contract is merely a warranty that the lessee shall not be disturbed in having legal and not physical possession of the property.[36]

In this case, the trespass perpetrated by respondent Florenda Miranda and her confederates was merely trespass in fact. They forcibly entered the property and caused damage to the equipment and building of petitioner, because the latter refused to enter into a contract of lease with EMECO over the property upon respondent Florenda Miranda's failure to present respondent Angel Miranda to sign the contract of lease. It turned out that respondent Florenda Miranda attempted to hoodwink petitioner and forged respondent Angel Miranda's signature on the contract of lease she showed to petitioner. It appears that respondent Florenda Miranda tried to coerce the petitioner into executing a contract of lease with EMECO over the property, only to be rebuffed by the petitioner.

Petitioner cannot rely on the ruling of this Court in De la Cruz v. Seminary of Manila,[37] because, in this case, respondent Angel Miranda had the legal power to place petitioner in the peaceful possession of the property upon the execution of the contract of lease between him and petitioner; in fact, actual possession of the property was placed in the hands of petitioner, enabling it to start the construction of its factory.

It bears stressing that respondent Angel Miranda was not content in adopting a mere passive stance in the face of respondent Florenda Miranda's act of trespass. He and the petitioner filed a case for forcible entry against

Florenda Miranda; he also succeeded in having the RTC, in Civil Case No. 92-699, declare the contract of lease which respondent Florenda Miranda showed petitioner as null and void, with the court's ruling that his signature on the contract was a forgery.

IN LIGHT OF ALL THE FOREGOING, the petition is DENIED. Cost against the petitioner.

ORDERED.

Panganiban, C.J., (Chairman), Ynares-Santiago, Austria-Martinez, and Chico-Nazario, JJ., concur.

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[1] Penned by Associate Justice Elvi John S. Asuncion, with Associate Justices Conrado M. Vasquez, Jr., (Chairman, 8th Division) and Sergio L. Pestaño concurring; rollo, pp. 38-49.

[2]Id. at 51.

[3]Id. at 52.

[4] Id. at 69-70.

[5] Id. at 53-55.

[6]Id. at 56.

[7] Id. at 58-62.

[8]Id. at 63-64.

[9] Id. at 85-96.

[10] Id. at 112-113.

[11] Id. at 136.

[12] Id. at 48.

[13] G.R. No. L-26861, July 31, 1978, 84 SCRA 302.

[14] Rollo, pp. 47-48.

[15] Id. at 156.

[16] Id. at 97-102.

[17] Id.

[18] 18 Phil. 330 (1911).

[19] Rollo, pp. 163-164.

[20] Id. at 21.

[21] Supra note 11.

[22] Rollo, p. 33.

[23] Id. at 46. (Underscoring supplied)

[24] PNOC Shipping and Transport Corporation v. Court of Appeals, et al., 358 Phil. 38, 52-53 (1998).

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[25] Id. at 53-54.

[26] 15 American Jurisprudence, p. 795, Sec. 356, cited in Pedret v. Ponce Enrile, 53 Official Gazette 2809, 2820 (1957).

[27] Cerrano v. Tan Chuco, 38 Phil. 392, 398 (1918).

[28] Hicks v. Manila Hotel, Co., 28 Phil. 325, 340 (1914).

[29] PNOC Shipping and Transport Corporation v. Court of Appeals, et al., supra at 53.

[30] People v. Abes, G.R. No. 138937, January 20, 2004, 420 SCRA 259, 278, citing People v. Abrazaldo, 445 Phil. 109, 125-126.

[31] Bank of the Philippine Islands v. ALS Management and Development Corporation, G.R. No. 151821, April 14, 2004, 427 SCRA 564, 579.

[32] Rollo, p. 25.

[33] Id. at 22-23.

[34] Article 1659, New Civil Code.

[35] Goldstein v. Roces, 34 Phil. 562, 566-567 (1916).

[36] Chua Tee Dee v. Court of Appeals, G.R. No. 135721, May 27, 2004, 429 SCRA 418, 435.

[37] Supra note 11.

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