

**CIRIACA CAÑETE, PLAINTIFF-APPELLEE, VS. SAN ANTONIO
AGRO-INDUSTRIAL DEVELOPMENT CORPORATION,
DEFENDANT-APPELLANT. WALTER BAYNOSA,
PLAINTIFF-APPELLEE, VS. SAN ANTONIO AGRO-INDUST...**

G.R. Nos. 51152 and 55440. April 27, 1982

Ponente: BARREDO, J.

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BARREDO, J.:

Appeals from the decisions of the Court of First Instance of Negros Occidental in its Civil Cases Nos. 1124, Cañete vs. San Antonio Agro-Industrial Development Corporation and 1125, Baynosa vs. San Antonio Agro-Industrial Development Corporation, which were originally taken to the Court of Appeals as CA-G.R. No. 58862-R and CA-G.R. No. 59227, respectively, by appellant corporation against whom the decisions of the trial court in both cases were adverse, but certified to this Court (on June 18, 1979 and October 2, 1980, respectively), for the reason that the only issue involved is one of law.

The legal matter at issue and the environmental facts of both cases which are practically identical *mutatis mutandis* may be gathered from the decision of the Second Division of the Court of Appeals in G.R. No. 58862-R as follows:[1]

"It appears that on February 24, 1975, plaintiff-appellee filed a complaint for declaratory relief and damages (Civil Case No. 1124) against the defendant-appellant before the Court of First Instance of Negros Occidental, 12th Judicial District, Branch VII at San Carlos City, alleging among other things, as follows:

' x x x x x x x x.

'2. That on October 23, 1967, plaintiff entered into a Lease Contract with the defendant, whereby the former leased to the latter her agricultural land situated at Calatrava, Negros Occidental x x x;

'3. That the lifetime of the lease contract is stated in paragraph 3, of their contract which states as follows:

'That the lease shall begin in crop year 1968-69 up to and including crop year 1973-74 with an option of another five years on the part of the LESSEE to extend'

A photostatic copy of said contract is hereto attached marked as Annex 'A' and made an integral part of this complaint;

'4. That on October 1, 1973, defendant wrote plaintiff a letter informing the latter that they will exercise the option of another five (5) years to begin with 1974-75 crop year x x x;

'5. That on November 8, 1973, plaintiff in reply to defendant's letter wrote the latter informing them that she is terminating the said Lease Contract effective Crop Year 1974-75, further advising them to vacate the leased premises after crop year 1973-74 x x x;

' x x x x x x x x;

'7. That paragraph 3, of their lease contract x x x is clarified by the provisions of par. 7, of their lease contract which is hereunder quoted to wit:

'That the LESSEE is given an option to purchase the above-described parcels of land in case the LESSOR shall be willing and desirous to sell the same and likewise the LESSEE is given the option to lease the above parcels of land in case the LESSOR is likewise willing to lease the same again.'

'8. That it is the understanding of the plaintiff that the option of five (5) years depends in her will in accordance with the above-cited provision;

' x x x x x x x x;

'11. That sometime in the month of January, 1975, defendant cut and milled the standing cane of around two (2) hectares of the leased premises pertaining to the Crop Year 1974-75, the estimated value of which is P10,000.00 more or less;

'12. That in spite of repeated demands by the plaintiff to the defendant to vacate the premises, the latter refused and still refuses to vacate the premises, and as a consequence thereof, plaintiff suffered mental anguish, serious anxiety, besmirched reputation, wounded feelings, moral shock and social humiliation, which although is encapable (sic) of pecuniary estimation could reasonably be assessed at P10,000.00;

'13. That because of defendant's refusal to vacate the leased premises, plaintiff was compelled to file this case in Court, thereby, contracting the professional services of the undersigned counsel in the sum of P500.00.'

plaintiff therefore, prayed that judgment be rendered in her favor, to wit:

'1. Declaring the Lease Contract as terminated and that plaintiff is not bound to allow the defendant to exercise the option to lease the property in question;

'2. Ordering defendant to vacate the property in question;

'3. Ordering the defendant to indemnify plaintiff the sum of P10,000.00 in concept of moral damages;

'4. Ordering defendant to reimburse plaintiff the sum of P500.00, in concept of reasonable attorney's fees; and

'5. Ordering defendant to pay the cost of this suit.'

"In its answer with counterclaim, the defendant admitted the material allegations of the complaint, but maintained, however, that under the contract adverted to, it has the exclusive, unilateral option to extend the subject lease.

"On June 25, 1975 , the Court a quo issued the following pretrial order:

'When this case was called for pretrial today, counsels for both parties informed the Court that they are submitting this case for decision on the basis of the pleadings submitted by them considering that the only issue involved is the interpretation of paragraphs 3 and 7 of the contract of lease. Counsels for both parties prayed the Court that they be given ten (10) days within which to file their memoranda simultaneously, in support of their respective stand in this case. After the Court shall have received their memoranda, this case shall be considered submitted for decision without further argument. Counsels for both parties are notified of this setting in open court.'

"The parties' respective memoranda having been filed, the Court a quo rendered decision on August 21, 1975, the dispositive part of which reads:

'WHEREFORE, this Court is constrained to hold, as it hereby holds, that the lease contract (Annex A, Complaint) executed between the parties in this case on Oct. 23, 1967 had terminated at the end of crop year 1973, and that since there is no willingness on the part of the lessor to extend said contract, the same is hereby declared to have

no further effect. Without pronouncement as to costs.

'SO ORDERED'.

"From the aforesaid decision, the defendant appealed to Us ascribing to the Court a quo the lone error, to wit:

'THE TRIAL COURT ERRED IN HOLDING THAT THE LEASE CONTRACT IN QUESTION EXECUTED ON OCT. 23, 1967 HAD TERMINATED AT THE END OF CROP YEAR 1973-74, AND THAT SINCE THERE IS NO WILLINGNESS ON THE PART OF THE LESSOR TO EXTEND CONTRACT, THE SAME HAD CEASED TO HAVE ANY EFFECT.'

"It is clear that the only issue involved in this appeal is whether or not the court a quo was correct in its interpretation of the subject contract of lease. This question is, basically, one of law as it does not involve examination of probative value of any given evidence (Ramos, et al. vs. Pepsi Cola Bottling Co. of the Philippines, et al., 19 SCRA 289, 292). Thus, in Cunanan vs. Lazatin, 74 Phil. 719, it was ruled that 'whether the issue is the construction or interpretation to be placed by the Court of Appeals upon documentary evidence, or where a case is submitted upon an agreed statement of facts, or where all the facts are stated in the judgment, and the issue is the correctness of the conclusion drawn therefrom, the question is one of law which may be reviewed by the Supreme Court.' (Pp. 24-28, Record, G.R. No. 51152.)

Indeed, the only legal issue We have to resolve in the above premises is the juridical construction of the apparent conflict between paragraphs 3, on the one hand, and 7, on the other, of the identical contracts of lease in question as regards the duration of the lease by the appellant corporation of the lands of the two plaintiffs, respectively.

In this connection, it is to be noted that the tenor of paragraph 3 is clear, categorical and unequivocal. To be more precise, We requote them thus:

"That the lease shall begin in crop year 1968-69 up to and including crop year 1973-74 with an option for another 5 years on the part of the LESSEE to extend."

On the other hand, paragraph 7 appears to Us a little ambiguous. It reads:

"That the LESSEE is given an option to purchase the above-described parcels of land in case the LESSOR shall be willing and desirous to sell the same and likewise the LESSEE is given the option to lease the above parcels of land in case the LESSOR is likewise willing to lease the same again."

Whereas paragraph 3 fixes the duration of the lease to be that it "shall begin in crop year 1968-69 up to and including crop year 1973-74" and explicitly and definitely adds the conferment or granting on an unqualified option "on the part of the LESSEE to extend" the said period for "another five years", on the other hand, paragraph 7 refers to an option given to the said LESSEE "to purchase the above-described parcels of land in case (the respective LESSOR) shall be willing and desirous to sell the same." In the same breath it adds the controversial grant of an option to the LESSEE "to lease the above parcels of land in case the LESSOR is likewise willing to lease the same again."

Both parties opted not to present any evidence to elucidate orally as to their exact intent regarding the point at issue. We are thus left to determine such intent by construing the controverted provisions on the basis alone of which of the said provisions We deem to be more definite and controlling, as far as what the tenor thereof and the two contracts as a whole evince.

As it appears to Us, the language of paragraph 3 is susceptible of only one ineluctable meaning, which is, that the option to extend the leases in question has been given exclusively and unqualifiedly to the LESSEE. On the other

hand, paragraph 7 is open to two possible interpretations, namely, (a) that the option unilaterally given to the lessee corporation to further lease the lands concerned after the 1973-74 crop year should be understood as qualified by the option granted to it under paragraph 7 which says "in case the LESSOR is likewise willing to lease the same again", or (b) that said option to "lease again" under paragraph 7 shall be exercisable only after the option already granted under paragraph 3 shall have already been exercised by the LESSEE. The way We see the problem before Us, conventional wisdom dictates that the option in paragraph 7 would defeat that granted in paragraph 3, if We were to follow appellees' posture that the option given to the LESSEE under paragraph 3 is not unilateral or belonging to the LESSEE alone. In other words, what is positively granted in paragraph 3 would appear negated by paragraph 7. We are not prepared to believe that parties to a contract who are sui juris and presumably knowledgeable of the purposes for which they solemnly put into writing their agreements could be so careless as to set down conflicting and inconsistent conditions in such brief and simple contracts as those now before Us. Indeed, in line precisely with the proposition pursued by the trial court that pursuant to Article 1374 of the Civil Code, all the terms of a contract must be interpreted together to give effect to the whole agreement (citing also Section 9 of Rule 130), We are convinced that the best reconciliation between paragraph 3 and paragraph 7 is to give effect to the latter only after the option in the former has already been exercised, thereby avoiding conflict, contradiction and inconsistency within the four corners of the same agreement.

Appellee maintains that to construe paragraph 3 literally would leave the extension of the period exclusively to appellant corporation, which, it is alleged, is contrary to the principle of mutuality in contracts. We hold that there is nothing illegal or contrary to public policy in such a stipulation. Jurisprudence and experience do not and cannot sustain such view. In the last analysis, the parties to a contract are free to deprive themselves of certain rights and waive them, if any such exist in law, as long as such renunciation is not violative of public policy or any contrary legal impediment. (Article 6, Civil Code of the Philippines)

In consequence of the foregoing, it is Our considered opinion and We so hold that the appellant corporation's pose that the leases in question are extendible for another five (5) years from crop year 1973-74 at its exclusive option, even if appellees would not or did not agree thereto. It is a little unfortunate, incidentally, that at this point in time even that extension has already expired.

ACCORDINGLY, judgment is hereby rendered reversing the judgment of the trial court and We hereby recognize and declare it to be the right of appellant corporation to have had an extension of its contracts of lease in issue up to crop year 1978-79. Costs against appellees. De Castro, Ericta, and Escolin, JJ., concur.

Aquino, J., see attached concurrence.

Concepcion, Jr., and Abad Santos, JJ., on leave.

[1] The only difference between the two cases are that in Civil Case No. 1124, the plaintiff is Ciriaca Cañete while in Civil Case No. 1125, it is Walter Baynosa; the lands involved in the first case are two parcels (Lots No. 58, PLS-256 and Lot No. 71, PLS-256, covered by OCT No. P-3724, having a total area of 352,896 sq. m.) and that in Civil Case No. 1125 is Lot No. 75, PLS-256, covered by OCT No. P-4077, with an area of 86,987 sq. m.; all of the said lands being located in Calatrava, Negros Occidental. The respective contracts of lease in question are both dated October 23, 1967 and signed in Bacolod City. CA-G.R. No. 59227 came from the Seventh Division.

CONCURRING OPINION

AQUINO, J.:

I concur. Ciriaca Cañete and Walter K. Baynosa leased on October 23, 1967 to San Antonio Agro-Industrial Development Corporation in separate lease contracts their respective lands with areas of thirty-five and eight hectares, located at Calatrava, Negros Occidental. The instruments were denominated "Lease of Parcels of Land with Option to Purchase".

The leases were for a five-year term, or from the 1968-1969 crop-year to the 1973-74 crop-year "with an option of another five years on the part of the lessee to extend" (Par. 3, Lease Contract).

Paragraph 7 of the lease contracts provides that "the lessee is given an option to purchase the above-described parcels of land in case the lessor shall be willing and desirous to sell the same and likewise the lessee is given an option to lease the above parcels of land in case the lessor is willing to lease the same again".

In October, 1973, or during the fifth year term of the lease, the lessee, San Antonio Agro-Industrial, sent letters to the lessors, Ciriaca Cañete and Baynosa, advising them that San Antonio Agro-Industrial was exercising its option under paragraph 3 of the contract to lease the lands for another five years, beginning with 1974-1975 crop-year.

Ciriaca Cañete and Baynosa replied in their separate letters both dated November 8, 1973 that they were not willing to renew the lease. Under paragraph 7 of the lease contracts their consent is necessary to the renewal. Hence, they advised San Antonio Agro-Industrial to vacate the lands after the expiration of the 1973-1974 crop-year.

As San Antonio Agro-Industrial did not vacate the lands, Ciriaca Cañete and Baynosa filed against it in the Court of First Instance of Negros Occidental separate actions for the recovery of the possession of the land. The cases were submitted for judgment on the pleadings.

The lower court held that the controlling stipulation is that found in paragraph 7. Hence, the leases were terminated in 1974 because the lessor refused to agree to the renewal thereof. The lower court declared the leases terminated. It did not order San Antonio Agro-Industrial to vacate the lands.

The legal issue is whether the leases could be unilaterally renewed at the lessee's option even over the lessor's opposition.

The notary, who drafted the two contracts, declared in his affidavits that under paragraph 3 the lessee had the right to renew the lease for another five years and that paragraph 7 refers to a second renewal which could only be effected with the lessor's consent.

I agree with Justice Barredo that the leases could be unilaterally extended by the lessee; otherwise, the option given to the lessee in paragraph 3 would be meaningless.

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