G.R. No. 18754. September 26, 1922

43 Phil. 688

[G. R. No. 17768. September 01, 1922]

VICENTE SOTTO, PETITIONER, VS. FILEMON SOTTO, RESPONDENT.

D E C I S I O N

OSTRAND, J.:

This is a petition under section 513 of the Code of Civil Procedure to reopen the land registration proceedings in regard to lot No. 7510 of the Cadaster of Cebu.

The petitioner alleges that he is the owner of said lot No. 7510; that in or about the year 1907 he absented himself from the city of Cebu, leaving the respondent in charge of the lot; that on or about the 16th of April, 1921, the petitioner, upon visiting the office of the clerk of the Court of First Instance of Cebu, discovered that the respondent had fraudulently obtained the registration of said lot in his own name and that a certificate of title for said lot had been issued to said respondent on January 24, 1920; that the petitioner, due to his long absence from Cebu, was unable to appear in court in the land registration proceedings and to defend his rights; and that this action is his only remedy to recover the property in question. He therefore asks that the decision of the Court of First Instance in regard to said lot No. 7510 be annulled and that a new trial be had. The case is now before us upon demurrer by the respondent to the petition on the ground that it does not state facts sufficient to constitute a cause of action.

The respondent maintains that section 513 of the Code of Civil Procedure is not applicable to decisions in land registration proceedings which are covered by a final decree and this is the only question of importance raised by the demurrer.

A brief statement of the history of the legislation relating to the question at issue may be of some aid in its determination. The original Land Registration Act (No. 496) which established the Torrens system of registration in these Islands, went into effect on January

1, 1903. It created a court of land registration and its section 14 provided for an appeal from that court to the Court of First Instance. Section 38 of the Act reads:

> "If the court after hearing finds that the applicant has title as stated in his application, and proper for registration, a decree of confirmation and registration shall be entered. Every decree of registration shall bind the land, and quiet title thereto, subject only to the exceptions stated in the following section. It shall be conclusive upon and against all persons, including the Insular Government and all the branches thereof, whether mentioned by name in the application, notice, or citation, or included in the general description 'To all whom it may concern,' Such decree shall not be opened by reason of the absence, infancy, or other disability of any person affected thereby, nor by any proceeding in any court for reversing judgments or decrees; subject, however, to the right of any person deprived of land or of any estate or interest therein by decree of registration obtained by fraud to file in the Court of Land Registration a petition for review within one year after entry of the decree, provided no innocent purchaser for value has acquired an interest. If there is any such purchaser, the decree of registration shall not be opened, but shall remain in full force and effect forever, subject only to the right of appeal hereinbefore provided. But any person aggrieved by such decree in any case may pursue his remedy by action for damages against the applicant or any other person for fraud in procuring the decree. Whenever the phrase 'innocent purchaser for value' or an equivalent phrase occurs in this Act, it shall be deemed to include an innocent lessee, mortgagee, or other encumbrancer for value."

On April 5, 1904, Act No, 1108 was enacted which, by its section 4, amended section 14 of the original Act so as to read as follows:

> "SEC. 14. Every order, decision, and decree of the Court of Land Registration may be reviewed by the Supreme Court in the same manner as an order, decision, decree, or judgment of a Court of First Instance -might be reviewed, and for that purpose sections one hundred and forty-one, one hundred and forty-two, one hundred and forty-three, four hundred and ninety-six, four hundred and ninety-seven (except that portion thereof relating to assessors), four hundred and ninety-nine, five hundred, five hundred and one, five hundred and two, five

> hundred and three, five hundred and four, five hundred and five, five hundred and six, five hundred and seven, five hundred and eight, five hundred and nine, five hundred and eleven, five hundred and twelve, five hundred and thirteen, five hundred and fourteen, five hundred and fifteen, five hundred and sixteen, and five hundred and seventeen of Act Numbered One hundred and ninety, entitled 'An Act providing a Code of Procedure in civil actions and special proceedings in the Philippine Islands,' are made applicable to all the proceedings of the Court of Land Registration and to a review thereof by the Supreme Court, except as otherwise provided in this section: *Provided, however*, That no certificates of title shall be issued by the Court of Land Registration until after the expiration of the period for perfecting a bill of exceptions for filing: *And provided further*, That the Court of Land Registration may grant a new trial in any case that has not passed to the Supreme Court, in the manner and under the circumstances provided in sections one hundred and forty-five, one hundred and forty-six, and one hundred and forty-seven of Act Numbered One hundred and ninety: *And provided also*, That the certificates of judgment to be issued by the Supreme Court, in cases passing to it from the Court of Land Registration, shall be certified to the clerk of the last-named court as well as the copies of the opinion of the Supreme Court: *And provided also*, That in the bill of exceptions to be printed no testimony or exhibits shall be printed except such limited portions thereof as are necessary to enable the Supreme Court to understand the points of law reserved. The original testimony and exhibits shall be transmitted to the Supreme Court. * * *"

Section 513 of the Code of Civil Procedure to which reference is made in the foregoing section, reads:

> "When a judgment is rendered by a Court of First Instance upon default, and a party thereto is unjustly deprived of a hearing by fraud, accident, mistake, or excusable negligence, and the Court of First Instance which rendered the judgment has finally adjourned so that no adequate remedy exists in that court, the party so deprived of a hearing may present his petition to the Supreme Court within sixty days after he first learns of the rendition of such judgment, and not thereafter, setting forth the facts and praying to have such judgment set aside. The court shall summarily on notice to both parties hear such petition, upon oral or written testimony as it shall direct, and the judgment shall be set aside and a

> trial upon the merits granted, upon such terms as may be just, if the facts set forth in the complaint are found to be true, otherwise the complaint shall be dismissed with costs.
>
> "If a trial on the merits is granted, the order shall forthwith be certified to the Court of First Instance. Pending such petition, any judge of the Supreme Court for cause shown, may order a suspension of further proceedings to enforce the judgment complained of, upon taking sufficient security from the petitioner for all costs and damages that may be awarded against him in case the petition is dismissed."

From the time of the passage of Act No. 1108 until the filing of the petition in the recent case of Caballes vs. Director of Lands (41 Phil., 357) the final decrees in land registration cases were always regarded as indefeasible and it apparently did not occur to the members of the legal profession that the provisions of section 513, supra, could be applied to such decrees or to the orders or decisions upon which they were based. Aside from the dictum in the Caballes case, this court has consistently held that final decrees in land registration cases could not be reopened except under the circumstances, and in the manner, mentioned in section 38 of the Land Registration Act. (Grey Alba vs. De la Cruz, 17 Phil., 49; City of Manila vs. Lack, 19 Phil., 324; Cuyugan and Lim Tuico vs. Sy Quia, 24 Phil., 567; Broce vs. Apurado, 26 Phil., 581; Roxas vs. Enriquez, 29 Phil., 31; De Jesus vs. City of Manila, 29 Phil., 73; Manila Railroad Co. vs. Rodriguez, 29 Phil., 336; Legarda and Prieto vs. Saleeby, 31 Phil., 590; Mariano Velasco & Co. vs. Gochuico & Co., 33 Phil., 363; Roman Catholic Archbishop of Manila vs. Sunico and Catli, 36 Phil., 279; Bias vs. De la Cruz and Melendres, 37 Phil., 1, and Government of the Philippine Islands vs. Abural, 39 Phil., 996.)

The dominant principle of the Torrens system of land registration is that the titles registered thereunder are indefeasible or as nearly so as it is possible to make them. (Niblack's Analysis of the Torrens System, paragraphs 5, 161, and 166; Sheldon on Land Registration, pp. 40 and 41; Dumas' Registering Title to Land, p. 31; Hogg on the Australian Torrens System, pp. 775 *et seq*.) This principle is recognized to the fullest extent in our Land Registration Act and gives the Act its principal value. (*See* Land Registration Act, sections 38 and 39.)

An examination of Act No. 1108 shows that it merely provides for the amendment of sections 6, 12, 13, 14, 17, 19, 24, 36, and 114 of the original Land Registration Act. Sections

14 and 19 relate to matters of procedure; all the other sections mentioned deal with administrative matters. Nowhere in Act No. 1108 is there any direct indication of any intention to alter the character of the Land Registration proceedings or to impair the strength of the registered titles.

The purpose of the amendment of section 14 of the land Registration Act was clearly to make the Court of Land Registration coordinate with the Courts of First Instance and to make its judgments appealable to the Supreme Court instead of to the Courts of First Instance. In carrying out this purpose the Legislature, by reference to certain sections of the Code of Civil Procedure, incorporated into the Land Registration Act the then existing provisions for bills of exceptions and appeals from the Courts of First Instance to the Supreme Court and made certain original actions in the Supreme Court applicable to land registration matters. This was all that was done and very evidently all it was intended to do.

As Act No. 1108 only amended certain sections of the Land Registration Act and did not purport to amend the Act as a whole, or to introduce any new principle therein, the amended sections should be read in connection with the other sections of the Act as if all had been enacted in the same statute, and, as far as possible, effect should be given to them all in furtherance of the general design of the Act. Sutherland on Statutory Construction, 2d ed., says in paragraph 368:

> "The practical inquiry is usually what a particular provision, clause, or word means. To answer it one must proceed as he would with any other composition-construe it with reference to the leading idea or purpose of the whole instrument. A statute is passed as a whole and not in parts or sections and is animated by one general purpose and intent. Consequently each part or section should be construed in connection with every other part or section and so as to produce a harmonious whole. It is not proper to confine the attention to the one section to be construed. 'It is always an unsafe way of construing a statute or contract to divide it by a process of etymological dissection, into separate words, and then apply to each, thus separated from its context, some particular definition given by lexicographers, and then reconstruct the instrument upon the basis of these definitions. An instrument must always be construed as a whole, and the particular meaning to be attached to any word or phrase is usually to be ascertained from the context, the nature of the subject treated of and the purpose or intention of the parties who executed the contract, or of the body

> which enacted or framed the statute or constitution.' (International Trust Co. vs. Am. L. & I. Co., 62 Minn., 501.) Another court says: 'Statutes must receive a reasonable construction, reference being had to their controlling purpose, to all their provisions, force and effect being given not narrowly to isolated and disjointed clauses, but to their plain spirit, broadly taking all their provisions together in one rational view. Neither grammatical construction nor the letter of the statute nor its rhetorical framework should be permitted to defeat its clear and definite purpose to be gathered from the whole act, comparing part with part. * * * A statute must receive such reasonable construction as will, if possible, make all its parts harmonize with each other, and render them consistent with its scope and object.' (Adams vs. Yazoo & Miss. Val. R. R. Co., 75 Miss., 275.)"

Applying the principles stated, we do not think it impossible to so harmonize the various sections of the Land Registration Act as to carry out its general intent.

It must be conceded that section 14, as amended, is repugnant to several other sections of the Land Registration Act, if we hold that the final "decree of confirmation and registration" provided for in section 38 of the Act is a "judgment" within the meaning of section 513 of the Code of Civil Procedure. But we do not think it necessary to so hold. The Land Registration Act itself distinguishes between a judgment and the final decree. In section 36 of the Act the decision rendered by the court is styled "a judgment." The final "decree of confirmation and registration" is separate and distinct from the judgment and cannot be entered until at least thirty days after such judgment has been rendered. The contents of this final decree is thus prescribed by section 40 of the Act:

> "Every decree of registration shall bear the day of the year, hour, and minute of its entry, and shall be signed by the clerk. It shall state whether the owner is married or unmarried, and if married, the name of the husband or wife. If the owner is under disability, it shall state the nature of the disability, and if a minor, shall state his age. It shall contain a description of the land as finally determined by the court, and shall set forth the estate of the owner, and also, in such manner as to show their relative priority, all particular estates, mortgages, easements, liens, attachments, and other incumbrances, including rights of husband or wife, if any, to which the land or owner's estate is subject, and may contain any other matter properly to be determined in pursuance of this Act. The decree shall be

> stated in a convenient form for transcription upon the certificates of title hereinafter mentioned."

As provided in the last sentence of the section quoted, the decree is transcribed literally upon the certificate of title. Section 38 of the Act provides that it "shall not be opened by reason of the absence, infancy, or other disability of any person affected thereby, nor by any proceeding in any court for reversing judgments or decrees."

It can readily be seen that such a decree possesses very special characteristics and that it differs not only in form but also in character from the ordinary judgment.

Its features of finality and indefeasibility constitute the cornerstone of the Land Registration Act; if we eliminate them we may still have a land registration system but it will not be a Torrens system. To hold that the Legislature by a mere reference in Act No. 1108 to section 513 of the Code of Civil Procedure intended to include such final decrees in the term "judgment" as employed in that section would therefore be equivalent to holding that it proposed in this casual manner to abolish the Torrens system in these Islands, a system which had given general satisfaction, and to substitute therefor a mongrel system with all the disadvantages of Torrens registration but without its principal advantages.

Such an interpretation of the law would be in conflict with the view of the effect of final decrees expressed in all decisions of this court upon the subject from the time of the enactment of Act No. 1108 until the present time, with the sole exception of the aforementioned *dictum* in the case of Caballes vs. Director of Lands, *supra*. It would lay a final land registration decree open to successive attacks by persons claiming to have been deprived of their interest in the decreed land by default and would throw the title back into the realm of oral evidence, which, in land disputes in this country, has always been found notoriously unreliable

Moreover, an examination of the Land Registration Act shows clearly that its prime object is to give the greatest possible protection to the *bona fide* holders of the certificates of title provided for in the Act. If a final decree of confirmation and registration should be reopened and cancelled, it is, of course, obvious that all certificates of title issued under the decree would fail whether the holders were guilty of bad faith or not; as far as the validity of his title might be concerned, the *bona fide* holder of a transfer certificate—an innocent third party—would be exactly in the same position as the holder in bad faith of the first certificate issued under a decree, i. e., neither would have any legal title whatever.

A *bona fide* holder of a title recorded in the old, or Mortgage Law, register would then be in a much better position inasmuch as he would enjoy the very important benefits of article 34 of the Mortgage Law. In other words, the old register would offer greater advantages and afford much better protection to *bona fide* third parties than would the Torrens register if we were to accept the interpretation placed upon the law by the petitioner. It requires no argument to show that such an interpretation would defeat the principal object of the Land Registration Act and render a certificate of title an instrument of very slight value. It is hardly conceivable that the legislators intended to create such a state of affairs.

Another circumstance also plainly indicates that in enacting Act No. 1108 it was not the purpose to make such drastic changes in the law. The theory of the American adaptation of the Torrens system is that every transfer of title and every memorandum upon the certificate of title is a judicial act and that the register of deeds merely acts in a ministerial capacity as an officer of the court.

A transfer certificate of title is both in form and in substance merely a variation of the final decree in the case; it runs in the name of the judge of the court, contains the same data as the final decree and transfers and confirms the title just as effectively. If, therefore, we regard the final decree as a judgment within the meaning of section 513 of the Code of Civil Procedure, we must also so regard a transfer certificate of title. Now, if this is so, what can then be the purpose of maintaining the assurance fund?

If both final decrees and transfer certificates of title can be regarded as judgments and reopened or cancelled by a proceeding under section 513, how can there ever be any demand upon the assurance fund? Indeed, the fact that in passing Act No. 1108 the Legislature left the provisions for the assurance fund intact and did not reduce the amount of the premium to be paid into said fund by an applicant for registration, shows sufficiently that it did not intend to introduce a new proceeding in substitution of the action against the assurance fund. We cannot assume or believe that the collection of the assurance premium or fee is only a scheme on the part of the Government to obtain money under false pretenses.

If we, on the other hand, hold that in land registration matters section 513 of the Code of Civil Procedure applies only to those judgments which are not covered by final decrees of confirmation (of which the Caballes case offers a good example) all difficulties in reconciling the amended section 14 of the Land Registration Act with its other sections disappear and the registration system established by the Act will remain intact. In view of the fact that it

obviously was not the intention of the Legislature to introduce any radical changes in the system itself, this seems to be the only rational construction which can be placed upon the law.

Such an interpretation can in reality impose no material hardship upon the aggrieved party; he still has his right of action for damages against the person who has unjustly deprived him of his land and if the title has not been transferred to a third party, an attachment may be levied upon the land. Recourse may also be had to the assurance fund in proper cases. Furthermore, we have already held in the case of Cabanos vs. Register of Deeds of Laguna and Obiñana (40 Phil., 620), that in certain cases a suit in equity may be maintained to compel the conveyance of registered land to the true owner.

A person who, through no fault of his own, has been deprived of his land through registration proceedings is thus offered all the remedies which he, in justice and equity, ought to have; to go farther and allow his claims to prevail against the rights of *a bona fide* purchaser for value from the holder of a registered title is neither justice nor common sense and is, as we have seen, subversive of the object of the Land Registration Act. This, as far as we can see, would be the inevitable and logical consequence of adopting the doctrine that final land registration decrees may be reopened; it is inconceivable that a certificate of title can stand when the decree upon which it is based fails.

It has been suggested by some of the opponents of the views set forth that as under the final decree in a land registration case the petitioner acquires a legal title, a purchaser from him in good faith also acquires a good title and cannot be disturbed through proceedings under section 513, and that such proceedings can, therefore, only reach the original holder of the title and his *mala fides* transferees. This view is in itself a recognition of the fact that the sweeping language of the section in question is not, to its full extent, applicable to land registration cases; the only difference between this theory and ours is that the line of the inapplicability of the section is drawn at a different point. Instead of being placed at the issuance of the final decree, thus making the section applicable only to judgments not covered by such decrees, the line of demarcation is drawn at the point where the land passes into the hands of an innocent purchaser for value.

While this interpretation of the law has an appearance of reasonableness and, at first sight, may seem harmless, its adoption would in reality be only slightly less disastrous than the holding that section 513 is applicable to all land registration matters. The fact that the question of good or bad faith on the part of a purchaser would often have to be determined

by oral evidence, would introduce an element of uncertainty which would impair the value of Torrens titles out of all proportion to the benefits to be derived from the application of the remedy prescribed by section 513 in the manner suggested. There might be few *successful* attacks on such titles, but from a practical point of view the possibility of attacks and of litigation in regard to which the Statute of Limitations does not apply, would necessarily have a deterrent effect on possible investors in lands covered by such titles. And, as we have seen, there is not now, and never has been, any real necessity for such an application of the remedy in land registration cases; the field is sufficiently covered by other remedies, equally effective and much less harmful to the public interests. It is, therefore, not at all a question of sanctioning or encouraging fraud by curtailing the remedies against it.

For the reasons stated, we hold that the so called "decree of confirmation and registration" provided for in the Land Registration Act is not a judgment within the meaning of section 513 of the Code of Civil Procedure, and that such a decree cannot be reopened except for the reasons and in the manner stated in section 38 of the Land Registration Act.

The demurrer must, accordingly, be sustained and it being evident that the petition suffers from defects not curable by an amendment, an order absolute will be entered dismissing the same with costs. So ordered.

Johnson, Avanceña, Villamor, and *Romualdez, JJ.,* concur.

CONCURRING

ARAULLLO, *C. J.*

I concur in the foregoing decision, and have to state, in addition, that, as the declaration made by this court in the case of Caballes vs. Director of Lands (41 Phil., 357) with regard to the application of section 513 of the Code of Civil Procedure to cadastral or land registration proceedings has reference only to the case where final judgment by default has been rendered, and not to that where the final decree has already been entered and the respective certificate of title issued, as in the instant case, such a declaration cannot serve as a ground to support the pretension of the petitioner, nor is it in conflict with the finding and ruling contained in this decision.

DISSENTING

STREET, *J.*, with whom concur **MALCOLM**, and **JOHNS**, *JJ.*,

The complaint in this case, considered as a petition for relief under section 513 of the Code of Civil Procedure, is apparently defective in more than one respect; and if the court had been content to sustain the demurrer because of the insufficiency of the complaint to make out a cause for relief, the undersigned would not have been called upon to record this dissent. Instead of pursuing this course, the court holds that said section 513 is not applicable in land registration proceedings. In so holding, the court flatly refuses to give effect to so much of section 4 of Act No, 1108 of the Philippine Commission as makes section 513 of our Code of Civil Procedure applicable in land registration cases. The reason suggested for this in substance is that said section is opposed to the spirit and purpose of the Land Registration Act. Our reply to this is that the same legislative body that introduced the Torrens system in these Islands was not lacking in power to modify the system so introduced; and it is an unusual and in our opinion unjustified exercise of judicial power to override the legislative will as expressed in the amendatory Act.

It is idle to invoke in such a case as this the familiar rules of interpretation and construction. These rules were devised for the purpose of enabling the courts to discover the legislative intent when such intent is not readily discernible, and above all rules of statutory interpretation stands the fundamental principle that where the intention of the legislative body is clearly revealed no interpretation or construction is admissible which contradicts that intention.

In dealing with a decision believed to be so entirely untenable as this, the temptation to multiply words is great, but we content ourselves with a few observations on a single aspect of the case, which has reference to the manner in which section 513 of the Code of Civil Procedure would operate in land registration cases if allowed to have effect.

In the first place it will be noted that section 513 contemplates and assumes the existence of a valid judgment, which means—in relation to land registration proceedings—that there has been a conclusive adjudication of title and that the decree has become final in the sense that the Court of First Instance has lost the power to change the same and that the time for

appeal to the Supreme Court has passed, with the result that, but for the remedy now given in section 513, all right of the party adversely affected by the decree has been totally destroyed. In other words the person in whose name the property has been registered has acquired an indefeasible legal title, subject only to be divested in a subsequent proceeding under section 513.

This being true, it must follow that any bona fide purchaser of the property who acquires the same from the person in whose name the same is registered, before any proceeding is instituted under section 513, acquires a good title and cannot be disturbed, regardless of what the situation may be as between the petitioner, supposedly the original true owner, and the person who procured the property to be registered in his own name. Section 38 of the Land Registration Act, which permits the decree to be opened within one year in the Court of Land Registration upon the petition of one who has been deprived of an interest in the land by fraud, expressly saves the interest of any innocent purchaser for value; and in obedience to recognized principles of jurisprudence the same reservation of the rights of the innocent purchaser must be understood to exist in connection with the remedy given by section 513. It is rudimentary in English, and American jurisprudence that a person who has acquired the legal title to property by transfer for value and without notice of any defect in the title will not be deprived thereof at the instance of any person having an equitable right only, even though it be prior in point of time. In this connection it should be borne in mind that the remedy granted in section 513 involves the exercise of the equity powers of the court; and the equitable right of a person against whom a default judgment has been taken in a land registration proceeding, under the conditions mentioned in that section, to have the decree set aside does not rest upon as high a plane as does the right of an innocent purchaser from the person in whose name the title has been registered.

It should be observed that section 513 of the Code of Civil Procedure was originally conceived and reduced to form with especial reference to ordinary civil litigation, such as is chiefly dealt with in the Code of Civil Procedure; and some rational adjustment is necessary when we come to apply that section in land registration cases. It results that the “new trial upon the merits” which may be granted in a proper case under section 513 must of necessity fail of effect as against any innocent purchaser for value claiming by transfer of the Torrens title under the person to whom the certificate was issued. But as between an owner who has lost the legal title under the conditions defined in section 513 and the individual who has been unjustly enriched by the decree of the Land Registration Court in his favor, there is really no reason why the remedy conferred in said section should not be allowed to operate with full effect. In the end, supposing the petition to be sustained and

that the property still remains in the name of the respondent, he should be compelled to transfer it to the petitioner.

The decision of the court lays great emphasis upon the hardships which might be expected to result to innocent purchasers of registered land, if section 513 should be given effect in land registration proceedings, but what has been said shows that this fear is not well founded. It is needless to say that in the case before us the land in question appears to be still in the possession of the person who procured registration and against whom the petition is brought.

The view of the land registration system entertained by the majority seems entirely to ignore section 70 of the Land Registration Act, and especially the concluding portion which declares that nothing in said Act shall in any way be construed to change or affect any rights or liabilities created by law and applicable to registered land, except as otherwise expressly provided in said Act or in the amendments thereof. This is really a basal idea in the system, and when an amendatory statute has expressly created a liability with reference to registered land, as was inferentially done when the remedy expressed in section 513 of the Code of Civil Procedure was made applicable to land registration cases, said liability should undoubtedly be respected by all the courts called upon to maintain the law. It is to be regretted that our land registration system should have become an object of superstitious reverence to such, a degree as to inhibit the court from giving effect to a plain mandate of the statutory law. No system worth preserving was ever destroyed, or even Impaired, by the creation of a remedy against fraud or for the relief of those who have lost their property without fault.

Date created: June 05, 2014