

FIRST DIVISION

[G.R. No. 211845, August 09, 2017]

PEN DEVELOPMENT CORPORATION AND LAS BRISAS RESORT CORPORATION, PETITIONERS, VS. MARTINEZ LEYBA, INC., RESPONDENT.

D E C I S I O N

DEL CASTILLO, J.:

Assailed in this Petition for Review on *Certiorari*^[1] are the July 17, 2013 Decision^[2] of the Court of Appeals (CA) in CA-G.R CV No. 97478 which affirmed with modification the January 20, 2009 Decision^[3] of the Regional Trial Court of Antipolo City, Branch 71 (RTC) in Civil Case No. 97-4386, and the CA's March 28, 2014 Resolution^[4] denying herein petitioners' Motion for Reconsideration.^[5]

Factual Antecedents

As found by the CA, the facts are as follows:

Plaintiff-Appellee Martinez Leyba, Inc. (hereafter Martinez) is a corporation organized and existing under Philippine laws and the registered owner of three (3) contiguous parcels of land situated in Antipolo, Rizal, surveyed and identified as Lot Nos. 29, 30 and 31, Block 3, (LRC) Pcs-7305 and registered under Transfer Certificate of Title Nos. 250242, 250244 and 250243, respectively, with the Register of Deeds of Rizal.

Defendants-Appellants Pen Development Corporation and Las Brisas Resorts Corporation are also domestic corporations duly organized and existing under Philippine laws. Appellants, thereafter, merged into one corporate entity under the name Las Brisas Resorts Corporation (hereafter Las Brisas). Las Brisas is the registered owner of a parcel of land under TCT No. 153101 which is situated adjacent to the lands owned by Martinez. Las Brisas occupied the said land in 1967 and fenced the same.

In 1968, Martinez noticed that the construction of Las Brisas' fence seemed to encroach on its land. Upon verification by surveyors, Martinez was informed that the fence of Las Brisas overlaps its property. On 11 March 1968, Martinez sent a Letter informing Las Brisas that the fence it constructed encroaches [sic] on Martinez's land and requested Las Brisas to refrain from further intruding on the same. Las Brisa did not respond to Martinez's letter and continued developing its land.

Martinez sent two (2) more Letters dated 31 March 1970 and 3 November 1970 to Las Brisas informing the latter of the encroachment of its structures and improvements over Martinez's titled land.

On 31 July 1971, Las Brisas, through a certain Paul Naidas, sent a letter to Martinez, claiming that it 'can not [sic] trace the origin of these titles' (pertaining to Martinez's land).

Martinez sent two (2) Letters to Las Brisas reiterating its ownership over the land that Las Brisas' improvements have encroached upon. Despite the notices, Las Brisas continued developing its property.

Martinez sought the services of a licensed geodetic engineer to survey the boundaries of its land. The verification survey plan Vs-04,00034, which was approved by the Regional Technical Director for Lands of the Department of Environment and Natural Resources (DENR), revealed that the building and improvements constructed by Las Brisas occupied portions of Martinez's lands: 567 square meters of Lot No. 29, Block 3, (LRC) Pcs. 7305; a portion of 1,389 square meters of Lot No. 30, Block 3, (LRC) Pes. 7305 covered under TCT Nos. 250242, 250244 and 250243, respectively.

On 24 November 1994, Martinez sent a letter to Las Brisas demanding the latter to cease and desist from unlawfully holding portions of Martinez's land occupied by Las Brisas structures and improvements. Despite the said demand, no action was taken by Las Brisas.

On 24 March 1997, Martinez filed a *Complaint for Quieting of Title, Cancellation of Title and Recovery of Ownership with Damages* against Las Brisas before the Regional Trial Court of Antipolo City, docketed as Civil Case No. 97-4386. The case was raffled to, and heard by, Branch 71 thereof x x x.

In its *Answer*, Las Brisas denied that it encroached on Martinez's land and that it constructed the Las Brisas Resort Complex within the land covered by TCT No. 153101.^[6]

In its Complaint,^[7] Martinez added that Transfer Certificate of Title (TCT) Nos. 250242, 250244 and 250243 (or the Martinez titles – totaling 9,796 square meters)^[8] emanated from Decree No. 1921 issued by the General Land Registration Office pursuant to Land Registration Case No. 3296, which was transcribed as Original Certificate of Title (OCT) No. 756 by the Register of Deeds of Rizal on August 14, 1915; that Las Brisas "constructed a riprapping on the northern portion of Lot No. 29, a building straddling Lots 30 and 31, and are now constructing a new building on Lot No. 31,"^[9] which acts constitute an encroachment on lands covered by the Martinez titles; that Las Brisas's title, TCT 153101^[10] (TCT 153101), was originally registered on September 14, 1973, under OCT 9311 pursuant to Decree No. N-147380, LRC Case No. N-7993, Rec. No. N-43097; that the encroachment is confirmed per verification survey conducted by a geodetic engineer and approved by

the Regional Technical Director for Lands of the Department of Environment and Natural Resources (DENR); and that TCT 153101 thus casts a cloud on the Martinez titles, which must be removed in order to quiet title to the latter.

Las Brisas countered in its Answer^[11] that it bought the land covered by TCT 153101 (consisting of 3,606 square meters) on May 18, 1967 from Republic Bank; that it took possession thereof in good faith that very same year; and that it is actually Martinez that was encroaching upon its land.

Ruling of the Regional Trial Court

After trial, the RTC issued its Decision dated January 20, 2009, containing the following pronouncement:

To clarify matters, the plaintiff^[12] engaged the services of Ricardo S. Cruz, a licensed Geodetic Engineer, to plot and verify the plans and technical descriptions to determine the relative geographic positions of the land covered by the titles of plaintiff and defendant.^[13] This verification survey was approved by the Regional Technical Director of Lands on May 23, 1996, under plan VS-04-000394. (Exh. T-1, T-2, T-3, T-4, T-5). This plan revealed that Psu-234002, in relation to T.C.T. No. 153101 of the defendant overlapped thus:

- a. A portion of 567 square meters of Lot No. 29, Block 3, (LRC) Pcs-7305, covered by plaintiff's T.C.T. No. 250242. This is the portion where the defendant built a riprapping.
- b. A portion of 1,389 square meters of Lot No. 30, Block 3, (LRC) Pcs-7305, covered by plaintiff's T.C.T. No. 250243. This is the portion where the defendant had constructed an old building.
- c. A portion of 1,498 square meters of Lot No. 31, Block 3, (LRC) Pcs-7305, covered by plaintiff's T.C.T. No. 250244. This is the portion where the defendant constructed a new multi-story edifice.

x x x x

The issues sought to be resolved x x x can be read in the respective memorandum [sic] submitted by the parties.

For the plaintiff, the statement of issues are as follows:

1. Whether x x x the Certificate of Title of the defendant overlapped and thus created a cloud on plaintiff T.C.T. Nos. 250242, 250243, 250244, covering lots nos. 29, 30, and 31, block 3 (LRC) PCS-7305, which should be removed under Article 476 of the Civil Code of the Philippines;

2. Whether x x x defendant's T.C.T. No. 153101 should be cancelled insofar as it overlapped Lots 29, 30 and 31, Block 3, (LRC) PCS-7305;
3. Whether x x x the defendant is a builder in bad faith and is liable for the consequence of his acts;
4. Whether x x x the plaintiff is entitled to collect actual or compensatory and moral damages in the amount of P5,000,000.00, exemplary damage in the amount of P1,000,000.00, nominal damage in the amount of P1,000,000.00, and attorney's fees in the amount of P300,000.00, exclusive of appearance fee of P3,000.00 per hearing or unferome [sic] attended.

For defendants, the issues presented are:

1. Whether x x x defendant's title over the property is valid and effective;
2. Whether x x x defendant is an innocent purchaser for value;
3. Whether x x x defendant is entitled to reimbursement for expenses in developing the property.

For its evidence in chief, plaintiff presented Nestor Quesada (direct, June 7, 2001; cross July 26, 2001) rested its case on October 4, 2001. Its Formal Offer of Evidence as filed with the Court on November 15, 2001 wherein Court Order dated January 15, 2002, Exhibit A to U, inclusive of their submarkings were admitted over the objections of defendant.

The defendant presented Eufracia Naidas (direct/cross on July 11, 2004), then rested its case on May 11, 2005, the Formal Offer of Evidence was filed in Court on June 10, 2005 wherein the Court Order dated June 27, 2005, Exhibit 1 to 7 inclusive of submarkings were all admitted over plaintiff's objections.

x x x x

Considering that the defendant has raised the defense of the validity of T.C.T. No. N-21871 of the Registry of Deeds, Marikina (Exhibit 1), and subsequently cancelled by T.C.T. No. 153101 as transferred to the Pen Development Corp. (Exh. 2) and introduced substantial improvements thereon which from the facts established and evidence presented during the hearings of the case it cannot be denied that said title over the property in question is genuine and valid. Moreover, the defendant obtained the property as innocent purchasers for value, having no knowledge of any irregularity, defect, or duplication in the title.

Defendant further argued that there is no proof to plaintiff's claim that it had sent notices and claims to defendant. Assuming that notices were

sent to defendant as early as 1968, it took plaintiff almost thirty (30) years to file the action to quiet its title. Therefore, by the principle of laches it should suffer the consequence of its failure to do so within a reasonable period of time. x x x

Defendant, having introduced substantial improvements on the property, if on the ground or assumption that the case will be decided in favor of the plaintiff, that defendant should be, by law, entitled to be reimbursed for the expenses incurred in purchasing and developing the property, the construction cost of the building alone estimated to be Fifty-Five Million Pesos (P55,000,000.00) x x x.

Defendant also cited Articles 544, 546, 548 of the New Civil Code of the Philippines in further support of its defense.

It is incumbent upon the plaintiff to adduce evidence in support of his complaint x x x. Likewise, the trial shall be limited to the issues stated in the pre-trial order.

As earlier stated, the Court shall rule on whether x x x plaintiff has discharged its obligation to do so in compliance with the Rules of Court. Having closely examined, evaluated and passed upon the evidence presented by both the plaintiff and defendant the Court is convinced that the plaintiff has successfully discharged said obligation and is inclined to grant the reliefs prayed for.

Clearly this is a valid complaint for quieting of title specifically defined under Article 476 of the Civil Code and as cited in the cases of *Vda. De Angeles v. CA, G.R. No. 95748, November 21, 1996*; *Tan vs. Valdehuesa, 66 SCRA 61 (1975)*.

As claimed by the plaintiff, defendant's T.C.T. No. 153101 is an instrument, record or claim which constitutes or casts a cloud upon its T.C.T. Nos. 250242, 250243, and 250244. Sufficient and competent evidence has been introduced by the plaintiff that upon plotting verification of the technical description of both parcels of land conducted by Geodetic Engineer Ricardo Cruz, duly approved by the Regional Technical Director of Lands of the DENR that Psu-234002, covered by defendant's T.C.T. No. 153101 overlapped a portion of 567 square meters of Lot No. 29 x x x, a portion of 1,389 square meters of Lot No. 30 x x x covered by plaintiffs T.C.T. Nos. 250242, 2502 and 250244, respectively. Surprisingly, defendant has not disputed nor has it adduced evidence to disprove these findings.

It was likewise established that plaintiff's T.C.T. No[s]. 250242, 250243 and 250244 emanated from O.C.T. No. 756, which was originally registered on August 14, 1915, whereas, from defendant's own evidence, its T.C.T. No. 153101 was derived from O.C.T. No. 9311, which was originally registered on September 14, 1973, pursuant to Decree No. D-147380, in LRC Case No. N-7993, Rec. No. 43097.

Plaintiff's mother title was registered 58 years ahead of defendant's