

EN BANC

[G.R. No. 123346, March 31, 2009]

**MANOTOK REALTY, INC. AND MANOTOK ESTATE CORPORATION,
PETITIONERS, VS. CLT REALTY DEVELOPMENT CORPORATION,
RESPONDENT.**

[G.R. NO. 134385]

**ARANETA INSTITUTE OF AGRICULTURE, INC., PETITIONER, VS.
HEIRS OF JOSE B. DIMSON, REPRESENTED BY HIS COMPULSORY
HEIRS: HIS SURVIVING SPOUSE, ROQUETA R. DIMSON AND
THEIR CHILDREN, NORMA AND CELSA TIRADO, ALSON AND
VIRGINIA DIMSON, LINDA AND CARLOS LAGMAN, LERMA AND
RENE POLICAR, AND ESPERANZA R. DIMSON; AND THE
REGISTER OF DEEDS OF MALABON, RESPONDENTS.**

R E S O L U T I O N

TINGA, J.:

In the Court's Resolution dated 14 December 2007,^[1] the Court constituted a Special Division of the Court of Appeals to hear the instant case on remand. The Special Division was composed of three Associate Justices of the Court of Appeals, with Justice Josefina Guevara-Salonga as Chairperson; Justice Lucas Bersamin as Senior Member; and Associate Justice Japar B. Dimaampao as Junior Member. We instructed the Special Division to proceed as follows:

The Special Division is tasked to hear and receive evidence, conclude the proceedings and submit to this Court a report on its findings and recommended conclusions within three (3) months from finality of this Resolution.

In ascertaining which of the conflicting claims of title should prevail, the Special Division is directed to make the following determinations based on the evidence already on record and such other evidence as may be presented at the proceedings before it, to wit:

- i. Which of the contending parties are able to trace back their claims of title to OCT No. 994 dated 3 May 1917?
- ii. Whether the imputed flaws in the titles of the Manotoks and Araneta, as recounted in the 2005 Decision, are borne by the evidence? Assuming they are, are such flaws sufficient to defeat the claims of title of the Manotoks and Araneta?
- iii. Whether the factual and legal bases of 1966 Order of Judge Muñoz-Palma and the 1970 Order of Judge Sayo are true and valid.

Assuming they are, do these orders establish a superior right to the subject properties in favor of the Dimsons and CLT as opposed to the claims of Araneta and the Manotoks?

- iv. Whether any of the subject properties had been the subject of expropriation proceedings at any point since the issuance of OCT No. 994 on 3 May 1917, and if so what are those proceedings, what are the titles acquired by the Government and whether any of the parties is able to trace its title to the title acquired by the Government through expropriation.
- v. Such other matters necessary and proper in ascertaining which of the conflicting claims of title should prevail.

WHEREFORE, the instant cases are hereby REMANDED to the Special Division of the Court of Appeals for further proceedings in accordance with Parts VI, VII and VIII of this Resolution.

SO ORDERED.^[2]

The Special Division proceeded to conduct hearings in accordance with the Resolution. The parties to these cases, namely CLT Realty Development Corporation (CLT), Manotok Realty Inc. and Manotok Estate Corporation (the Manotoks), the Heirs of Jose B. Dimson (Heirs of Dimson), and Araneta Institute of Agriculture, Inc. (Araneta), were directed by the Special Division to present their respective evidence to the Court of Appeals. Thereafter, the Special Division rendered a 70-page Report^[3] (Report) on 26 November 2008. The Special Division submitted the sealed Report to this Court.

Before taking action on the Report itself, we dispose of a preliminary matter. On February 17, 2009, the Manotoks filed a motion beseeching that copies of the report be furnished the parties "so that they may submit their comments and objections thereon in accord with the principle contained in Sec. 10, Rule 32 of the Rules of Court." We deny the motion.

It is incorrect to presume that the earlier referral of these cases to the Court of Appeals for reception of evidence was strictly in accordance with Rule 32. Notably, Section 1 of said Rule authorizes the referral of the case to a commissioner "by written consent of both parties," whereas in the cases at bar, the Court did not endeavor to secure the consent of the parties before effectuating the remand to the Court of Appeals. Nonetheless, our earlier advertence to Rule 32 remains proper even if the adopted procedure does not hew strictly to that Rule, owing to our power under Section 6, Rule 135 to adopt any suitable process or mode of proceeding which appears conformable to the spirit of the Rules to carry into effect all auxiliary processes and other means necessary to carry our jurisdiction into effect.

Moreover, furnishing the parties with copies of the Sealed Report would not serve any useful purpose. It would only delay the promulgation of the Court's action on the Sealed Report and the adjudication of these cases. In any event, the present Resolution quotes extensively from the sealed Report and discusses its other substantive segments which are not quoted.

The Report is a commendably exhaustive and pellucid analysis of the issues referred to the Special Division. It is a more than adequate basis for this Court to make the following final dispositions in these cases.

I.

We adopt the succeeding recital of operative antecedents made by the Special Division in its Report.

THE PROCEDURAL ANTECEDENTS

DIMSON v. ARANETA
CA-G.R. CV. NO. 41883 & CA-G.R. SP No. 34819
[SC-G.R. No. 134385]

On 18 December 1979, DIMSON filed with the then Court of First Instance ["CFI"] of Rizal a complaint for Recovery of Possession and Damages against ARANETA. On 7 May 1980, DIMSON amended his complaint and included Virgilio L. Enriquez ["ENRIQUEZ"] as his co-plaintiff.

In said Amended Complaint, DIMSON claimed that he is the absolute owner of a 50-hectare land located in Bo. Potrero, Malabon, Metro Manila covered by TCT No. R-15169, [Lot 25-A-2] of the Caloocan Registry of Deeds. Allegedly, DIMSON had transferred the subject property to ENRIQUEZ by way of an absolute and irrevocable sale on 14 November 1979. Unfortunately though, DIMSON and ENRIQUEZ discovered that the subject property was being occupied by ARANETA wherein an "agricultural school house" is erected and that despite repeated demands, the latter refused to vacate the parcel of land and remove the improvements thereon.

ARANETA, for its part, refuted said allegations and countered that it is the absolute owner of the land being claimed by DIMSON and that the real properties in the Araneta Compound are "properly documented and validly titled." It maintained that it had been in possession of the subject parcel of land since 1974. For this reason, the claims of DIMSON and ENRIQUEZ were allegedly barred by prescription.

During the trial, counsel for ARANETA marked in evidence, among others, certifications from the Land Registration Commission attesting that TCTs Nos. 13574 and 26538, covering the disputed property, are in the names of ARANETA and Jose Rato, respectively. ARANETA also offered TCT No. 7784 in evidence to prove that it is the registered owner of the land described therein.

On 28 May 1993, the trial court rendered a Decision upholding the title of DIMSON over the disputed property xxx

Undaunted, ARANETA interposed an appeal to the Court of Appeals, docketed as CA-G.R. CV No. 41883, which was later consolidated with CA-GR. SP No. 34819 in view of the inter-related issues of the two cases.

In its 30 May 1997 Decision, the Court of Appeals, in CA-G.R. CV No. 41883, sustained the RTC Decision in favor of DIMSON finding that the title of ARANETA to the disputed land in a nullity. In CA-GR. SP No. 34819, the Court of Appeals likewise invalidated the titles of ARANETA, relying on the Supreme Court ruling in *Metropolitan Waterworks and Sewerage System v. Court of Appeals*, which declared null and void the certificates of title derived from OCT No. 994 registered on 3 May 1917. It was also held that ARANETA failed to sufficiently show that the Order sought to be nullified was obtained through extrinsic fraud that would warrant the annulment thereof.

Dissatisfied still, ARANETA filed a Motion for Reconsideration And/Or New Trial espousing therein as basis for its entreaty the various letters from different government agencies and Department order No. 137 of the Department of Justice, among others.

On 16 July 1998, the various Motions of ARANETA were denied by the Court of Appeals. Nonetheless, the Court ordered DIMSON to maintain status quo until the finality of the aforesaid judgment.

Consequently, ARANETA filed a petition before the Supreme Court. Refuting the factual finding of the trial court and the Court of Appeals, ARANETA contended that there is only one OCT 994 covering the Maysilo Estate issued on 3 May 1917 pursuant to the Decree No. 36455 issued by the Court of Land Registration on 19 April 1917 and added that there were subsequent certifications issued by the government officials, notably from the LRS, the DOJ Committee Report and the Senate Committees' Joint Report which attested that there is only one OCT 994, that which had been issued on 3 May 1917.

CLT v. MANOTOK
CA-G.R. CV. No. 45255
[SC-G.R. No. 123346]

On 10 August 1992, CLT filed with the Regional Trial Court ["RTC"] A COMPLAINT FOR Annulment of Transfer Certificates of Title, Recovery of Possession and Damages against the MANOTOKS and the Registry of Deeds of Metro Manila District II (Calookan City, Metro Manila) ["CALOOCAN RD"].

In its Complaint, CLT alleged that it is the registered owner of Lot 26 of the Maysilo Estate located in Calookan City and covered by Transfer Certificate of Title No. T- 177013, a derivative title of OCT No. 994. As a basis of its proprietary claim, CLT averred that on 10 December 1988, it had acquired Lot 26 from its former registered owner, Estelita I. Hipolito ["HIPOLITO"], by virtue of a Deed of Sale with Real Estate Mortgage. HIPOLITO's title was, in turn, a direct transfer from DIMSON, the registered owner of TCT No. 15166, the latter having acquired the same by virtue of a Court Order dated 13 June 1966 issued by the Court of First Instance of Rizal in Civil Case No. 4557.

On the other hand, the MANOTOKS maintained the validity of their titles,

which were all derivatives of OCT No. 994 covering over twenty (20) parcels of land located over a portion of Lot 26 in the Maysilo Estate. In substance, it was contended that the title of CLT was an offspring of an ineffective grant of an alleged undisputed portion of Lot 26 by way of attorney's fees to its predecessor-in-interest, Jose B. Dimson. The MANOTOKS, in this connection, further contended that the portion of Lot 26, subject of the present controversy, had long been disposed of in favor of Alejandro Ruiz and Mariano Leuterio and hence, there was nothing more in said portion of Lot 26 that could have been validly conveyed to Dimson.

Tracing the legitimacy of their certificates of titles, the MANOTOKS alleged that TCT No. 4210, which cancelled OCT No. 994, had been issued in the names of Alejandro Ruiz and Mariano Leuterio on September 1918 by virtue of an Escritura De Venta executed by Don Tomas Arguelles and Don Enrique Lopes on 21 August 1918. TCT No. 4210 allegedly covered an approximate area of 19,565.43 square meters of Lot 26. On even date, TCT No. 4211 was transferred to Francisco Gonzales on the strength of an Escritura de Venta dated 3 March 1920 for which TCT No. T-5261, covering an area of 871,982 square meters was issued in the name of one Francisco Gonzales, married to Rufina Narciso.

Thereafter, TCT No. T-35485, canceling TCT No. T-5261, was issued to Rufina Narcisa Vda. de Gonzales which was later replaced with the names of Gonzales six (6) children. The property was then subdivided and as a result of which, seven (7) certificates of titles were issued, six (6), under the names of each of the children while the remaining title was held by all of them as co-owners.

Eventually, the properties covered by said seven certificates of title were expropriated by the Republic of the Philippines. These properties were then later subdivided by the National Housing Authority ["NHA"], into seventy-seven (77) lots and thereafter sold to qualified vendees. As it turned out, a number of said vendees sold nineteen (19) of these lots to Manotok Realty, Inc. while one (1) lot was purchased by the Manotok Estate Corporation.

During the pre-trial conference, the trial court, upon agreement of the parties, approved the creation of a commission composed of three commissioners tasked to resolve the conflict in their respective titles. Accordingly, the created Commission convened on the matter in dispute.

On 8 October 1993, Ernesto Erive and Avelino San Buenaventura submitted an exhaustive Joint Final Report ["THE MAJORITY REPORT"] finding that there were inherent technical infirmities or defects on the face of TCT No. 4211, from which the MANOTOKS derived their titles (also on TCT No. 4210), TCT No. 5261 and TCT No. 35486. Teodoro Victoriano submitted his Individual Final Report ["THE MINORITY REPORT"] dated 23 October 1993.

After the conduct of a hearing on these reports, the parties filed their respective comments/objections thereto. Upon order of the trial court,