

SECOND DIVISION

[G.R. No. 168661, October 26, 2007]

ESTATE OF THE LATE JESUS S. YUJUICO, REPRESENTED BY ADMINISTRATORS BENEDICTO V. YUJUICO AND EDILBERTO V. YUJUICO; AND AUGUSTO Y. CARPIO, PETITIONERS, VS. REPUBLIC OF THE PHILIPPINES AND THE COURT OF APPEALS, RESPONDENTS.

DECISION

VELASCO JR., J.:

In 1973, Fermina Castro filed an application for the registration and confirmation of her title over a parcel of land with an area of 17,343 square meters covered by plan (LRC) Psu-964 located in the Municipality of Parañaque, Province of Rizal (now Parañaque City), in the Pasig-Rizal Court of First Instance (CFI), Branch 22. The application was docketed LRC Case No. N-8239. The application was opposed by the Office of the Solicitor General (OSG) on behalf of the Director of Lands, and by Mercedes Dizon, a private party. Both oppositions were stricken from the records since the opposition of Dizon was filed after the expiration of the period given by the court, and the opposition of the Director of Lands was filed after the entry of the order of general default. After considering the evidence, the trial court rendered its April 26, 1974 Decision. The dispositive portion reads:

WHEREFORE, the Court hereby declares the applicant, Fermina Castro, of legal age, single, Filipino and a resident of 1515 F. Agoncillo St., Corner J. Escoda St., Ermita, Manila, the true and absolute owner of the land applied for situated in the Municipality of Parañaque, Province of Rizal, with an area of 17,343 square meters and covered by plan (LRC) Psu-964 and orders the registration of said parcel of land in her name with her aforementioned personal circumstances.

Once this decision becomes final and executory, let the corresponding order for the issuance of the decree be issued.

SO ORDERED.^[1]

The Director of Lands and Mercedes Dizon did not appeal from the adverse decision of the Pasig-Rizal CFI. Thus, the order for the issuance of a decree of registration became final, and Decree No. N-150912 was issued by the Land Registration Commission (LRC).^[2] Original Certificate of Title (OCT) No. 10215 was issued in the name of Fermina Castro by the Register of Deeds for the Province of Rizal on May 29, 1974.^[3]

The land was then sold to Jesus S. Yujuico, and OCT No. 10215 was cancelled. On May 31, 1974,^[4] Transfer Certificate of Title (TCT) No. 445863 was issued in

Yujuico's name, who subdivided the land into two lots. TCT No. 446386^[5] over Lot 1 was issued in his name, while TCT No. S-29361^[6] over Lot 2 was issued in the name of petitioner Augusto Y. Carpio.

Annotations at the back of TCT No. 446386 show that Yujuico had, at one time or another, mortgaged the lot to the Philippine Investments System Organization (PISO) and Citibank, N.A. Annotations in the title of petitioner Carpio reveal the lot was mortgaged in favor of Private Development Corporation (PDC), Rizal Commercial Banking Corporation (RCBC) and then Philippine Commercial and Industrial Bank (PCIB) and the Development Bank of the Philippines (DBP) to secure various loans.

Sometime in 1977 Presidential Decree No. (PD) 1085 entitled *Conveying the Land Reclaimed in the Foreshore and Offshore of the Manila Bay (The Manila-Cavite Coastal Road Project) as Property of the Public Estates Authority as well as Rights and Interests with Assumptions of Obligations in the Reclamation Contract Covering Areas of the Manila Bay between the Republic of the Philippines and the Construction and Development Corporation of the Philippines (1977)* was issued. Land reclaimed in the foreshore and offshore areas of Manila Bay became the properties of the Public Estates Authority (PEA), a government corporation that undertook the reclamation of lands or the acquisition of reclaimed lands. On January 13, 1989, OCT No. SP 02 was issued in favor of PEA. The PEA also acquired ownership of other parcels of land along the Manila Bay coast, some of which were subsequently sold to the Manila Bay Development Corporation (MBDC), which in turn leased portions to Uniwide Holdings, Inc.^[7]

The PEA undertook the construction of the Manila Coastal Road. As this was being planned, Yujuico and Carpio discovered that a verification survey they commissioned showed that the road directly overlapped their property, and that they owned a portion of the land sold by the PEA to the MBDC.

On July 24, 1996, Yujuico and Carpio filed before the Parañaque City Regional Trial Court (RTC), a complaint for the Removal of Cloud and Annulment of Title with Damages docketed as Civil Case No. 96-0317 against the PEA. On May 15, 1998 the parties entered into a compromise agreement approved by the trial court in a Resolution dated May 18, 1998. On June 17, 1998, the parties executed a Deed of Exchange of Real Property, pursuant to the compromise agreement, where the PEA property with an area of 1.4007 hectares would be conveyed to Jesus Yujuico and petitioner Carpio in exchange for their property with a combined area of 1.7343 hectares.

On July 31, 1998, the incumbent PEA General Manager, Carlos P. Doble, informed the OSG that the new PEA board and management had reviewed the compromise agreement and had decided to defer its implementation and hold it in abeyance following the view of the former PEA General Manager, Atty. Arsenio Yulo, Jr., that the compromise agreement did not reflect a condition of the previous PEA Board, requiring the approval of the Office of the President. The new PEA management then filed a petition for relief from the resolution approving the compromise agreement on the ground of mistake and excusable negligence.

The petition was dismissed by the trial court on the ground that it was filed out of

time and that the allegation of mistake and excusable negligence lacked basis.

The PEA fared no better in the Court of Appeals (CA), as the petition was dismissed for failure to pay the required docket fees and for lack of merit.

The matter was raised to the Supreme Court in *Public Estates Authority v. Yujuico*^[8] but PEA's petition was denied, upholding the trial court's dismissal of the petition for relief for having been filed out of time. The allegation of fraud in the titling of the subject property in the name of Fermina Castro was not taken up by the Court.

On June 8, 2001, in a Complaint for Annulment and Cancellation of Decree No. N-150912 and its Derivative Titles, entitled *Republic of the Philippines v. Fermina Castro, Jesus S. Yujuico, August Y. Carpio and the Registry of Deeds of Parañaque City* docketed as Civil Case No. 01-0222, filed with the Parañaque City RTC, respondent Republic of the Philippines, through the OSG, alleged that when the land registered to Castro was surveyed by Engr. H. Obreto on August 3, 1972 and subsequently approved by the LRC on April 23, 1973, the land was still a portion of Manila Bay as evidenced by Namria Hydrographic Map No. 4243, Surveys to 1980; 1st Ed/. January 9/61: Revised 80-11-2; that Roman Mataverde, the then OIC of the Surveys Division, Bureau of Lands, informed the OIC of the Legal Division that "[w]hen projected on Cadastral Maps CM 14 deg. 13' N-120 deg, 59'E, Sec.2-A of Parañaque Cadastre (Cad. 299), (LRC) Psu-964 falls inside Manila Bay, outside Cad. 299"; that then Acting Regional Lands Director Narciso V. Villapando issued a Report dated November 15, 1973 stating that plan (LRC) Psu-964 is a portion of Manila Bay; that then Officer-in-Charge, Assistant Director of Lands, Ernesto C. Mendiola, submitted his Comment and Recommendation re: Application for Registration of Title of FERMINA CASTRO, LRC Case No. N-8239, dated Dec. 1, 1977, praying that the instant registration case be dismissed; and that Fermina Castro had no registrable rights over the property.

More significantly, respondent Republic argued that, first, since the subject land was still underwater, it could not be registered in the name of Fermina Castro. Second, the land registration court did not have jurisdiction to adjudicate inalienable lands, thus the decision adjudicating the subject parcel of land to Fermina Castro was void. And third, the titles of Yujuico and Carpio, being derived from a void title, were likewise void.^[9]

On September 13, 2001, Yujuico and Carpio filed a Motion to Dismiss (With Cancellation of Notice of *Lis Pendens*),^[10] on the grounds that: (1) the cause of action was barred by prior judgment; (2) the claim had been waived, abandoned, or otherwise extinguished; (3) a condition precedent for the filing of the complaint was not complied with; and (4) the complaint was not verified and the certification against forum shopping was not duly executed by the plaintiff or principal party.

On November 27, 2001, respondent Republic filed an Opposition^[11] to the motion to dismiss to which defendants filed a Reply^[12] on January 14, 2002, reiterating the grounds for the motion to dismiss.

In the August 7, 2002 Order of the RTC,^[13] Civil Case No. 01-0222 was dismissed. The trial court stated that the matter had already been decided in LRC Case No. N-

8239, and that after 28 years without being contested, the case had already become final and executory. The trial court also found that the OSG had participated in the LRC case, and could have questioned the validity of the decision but did not. Civil Case No. 01-0222 was thus found barred by prior judgment.

On appeal to the CA, in CA-G.R. CV No. 76212, respondent Republic alleged that the trial court erred in disregarding that appellant had evidence to prove that the subject parcel of land used to be foreshore land of the Manila Bay and that the trial court erred in dismissing Civil Case No. 01-0222 on the ground of *res judicata*.^[14]

The CA observed that shores are properties of the public domain intended for public use and, therefore, not registrable and their inclusion in a certificate of title does not convert the same into properties of private ownership or confer title upon the registrant.

Further, according to the appellate court *res judicata* does not apply to lands of public domain, nor does possession of the land automatically divest the land of its public character.

The appellate court explained that rulings of the Supreme Court have made exceptions in cases where the findings of the Director of Lands and the Department of Environment and Natural Resources (DENR) were conflicting as to the true nature of the land in as much as reversion efforts pertaining foreshore lands are imbued with public interest.

The dispositive portion of the CA decision reads,

WHEREFORE, premises considered, the present appeal is hereby GRANTED. The appealed Order dated August 7, 2002 of the trial court in Civil Case No. 01-0222 is hereby REVERSED and SET ASIDE. The case is hereby REMANDED to said court for further proceedings and a full-blown trial on the merits with utmost dispatch.^[15]

Hence, this petition.

The Issues

Petitioners now raise the following issues before this Court:

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR AND DECIDED A QUESTION OF SUBSTANCE IN A WAY NOT IN ACCORDANCE WITH LAW AND THE APPLICABLE DECISIONS OF THE HONORABLE COURT AND HAS DEPARTED FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS NECESSITATING THE HONORABLE COURT'S EXERCISE OF ITS POWER OF SUPERVISION CONSIDERING THAT:

- I. THE REVERSAL BY THE COURT OF APPEALS OF THE TRIAL COURT'S APPLICATION OF THE PRINCIPLE OF *RES JUDICATA* IN THE INSTANT CASE IS BASED ON ITS ERRONEOUS ASSUMPTION THAT THE SUBJECT LAND IS OF PUBLIC DOMAIN, ALLEGEDLY PART OF MANILA BAY.

- A. IN THE *FIRESTONE* CASE, THE HONORABLE COURT APPLIED THE PRINCIPLE OF *RES JUDICATA* NOTWITHSTANDING ALLEGATIONS OF LACK OF JURISDICTION OF A LAND REGISTRATION COURT, FORECLOSING ANY FURTHER ATTEMPT BY RESPONDENT THEREIN, AS IN THE INSTANT CASE, TO RESURRECT A LONG-SETTLED JUDICIAL DETERMINATION OF REGISTRABILITY OF A PARCEL OF LAND BASED ON THE SHEER ALLEGATION THAT THE SAME IS PART OF THE PUBLIC DOMAIN.
 - B. THE LAND REGISTRATION COURT HAD JURISDICTION TO DETERMINE WHETHER THE SUBJECT LAND WAS PART OF THE PUBLIC DOMAIN.
 - C. RESPONDENT'S REVERSION CASE SEEKS TO RETRY THE VERY SAME FACTUAL ISSUES THAT HAVE ALREADY BEEN JUDICIALLY DETERMINED OVER THIRTY (30) YEARS AGO.
 - D. THE JURISPRUDENTIAL BASES APPLIED BY THE COURT OF APPEALS IN ITS QUESTIONED DECISION ARE MISPLACED, CONSIDERING THAT THEY ARE ALL PREDICATED ON THE ERRONEOUS PREMISE THAT IT IS UNDISPUTED THAT THE SUBJECT LAND IS PART OF THE PUBLIC DOMAIN.
- II. RESPONDENT IS BARRED BY JURISDICTIONAL ESTOPPEL AND LACHES FROM QUESTIONING THE JURISDICTION OF THE LAND REGISTRATION COURT.
- III. RELIANCE BY THE COURT OF APPEALS ON THE ISOLATED PRONOUNCEMENT OF THE HONORABLE COURT IN THE *PEA* CASE IS UNWARRANTED AND MISLEADING CONSIDERING THAT THE MATTER OF WHETHER *RES JUDICATA* APPLIES WITH RESPECT TO THE LAND REGISTRATION COURT'S DECISION IN 1974 WAS NOT IN ISSUE IN SAID CASE.
- A. THE INSTANT REVERSION CASE IS NOT THE PROPER RECOURSE.
 - B. THE VALIDITY OF THE COURT-APPROVED COMPROMISE AGREEMENT 15 MAY 1998 HAS ALREADY BEEN AFFIRMED BY THE HONORABLE COURT IN THE *PEA* CASE.
- IV. EQUITABLE CONSIDERATIONS MANDATE THE APPLICATION OF THE RULE ON ORDINARY ESTOPPEL AND LACHES IN THE INSTANT CASE AGAINST RESPONDENT.
- V. RESPONDENT CANNOT BE GIVEN SPECIAL CONSIDERATION AND EXCUSED FOR TRANSGRESSING RULES OF PROCEDURE.^[16]

Essentially, the issues boil down to three: (1) Is a reversion suit proper in this case? (2) Is the present petition estopped by laches? (3) Did the CA erroneously apply the principle of *res judicata*?