

FIRST DIVISION

[G.R. NO. 161722, July 20, 2006]

**G.Q. GARMENTS, INC., PETITIONER, VS. ANGEL MIRANDA,
FLORENDA MIRANDA AND EXECUTIVE MACHINERIES AND
EQUIPMENT CORPORATION, RESPONDENTS.**

DECISION

CALLEJO, SR., J.:

Before the Court is a Petition for Review on *Certiorari* for the reversal of the Decision^[1] of the Court of Appeals (CA) in CA-G.R. CV No. 45567, as well as its Resolution^[2] denying the motion for reconsideration thereof.

Angel Miranda is the registered owner of a 9,646 square meters parcel of land located at Niog, Bacoor, Cavite ("Property"). The property was covered by Transfer Certificate of Title (TCT) No. T-60679^[3] of the Registry of Deeds of Cavite.

In 1984, Angelito Miranda, the son of Angel Miranda, established the Executive Machineries and Equipment Corporation (EMECO), a domestic corporation engaged primarily in the manufacture and fabrication of rubber rollers. Angelito owned 80% of the stocks of the corporation, while his wife Florenda owned 10%. That year, Angel entered into a verbal contract of lease over the Property with EMECO, and allowed it to build a factory thereon. The agreement was on a month-to-month basis, at the rate of P8,000 per month. EMECO constructed its factory on the property. At the outset, EMECO paid the monthly rentals. However, after Angelito died on June 21, 1988, EMECO failed to pay the rentals but still continued possessing the leased premises.

On November 19, 1989, the factory of EMECO was totally razed by fire. In a letter to EMECO dated June 3, 1991, Angel demanded the payment of accrued rentals in the amount of P280,000.00 as of May 1991. EMECO was also informed that the oral contract of lease would be terminated effective June 30, 1991. However, EMECO failed to pay the accrued rentals and to vacate the property. Another demand letter dated September 27, 1991 was sent to EMECO. It vacated the leased premises, but the accrued rentals remained unpaid.

Sometime in November 1991, Florenda arrived at the office of petitioner and offered to sublease the property to Wilson Kho, the Officer-in Charge of the corporation. Florenda showed Kho a purported copy of a contract of lease^[4] over the said property allegedly executed by Angel in favor of EMECO. After visiting and viewing the property, Kho agreed to rent the area upon the condition that its true and registered owner would personally sign the lease contract in his presence. When Florenda failed to present Angel for said purpose, Kho turned down her proposal.

Later, Kho was able to locate Angel at Noveleta, Cavite and offered, in behalf of

petitioner, to lease the property, as to which Angel agreed. On December 23, 1991, Angel and the corporation, represented by its Executive Vice-President, Davy John Barlin, executed a contract of lease^[5] over the subject property. The lease was for a period of 15 years, commencing on February 1, 1992 until January 31, 2007 for a monthly rental of P30,000.00. Petitioner paid P90,000.00 representing two months deposit and advance rental for one month. As lessee, it was authorized to introduce improvements, structures, and buildings on the property as it may deem necessary and for the purpose for which it was leased.

Consequently, petitioner secured the following documents: mayor's permit, sanitary permit, business sticker, and an application for municipal license. Thereafter, it moved into the property with its equipment, machinery, appliances, supplies, and other construction materials. The construction of a building and factory in the leased premises commenced.

However, on January 27, 1992, Florenda, together with several armed men who identified themselves as policemen, forcibly evicted petitioner from the leased premises, claiming that she was the owner and that the place was already covered by another existing contract of lease. During the encounter, Florenda and her men took some equipment, machinery and other properties belonging to petitioner, thereby causing loss and damage to said properties.

In the meantime, Angel secured a copy of the purported contract of lease he allegedly executed in favor of EMECO. On March 12, 1992, he forthwith filed a complaint for declaration of nullity of the contract of lease before the Regional Trial Court (RTC) of Makati, Branch 66, docketed as Civil Case No. 92-699. Angel alleged therein that his signature as lessor in the purported contract was a forgery. He prayed that judgment be rendered in his favor declaring the said contract null and void.

Meanwhile, petitioner sought the help of the Philippine National Police (PNP). General Gerardo N. Flores, Deputy Director General and Chief Directorial Staff, issued a Memorandum^[6] to Superintendent Wenceslao A. Soberano, Provincial Director of the Cavite PNP Provincial Command, ordering the latter to prevent his men from interfering with the pending civil case. Petitioner subsequently regained possession over the leased premises. However, Florenda and her group were undaunted. They went back to the place and ousted the guards and other personnel manning the corporation's office, and even removed their equipment, and ransacked anew their raw materials, electric wire and other valuables inside.

On April 20, 1992, petitioner instituted an action for damages and recovery of possession of the property before the RTC of Cavite City, Branch 17, with Angel, EMECO and Florenda, as *alternative* defendants. The case was docketed as Civil Case No. N-5573. The corporation alleged the following in its complaint:

VI

G.R. No. 161722 That on December 23, 1991, Plaintiff leased from Alternative Defendant ANGEL MIRANDA the premises just adverted to, for a period of FIFTEEN (15) years, commencing on February 1, 1992 and to expire on January 31, 2007, as evidenced by the Contract of Lease x x x ;

VII

That by the terms of said lease agreement, Plaintiff was to pay to Alternative ANGEL MIRANDA rentals in the sum of THIRTY THOUSAND PESOS (P30,000) per month, with SIXTY THOUSAND PESOS (P60,000) as deposit, and THIRTY THOUSAND PESOS (P30,000) as advance rental, all of which were complied with by Plaintiff;

VIII

That in accordance with the same agreement, Plaintiff was authorized to introduce into the premises such improvements as it may find necessary;

IX

That Plaintiff took possession of the leased premises and moved thereto its equipments (sic), machineries, appliances, supplies and kindred items, as well as certain construction materials necessary for the repairs and improvement of the facilities therein; that, as a matter of fact, Plaintiff had already commenced the construction of roofs over the concrete structures in the leased premises;

X

That, furthermore, Plaintiff secured from the proper authorities all the needful licenses and permits for its construction and business activities;

XI

That on January 27, 1992, Alternative Defendant FLORENDA MIRANDA, in her behalf and in representation of Alternative Defendant EMECO, and in the company of armed men, forcibly evicted Plaintiff from the premises, not only stopping the construction works being performed in the premises, but also physically bringing out Plaintiff's equipment, machineries, and other personalities (sic) of the leased realty;

XII

That the Alternative Defendants just named did the acts just described under the claim that the premises are either owned by Alternative Defendant FLORENDA MIRANDA or that the same are covered by [a] still existing lease agreement by and between Alternative Defendants, the latter claim being evidenced by the Contract of Lease x x x;

XIII

That regardless of the validity of either claim on the part of Alternative Defendants FLORENDA MIRANDA and EMECO, the same cannot be pleaded in derogation of Plaintiff's possessory rights over the premises, for the reason that the realty in question is covered by a torrens certificate in the name of Alternative Defendant ANGEL MIRANDA on which document third parties have a legally-authorized right to rely (in the first instance), and that in order to evict Plaintiff from the premises, proper ejectment proceedings would have to be instituted (in the second instance);

XIV

That under the law, Alternative Defendant ANGEL MIRANDA has the obligation to keep and maintain Plaintiff in peaceful possession of the

leased premises, which obligation said defendant failed to observe and discharge;

XV

That as a result of the forcible eviction of Plaintiff from the leased property, it suffered damages not only in terms of destruction and/or impairment of its machineries, equipments (sic), appliances, personalities, supplies and materials, but also in terms of lost profits and business opportunities, besmirched reputation, administrative cost overruns, tarnished goodwill and impairment of credit facilities, the total pecuniary value of which amounts to not less than TWO MILLION PESOS (P2,000,000);^[7]

It prayed that, after due proceedings, judgment be rendered in its favor, as follows:

1. That upon due notice and hearing, a writ of preliminary mandatory injunction issue, restoring Plaintiff to the possession of the premises in question;
2. That after trial, judgment issue directing Alternative Defendants, singly or collectively, and any person or persons claiming right under them to surrender possession of the leased premises to Plaintiff;
3. That either Defendant, or all of them, be condemned to pay to Plaintiff the sum of TWO MILLION PESOS (P2,000,000) by way of actual, compensatory, and moral damages;
4. That either Defendant, or all of them, be condemned to pay attorney's fees and litigation expenses in the sum earlier set forth; and
5. That either Defendant, or all of them, be condemned to pay the costs of this suit;
6. OTHER RELIEFS and remedies as are just and equitable under the premises are likewise prayed for.^[8]

On June 25, 1992, Angel and petitioner, as plaintiffs, filed a separate complaint for ejectment against Florenda before the Municipal Trial Court (MTC) of Bacoor, Cavite, docketed as Civil Case No. 1265. After due proceedings, the court rendered judgment on July 2, 1993, ordering the eviction of Florenda and all those claiming the property in her behalf. The decision was appealed to the RTC. However, for failure to pay a *supersedeas* bond, the decision was executed and Florenda was evicted from the property.

On November 26, 1993, the RTC rendered judgment in Civil Case No. N-5573, dismissing the complaint against all the alternative defendants without prejudice. It declared that plaintiff was entitled to damages, but it had to dismiss the complaint because of the pendency of Civil Case Nos. 92-699 and 92-1265.^[9]

However, the RTC resolved to deny the motion of petitioner prompting it to appeal to

the Court of Appeals. Angel Miranda also appealed the decision, which was docketed as CA-G.R. CV No. 45567.

Meantime, on September 22, 1994, the RTC rendered judgment in Civil Case No. 92-699 in favor of Angel and declared the contract of lease purportedly executed by him and EMECO void.

In its Brief as appellant in CA-G.R. CV No. 45567, petitioner alleged that:

THE LOWER COURT GRIEVOUSLY ERRED IN FAILING TO AWARD DAMAGES IN FAVOR OF PLAINTIFF BY DISMISSING THE CASE DESPITE ITS CLEAR FACTUAL FINDINGS THAT THE LATTER IS ENTITLED TO DAMAGES PRAYED FOR IN THE COMPLAINT.

I

THE DISMISSAL OF THE COMPLAINT ON THE GROUND OF "LITIS PENDENTIA" IS DEVOID OF ANY FACTUAL AND LEGAL BASIS.

II

IN THE SAME VEIN, THE AWARD OF DAMAGES IN THE PRESENT CASE WOULD NOT PRE-EMPT ANY DECISION THAT MIGHT BE RENDERED IN THE "PENDING CASES."^[10]

It maintained that the trial court erred in dismissing its complaint on the ground of *litis pendentia* and in not ordering Angel Miranda to reimburse the P360,000.00 it had paid as rentals for the property.

For his part, Angel averred that the trial court should have dismissed the complaint against him with prejudice for the reason that there is no allegation in the complaint that he participated, directly or indirectly, in the forcible ejectment of petitioner from the property, and in the looting and taking of its properties.^[11] He insisted that it was Florenda who forcibly evicted the corporation and took its properties. Thus, he cannot be held responsible for the tortious and wrongful acts of third persons, as there is no law to that effect. Under Article 1664 of the New Civil Code, he is not obliged to answer for a mere act of trespass, and the lessee has a direct action against the intruder. He pointed out that the law unconditionally and unequivocally absolves the lessor from any liability arising from an act of trespass by a third person. The duty to maintain the lessee in the peaceful and adequate enjoyment of the lease for the duration of the contract is merely a warranty by the lessor that the lessee shall not be disturbed in his legal, not physical, possession.

On October 29, 2002, the CA rendered judgment reversing the decision of the RTC. The *fallo* reads:

WHEREFORE, the judgment appealed from is hereby REVERSED and SET ASIDE and a new one entered dismissing the complaint with prejudice against Angel Miranda and ordering Florenda Miranda to pay G.Q. Garments, Inc. the amount of:

1. P300,000.00 as and for nominal damages;
2. P200,000.00 as and for attorney's fees; and