

THIRD DIVISION

[G.R. No. 140486, February 06, 2001]

PUBLIC ESTATES AUTHORITY, PETITIONER, VS. JESUS S. YUJUICO AND AUGUSTO Y. CARPIO, RESPONDENTS.

D E C I S I O N

VITUG, J.:

The instant petition for review, with a prayer for the issuance of a temporary restraining order and/or writ of preliminary injunction, seeks the reversal of the 13th September 1999 decision and 19th October 1999 resolution of the Court of Appeals, both issued in CA-G.R. SP No. 50855, entitled "Public Estates Authority vs. Hon. Raul E. De Leon, in his capacity as Presiding Judge, Regional Trial Court, National Capital Judicial Region, Branch 258, Parañaque City and Jesus S. Yujuico and Augusto Carpio."

The relevant antecedents:

On 24 July 1996, private respondents filed with the Regional Trial Court of Parañaque City, a complaint, docketed Civil Case No. 96-0317, for the "Removal of Cloud and Annulment of Title with Damages" against petitioner. Respondent Yujuico averred being the registered owner of Lot 1 of the subject area along Roxas Boulevard, Parañaque City, with an area of 10,000 square meters, covered by Transfer Certificate of Title (TCT) No. 446386, dated 07 June 1974, of the Registry of Deeds for the Province of Rizal. Respondent Carpio, in his case, himself maintained to be the registered owner of Lot 2 with an area of 7,343 square meters, covered by TCT No. 44265, dated 16 June 1976, of the same registry. The two lots were originally consolidated in one title registered in the name of one Fermina Castro under Original Certificate of Title (OCT) No. 10215, dated 31 May 1974, of the Registry of Deeds for the province.

Sometime in 1989, petitioner Public Estates Authority (PEA) obtained ownership of various parcels of land along Manila Bay for the purpose of constructing the Manila-Cavite Coastal Road. It was issued OCT No. Sp 02 on 13 January 1989. Petitioner likewise acquired ownership of some other parcels of land along the Manila Bay Coast covered by TCT No. 7310 and TCT No. 19346 portions of which were subsequently sold by it to the Manila Bay Development Corporation ("MBDC"). The MBDC, in turn, leased portions of the aforesaid lots to Uniwide Holdings, Inc. Petitioner proceeded to carve out the path of the Coastal Road. Private respondents claimed that a subsequent verification survey commissioned by them showed that the coastal road directly overlapped their property and that a portion of the area sold by petitioner to the MBDC was also owned by them (private respondents). Private respondents contended that the titles issued in the name of petitioner and the MBDC, being then invalid, ineffective, or voidable, should be nullified and set aside.

In its answer, petitioner denied that the Coastal Road had overlapped the property of private respondents, stating that the area covered by the infrastructure was granted to it by the government through a Special Patent and that the title to the subject area was issued in its name on 13 January 1989 (for OCT No. SP 02) and on 04 April 1988 (for TCT No. 7310). Petitioner assailed the title of private respondents' predecessor-in-interest, Fermina Castro, claiming that the latter acquired her title to the subject land in 1974 when the same was yet under water and therefore still then part of the public domain.

After the issues were joined, and during the pendency of the proceedings, petitioner, through its former General Manager, Atty. Arsenio B. Yulo, Jr., asked the Office of the Government Corporate Counsel ("OGCC") to make an in-depth study on the validity of the titles of private respondents, the possible reversion of the property to the government, and the question of the correct position of Tie-Point T-12-A of the PEA property sold to MBDC shown in the PEA Survey Plan. In an opinion, dated 13 October 1997, the OGCC upheld the validity of the titles of private respondents and expressed that there was no legal ground for filing reversion proceedings. There was, according to the OGCC, a mispositioning of the PEA survey reference point by about 88 meters westward based on the documentary evidence submitted to the court, resulting in the overlap of the PEA and the Yujuico property. The OGCC recommended that petitioner should instead negotiate an amicable settlement with private respondents. Upon request of Atty. Yulo, the Office of the Solicitor General (OSG) also gave an opinion, dated 22 December 1997, to the effect that, premised on the matters on record, there was no sufficient basis for the government to institute an action to annul OCT No. 10215 in the name of Fermina Castro and the derivative titles of private respondents.

Petitioner created a special committee of three PEA board directors composed of Atty. Nestor Kalaw, as Chairman, and Gregorio Fider and Edgardo de Leon, as members, to study the matter of a possible settlement of the case and to submit its recommendation. In due time, the committee recommended an amicable settlement of Civil Case No. 96-0317 and submitted a proposed compromise agreement which the PEA Board approved on 17 April 1998.

Following a series of negotiations, a compromise agreement was concluded on 15 May 1998 by then PEA General Manager Atty. Arsenio B. Yulo, Jr., assisted by the OGCC, and by Benedicto Yujuico, attorney-in-fact of private respondents, assisted by counsel Atty. Angel Cruz. The compromise agreement contained, among other things, two major provisions, i.e., -

(a) that because PEA is not in a position to settle by cash payment, it was agreed that private respondents' property with a combined area of 1.7343 hectares covered by TCT No. 446386 and TCT No. 44265 shall be exchanged with PEA property to be taken from PEA's property described as CBP-1A, shown on the Sketch Plan attached as Annex "A" of the Compromise Agreement, and that all taxes and registration expenses for the property to be conveyed under the exchange shall be for the account of the conveying party; and

(b) that private respondents were given an Option to purchase an additional 7.6 hectares from said PEA property CBP-1A within a period of

three years from the date of the approval by the Court of the Compromise Agreement at the price based on the market value as determined by PEA on the date of the exercise of the Option.

The compromise was approved by the trial court in its resolution of 18 May 1998.

On 17 June 1998, pursuant to the compromise, the parties executed a "Deed of Exchange of Real Property" with a sketch plan showing where the PEA property with an area of 1.4007 hectares to be conveyed to private respondents (in 3 Lots) would be taken in exchange for private respondents' property with a combined area of 1.7343 hectares.

On 31 July 1998, the incumbent PEA General Manager, Carlos P. Doble, informed the Office of the Solicitor General that the new PEA board and management had reviewed the compromise agreement and decided to defer and hold in abeyance its implementation in view of the letter, dated 27 July 1998, of the former PEA General Manager, Atty. Arsenio Yulo, Jr., to the effect that the compromise agreement which he signed did not reflect a condition required by the previous PEA Board, *i.e.*, the approval by the Office of the President.

On 14 September 1998, the new management of PEA filed a petition for relief from the resolution, dated 18 May 1998, of the trial court which approved the compromise agreement on the ground of mistake and excusable negligence consisting of "inadvertence" on the part of former General Manager Yulo in the signing of the compromise agreement without the requisite approval of the Office of the President. Private respondents opposed the petition and prayed for its dismissal in that (a) it was filed beyond the reglementary period provided under Section 3, Rule 38, of the 1997 Rules of Civil Procedure, and (b) the allegation of mistake and excusable negligence was a sham because it was through and upon the recommendation of a special committee of three PEA directors and assisted by the OGCC, as well as guided by the legal opinions of both the OGCC and the OSG, that PEA entered into and approved the compromise agreement.

The petition for relief was dismissed by the trial court on 06 November 1998 on the ground that it was filed out of time and that the allegation of mistake and excusable negligence had no valid basis. Petitioner filed a motion for reconsideration of the 06th November 1998 order of the trial court but its motion was denied on 07 January 1999.

Petitioner elevated the case to the Court of Appeals *via* a petition for *certiorari* but the petition was dismissed by the appellate court on 13 September 1999 for petitioner's failure to pay the required docket fees and for lack of merit. The appellate court agreed with the findings of the trial court that the alleged inadvertence on the part of former PEA General Manager in signing the compromise agreement on the belief that everything was in order could hardly be considered the mistake or excusable negligence contemplated by the rules of civil procedure sufficient to support a petition for relief from judgment. It further ruled that the petition for relief filed on 14 September 1998 came much too late considering that the resolution approving the compromise agreement was issued by the trial court on 18 May 1998 and Civil Case No. 96-0317 was dismissed on 03 July 1998. Petitioner's motion for reconsideration was denied by the Court of Appeals on 19 October 1999.

Hence, the instant petition.

Petitioner raises the following grounds for allowance of the petition:

I.

THE COURT OF APPEALS COMMITTED SERIOUS ERROR OF LAW AND ACTED WITH GRAVE ABUSE OF DISCRETION IN HOLDING THAT PETITIONER IS NOT EXEMPT FROM THE PAYMENT OF DOCKET AND OTHER LEGAL FEES IN THE INSTANT CASE DESPITE THE FACT THAT IT WAS SUED BY RESPONDENTS NOT FOR ANY PECUNIARY ACTIVITY BUT IN RELATION TO CERTAIN RECLAIMED PARCELS OF LAND REGISTERED AND OWNED BY PETITIONER UNDENIABLY FOR AND ON BEHALF OF THE NATIONAL GOVERNMENT.

II.

THE COURT OF APPEALS COMMITTED SERIOUS ERROR OF LAW AND ACTED WITH GRAVE ABUSE OF DISCRETION IN BARRING PETITIONER, THROUGH PROCEDURAL TECHNICALITIES, FROM SEEKING EQUITABLE AND JUDICIAL RELIEFS WHEN IT HELD THAT THE PETITION FOR RELIEF FILED A QUO, DESPITE THE PECULIAR CIRCUMSTANCES OF THE INSTANT CASE, WAS FILED OUT OF TIME.

III.

THE COURT OF APPEALS COMMITTED SERIOUS ERROR OF LAW AND ACTED WITH GRAVE ABUSE OF DISCRETION IN AVOIDING AND EVADING, BASED ON A TECHNICAL AND/OR PROCEDURAL GROUND, THE ISSUE OF FRAUD.

Petitioner admits that it has been paying docket fees in filing court petitions but asserts that since it is being sued not in relation to any pecuniary activity but as a government entity holding reclaimed parcels of land for and on behalf of the National Government pursuant to the purpose and objective of its creation, it should be exempt from such fees conformably with Section 19, Rule 141, of the Revised Rules of Court. Petitioner claims that fraud has attended the execution of the compromise agreement, adding that the unexplained deletion of the condition of prior approval by the Office of the President constitutes extrinsic fraud which has prevented it from having a trial or from presenting its case in court.

In refutation of the above assignment of errors private respondents contend that petitioner as an "incorporated agency" of the government is liable and not exempt from the payment of docket fees. Respondents argue that the distinction made by petitioner with respect to its being sued not in relation to any pecuniary activity but as a government entity owning reclaimed parcels of land for and on behalf of the National Government is frivolous as not being based on any provision of the PEA Charter. Respondents aver that petitioner, in fact, appears to concede that its petition for relief has been filed out of time. In any case, respondents submit, there is absolutely no extrinsic fraud perpetrated upon the petitioner and that the appellate court has properly disregarded this allegation as having been raised for