

# **FIRST DIVISION**

**[ CA - G.R. CV No. 99823, November 21, 2014 ]**

## **CITY ADVERTISING VENTURES CORPORATION, PLAINTIFF- APPELLEE, VS. METROPOLITAN MANILA DEVELOPMENT AUTHORITY, DEFENDANT-APPELLANT.**

### **D E C I S I O N**

#### **BRUSELAS, JR. J.:**

The defendant-appellant appeals from the Decision<sup>[1]</sup> of the Regional Trial Court (RTC) which granted the complaint of the plaintiff-appellee for injunction and ordered the defendant-appellant to pay the plaintiff-appellee damages. The dispositive portion of the decision reads:

"WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff City Advertising Ventures Corporation and against defendant Metropolitan Manila Development Authority:

1. GRANTING the Complaint for Injunction enjoining and prohibiting defendant and any of its representatives, employees, officers, agents, assigns and other individuals acting under its instruction from dismantling the commuter stations/passenger waiting sheds and the advertising materials installed or to be installed by plaintiff along the highways and streets of Quezon City, and from preventing plaintiff, any of its representatives, employees, officers, agents, assigns and other individuals acting under its instructions, from installing commuter stations/passenger waiting sheds and advertising materials therein, along the highways and streets of Quezon City, hence, declaring the Preliminary Injunction heretofore issued FINAL and PERMANENT;
2. Ordering the defendant to pay plaintiff the amount of P1,440,567.79 as actual damages;
3. Ordering defendant to pay plaintiff the amount P200,000.00 as nominal damages;
4. Ordering defendant to pay plaintiff the amount of P250,000.00 as exemplary damages;
5. Ordering defendant to pay plaintiff the amount of P250,000.00 as temperate damages;

6. Ordering defendant to pay plaintiff the amount of P200,000.00 as attorney's fees; and
7. Ordering defendant to return to plaintiff the generator, welding set, jack hammer, and other advertising materials it confiscated or to compensate plaintiff if these materials have been lost.

Costs against the defendant."<sup>[2]</sup>

The material and relevant facts are as follows:

On 22 February 2010, plaintiff-appellee City Advertising Ventures Corporation ("City Advertising") and the City Government of Quezon City entered into a Memorandum of Agreement by virtue of Resolution No. SP-4741, Series of 2009. whereby City Advertising had undertaken to build and refurbish commuter stations or passenger waiting sheds situated within Quezon City. Likewise, City Advertising was allowed under the MOA to install advertising signages therein and collect fees, rentals and charges from the advertisers. In consideration of allowing City Advertising to build, refurbish and operate the subject structures, City Advertising would remit annually five percent (5%) of the collected gross fees, rentals and charges to the Quezon City government.

Within March to May 2010, City Advertising proceeded with the construction and installation of the subject commuter stations or waiting sheds. Thereafter, over the objections of City Advertising, the Metropolitan Manila Development Authority ("MMDA") personnel dismantled and removed the said structures in accordance with the organized bus route project or MMDA Resolution No. 03-28 and Memorandum Circular No. 08.

On 03 June 2010, City Advertising filed a Complaint for Injunction with Damages with Prayer for the Issuance of a Temporary Restraining Order (TRO) and Writ of Preliminary Injunction<sup>[3]</sup> before the RTC against the defendant-appellant MMDA. On 08 June 2010, the application for the TRO was heard wherein City Advertising presented its witnesses. Via the 10 June 2010 order<sup>[4]</sup>, the RTC granted the application for the issuance of a TRO with its effectivity conditioned upon the posting of a bond in the amount of P500,000.00. Likewise, the hearing on the application for issuance of a writ of preliminary injunction was set. After finding the bond filed by City Advertising to be sufficient and valid, the RTC approved the same and issued the TRO on 15 June 2010.

On 18 June 2010, the Office of the Solicitor General (OSG) filed a Motion for Extension to File Answer.<sup>[5]</sup> On the same day, Castelo and Associates Law Office (CASO Law) entered its appearance as counsel for MMDA and also moved for an extension of time to file an appropriate pleading<sup>[6]</sup>, which the court granted in an Order dated 22 June 2010.

Meanwhile, the RTC directed the CASO Law to submit its authorization or engagement as counsel for MMDA. The trial court also required the OSG and CASO

Law to submit a manifestation as to who between them will represent MMDA. Even so, the OSG was allowed by the trial court an extended period to file its answer to the complaint.<sup>[7]</sup>

MMDA, through CASO Law, moved for the reconsideration of the orders dated June 10 and 15, 2010 that granted the application and issuance of a TRO. On 05 July 2010, MMDA filed its Answer<sup>[8]</sup> through CASO Law. It also filed its Compliance<sup>[9]</sup> with the trial court's directive to submit proof of authority issued by the OSG. In its 08 July 2010 order, the trial court sustained the issuance of the TRO. It also issued an order<sup>[10]</sup> granting the application for the issuance of a writ of preliminary injunction and required City Advertising to post a bond in the amount of P1,000,000.00. On 13 July 2010, the trial court issued a Writ of Preliminary Injunction<sup>[11]</sup> enjoining and prohibiting MMDA from dismantling the commuter stations or passenger waiting sheds and the advertising materials installed or to be installed by City Advertising.

Because it was merely CASO Law which filed the answer, City Advertising filed an Omnibus Motion (to Strike Out Pleadings and Declare Defendant in Default)<sup>[12]</sup>. The MMDA, through CASO Law, opposed the omnibus motion filed by City Advertising and insisted that the counsel appeared for and on behalf of MMDA with authority, through deputation letter<sup>[13]</sup>, from the OSG. After finding that the conditions in the deputation letter have not been satisfied, the trial court nullified the deputation of either CASO Law or Atty. Ruth B. Castelo and declared that CASO Law was not authorized to represent MMDA. The trial court consequently ordered that all the pleadings filed by CASO Law on behalf of MMDA, be stricken off the records and held MMDA in default for its failure to file its answer. Likewise City Advertising was directed to present its evidence *ex-parte*.<sup>[14]</sup>

On 20 January 2011, the trial court rendered a decision based on City Advertising's evidence *ex-parte*. The trial court found that, MMDA's acts of dismantling the commuter stations or passenger waiting sheds and of removing the advertising signages installed therein, violated City Advertising's rights under the Memorandum of Agreement. The trial court saw the necessity to grant City Advertising's prayer for a final and permanent injunction against MMDA. The trial court ratiocinated thus:

"In the instant case, plaintiff was able to establish that it has a clear and unmistakable right to construct and refurbish commuter stations/passenger waiting sheds within Quezon City and to install advertising materials within these commuter stations/passenger waiting sheds by virtue of the Memorandum of Agreement it entered with the City Government of Quezon City (Exh. "A").

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Defendant MMDA violated plaintiff's rights when its personnel arbitrarily removed and dismantled the passenger waiting sheds and advertising signages installed therein without due process of law.

xxx    xxx    xxx

The Court wants to emphasize the settled rule that powers granted to the defendant are limited to formulation, coordination, regulation and implementation of existing policies which are purely administrative in nature. Nowhere in the language of its charter, RA No. 7924, was defendant granted police power.

Defendant has no police power or legislative power over and above that of the local government units. Defendant MMDA cannot contradict or diminish the autonomy of local government units. Xxx

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In this case, nowhere in MMDA Resolution No. 03-28 and Memorandum Circular No. 08 was it shown that defendant MMDA was given the authority to dismantle existing waiting sheds or other structures.

Accordingly, defendant has no right to remove the waiting sheds installed by plaintiff and the advertising materials posted therein and those advertising materials posted at the existing waiting sheds plaintiff has rehabilitated or refurbished pursuant to its Memorandum of Agreement with the Quezon City Government.

Moreover, even assuming that defendant had the authority to regulate the use of sidewalks along major roads in all cities and municipalities of Metro Manila and to remove and demolish existing waiting sheds, defendant cannot do so without complying with due process of law."<sup>[15]</sup>

The OSG belatedly filed a Manifestation and Motion<sup>[16]</sup> asking the court *a quo* to reconsider its order of default. The OSG pleaded the trial court to restore MMDA's standing in court and to allow it to present its own evidence. An answer<sup>[17]</sup> was attached to the manifestation.

The MMDA, through the OSG, also appealed to the Court assailing the issuance of an injunction against MMDA.

The trial court thus held in its 13 September 2012 order as follows:

"WHEREFORE, premises considered, the Manifestation and Motion is deemed mooted and abandoned by defendant's filing of its Notice of Appeal.

Accordingly, the Notice of Appeal filed by defendant is hereby GIVEN DUE COURSE. Send the entire records of this case to the Court of Appeals for purposes of appeal.

SO ORDERED."

In its appeal, MMDA faults the RTC for declaring it in default and for ruling that City Advertising had a clear and unmistakable right to construct and renovate the

commuter stations or waiting sheds within Quezon City and to install advertising signages therein.

MMDA assigns the following errors allegedly committed by the court *a quo*:

"I.

THE COURT A *QUO* COMMITTED A REVERSIBLE ERROR IN DECLARING DEFENDANT-APPELLANT IN DEFAULT.

II.

THE COURT A *QUO* COMMITTED A REVERSIBLE ERROR IN DECLARING THAT PLAINTIFF-APPELLEE HAS A CLEAR AND UNMISTAKABLE RIGHT TO RECONSTRUCT AND REFURBISH COMMUTER STATIONS/PASSENGER WAITING SHEDS WITHIN QUEZON CITY BY VIRTUE OF THE MEMORANDUM OF AGREEMENT IT ENTERED WITH THE CITY GOVERNMENT OF QUEZON CITY.

III.

THE COURT A *QUO* COMMITTED A REVERSIBLE ERROR IN RULING THAT PLAINTIFF-APPELLEE'S RIGHTS WERE VIOLATED WHEN DEFENDANT-APPELLANT REMOVED AND DISMANTLED THE PASSENGER WAITING SHEDS AND ADVERTISING SIGNAGES INSTALLED BY PLAINTIFF-APPELLEE.

IV.

THE COURT A *QUO* COMMITTED A REVERSIBLE ERROR IN AWARDING DAMAGES TO PLAINTIFF-APPELLEE."

The foregoing assigned errors can be synthesized into four issues, to wit: (a) Does the CASO Law have valid authority to represent MMDA in the civil action for injunction filed by City Advertising against MMDA? (b) Was the MMDA denied due process and deprived of its opportunity to file a responsive pleading to prove its defense? (c) Does City Advertising have the right to construct and refurbish the commuter stations or passenger waiting sheds within Quezon City and (d) Were the acts of MMDA in dismantling the commuter stations or waiting sheds and in removing the signages installed therein a violation of City Advertising's rights under the Memorandum of Agreement?

Before going into the substantive issues in this appeal, we shall address first the procedural matter raised herein. MMDA asserts that the RTC erred when it struck off the records the pleadings filed by its counsel CASO Law on the ground of lack of valid authority to represent it in the case and that consequently, denied it due process.

**The assertion has no merit.**