

[G.R. No. 137705, August 22, 2000]

**SERG'S PRODUCTS, INC., AND SERGIO T. GOQUIOLAY,
PETITIONERS, VS. PCI LEASING AND FINANCE, INC.,
RESPONDENT.**

D E C I S I O N

PANGANIBAN, J.:

After agreeing to a contract stipulating that a real or immovable property be considered as personal or movable, a party is estopped from subsequently claiming otherwise. Hence, such property is a proper subject of a writ of replevin obtained by the other contracting party.

The Case

Before us is a Petition for Review on Certiorari assailing the January 6, 1999 Decision^[1] of the Court of Appeals (CA)^[2] in CA-GR SP No. 47332 and its February 26, 1999 Resolution^[3] denying reconsideration. The decretal portion of the CA Decision reads as follows:

"WHEREFORE, premises considered, the assailed Order dated February 18, 1998 and Resolution dated March 31, 1998 in Civil Case No. Q-98-33500 are hereby AFFIRMED. The writ of preliminary injunction issued on June 15, 1998 is hereby LIFTED."^[4]

In its February 18, 1998 Order,^[5] the Regional Trial Court (RTC) of Quezon City (Branch 218)^[6] issued a Writ of Seizure.^[7] The March 18, 1998 Resolution^[8] denied petitioners' Motion for Special Protective Order, praying that the deputy sheriff be enjoined "from seizing immobilized or other real properties in (petitioners') factory in Cainta, Rizal and to return to their original place whatever immobilized machineries or equipments he may have removed."^[9]

The Facts

The undisputed facts are summarized by the Court of Appeals as follows:^[10]

"On February 13, 1998, respondent PCI Leasing and Finance, Inc. ("PCI Leasing" for short) filed with the RTC-QC a complaint for [a] sum of money (Annex 'E'), with an application for a writ of replevin docketed as Civil Case No. Q-98-33500.

"On March 6, 1998, upon an ex-parte application of PCI Leasing, respondent judge issued a writ of replevin (Annex 'B') directing its sheriff to seize and deliver the machineries and equipment to PCI Leasing after 5 days and upon the payment of the necessary expenses.

"On March 24, 1998, in implementation of said writ, the sheriff proceeded to petitioner's factory, seized one machinery with [the] word that he [would] return for the other machineries.

"On March 25, 1998, petitioners filed a motion for special protective order (Annex 'C'), invoking the power of the court to control the conduct of its officers and amend and control its processes, praying for a directive for the sheriff to defer enforcement of the writ of replevin.

"This motion was opposed by PCI Leasing (Annex 'F'), on the ground that the properties [were] still personal and therefore still subject to seizure and a writ of replevin.

"In their Reply, petitioners asserted that the properties sought to be seized [were] immovable as defined in Article 415 of the Civil Code, the parties' agreement to the contrary notwithstanding. They argued that to give effect to the agreement would be prejudicial to innocent third parties. They further stated that PCI Leasing [was] estopped from treating these machineries as personal because the contracts in which the alleged agreement [were] embodied [were] totally sham and farcical.

"On April 6, 1998, the sheriff again sought to enforce the writ of seizure and take possession of the remaining properties. He was able to take two more, but was prevented by the workers from taking the rest.

"On April 7, 1998, they went to [the CA] via an original action for certiorari."

Ruling of the Court of Appeals

Citing the Agreement of the parties, the appellate court held that the subject machines were personal property, and that they had only been leased, not owned, by petitioners. It also ruled that the "words of the contract are clear and leave no doubt upon the true intention of the contracting parties." Observing that Petitioner Goquiolay was an experienced businessman who was "not unfamiliar with the ways of the trade," it ruled that he "should have realized the import of the document he signed." The CA further held:

"Furthermore, to accord merit to this petition would be to preempt the trial court in ruling upon the case below, since the merits of the whole matter are laid down before us via a petition whose sole purpose is to inquire upon the existence of a grave abuse of discretion on the part of the [RTC] in issuing the assailed Order and Resolution. The issues raised herein are proper subjects of a full-blown trial, necessitating presentation of evidence by both parties. The contract is being enforced by one, and [its] validity is attacked by the other – a matter x x x which respondent court is in the best position to determine."

Hence, this Petition.^[11]

The Issues

In their Memorandum, petitioners submit the following issues for our consideration:

"A. Whether or not the machineries purchased and imported by SERG'S became real property by virtue of immobilization.

B. Whether or not the contract between the parties is a loan or a lease."
[12]

In the main, the Court will resolve whether the said machines are personal, not immovable, property which may be a proper subject of a writ of replevin. As a preliminary matter, the Court will also address briefly the procedural points raised by respondent.

The Court's Ruling

The Petition is not meritorious.

Preliminary Matter:Procedural Questions

Respondent contends that the Petition failed to indicate expressly whether it was being filed under Rule 45 or Rule 65 of the Rules of Court. It further alleges that the Petition erroneously impleaded Judge Hilario Laqui as respondent.

There is no question that the present recourse is under Rule 45. This conclusion finds support in the very title of the Petition, which is "Petition for Review on Certiorari."^[13]

While Judge Laqui should not have been impleaded as a respondent,^[14] substantial justice requires that such lapse by itself should not warrant the dismissal of the present Petition. In this light, the Court deems it proper to remove, *motu proprio*, the name of Judge Laqui from the caption of the present case.

Main Issue: Nature of the Subject Machinery

Petitioners contend that the subject machines used in their factory were not proper subjects of the Writ issued by the RTC, because they were in fact real property. Serious policy considerations, they argue, militate against a contrary characterization.

Rule 60 of the Rules of Court provides that writs of replevin are issued for the recovery of personal property only.^[15] Section 3 thereof reads:

"SEC. 3. *Order.* - Upon the filing of such affidavit and approval of the bond, the court shall issue an order and the corresponding writ of replevin describing the personal property alleged to be wrongfully detained and requiring the sheriff forthwith to take such property into his custody."

On the other hand, Article 415 of the Civil Code enumerates immovable or real property as follows:

"ART. 415. The following are immovable property:

X X X.....X X X.....X X X

(5) Machinery, receptacles, instruments or implements intended by the owner of the tenement for an industry or works which may be carried on in a building or on a

piece of land, and which tend directly to meet the needs of the said industry or works;

X X X.....X X X.....X X X”

In the present case, the machines that were the subjects of the Writ of Seizure were placed by petitioners in the factory built on their own land. Indisputably, they were essential and principal elements of their chocolate-making industry. Hence, although each of them was movable or personal property on its own, all of them have become “immobilized by destination because they are essential and principal elements in the industry.”^[16] In that sense, petitioners are correct in arguing that the said machines are real, not personal, property pursuant to Article 415 (5) of the Civil Code.^[17]

Be that as it may, we disagree with the submission of the petitioners that the said machines are not proper subjects of the Writ of Seizure.

The Court has held that contracting parties may validly stipulate that a real property be considered as personal.^[18] After agreeing to such stipulation, they are consequently estopped from claiming otherwise. Under the principle of estoppel, a party to a contract is ordinarily precluded from denying the truth of any material fact found therein.

Hence, in *Tumalad v. Vicencio*,^[19] the Court upheld the intention of the parties to treat a house as a personal property because it had been made the subject of a chattel mortgage. The Court ruled:

“x x x. Although there is no specific statement referring to the subject house as personal property, yet by ceding, selling or transferring a property by way of chattel mortgage defendants-appellants could only have meant to convey the house as chattel, or at least, intended to treat the same as such, so that they should not now be allowed to make an inconsistent stand by claiming otherwise.”

Applying *Tumalad*, the Court in *Makati Leasing and Finance Corp. v. Wearever Textile Mills*^[20] also held that the machinery used in a factory and essential to the industry, as in the present case, was a proper subject of a writ of replevin because it was treated as personal property in a contract. Pertinent portions of the Court’s ruling are reproduced hereunder:

“x x x. If a house of strong materials, like what was involved in the above *Tumalad* case, may be considered as personal property for purposes of executing a chattel mortgage thereon as long as the parties to the contract so agree and no innocent third party will be prejudiced thereby, there is absolutely no reason why a machinery, which is movable in its nature and becomes immobilized only by destination or purpose, may not be likewise treated as such. This is really because one who has so agreed is estopped from denying the existence of the chattel mortgage.”

In the present case, the Lease Agreement clearly provides that the machines in question are to be considered as personal property. Specifically, Section 12.1 of the Agreement reads as follows:^[21]