

FIRST DIVISION

[G.R. No. 210209, August 09, 2017]

**CATHAY LAND, INC. AND CATHAY METAL CORPORATION,
PETITIONERS, V. AYALA LAND, INC., AVIDA LAND
CORPORATION^[**] AND LAGUNA TECHNOPARK, INC.,
RESPONDENTS.**

D E C I S I O N

DEL CASTILLO, J.:

We resolve the Petition for Review on *Certiorari* under Rule 45 of the Rules of Court assailing the June 28, 2013 Decision^[1] and the November 26, 2013 Resolution^[2] of the Court of Appeals (CA) in CA-G.R SP No. 108480.

The Antecedent Facts

Petitioners Cathay Land, Inc. and Cathay Metal Corporation (Cathay Group) own and develop a mixed-use and multi-phase subdivision development project known as the South Forbes Golf City which covers an area of around 213 hectares of contiguous land in Silang, Cavite.^[3]

On February 5, 2003, the Cathay Group filed a Complaint^[4] for easement of right of way with prayer for the issuance of a preliminary injunction/temporary restraining order against respondents Ayala Land, Inc., Avida Land Corporation, and Laguna Technopark, Inc., (Ayala Group) before the Regional Trial Court (RTC), Branch 18, Tagaytay City. The Complaint alleged that the Ayala Group unjustifiably denied passage to Cathay Group's personnel, vehicles and heavy equipment through its properties by putting up checkpoints and constructing gates which caused the development of the latter's South Forbes Golf City project to be interrupted and delayed.^[5]

However, before trial could ensue, the parties executed a Compromise Agreement^[6] dated July 4, 2003 where they "mutually agreed to amicably settle all their claims as well as other claims and causes of action that they may have against each other in relation to the [Complaint]."^[7] Specifically, the Ayala Group granted a pedestrian, vehicular and utility easement of right of way in favor of the Cathay Group in consideration of and subject to the latter's faithful compliance of its undertakings in the Compromise Agreement.^[8] This includes undertakings relating to the development of the Cathay Group's properties in the area:

- 2.3 **Undertakings of the Cathay Group Relating to the Development of the Cathay Properties.** The Cathay Group will develop the Cathay properties into such developments which are consistent with the residential character of the adjacent developments of Ayala Land and

Laguna Properties in the Sta. Rosa, Laguna and Silang, Cavite areas. More particularly, but without limiting the generality of the foregoing, **the Cathay Group undertakes that it will not develop and will not allow the development** of one or more of the following types of projects: (i) cemetery, memorial park, mortuary or similar development or related structures; (ii) industrial park or estate, whether for heavy, medium or light industries; (iii) **high-rise buildings**; (iv) low-cost or socialized housing subdivisions within the purview of Batas Pambansa Blg. 220; and (v) warehouse or warehouse facilities.^[9]

It was also expressly stated in the Compromise Agreement that in the event of breach on the part of the Cathay Group of any of its undertakings, the Ayala Group has the right to withdraw or suspend the grant of easement of right of way from the Cathay Group, to wit:

4. **Undertakings Essential.** x x x Accordingly and subject to Section 6 hereof, the Ayala Group has the right to withdraw or suspend the grant of easement of right-of-way subject to this agreement if the Cathay Group or any of the Grantees shall breach any of the provisions of this Agreement and the Cathay Group or the Grantees shall have failed to rectify such breach within a period of thirty (30) days from receipt of a notice from the Ayala Group (or any of its assigns).^[10]

In fine, in case of breach on the part of Cathay Group, the remedies available to the Ayala Group are as follows: first, the Ayala Group shall notify the Cathay Group of such breach; and second, the Ayala Group can either suspend or withdraw the grant of easement of right of way in case the Cathay Group fails to rectify such breach within 30 days from receipt of notice. Such right may then be enforced through a writ of execution pursuant to Section 6 of the Compromise Agreement which states:

6. **Writ of Execution.** Non-compliance by any party with the terms of this Compromise Agreement shall entitle the aggrieved party to a writ of execution from the [court] to enforce the terms of this Agreement.^[11]

The RTC approved the Compromise Agreement in its Judgment^[12] dated July 30, 2003, and ordered the parties to strictly comply with the terms and conditions provided therein.^[13]

In 2005, the Cathay Group commenced the development of its South Forbes Golf City project. Subsequently, however, the Ayala Group noted that Cathay Group's marketing materials for the project showed plans to develop a thirty-hectare cyber park which will house, among others, call center offices, and to construct high-rise buildings.^[14] The Ayala Group thus made verbal and written demands to Cathay Group to abide by the terms and conditions of the Compromise Agreement particularly on its undertaking not to construct high-rise buildings, but to no avail. It also later found out that the Cathay Group had applied for a variance^[15] from a local zoning ordinance^[16] of Silang, Cavite which then imposed a three-storey height limit on buildings to be constructed in the area.^[17]

Thus, on July 29, 2008, the Ayala Group filed a Motion for Execution^[18] with Application for Issuance of a Temporary Restraining Order (TRO) and Writ of Injunction before the RTC.

Attaching copies of Cathay Group's development plan, building plan, brochures and newspaper advertisements to its motion for execution, the Ayala Group alleged that the Cathay Group disregarded its undertaking not to construct high-rise buildings, or structures which are at least 15 meters high or beyond the building height limit of three storeys, as provided under the Compromise Agreement.^[19] It further claimed that the Cathay Group's development plan of its South Forbes Golf City project involved the construction of 97 high-rise residential and commercial buildings having as many as 12 floors.^[20] Consequently, the Ayala Group argued that it had a clear legal right to enforce the terms of the Compromise Agreement and compel the Cathay Group to abide by them.^[21] The Ayala Group thus prayed for the issuance of a TRO to enjoin the Cathay Group "from proceeding with the development of their South Forbes Golf City project;" and a writ of execution to permanently enjoin Cathay Group "from constructing buildings fifteen (15) meters and higher, and other developments deviating from the residential character"^[22] of the Ayala Group's projects.

The Cathay Group opposed the motion and insisted that it had not violated the terms of the July 30, 2003 Judgment and there is simply no justification for the Ayala Group's motion seeking the execution of any part thereof.^[23] It contended that the Compromise Agreement does not contain a provision limiting building height at three storeys and the proscription therein only pertains to the construction of high-rise buildings without any specific qualifications.^[24]

The Regional Trial Court Ruling

In its Order^[25] dated September 15, 2008, the RTC denied the Motion for Execution filed by the Ayala Group for lack of merit.

The trial court rejected the Ayala Group's contention that the term "high rise building" as stated in the Compromise Agreement should follow the definition in the Fire Code of the Philippines (Fire Code), which defines the same as "at least 15 meters high." It explained that "the Fire Code x x x is intended not to define the structural configurations of a building but to advance its clear mandate of preventing fires and avoiding its damaging effects."^[26] It also pointed out that the Compromise Agreement itself never mentioned the Fire Code as its governing law.^[27]

In addition, the trial court ruled that the basic definition of the term "high-rise building" in the Revised Implementing Rules and Regulations (IRR) of the National Building Code (NBC), *i.e.*, buildings with 16 storeys or taller in height, or 48 meters above established grade, should be given weight, especially since the NBC is the governing law on the construction of buildings.^[28]

Following the denial, the Ayala Group filed a Motion for Reconsideration^[29] before the RTC.

In its April 1, 2009 Order,^[30] the RTC, through Acting Presiding Judge Emma S. Young (Judge Young), granted the motion and set aside the September 15, 2008

Order on the ground that the Compromise Agreement is immediately final and executory.

The RTC thus ordered that a writ of execution be issued to enforce the terms and conditions of the Compromise Agreement. It likewise directed the issuance of a writ of injunction against the Cathay Group enjoining the construction of high-rise structures on the land for being contrary to laws and ordinances of Silang, Cavite then applicable at the time of the execution of the Compromise Agreement.^[31]

On April 27, 2009, the Cathay Group filed a Petition for *Certiorari*^[32] under Rule 65 of the Rules of Court before the CA, challenging the April 1, 2009 Order.

While the case was pending before the CA, the RTC issued a Writ of Execution^[33] and a Writ of Injunction,^[34] both dated December 2, 2009, **prohibiting the Cathay Group from constructing buildings with a height of 15 meters or higher, and other developments which would deviate from the residential character of the adjacent properties** of the Ayala Group in the area.^[35]

The Court of Appeals Ruling

The CA dismissed the Petition for *Certiorari* in its Decision dated June 28, 2013, as it found no grave abuse of discretion on the part of the RTC in ordering the execution of the Compromise Agreement.^[36]

The CA found no merit in the Cathay Group's claim that Judge Young failed to provide any factual or legal basis in reversing the September 15, 2008 Order which denied the Ayala Group's Motion for Execution. It held that although Judge Young's questioned one-page Order is extremely concise, the basis for the ruling, *i.e.*, that the act of the Cathay Group in constructing high-rise buildings on the property was contrary to the laws and ordinance of Silang, Cavite, was clearly indicated therein.^[37]

Moreover, the CA noted that the definition of a "high-rise building" in the IRR of the NBC could not be applied in this case, since the IRR was promulgated only in 2005, or after the parties had already entered into the Compromise Agreement. Hence, the CA ruled that the parties could not have contemplated and considered the definition as part of their agreement.^[38]

The CA likewise pointed out that the limitation on the height of the buildings or structures to be erected by the Cathay Group is clearly defined in its undertaking to ensure that its development plan is "consistent with the residential character of the adjacent developments of [the Ayala Group] in the Sta. Rosa, Laguna and Silang, Cavite area[s]."^[39]

Consequently, the CA ruled that the proper interpretation of the term "high-rise building" should be in accordance with the laws and ordinance enforced when the parties executed the Compromise Agreement, which, at the time, limited the permissible building height to only three storeys.^[40]

The Cathay Group moved for reconsideration but the CA denied the motion in its Resolution dated November 26, 2013. As a consequence, the Cathay Group filed the present Petition for Review on *Certiorari* assailing the CA's June 28, 2013 Decision and the November 26, 2013 Resolution.

Issues

In the present Petition, the Cathay Group raises the following arguments for the Court's resolution: **first**, the one-page April 1, 2009 Order should be nullified as it does not state the facts and the law on which it is based, in violation of the requirements under Section 14, Article VIII of the Constitution;^[41] **second**, the CA seriously erred when it affirmed the questioned RTC Order, since it was never shown that the Cathay Group had violated any of the laws and ordinances of Silang, Cavite;^[42] **third**, the term "high-rise building" as used in the Compromise Agreement should not be interpreted to imply a "height limit of three storeys," as such definition in the Fire Code was not contemplated by the parties when they entered into the Compromise Agreement;^[43] and **fourth**, the Writ of Execution dated December 2, 2009 is void because it gives the Sheriff unbridled authority to halt any of the Cathay Group's construction projects which, in his personal view, constitutes a "high-rise" structure.^[44]

The Court's Ruling

The Petition is impressed with merit.

A judgment based on compromise agreement shall be executed/implemented based strictly on the terms agreed upon by the parties.

The Civil Code provides that "[a] compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced."^[45] It has the effect and authority of *res judicata* upon the parties, **but there shall be no execution except in compliance with a judicial compromise.**^[46]

It is settled that once a compromise agreement is approved by a final order of the court, it transcends its identity as a mere contract binding only upon the parties thereto, as it becomes a judgment that is subject to execution in accordance with the Rules of Court. Judges, therefore, have the *ministerial and mandatory duty* to implement and enforce it.^[47]

Since the issuance of a writ of execution implementing a judicial compromise is ministerial in nature, it cannot be viewed as a judgment on the merits as contemplated by Section 14, Article VIII of the Constitution.^[48] To be clear, it is the decision based on a compromise agreement that is considered as a judgment on the merits, not the order pertaining to its execution.

Nevertheless, in implementing a compromise agreement, **the "courts cannot modify, impose terms different from the terms of [the] agreement, or set aside the compromises and reciprocal concessions made in good faith by the parties without gravely abusing their discretion."**^[49]

In this case, the RTC, through Judge Young, granted the Ayala Group's Motion for Execution of the Compromise Agreement on account of the Cathay Group's