

THIRD DIVISION

[G.R. No. 174646, August 22, 2012]

**(STANFILCO) PHILIPPINES, INC., PETITIONER, VS. DOLE
REYNALDO B. RODRIGUEZ AND LIBORIO AFRICA,
RESPONDENTS.**

D E C I S I O N

PERALTA, J.:

Assailed in this petition for review on *certiorari* under Rule 45 of the Rules of Court are the Court of Appeals (CA) Decision^[1] dated June 1, 2006 and Resolution^[2] dated September 6, 2006 in CA-G.R. CV No. 58632. The CA decision modified the Regional Trial Court (RTC)^[3] Decision^[4] dated September 13, 1996 in Civil Case No. 92-961, while the CA resolution partially granted the motion for reconsideration filed by petitioners Standard (Philippines) Fruit Corporation or Stanfiico, a division of Dole Philippines, Inc. (Dole), Orlando Bulaun (Bulaun), Mario Murillo (Murillo), and Wilhelm Epelepsi (Epelepsi).

The case stemmed from the following factual and procedural antecedents:

Respondent Liborio Africa (Africa) is the registered owner of a banana plantation containing an area of 17.0829 hectares situated in General Santos City, covered by Original Certificate of Title (OCT)^[5] No. (V-2642) (P-237) P-5469. On November 1, 1966, Africa entered into a Farm Management Contract^[6] (FMC) with his Farm Manager Alfonso Yuchengco (Yuchengco) for the development, cultivation, improvement, administration, and general management of the above-described property as an agricultural development project, more particularly for the purpose of planting and growing bananas and/or other crops and of marketing the products and fruits thereof.^[7] The contract was established for a period often (10) years from the date of execution thereof.^[8] The same was later extended for a total period of twenty-five (25) years, or up to November 1, 1991.^[9]

On October 2, 1967, the parties amended the FMC by giving Yuchengco the right to assign, convey, or transfer its rights under the contract to any person or entity, provided due notice is given to Africa.^[10] On December 4, 1967, Yuchengco assigned his rights as farm manager to Checkered Farms, Inc. (Checkered Farms).^[11]

On January 8, 1968, Checkered Farms entered into an Exclusive Purchasing Agreement^[12] with petitioner which bound itself to purchase all the acceptable bananas that would be produced by the former on the lot subject of the FMC.^[13] Checkered Farms, for its part, undertook to allow petitioner to introduce installations and improvements on the land and to dismantle and remove all non-permanent

installations and improvements it has introduced upon the expiration of the period of the contract, provided that petitioner has the option to leave them on the land without cost to Checkered Farms.^[14]

It appears that over the years, petitioner introduced on the subject parcel of land several improvements consisting of, among others, plantation roads and canals, footbridges, irrigation pumps, pipelines, hoses, and overhead cable proppings.^[15] On May 30, 1991, Checkered Farms requested^[16] for a ten (10)-year extension^[17] of the contract due to expire on November 1, 1991, but the request was not acted upon by Africa.^[18]

On October 15, 1991, Africa executed a Deed of Payment by Cession and Quitclaim^[19] wherein Africa ceded and assigned the 17-hectare subject land to Reynaldo Rodriguez (Rodriguez) as payment and in full satisfaction of the former's obligation to the latter amounting to P3 million. In a letter^[20] dated December 4, 1991, Rodriguez introduced himself to Checkered Farms as Africa's successor-in-interest and informed it that he was taking over complete possession and absolute control of the subject land effective immediately without prejudice to whatever acceptable new business arrangements that may be agreed upon. On even date, Rodriguez manifested his interest in petitioner's banana grower's program. Since he was interested in petitioner's corporate grower's contract, Rodriguez allowed petitioner to assume temporarily the continued operation and management of the banana plantation, including the harvesting and marketing of all produce pending the approval of the contract.^[21]

On December 5, 1991, Checkered Farms asked Rodriguez that it be allowed to operate the banana plantation until February 1992 to fully wind up the operational activities in the area.^[22] In a letter^[23] dated December 11, 1991, Rodriguez denied the request as he already authorized petitioner to manage the plantation under an interim arrangement pending final resolution of their negotiation. In the same letter, Rodriguez demanded for the accounting of fruits harvested from the expiration of their contract.

On December 12, 1991, Checkered Farms claimed that the plantation produced 382 boxes of exportable fruits equivalent to P8,564.44 and incurred expenses of P91,973.48.^[24] On December 20, 1991,^[25] petitioner rejected Rodriguez's proposal for the company's contract growing arrangement on the same terms as Checkered Farms. Instead, petitioner offered to grant the same terms and conditions as those given to independent small growers in General Santos City. Rodriguez was also requested to inform petitioner of his decision as there was a need to finalize the work plan to dismantle the irrigation system and overhead cable propping system should no agreement be reached.^[26]

On January 2, 1992, Rodriguez expressed his doubt on Checkered Farms' accounting of the fruits harvested from the subject land as well as the expenses incurred in its operations. He, thus, billed Checkered Farms the amount of P1,100,600.00 for the fruits harvested, and if no payment is made, to return all the harvest.^[27]

On January 11, 1992, Rodriguez requested for reconsideration of the denial of his application for the company's contract growing arrangement and asked petitioner to

desist from dismantling the improvements thereon.^[28] As no agreement was reached between petitioner and Rodriguez, the latter demanded from the former an accounting of what was harvested during the interim period and a statement of the charges due him.^[29] In its reply, petitioner stated that it was able to produce only 753 boxes of bananas valued at P17,736.48.^[30] Petitioner eventually dismantled and removed the improvements in the plantation.^[31]

On February 10, 1992, Rodriguez sent a letter to petitioner demanding the payment of the bananas harvested during the interim administration of petitioner and protesting the "unwarranted and wanton destruction of the farm."^[32] Petitioner, however, refused to heed the demand. Instead, it questioned Rodriguez's ownership of the subject land, denied the liquidated price support of P12 per kilo or restitution of the harvest in equivalent volume and quality, and denied the accusation of illegal destruction in the plantation.^[33]

On April 6, 1992, respondents filed a Complaint for Recovery of Sum of Money and Damages^[34] against petitioner and its officials Bulaun, Murillo and Epelesia. Respondents claimed that despite repeated demands, petitioner and its officials refused and failed, without valid, just, reasonable or lawful ground, to pay the amount of P107,484.00 with interest at the legal rate until full payment, or to give an accounting of the entire harvest actually made by them during the period that it was given such interim authority to harvest.^[35] Respondents also alleged that petitioner's staff, acting under the direct supervision of Epelesia who has been working directly with the instructions of Bulaun, all performing under the administrative and operational responsibility of Murillo, stealthily, treacherously and ruthlessly raided the subject plantation destroying the facilities therein which makes them liable for damages.^[36] These acts, which are contrary to morals, good customs or public policy, allegedly made petitioner liable for damages.^[37] Respondents also demanded indemnity for damages suffered from petitioner's act of depriving the former from using the water facilities installed in the plantation that resulted in the spoilage of respondents' plants.^[38] Respondent likewise accused petitioner of knowingly and fraudulently operating and harvesting within respondents' premises, making it liable for damages.^[39] Lastly, respondents prayed for the payment of moral, exemplary and nominal damages plus litigation expenses.^[40]

In their Answer with Compulsory Counterclaims,^[41] petitioner admitted its contractual relationship with Africa but alleged that Rodriguez duped and fraudulently misled petitioner into believing that he was the owner of the subject plantation where in fact it was owned by Africa.^[42] Petitioner alleged that he was the owner of the irrigation system on the subject plantation. Thus, it has the right to remove them after the expiration of its contract with Africa.^[43] It added that the removal of the irrigation system from the subject plantation was a valid exercise of its rights as owner of the irrigation system and an exercise of the right to dismantle and remove the same under the Exclusive Purchasing Agreement with Checkered Farms. It denied respondents' accusation that the dismantling took place at nighttime and with the aid of armed men. Petitioner also denied causing the destruction of standing crops or the canals.^[44] In its counterclaim, petitioner demanded from respondents the payment of P58,562.11 representing the expenses

it incurred during the interim management of the plantation after deducting the farm revenue. Petitioner also prayed for the payment of moral and exemplary damages plus attorney's fees.^[45]

On September 13, 1996, the RTC rendered a Decision^[46] in favor of respondents and against petitioner, the dispositive portion of which reads:

WHEREFORE, in view of all the foregoing, judgment is hereby rendered in favor of the plaintiffs and against defendant corporation ordering the latter to pay to the former the sum of P17,786.48, representing the value of the banana fruits harvested during the interim arrangement; the amount of P500,000.00 for the destruction of the banana plants and for the rehabilitation of the plantation; the sum of P50,000.00 as litigation expenses and P50,000.00 as attorney's fees, and the costs of suit.

The complaint, as against defendants Orlando Bulaun, Wilhelm Epelepsia and Mario Murillo, is hereby Dismissed.

Defendant's counterclaim is DENIED. SO ORDERED.^[47]

With the admission of petitioner that it harvested 753 boxes of banana fruits valued at P17,786.00 from the subject plantation but were not turned over to respondents, the trial court found the latter entitled to said amount as owners of the property.^[48] The trial court further found respondents entitled to P500,000.00 actual damages for the destroyed banana plants caused by petitioner when it exercised its right to remove the improvements it introduced on the plantation.^[49] The RTC, however, found that respondents do not have the right to use the improvements owned by petitioner. Thus, when petitioner removed said improvements, respondents cannot insist that they be awarded damages for the deprivation of the use thereof. Neither can they insist that petitioner leave said improvements on the subject plantation.^[50] The trial court also did not award respondents' claim for the value of the crops harvested on the two-hectare property of respondents adjoining the Aparente property, because such portion was believed to belong to the Aparente family.^[51] Respondents' prayer for moral, exemplary and nominal damages were denied because petitioner did not act in bad faith but only exercised its right to dismantle the improvements in accordance with the terms of the Exclusive Purchasing Agreement.^[52] In view of the destruction of the plantation and respondents' efforts to protect their interest, the RTC awarded P50,000.00 litigation expenses and the same amount as attorney's fees.^[53] The trial court further absolved Bulaun, Murillo and Epelepsia from liability and made petitioner solely liable. As to petitioner's counterclaim, the court found no reason to award the same as respondents' acts were not meant to harass them but were undertaken to protect their interest.^[54]

Petitioner and respondents interposed separate appeals. On June 1, 2006, the CA modified the RTC decision. The dispositive portion of the decision is quoted below for easy reference:

WHEREFORE, in the light of the foregoing premises, the decision subject of this appeal is hereby *MODIFIED*. The defend ant-appellant STANFILCO is hereby ordered to pay plaintiff-appellant Rodriguez the following amounts:

- (a) P200,000.00 as temperate damages for the banana plants that were felled and for the damage done on the ground;
- (b) P50,000 by way of moral damages;
- (c) P50,000 by way of exemplary damages;
- (d) P50,000 by way of litigation expenses;
- (e) P50,000 by way of attorney's fees.

SO ORDERED. ^[55]

The CA first settled the legal standing of Africa and Rodriguez to institute the action before the lower court. As registered owner of the property, the appellate court considered Africa an indispensable party. As assignee of Africa, the CA likewise upheld Rodriguez's legal standing. Contrary to petitioner's protestation, the CA considered petitioner estopped from impugning the equitable ownership of Rodriguez of the subject plantation considering that it was Rodriguez who gave petitioner the authority to supervise and operate the plantation awaiting the results of Rodriguez's application for corporate grower's contract with petitioner. ^[56]

The CA affirmed the RTC's conclusion that during the interim period when it was given the authority to operate the plantation, petitioner harvested 753 boxes of bananas valued at P17,786.48. However, during the same period, petitioner incurred expenses of P76,348.57. Thus, respondents still owe petitioner P58,562.11. ^[57] As to the nature of the facilities and improvements installed by petitioner, the appellate court refused to consider them immovable as they were installed not by the owner but by a tenant. Pursuant, therefore, to the Exclusive Purchasing Agreement, the appellate court upheld petitioner's right to dismantle the facilities and improvements. ^[58] Moreover, the CA echoed the RTC conclusion that respondents are not entitled to the crops harvested from the two-hectare property believed to belong to the Aparente family as they were indeed cultivated for the benefit of said family and not for respondents. ^[59] The court further sustained the RTC's conclusion to exempt petitioners' officers from liability as they merely followed the orders of their superiors. ^[60] While sustaining respondents' claim for the damages sustained when petitioner exercised its right to dismantle the improvements and facilities introduced on the subject plantation, the appellate court deemed it proper to reduce the amount awarded by the RTC from P500,000.00 to P200,000.00 as temperate damages. ^[61] In addition to litigation expenses and attorney's fees, the CA awarded P50,000.00 moral damages and P50,000.00 exemplary damages. ^[62] The appellate court further modified the decision in a Resolution dated September 6, 2006 by including the statement that the sum of P58,562.11 representing the expenses incurred during the interim period be deducted from the award given to respondents. ^[63]

Aggrieved, petitioner comes before the Court in this petition for review on *certiorari*