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FIRST DIVISION

[G.R. No. 171535, June 05, 2009]

MACTAN-CEBU INTERNATIONAL AIRPORT AUTHORITY, PETITIONER, VS. SPOUSES EDITO AND MERIAN TIROL AND SPOUSES ALEJANDRO AND MIRANDA NGO, RESPONDENTS.

D E C I S I O N

PUNO, C.J.:

Before the Court is a Petition for Review on Certiorari under Rule 45 of the 1997 Rules of Civil Procedure seeking to reverse, annul and set aside (i) the May 27, 2005 Decision[1] of the Court of Appeals in CA-G.R. CV No. 72867 entitled "**Spouses Edito and Merian Tirol, et al. v. Mactan-Cebu International Airport Authority**," and (ii) its February 17, 2006 Resolution[2] denying petitioner's motion for reconsideration.

The instant case finds its genesis in a complaint for quieting of title filed on August 8, 1996 by respondents, Spouses Edito and Merian Tirol and Spouses Alejandro and Miranda Ngo, against petitioner Mactan-Cebu International Airport Authority (MCIAA). The facts were aptly summarized by the Court of Appeals as follows:

> The instant appeal revolves around a certain parcel of land, Lot No. 4763-D, over which the parties to the above-entitled case assert ownership and possession.
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> xxx xxx xxx
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> Plaintiffs-appellees and business partners, Edito P. Tirol and Alejandro Y. Ngo, along with their respective spouses, claim to have purchased a 2,000 square meter parcel of land, Lot No. 4763-D, from a certain Mrs. Elma S. Jenkins, a Filipino citizen married to a certain Mr. Scott Edward Jenkins, an American citizen, per Deed of Absolute Sale dated September 15, 1993. Plaintiffs-appellees bought the said property on the strength of the apparent clean title of vendor Jenkins as evidenced by the Tax Declaration and Transfer Certificate of Title No. 18216, all under Mrs. Elma Jenkins' name, which bear no annotation of liens, encumbrances, *lis pendens* or any adverse claim whatsoever. After the sale wherein plaintiffs-appellees were purportedly purchasers for value and in good faith, they succeeded in titling the said lot under their names per Transfer Certificate of Title No. 27044 on September 20, 1993, and further proceeded to pay realty taxes thereon. It was only in January 1996 that plaintiffs-appellees discovered a cloud on their title when their request for a Height Clearance with the Department of Transportation and Communications was referred to the defendant-appellant Mactan[-]Cebu

International Airport Authority (MCIAA, for brevity), on account of the latter's ownership of the said lot by way of purchase thereof dating far back to 1958.

At this point, it becomes imperative to trace the chain of ownership over Lot No. 4763-D. It is undisputed that the original owners of said property were the spouses Julian Cuison and Marcosa Cosef, who owned the entire Lot No. 4763, of which Lot No. 4763-D is a portion of *(sic)*. Unfortunately for herein parties, this is where the similarity of facts end *(sic)*, and the instant controversy begins.

According to plaintiffs-appellees: Originally, the entire Lot No. 4763 was decreed in the names of spouses Julian Cuison and Marcosa Cosef under the provisions of the Land Registration Act on June 1, 1934. [In] January 1974, spouses Julian Cuison and Marcosa Cosef sold Lot No. 4763 to Spouses Moises Cuizon and Beatriz Patalinghug. The latter spouses thereafter succeeded to secure the reconstitution of Original Certificate of Title of Lot No. 4763, Opon Cadastre as evidenced by Court Order dated July 3, 1986. Said Court Order subsequently became final and executory, thus a reconstituted title, OCT No. RO-2754, was issued in the name of the original owners-spouses Julian Cuison and Marcosa Cosef. On September 12, 1986, the Deed of Absolute Sale between spouses Julian Cuison/Marcosa Cosef and spouses Moises Cuizon/Beatriz Patalinghug was registered and annotated on OCT No. RO-2754, which was cancelled to give way to the issuance of TCT No. 16735 in the name of spouses Moises Cuizon and Beatriz Patalinghug. Thereafter, the latter sold a portion, denominated as Lot No. 4763-D, to Mrs. Elma Jenkins on December 15, 1987, who[,] as earlier discussed, sold the same lot to herein plaintiffs-appellees on September 15, 1993. Plaintiffs-appellees contend that all throughout the chain of ownership, the titles - albeit from a reconstituted one - of the previous owners were absolutely devoid of any annotations of liens, encumbrances, *lis pendens*, adverse claim, or anything that may cause a reasonable man of ordinary prudence and diligence to suspect the contrary. Furthermore, plaintiffs-appellees have been in actual, uninterrupted and peaceful possession of the property since 1993, and if the possession of their predecessors-in-interest be tacked, plaintiffs-appellees would be in constructive, uninterrupted and peaceful possession for sixty-two (62) long years as of the date of filing their Complaint for Quieting of Title in the court *a quo*.

According to the defendant-appellant: On March 23, 1986[3], the original owners, spouses Julian Cuison and Marcosa Cosef sold Lot No. 4763 to the government, through the [then] Civil Aeronautics Administration (CAA, for brevity). In a Certificate dated March 19, 1959, vendor Julian Cuison confirmed that he was the possessor and actual owner of Lot No. 4763 which was located within the "Mactan Alternate International Airport" and that the duplicate copy of the certificate of title was lost or destroyed during the last war without him or his predecessor(s)-in-interest having received a copy thereof. Since then, the government, through defendant-appellant MCIAA, has been in open, continuous, exclusive and adverse possession of the property in the concept of owner. Said lot allegedly became part of the Clear Zone of Runway 22 for

> purposes of required clearance for take-off and landing. Moreover, defendant-appellant asserts that plaintiffs-appellees are nothing more than trustees of Lot No. 4763-D in favor of defendant-appellant MCIAA, being merely successors-in-interest of the original owners, spouses Julian Cuison and Marcosa Cosef, who undertook in paragraph 4 of the Deed of Absolute Sale, to assist in the reconstitution of title so that the land may be registered in the name of vendee government, through defendant-appellant MCIAA. In paragraph 5 of the same Deed of Absolute Sale, the parties also agreed that the property be registered under Act 3344 pending the reconstitution and issuance of title. Purportedly, in gross and evident bad faith and in open violation of their Deed of Absolute Sale, the spouses Julian Cuison and Marcosa Cosef again sold the same property to spouses Moises Cuizon and Beatriz Patalinghug, who in turn sold the lot to Mrs. Elma Jenkins, who eventually sold the same to herein plaintiffs-appellees. Defendant-appellant MCIAA further imputes bad faith to plaintiffs-appellees under the rationale that because their title came from a reconstituted one and that Lot No. 4763 was within the Clear Zone of Runway 22 of the airport, plaintiffs-appellees should have exerted effort in researching the history of ownership and cannot possibly claim to be innocent of MCIAA's ownership and possession thereof.[4]

In its December 4, 2000 Decision,[5] the trial court ruled in favor of petitioner MCIAA in this wise:

> WHEREFORE, premises considered, the Court rules in favor of defendant and thus DISMISSES the complaint of plaintiffs for want of merit.
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> The Republic of the Philippines, represented by the defendant MCIAA, is adjudged as *(sic)* the lawful owner of the entire Lot 4763, Opon Cadastre.
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> The Deed of Absolute Sale involving Lot 4763-D in favor of plaintiffs is hereby declared null and void.
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> Transfer Certificate of Title No. 27044 for Lot 4763-D under the names of plaintiffs is likewise deemed null and void.
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> The Register of Deeds is directed to issue to the defendant MCIAA a transfer certificate of title covering the whole Lot 4763.
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> The counterclaim of defendant, however, is denied for lack of merit.
>
> No pronouncement as to costs.
>
> SO ORDERED.

The trial court held that there was a valid transfer of title from Spouses Julian Cuison and Marcosa Cosef to the Civil Aeronautics Administration (CAA), and accordingly, the respondents did not buy Lot No. 4763-D from a person who could validly dispose of it. It likewise ruled that the government (through the CAA, and now respondent MCIAA) has been in possession of the disputed land since it bought the same in 1958, when a public deed of absolute sale was executed in its favor.

Lastly, respondents were considered as having bought Lot No. 4763-D in bad faith since they ignored circumstances that should have made them curious enough to investigate beyond the four corners of the Transfer Certificate of Title. In the trial court's view, the facts that Lot No. 4763-D (i) is only about 320 meters from the center of the runway and therefore part of the clear zone and (ii) has been vacant for several decades should have alerted the respondents to the possibility that the lot could be part of the airport complex and therefore owned by petitioner.

Respondents filed their Motion for Reconsideration[6] on January 23, 2001, and a Supplemental *(sic)* to Motion for Reconsideration[7] on May 17, 2001. Petitioner duly filed its Opposition[8] to the said Motions on April 10, 2001 and June 13, 2001, respectively.

In an Order[9] dated August 9, 2001, the trial court did a complete *volte face* and reversed its Decision. Holding that Article 1544[10] of the New Civil Code - which set forth the rule on double sales - finds application to the instant case, the trial court ratiocinated:

> In the words of the Supreme Court in *Cruz vs. Cabana*, this Court finds that in the case of [a] double sale of real property[,] Article 1544 of the New Civil Code applies. Defendant was certainly the first buyer and the plaintiffs [were] the subsequent buyers, to be exact fourth *(sic).*
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> But who among the parties herein has a better right to Lot No. 4763-D? To answer this question, it is necessary to determine first the issue [of] whether or not the plaintiffs were buyers in good faith.
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> xxx xxx xxx
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> The Court is not convinced that indeed the plaintiffs were buyers in bad faith. xxx The registration of the deed of absolute sale by the defendant at the Registry of Deeds under Act No. 3344 sometime in 1959 is not the registration being contemplated under the law. *"Registration under Act No. 3344 differs materially from registration under the Spanish Mortgage Law and under the Land Registration Act. In the Spanish Mortgage Law[,] there is [an] express provision (Article 17) to the effect that titles recorded thereunder cannot be annulled or invalidated by prior unrecorded rights, while the Land Registration Act (No. 496) contains a special disposition that only transactions noted on the certificate of title and entered in the registry books can bind the land. On the other hand, transactions registered under Act No. 3344 cannot defeat a third person with a better right. Of course[,] the law does not define exactly what may be considered a better right, leaving the matter of its construction to the courts. The main reason for the difference in the operation of Act No. 3344 compared with the other systems of registration lies obviously in the fact that recordings under said Act No. 3344 are not preceded by any investigation, judicial or administrative, as to the validity or efficacy of the title sought to be recorded."* It is undisputed that Lot No. 4763 was a registered land, only that at the time of registering defendant's document of sale there was no copy of the certificate of title because the same was not available due to the after effect of the last global war.

> Hence, the Court agrees with the plaintiffs when they contended that *"even at the time when OCT No. RO-2754 was issued[,] there was no document allegedly proving its (defendant) ownership being annotated on the certificate of title."* At the time when Transfer Certificates of Title Nos. 16735, 18216 and 27044 were issued to the plaintiffs and their predecessors-in-interest, there were no annotations of the alleged claim of the defendant. Thus, the plaintiffs have all the good reasons to rely on the validity of the titles. xxx
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> xxx The fact that Lot No. 4763-D was within 320 meters from the center of the runway and within airport premises, was part of the clear zone, and had long been vacant are not enough warning to third persons dealing [with] such land. It was undisputed that the lot in controversy is outside the perimeter fence of the defendant. The fact that the said lot was part of the clear zone is not sufficient justification to warn the plaintiffs in *(sic)* buying it. Such fact was merely for the purpose of construction of buildings, not for realty ownership.[11] (italics in the original)

Aggrieved, petitioner then appealed to the Court of Appeals which rendered a Decision[12] on May 27, 2005, the dispositive portion of which states:

> WHEREFORE, premises considered, the appeal is hereby DENIED. Accordingly, the assailed Order dated August 9, 2001 is AFFIRMED.
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> SO ORDERED.

On June 21, 2005, petitioner seasonably moved for its reconsideration but the Court of Appeals denied the same in its February 17, 2006 Resolution.[13]

Hence this appeal under Rule 45 of the 1997 Rules of Civil Procedure, where petitioner argues that:

> THE COURT OF APPEALS COMMITTED A SERIOUS ERROR OF LAW WHEN IT AFFIRMED THE AUGUST 9, 2001 ORDER OF THE TRIAL COURT EVEN IF THE SAME IS NOT SUPPORTED BY THE EVIDENCE ON RECORD.[14]

Simply stated, the issue may be synthesized as follows: Between respondents Spouses Tirol and Spouses Ngo, on the one hand, and petitioner MCIAA, on the other, who has the superior right to the subject property?

We rule in favor of the respondents, but on grounds different than those relied upon by the Court of Appeals and the trial court.

Preliminarily, reliance on Article 1544 of the New Civil Code is misplaced. In **Cheng v. Genato, et al.,**[15] we enumerated the requisites that must concur for Article 1544 to apply, *viz*.:

(a) The two (or more) sales transactions must constitute valid sales;