

THIRD DIVISION

[G.R. No. 151424, July 04, 2008]

EAGLE REALTY CORPORATION, PETITIONER, VS. REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE ADMINISTRATOR OF THE LAND REGISTRATION AUTHORITY, NATIONAL TREASURER OF THE PHILIPPINES, HEIRS OF CASIANO DE LEON, MARIA SOCORRO DE LEON, AND PILARITA M. REYES, RESPONDENTS.

DECISION

NACHURA, J.:

This petition assails the Court of Appeals' Decision^[1] dated January 22, 2001, and Resolution^[2] dated January 8, 2002, which annulled Original Certificate of Title (OCT) No. 129 issued by the Register of Deeds of Pasay City, and its derivative titles, the latest of which is in the name of petitioner.

The antecedents of the case are as follows:

On May 21, 1963, the spouses Casiano de Leon and Maria Socorro de Leon filed with the then Court of First Instance (CFI) of Rizal an application for registration of Lots 1 and 2, Plan Psu-173022-B, located at Barrio San Dionisio, Parañaque, Rizal, with an area of 57,989 square meters. The case was raffled to Branch II presided over by Judge Pedro C. Navarro and docketed as LRC Case No. N-4140. The applicants were represented by Atty. Domicador L. Reyes.

Several parties opposed the application, including the Heirs of Dionisio Tomas, represented by Atty. Lorenzo Sumulong, and the Carabeo family, represented by Atty. Romulo Bobadilla.

On December 11, 1979, the CFI rendered a decision in favor of Casiano de Leon and his children, namely, Esmeralda, Rosario Rodriguez, Bernardita, and Cesario (Maria Socorro having died on September 21, 1974). Copies of this decision (De Leon Decision, for brevity) were sent through registered mail to the Land Registration Commission (LRC), Solicitor General, Atty. Sumulong, and Atty. Bobadilla.^[3]

The Heirs of Dionisio Tomas appealed the De Leon Decision to the Intermediate Appellate Court. On March 23, 1984, the appellate court affirmed the decision. The Heirs of Tomas elevated the case to this Court for review, docketed as G.R. No. 66949. On June 25, 1984, this Court dismissed the petition for having been filed out of time and for lack of merit. This judgment became final and executory on August 13, 1984.^[4]

It appears that another decision, similar to the De Leon Decision but adjudicating the property to a certain Martina G. Medina, alleged intervenor in LRC Case No. N-

4140, was surreptitiously inserted in the records of the LRC.^[5] This decision (Medina Decision, for brevity) was similarly dated December 11, 1979 and purportedly signed by Judge Pedro C. Navarro. Likewise inserted in the records of the LRC was the Order for the Issuance of the Decree dated February 14, 1980, also bearing what purports to be the signature of Judge Pedro C. Navarro, with a Certification dated February 17, 1980 by Clerk of Court Nicanor G. Salaysay, attesting that the decision has not been supplemented, amended or otherwise modified. ^[6]

On May 30, 1983, pursuant to these documents, Hon. Oscar R. Victoriano, then Acting Land Registration Commissioner, issued Decree of Registration No. N-188044. In accordance with this Decree, the Register of Deeds of Pasay City issued OCT No. 129 on July 7, 1983 in the name of a Martina G. Medina.^[7]

Medina later exchanged the property for a 3,000-hectare parcel of land in Norzagaray, Bulacan owned by Pilarita Reyes through a Deed of Exchange dated September 12, 1983. The value of each property was approximately P451,900.00. On November 2, 1983, OCT No. 129 was canceled and Transfer Certificate of Title (TCT) No. 74216 issued in the name of Reyes. Thereafter, through a Deed of Sale dated February 22, 1984, Reyes sold the property to petitioner for P1,200,000.00. On March 1, 1984, TCT No. 74216 was canceled, and TCT No. 78982 was issued in petitioner's name.^[8]

Meanwhile, Cesario de Leon discovered that OCT No. 129 was issued to Martina G. Medina. The De Leons sent a letter-complaint to the LRC asking for an investigation on the matter. This was referred to Atty. Manuel Panis, Chief of the Inspection and Investigation Division of the LRC. In a report dated July 20, 1984, Atty. Panis concluded that the Medina Decision and the Order for the Issuance of Decree dated February 14, 1980 were fake. He then recommended that the appropriate action be filed for the nullification of OCT No. 129 and its derivative titles - TCT No. 74216 in the name of Pilarita Reyes, and TCT No. 78982 in the name of petitioner Eagle Realty Corporation.

Consequently, on September 6, 1984, the Republic of the Philippines, represented by the Acting Land Registration Commissioner, filed a complaint for "Annulment of Judgment and Cancellation of Decree and Titles" against Martina G. Medina, Pilarita Reyes and petitioner Eagle Realty Corporation. The Register of Deeds of Pasay City was impleaded as a nominal party.

The complaint alleged that the LRC received a copy of the De Leon Decision but this was surreptitiously substituted with the Medina Decision, together with the Order for the Issuance of the Decree dated February 14, 1980, in the LRC records. It further alleged that the LRC, unaware of any irregularity, issued OCT No. 129 to Martina Medina on the basis of these fake documents.

In her Answer, Medina averred that she purchased the property from Justino de Leon on March 5, 1973. Justino, in turn, acquired this property from Casiano and Maria de Leon on October 29, 1971 through a Deed of Absolute Sale. She alleged that she verified the genuineness of this Deed of Absolute Sale from the Manila CFI Notarial Section and from Casiano de Leon himself. She immediately occupied the properties, appointed a caretaker thereof, paid all the land taxes, and caused the

transfer to her name of LRC Survey Plan No. 13305 covering the property.^[9] She claimed that, in 1979, she learned that this property was the subject of a pending registration proceeding, commenced by Casiano and Maria de Leon in 1966. She then filed, on September 28, 1979, a petition for intervention in said case. This petition for intervention was allegedly granted on October 4, 1979 by the CFI of Pasig.^[10]

For its part, petitioner Eagle Realty Corporation alleged, *inter alia*, as affirmative defenses, that (a) the Republic of the Philippines is not the real party-in-interest since the subject property is private, (b) the one-year prescriptive period within which to seek a review of a decree of registration has already lapsed, and (c) it is a buyer in good faith and for value. Petitioner also filed a cross-claim against Pilarita Reyes to seek reimbursement for the purchase price and the Register of Deeds to hold the Assurance Fund liable in case Reyes fails to pay.^[11] Later, petitioner filed a third-party complaint against the National Treasurer of the Philippines, the public officer entrusted with the payment of claims against the Assurance Fund.^[12]

Pilarita Reyes interposed the same defenses as the petitioner. She further claimed that she had no knowledge of any infirmity in Medina's title and that she entered into the Deed of Exchange in good faith and for value. As for the petitioner's cross-claim, she averred that she acted in good faith in selling the property to petitioner.^[13]

On February 8, 1985, respondents Heirs of Casiano and Maria de Leon filed a Motion for Leave of Court to Intervene which the trial court granted.^[14] On July 19, 1985, they filed a Complaint-in-Intervention praying that judgment be rendered "in accordance with the prayer alleged in the complaint" and, in addition, order defendants jointly and severally to pay intervenors actual, moral and nominal damages, attorney's fees plus legal interest.^[15]

On November 17, 1992, the RTC ruled in favor of the private respondents Heirs of De Leon, thus:

From all the foregoing discussion, judgment is hereby rendered as follows:

1. Declaring the decision dated December 11, 1979 and the order for the issuance of decree dated February 14, 1980 in favor of Martina G. Medina purporting to emanate from LRC Case No. N-4140, LRC Record No. N-24165, null and void;
2. Declaring Decree No. N-188044 and Original Certificate of Title No. 129 in the name of Martina G. Medina, and Transfer Certificates of Title Nos. 74216 and 78982 in the name, respectively, of Pilarita M. Reyes and Eagle Realty Corporation, null and void;
3. Ordering Eagle Realty Corporation to surrender the owner's duplicate copy of Transfer Certificate of Title No. 78982 to the Register of Deeds of Pasay City (or his successor) who is hereby ordered to cancel this owner's copy and the original copy in his

files;

4. Ordering the defendants to desist from exercising or representing acts of possession or ownership over the lots covered by the said titles;
5. Ordering the defendant Martina G. Medina to pay to the INTERVENORS the following amounts:
 - a. the sum of P500,000.00 as moral damages for the sufferings said INTERVENORS have suffered arising from the submission of the forged decision and order for the issuance of decree to the Land Registration Commission;
 - b. The sum of P300,000.00 to serve as exemplary damages and thereby discourage the proliferation of similar incidents;
6. Ordering the defendants Martina G. Medina, Pilarita Reyes and Eagle Realty Corporation jointly and severally to pay or reimburse to the INTERVENORS attorney's fees in the sum of P250,000.00;
7. Ordering Martina G. Medina and Pilarita Reyes, jointly and severally, to refund to Eagle Realty Corporation the following amounts:
 - a. The sum of P1.2 Million which Eagle Realty Corporation paid to Pilarita Reyes for the property, with interest at the legal rate from February 22, 1984 to the time the same is fully paid;
 - b. The sum of P250,000.00 by way of reimbursement of attorney's fees;
 - c. The attorney's fees that Eagle Realty Corporation, under paragraph 6 above, may have paid to the INTERVENORS;
8. The counterclaims interposed by the defendants are dismissed;
9. In the event that Eagle Realty Corporation is unable to collect the sum of P1.2 million with legal interest from its co-defendants, the third-party defendant National Treasurer of the Philippines is ordered to pay the said amount.^[16]

On appeal, the CA, in its Decision dated January 22, 2001, affirmed the RTC Decision with modifications, thus:

Wherefore, premises considered, the appeal is DISMISSED and the Decision, dated November 17, 1992, of the Regional Trial Court of Makati, Branch 142, in Civil Case No. 8400, is AFFIRMED with the following modifications: the liability of defendant-appellant Eagle Realty Corporation for attorney's fees under paragraph 6 of the dispositive portion is deleted and; paragraph 9 [Id.] is also deleted. Costs against defendants-appellants Medina and Eagle Realty Corporation.

SO ORDERED.^[17]

The CA held that the complaint is actually an action for the annulment of a certificate of title, not for annulment of judgment as alleged by petitioner; hence, the RTC properly acquired jurisdiction. It also upheld the LRC's personality to institute the complaint based on Section 100 of Presidential Decree (P.D.) No. 1529 in order to protect the Assurance Fund from being held accountable by the private respondents for the erroneous issuance of a certificate of title to Medina. It dismissed the issue on prescription, ratiocinating that an action to declare the nullity of a void title does not prescribe and, moreover, prescription does not run against the State.^[18]

According to the CA, the trial court was correct in finding that the Medina Decision and the Order for the Issuance of Decree were both spurious and that petitioner was not an innocent purchaser for value because it failed to make a prior inspection of the subject property which would have revealed that it was being occupied by the private respondents. This omission amounted to a failure to exercise diligence which prevented it from becoming an innocent purchaser for value.^[19] Hence, the Assurance Fund cannot be made liable.^[20]

On January 8, 2002, the CA issued a Resolution^[21] denying petitioner's motion for reconsideration. Petitioner filed this petition for review alleging the following errors:

I.

WITH ALL DUE RESPECT, THE COURT OF APPEALS ERRED IN RULING THAT THE SUBJECT MATTER OR NATURE OF THE ACTION IS NOT ONE FOR ANNULMENT OF JUDGMENT WITHIN THE EXCLUSIVE ORIGINAL JURISDICTION OF THE COURT OF APPEALS AND THAT THE TRIAL COURT ALLEGEDLY PROPERLY ACQUIRED JURISDICTION OVER THE SAME.

II.

WITH ALL DUE RESPECT, THE COURT OF APPEALS ERRED IN RULING THAT THE RESPONDENT REPUBLIC IS A REAL PARTY-IN-INTEREST AND HAS THE PERSONALITY TO FILE THE SUIT BELOW.

III.

WITH ALL DUE RESPECT, THE COURT OF APPEALS ERRED IN RULING THAT THE ONE-YEAR PRESCRIPTIVE PERIOD PROVIDED BY LAW IS NOT APPLICABLE TO THE INSTANT CASE.

IV.

WITH ALL DUE RESPECT, THE COURT OF APPEALS ERRED IN RULING THAT PETITIONER EAGLE REALTY IS NOT AN INNOCENT PURCHASER FOR VALUE OF THE SUBJECT PROPERTY.

V.