

FIRST DIVISION

[G. R. No. 136080, January 16, 2002]

EASTERN SHIPPING LINES, INC., PETITIONER, VS. COURT OF APPEALS AND MANILA GAS CORPORATION, RESPONDENTS.

DECISION

PARDO, J.:

The Case

The case is a petition for review on certiorari of the decision of the Court of Appeals^[1] which reversed that of the Regional Trial Court, Manila^[2] directing the Metropolitan Trial Court, Manila to hold in abeyance the enforcement of its decision^[3] for ejectment, pending the rendition of decision in civil cases involving the same parties on the issue of ownership of the subject property.

The Facts

The facts, as found by the Court of Appeals, are as follows:

"Manila Gas Corporation (petitioner), a government controlled corporation, is the owner of a parcel of land situated at the eastern side of Sanciango Street, Paco, Manila "with two frontages on the northern side of Paz M. Guanzon Street" containing an area of 12,600 square meters, more or less.

"On November 9, 1982, petitioner entered into a contract of lease with Eastern Shipping Lines, Inc. (private respondent) whereby it leased to the latter the aforesaid property for a period of ten (10) years beginning November 15, 1982 up to November 15, 1992. The parties agreed, among other things, to the following pertinent stipulations, to wit:

'1. PERIOD OF LEASE – The lease shall be for ten (10) years commencing on November 15, 1982 and shall expire on November 15, 1992, unless the same be extended for another period subject to mutual agreement of both parties. However, should the LESSOR decide to sell the leased premises during the term of the leased period, he should notify the LESSEE at least thirty (30) days from receipt of the notice under the terms and conditions as may be mutually agreed upon by the parties.

'2. PRE-TERMINATION – Paragraph 1 above notwithstanding, the parties hereto agree after the fifth year of lease of the option/right to preterminate this Contract of Lease on any

ground whatsoever without penalty provided all outstanding obligations have been settled and giving one to the other 120 days prior notice.' (Underscoring supplied)

"On November 22, 1982, the parties amended the contract by limiting the area to be covered by the lease to 12,189 square meters only, hereinafter referred to as the leased premises.

"On January 30, 1989, learning that petitioner was among the government-owned or controlled corporations under consideration for privatization and sale, private respondent wrote petitioner of its intention to exercise its option under Clause 1 of the lease contract to purchase the leased premises.

"Responding, petitioner wrote private respondent that since the government mandate is to privatize or sell its shares or the entire interest of the National Development Company (NDC) with petitioner and not just "assets and/or land," it was the opinion of its Board of Directors that Clause 1 may not be invoked. Petitioner, however, assured private respondent that in the preparation of the bidding guidelines, it would take cognizance of the lease and present the same to the bidding public as part of NDC's disclosures.

"On September 17, 1991, private respondent again wrote petitioner, advising it of its intention to extend the term of the lease contract for another ten (10) years after its expiration on November 15, 1992, and reiterating its previous offer to purchase the leased premises.

"On October 28, 1991, petitioner advised private respondent that it could not grant its request for a 10-year extension as it had already drawn up its final plans to sell the entire parcel which consists of 4 lots covered by 4 titles and containing a total area of 15, 469.50 sq. m. (hereinafter referred to as the property in question) including the leased premises and was planning to sell it before the year ended. And petitioner invoked its right to pre-terminate the contract under Clause 2 thereof, advising private respondent, however, to participate, if it wished, in the public bidding.

"Two public biddings were later held by petitioner but failed on account of which it decided to instead sell the property in question on the bases of a negotiated sale which it announced would be held on February 10, 1992.

"On February 10, 1992, three bidders of the property in question including private respondent who made clear that its participation should not be interpreted as a waiver of its option to purchase under the contract tendered their respective offers. The law firm of Carag, Caballes, Jamora & Somera who made a bid for an undisclosed client emerged as the highest bidder at P80,218,000.00 for the property in question.

"Private respondent then informed petitioner, by letter of February 17, 1992, that it was exercising its preferential right to purchase the property in question for the same amount as that tendered by the

highest bidder, enclosing therewith a cashier's check for P5,646,404 representing 10% of the purchase price, and promising to pay the remaining 90% within 30 days from execution of the final deed of absolute sale in its favor. Private respondent at the same time reserved its right to question the offer of the highest bidder on the ground of violation of certain bidding rules and regulation and offered to purchase the property in question, in the event the said highest bidder is disqualified, at the next highest tendered price of P65,004,360.00.

"Petitioner returned the cashier's check to private respondent and, by letter of March 16, 1992 sent by its counsel, the Office of the Government Corporate Counsel, formally demanded private respondent to vacate the leased premises within 5 days from receipt thereof, alleging that its continued occupancy beyond February 25, 1992, the expiration of the 120-day grace period from October 29, 1991 given to it in accordance with the contract had become unlawful.

"Private respondent refused to leave the leased premises, however, hence, petitioner filed on April 15, 1992 the present unlawful detainer case against it with the Metropolitan Trial Court (MTC) of Manila which was docketed as Civil Case No. 94-71393 and raffled to Branch 1 thereof.

"Private respondent, as defendant, alleged in its Answer with Counterclaim that petitioner, as plaintiff, had come to court with unclean hands, and had suppressed the true facts of the case in order to disguise it as one for ejectment when it was not as the lease contract they entered into is coupled with interest; that at the most, it is deemed to have purchased the leased premises at the terms and conditions of the highest bidder at the negotiated sale proceedings on February 10, 1992 or, at the least, it is entitled to exercise its right of first refusal; and that at the very least, it is entitled to a declaration that the lease is deemed renewed for another ten (10) years beginning November 16, 1992.

"On March 2, 1993, petitioner filed a Supplemental Complaint averring that as the 10-year lease period had already expired, the continued occupancy by private respondent of the leased premises had become unlawful and without bases irrespective of whether or not the contract of lease was preterminated. Private respondent, in its Supplemental Answer with Counterclaim, countered that petitioner is barred by estoppel and laches from invoking the automatic expiration of the contract.

"During the pendency of the ejectment case before the MTC, a certain Santiago Cua (Cua) filed a case for injunction before the Regional Trial Court (RTC) of Manila against petitioner seeking to enjoin petitioner from proceeding with its bidding of the property in question, claiming that he was the highest bidder in a previous bidding and, therefore, petitioner should award and sell the same to it. The case was docketed as Civil Case No. 92-60965 and was raffled to Branch 49 of the said court. Private respondent intervened in said case, invoking its right of first refusal. Cua later moved to dismiss the case which was granted. The dismissal was appealed by private respondent to this Court and is now pending consideration in CA-G. R. CV No. 40997.

"On April 14, 1994, private respondent filed at the RTC of Manila a case against petitioner and Cua, docketed as Civil Case No. 94-70140, seeking to annul the sale of a 3,198.80 square meter lot covered by TCT 39482 executed by petitioner in favor of Cua, which lot does not form part of the property in question.

"The pendency of the two above-mentioned cases was invoked by private respondent in its Position Paper filed on July 22, 1993 with the MTC as ground for the suspension of the ejectment proceedings."

"In a decision of June 16, 1994, the MTC rejected private respondent's position and upheld petitioner's pretermination of the lease contract due to the absence of a mutual agreement by the parties for its extension. The MTC held that since the parties failed to reach a mutual agreement on the purchase of the leased premises, there is no basis in concluding that private respondent had purchased the same; and that the pendency of the two other civil cases was not a bar to the resolution of the ejectment case.

"The decretal part of the MTC decision reads:

'Wherefore, judgment is hereby rendered in favor of plaintiff, ordering defendant, its representatives, agents, employees and assigns, to vacate the leased premises and to pay to plaintiff the following:

- a) Payment for the use of the leased premises in the amount of One Hundred Twenty Six Thousand Pesos (P126,000. 00) per month starting on February 25, 1992, until defendant vacates the leased premises;
- b) Attorney's fees in the amount of Fifty Thousand Pesos (P50,000.00);
- c) Costs of suit.'

"Private respondent appealed the MTC decision to the RTC of Manila where it was docketed as Civil Case No. 94-1393.

"On June 2, 1995, respondent court, Branch 34 of the RTC of Manila to which the appeal was raffled, rendered a decision the dispositive portion of which reads:

'WHEREFORE, let the record be remanded to the Court a quo with further order to hold the enforcement of the decision in abeyance pending final decision of the cases, namely, CA-G. R. CV No. 40997, entitled 'Santiago Cua, plaintiff-appellee vs. Manila Gas Corporation, et al., defendant-appellant,