

THIRD DIVISION

[G.R. No. 133913, October 12, 1999]

JOSE MANUEL STILIANOPULOS, PETITIONER, VS. THE CITY OF LEGASPI, RESPONDENT.

DECISION

PANGANIBAN, J.:

The annulment of a final judgment on the ground of extrinsic fraud prescribes within four years from the discovery of the fraud. On the other hand, a petition for annulment based on lack of jurisdiction may be barred by laches. In any event, once a controlling legal principle is established by final judgment, the same parties may no longer litigate the same matter again.

The Case

Before us is a Petition for Review on *Certiorari* assailing the Decision^[1] of the Court of Appeals^[2] (CA) dated January 21, 1998 and its Resolution^[3] dated May 18, 1998 in CA-GR SP No. 34326, dismissing Jose Manuel Stilianopulos' action to annul the final Order dated September 16, 1964 in Cad. Case No. RT-763, which directed the Register of Deeds to reconstitute the Original Certificates of Title (OCT) over certain properties in favor of the City of Legaspi.

The Antecedent Facts

On September 26, 1962, the City of Legaspi filed a Petition for the judicial reconstitution of its titles^[4] to twenty parcels of land, including Lot 1 (Psd 3261), the certificates of which had allegedly been lost or destroyed during World War II.^[5] On September 16, 1964, the trial court ordered the Register of Deeds to reconstitute the Original Certificates of Title over these lots including OCT No. 665^[6] in favor of the applicant.

On August 4, 1970, the City filed a Complaint for quieting of title over Lot 1, Psd-3261 (covered by OCT No. 665) against Carlos V. Stilianopulos alias Chas V. Stilianopulos, Ana Estela Stilianopulos, and the American Oxygen and Acetylene Company.^[7] While this case was pending, Carlos V. Stilianopulos died. As a consequence, TCT No. T-1427 which was registered under his name was cancelled, and TCT No. 13448 was issued in the name of his son, petitioner herein, on July 12, 1974.^[8] On February 29, 1984, the trial court rendered its Decision, which upheld the validity of TCT No. 13448 and its superiority to OCT No. 665. Thus, petitioner was declared the lawful owner of the disputed property, Lot 1, Psd-3261.^[9]

On appeal by both parties,^[10] the Court of Appeals^[11] in its Decision of October 16, 1987, reversed the trial court and ruled in favor of the City of Legaspi. Petitioner's recourse to this Court was dismissed in a Minute Resolution promulgated on August

17, 1988,^[12] on the ground that the issue raised was factual in nature. Reconsideration was denied in the Resolution of October 26, 1988.

Undaunted, petitioner filed an action for the cancellation of OCT No. 665,^[13] which the trial court subsequently dismissed on August 15, 1989 on the ground of *res judicata*.^[14] On appeal,^[15] the CA affirmed the trial court, reasoning that petitioner's action was "an action for annulment of the order" of the reconstitution of OCT No. 665 and was therefore not cognizable by the trial court.^[16]

Refusing to accept defeat, on June 13, 1994, petitioner again filed before the Court of Appeals a new action^[17] for annulment of the September 16, 1964 Order based on three grounds: "(1) that the Respondent City of Legaspi procured OCT No. 665 fraudulently; (2) that the original certificate of title which was judicially reconstituted was non-existent: and (3) that the court which ordered the reconstitution lack[ed] jurisdiction."^[18]

Before the CA, herein petitioner alleged (1) that the City of Legaspi had omitted in its Petition for Reconstitution of Title the name and address of his predecessor-in-interest, Chas V. Stilianopulos, who at the time, was the occupant and possessor of the disputed property; and (2) that as early as January 26, 1953 and February 10, 1953, the respondent had actual knowledge that the petitioner's predecessor-in-interest was the registered owner and possessor of said Lot 1. He added that on January 26, 1953, the petitioner's predecessor-in-interest and the herein respondent had jointly petitioned the trial court in Cad. Case No. MM-302 for the approval of the consolidation subdivision plan and the technical description of said Lot 1, as well as for the issuance by the Register of Deeds of the corresponding Transfer Certificates of Title to the subject property in the name of the petitioner's predecessor-in-interest.^[19]

He further alleged that Lot 1, the disputed property, had never been issued an original certificate of title before World War II, as it was "not an original/mother lot but a derived/resulting subdivision which came into existence only on February 10, 1953." His father and predecessor-in-interest was allegedly the registered owner of (1) Lot No. 9703-A, as evidenced by Transfer Certificate of Title No. 3227, taken by transfer from Transfer Certificate of Title No. 3224, which had been entered at the Register of Deeds of Legaspi, Albay, on August 12, 1936, and administratively reconstituted from the owner's duplicate as TCT No. 93 (3227) 20625 on June 20, 1949; and (2) Lot No. 1023, evidenced by Transfer Certificate of Title No. 1912 entered at the Register of Deeds of Legaspi, Albay, on October 10, 1931, which was administratively reconstituted from the owner's duplicate as TCT No. 98 (1912) 20626 on June 21, 1949.

These two lots were consolidated and subdivided into Lot 1 with an area of 5,808 square meters for Chas V. Stilianopulos; and Lot 2 with an area of 1,003 square meters for the City of Legaspi to which it had been donated by petitioner on September 13, 1952, as a city street to be named Stilianopulos Boulevard; and Lot 3, containing an area of 3,205 square meters for Chas V. Stilianopulos, per Consolidation Subdivision Plan Pcs-3261 surveyed on July 6, 1952. In the Deed of Donation executed on September 13, 1952, the respondent acknowledged that the petitioner's predecessor-in-interest was the absolute owner of the derived or resulting Lot 2 donated to it.^[20]

As earlier mentioned, the Petition was dismissed by the Court of Appeals through the assailed Decision and denied reconsideration through the assailed Resolution.

Ruling of Respondent Court

The Court of Appeals ruled that "the prescriptive period for extrinsic fraud has lapsed [and] the petitioner is likewise guilty of laches in the filing of this case for annulment."

Res judicata had also set in against petitioner, as there was an identity of parties and causes of action -- ownership and possession of the lot covered by OCT No. 665 -- between the earlier case for quieting of title and his Petition for Annulment. Further, petitioner did not raise the issue of lack of jurisdiction in the earlier case; thus, he was guilty of laches.

Hence, this Petition.^[21]

Assignment of Errors

In his Memorandum, petitioner failed to submit "a clear and concise statement of the issues" as required in our Resolution dated November 16, 1998.

However, from the "Arguments"^[22] found in the Memorandum, we gather petitioner's assignment of errors as follows: (1) "the prescriptive period for extrinsic fraud has [not] lapsed" and (2) the reconstitution court had no jurisdiction and "petitioner is [not] guilty of laches." In addition, the Court will pass upon the CA holding that this case is also barred by *res judicata*.

This Court's Ruling

The Petition has no merit.

First Issue:

Prescriptive Period for Annulment Based on Extrinsic Fraud

Presence of Extrinsic Fraud

Petitioner contends that respondent committed extrinsic fraud when it alleged in its Petition for Reconstitution of Title that it was the owner of Lot 1, Pcs-3261, and that the Original Certificate of Title to said lot issued in its name had either been lost or destroyed during the last war.

Respondent was allegedly aware all along that (1) Lot 1 was never covered by an original certificate of title because it was derived merely from the consolidation and subdivision of Lot Nos. 9703-A and 1023 on February 10, 1953;^[23] (2) as a derived lot, it was for the first time issued Transfer Certificate of Title No. T-1427 only on March 5, 1953;^[24] (3) the Report of the Commissioner of Land Registration stated that Decree No. 85234 pertained to Lot No. 9703, not to the lost or destroyed OCT No. 665 as it was made to appear in the reconstituted title;^[25] (4) petitioner's father and respondent jointly petitioned for the approval of the consolidation-subdivision plan of Lot Nos. 9703 and 1023, resulting in the creation of Lots 1, 2 and 3 in Cad. Case No. MM-302;^[26] and (5) petitioner's father donated Lot 2 to respondent.^[27]

Further, petitioner and his predecessor-in-interest were not named in the Petition for Reconstitution as occupants or "persons in possession" of the disputed land or notified of said proceedings, in violation of Section 12(e) of Republic Act No. 26.^[28] Instead of disputing it, both the CA and the respondent allegedly elected to remain silent on these contentions.

For fraud to become a basis for annulment of judgment, it has to be extrinsic or actual.^[29] It is intrinsic when the fraudulent acts pertain to an issue involved in the original action or where the acts constituting the fraud were or could have been litigated.^[30] It is extrinsic or collateral when a litigant commits acts outside of the trial which prevents a party from having a real contest, or from presenting all of his case, such that there is no fair submission of the controversy.^[31]

Our examination of the facts shows that, indeed, respondent failed (1) to state in its Petition for Reconstitution that Lot 1 was occupied and possessed by petitioner's predecessor-in-interest and (2) to give him notice of such proceedings. Deliberately failing to notify a party entitled to notice constitutes extrinsic fraud.^[32]

Prescriptive Period

Although the CA and the respondent impliedly admitted the presence of extrinsic fraud, both contend, however, that the prescriptive period for filing an action based thereon had already run out on the petitioner. The appellate court said:^[33]

"If the ground for the annulment is extrinsic fraud, the action has to be filed within four (4) years from the time the fraud is discovered pursuant to the provisions of Article 1891 of the Civil Code. xxx.

"We find in this case that the prescriptive period for extrinsic fraud has lapsed xxx,

"Cad. Case No. RT-763 was a petition for reconstitution of title dated September 26, 1962 filed by the City of Lega[s]pi thru the then incumbent Mayor Luis S. Los Baños with the Court of First Instance of Albay on September 28, 1962. It resulted in the issuance of the Order dated September 16, 1964 which ordered, among others, the Register of Deeds of Lega[s]pi to reconstitute the titles of Lega[s]pi City over a number of lots, including Lot 1 which is claimed by the petitioner as owned by his predecessor-in-interest. Pursuant thereto, Original Certificate of Title No. 665 was issued in the name of respondent Lega[s]pi City. There is no showing that the order was appealed by any party and has thus become final.

"Petitioner claims that the City of Lega[s]pi is guilty of fraud in not notifying his predecessor-in-interest, Chas. V. Stilianopulos, about the petition for reconstitution of title and that they were never informed of the proceedings or the decision therein rendered thus resulting in the issuance of O.C.T. No. 665 to the City of Lega[s]pi, while they hold T.C.T. No. T-1427 covering the said lot.

"Assuming that petitioner or his father Chas. V. Stilianopulos was intentionally not notified of the proceedings by the City of Lega[s]pi, the

records do show that precisely to quiet its O.C.T. No. 665 over the property, the City of Lega[s]pi brought the matter to court.

"In Civil Case No. 4183 for Quieting of Title filed by the City of Lega[s]pi on August 4, 1970 against Stilianopulos over the same parcel of land, one of the reliefs prayed for by the plaintiff City of Lega[s]pi was to have the plaintiff declared as the lawful owner of Lot 1, Psd-3261 which is a portion of Lot 9703-A and covered by O.C.T. No. 665 in the name of the plaintiff. xxx.

"As early as 1970, therefore, the petitioner was made aware of the existence of O.C.T. No. 665 in favor of the City of Lega[s]pi which he now claims was issued through fraud. Yet, the petitioner failed to file proceedings to annul the Order of reconstitution of O.C.T. No. 665."

Petitioner argues that the four-year prescriptive period for filing the Petition for Annulment should begin, not from August 4, 1970, when the action for quieting of title was filed, but from the discovery of the fraud by the petitioner's counsel "shortly after March 24, 1988." Petitioner filed the action for cancellation of title based on extrinsic fraud on May 26, 1988, or sixty-one days after the "discovery" of the fraud. Said action allegedly interrupted the running of the prescriptive period until May 26, 1994, when petitioner received a copy of the CA Decision in the case for cancellation of title. Hence, petitioner submits that less than three months had lapsed after the filing of the Petition for Annulment at the CA.

Petitioner's arguments are untenable. He could and should have raised the issue of extrinsic fraud in the action for quieting of title. It was then that he became aware of the reconstituted title in the name of respondent. A simple check on the records of the reconstitution proceedings would have revealed that it was conducted without notice to the petitioner's father.

Thus, we find no sufficient explanation why March 24, 1988 should be reckoned as the date when the prescriptive period should begin. Simply unacceptable is the contention that petitioner's counsel discovered the extrinsic fraud "shortly after March 24, 1988"^[34] only. Granting *arguendo* that the prescriptive period should begin when petitioner's counsel read the Land Registration Commission Report, the "discovery" should have been made earlier, because the Report had been made available to the said counsel when it was attached to the respondent's Appeal Brief on April 5, 1986, or at the latest, when the CA Decision was promulgated on October 16, 1987. There was absolutely no excuse why petitioner had to wait until the finality of the Decision in the case for quieting of title, before raising the issue of extrinsic fraud in order to annul the Decision in the reconstitution proceedings. Clearly, the facts constituting the fraud should have been known to petitioner's predecessor-in-interest, when the Petition to quiet the title was filed in 1970.

Under Article 1391 of the Civil Code, an action for annulment shall be brought within four years from the discovery of the fraud;^[35] that is, within four years from the discovery of the fraudulent statements made in the application.^[36] Clearly, the period for raising this issue lapsed a long time ago.

Second Issue: Annulment Based on Lack of Jurisdiction

Jurisdiction of the Reconstitution Court