

## SECOND DIVISION

[ G.R. No. 127296, January 22, 1998 ]

**EDUBIGIS GORDULA, CELSO V. FERNANDEZ, JR., CELSO A. FERNANDEZ, NORA ELLEN ESTRELLADO, DEVELOPMENT BANK OF THE PHILIPPINES, J.F. FESTEJO AND CO., INC. AND REGISTER OF DEEDS OF LAGUNA, PETITIONERS, VS. THE HONORABLE COURT OF APPEALS AND REPUBLIC OF THE PHILIPPINES (REPRESENTED BY THE NATIONAL POWER CORPORATION), RESPONDENTS.**

### D E C I S I O N

**PUNO, J.:**

Before us is a petition to affirm the Decision of the Regional Trial Court, Branch 27, Sta. Cruz, Laguna, which was reversed by the respondent Court of Appeals in its Decision<sup>[1]</sup> dated June 20, 1996 in C.A.-G.R. CV No. 45466. Petitioners' Motion for Reconsideration was denied by respondent court on November 15, 1996.<sup>[2]</sup>

The facts show that on June 26, 1969, former President Ferdinand E. Marcos issued Proclamation No. 573<sup>[3]</sup> withdrawing from sale and settlement and setting aside as permanent forest reserves, subject to private rights, certain parcels of the public domain denominated as follows:

- |              |   |                                       |
|--------------|---|---------------------------------------|
| Parcel No. 1 | - | Magat River Forest Reserve            |
| Parcel No. 2 | - | Chico River Forest Reserve            |
| Parcel No. 3 | - | Abulug River Forest Reserve           |
| Parcel No. 4 | - | Penaranda River Forest Reserve        |
| Parcel No. 5 | - | Angat River-Bustos Dam Forest Reserve |
| Parcel No. 6 | - | Ambayawan River Forest Reserve        |
| Parcel No. 7 | - | Umiray River Forest Reserve           |
| Parcel No. 8 | - | Kaliwa River Forest Reserve           |
| Parcel No. 9 | - | Caliraya-Lumot River Forest Reserve   |

Parcel No. 10 - Barit River-Lake Buhi Forest Reserve

Parcel No. 11 - Jalaur River Forest Reserve

They were primarily for use as watershed area. Their development was to be undertaken by the Bureau of Forestry, with the cooperation of, among other government agencies, the National Power Corporation (Napocor).

Located in Talaongan, Cavinti, Laguna with an area of Twenty Nine Thousand Seven Hundred Seven (29,707) square meters, and bearing the following boundaries:

North	-	National Power Corporation
South	-	Road and Baldomero Halili
West	-	National Power Corporation
East	-	National Power Corporation

the parcel of land subject of the case at bar is, by petitioners' explicit admission,<sup>[4]</sup> within Parcel No. 9, the Caliraya-Lumot River Forest Reserve.

More than three years after the land was segregated as part of the Caliraya-Lumot River Forest Reserve, or on January 9, 1973, petitioner Edubigis Gordula, a native of Cavinti, Laguna, filed with the Bureau of Lands, an Application<sup>[5]</sup> for a Free Patent over the land. Manuel Fernandez and several others also filed free patent applications covering other parcels of land in the area.

On February 5, 1973, petitioner Gordula declared the land for taxation purposes in his name as shown in Tax Declaration No. 0429.

The Regional Director of the Bureau of Lands referred the free patent applications of petitioner Gordula, Fernandez, and several others to Mr. Ravanal Ravanzo, then the General Manager of the Napocor. Mr. Ravanzo responded through the following letter:

"October 24, 1973

The Director  
Regional Lands Office No. IV  
757 Gen. Solano St.  
San Miguel, Manila

S i r:

This refers to the Free Patent Application[s] of Manuel Fernandez, et al., of Barrio Talaongan, Cavinti, Laguna, which were referred to this Office for clearance it having been found that they are within the Caliraya-Lumot Watershed Reservation under Proclamation No. 573 dated June 26, 1969.

Investigation conducted by this Office reveals that applicants have sufficient ground to establish 'priority rights' over the areas claimed and that agricultural improvements introduced thereon are not detrimental to the watershed.

In view thereof, this Office interpose[s] no objection to the application by the applicants contained in your letter dated October 2, 1973.

Very truly yours,

(Sgd.) R.R. RAVANZO  
General Manager"

On December 10, 1973, petitioner Gordula had the land surveyed; Survey Plan No. F(IV-5) 949-D under his name was approved by the Regional Director of the Bureau of Lands. Thereafter, Mr. Amundo Munda, a Land Inspector of the Bureau of Lands, conducted the requisite investigations.

On January 17, 1974, petitioner Gordula's Application for Free Patent was approved. Free Patent No. 693 was issued in his name.

On January 30, 1974, the Register of Deeds of Laguna issued, on the basis of Free Patent No. 693, Original Certificate of Title No. P-1405 in the name of petitioner Gordula.

He declared the land anew for taxation purposes under Tax Declaration NO. 6498. He paid its real estate taxes from 1975 to 1979.

In the meantime, respondent Republic, through the Napocor, contracted the Certeza Surveying Company to survey the area constituting the Caliraya-Lumot River Forest Reserve. The survey plans were approved by the Regional Director of the Bureau of Lands on October 27, 1975.

The said survey plans, as well as the Cadastral Map of Talaongan and the Geological Plan of the Caliraya-Lumot River Forest Reserve, show that petitioner Gordula's land is located in the saddle area of the watershed recreation for the hydro-electric reservoir.

On January 22, 1979, petitioner Gordula sold the land to petitioner Celso V. Fernandez, Jr. for six thousand pesos (P6,000.00). The Register of Deeds of Laguna cancelled Original Certificate of Title No. P-1405 and issued, in lieu thereof, Transfer Certificate of Title No. T-85445 in the name of petitioner Fernandez, Jr. The latter declared the land for taxation purposes in his name.

On March 12, 1979, Fernandez, Jr. executed a Deed of Absolute Sale over the land in favor of petitioner Celso A. Fernandez for six thousand five hundred pesos (P6,500.00). Transfer Certificate of Title No. T-85445 was cancelled and Transfer Certificate of Title No. 85594 was issued on March 21, 1979 in the name of petitioner Fernandez.

As approved by the Bureau of Lands in Psd-Plan 04-014230, petitioner Fernandez subdivided the land into nine (9) lots. On August 16, 1985, the Register of Deeds of

Laguna issued Transfer Certificates of Title Nos. 102492 to 102500 in his name covering the nine (9) subdivision lots.

On August 29, 1985, he sold the lots to petitioner Nora Ellen Estrellado for twenty one thousand pesos (P21,000.00). Transfer Certificates of Title Nos. 102492 to 102500 were cancelled, and in lieu thereof, Transfer Certificates of Title Nos. T-103404 to T-103412 were issued to petitioner Estrellado.

On October 17, 1986, petitioner Estrellado mortgaged to petitioner Development Bank of the Philippines (DBP) four<sup>[6]</sup> (4) of the (9) lots. Another lot, covered by Transfer Certificate of Title No. 103408, was sold to petitioner J.F. Festejo Company, Inc. to whom was issued, in lieu of the former, Transfer Certificate of Title No. 106495.

On July 16, 1987, former President Corazon Aquino issued Executive Order (E.O.) No. 224<sup>[7]</sup> vesting in the Napocor "complete jurisdiction, control and regulation" over the "Caliraya-Lumot Watershed Reservation as covered by Proclamation No. 573".

On July 26, 1987, Mr. Antonio Aquino, Jr., the Civil Security Officer of the Cavinti reservoir complex, sent a Memorandum to the President of the Napocor informing him of the fences and roads being constructed in the saddle area, more particularly, in the lots sold by petitioner Fernandez to petitioner Estrellado.

On July 28, 1987, Mr. A. Coronado, the Manager of the Cavinti reservoir complex, asked petitioner Fernandez to remove all the improvements made in the Estrellado lots. In reply, petitioner Fernandez claimed that the roads being constructed would not adversely affect the reservoir area in case of heavy floods because the Estrellado lots were elevated at a height of around fifty (50) feet.

In view of petitioner Fernandez's refusal, the Napocor assigned two (2) security guards over the lot. The guards ordered the construction workers to leave their posts and barred their return without permission from the Napocor.

On October 18, 1987, petitioner Fernandez, as attorney-in-fact and counsel of petitioner Estrellado, wrote to the President of the Napocor threatening to file a multi-million damage suit if the guards were not removed within fifteen (15) days.

On November 18, 1987, respondent Republic, through the Napocor, filed against petitioners a Complaint for Annulment of Free Patent and Cancellation of Titles and Reversion with Writ of Preliminary Injunction in the RTC of Sta. Cruz, Laguna.<sup>[8]</sup> On January 29, 1988, the trial court issued a writ of preliminary injunction upon a bond of one hundred thousand pesos (P100,000.00).

On December 28, 1993, the trial court rendered judgment in favor of petitioners. The dispositive portion of its decision states:

"WHEREFORE, judgment is hereby rendered in favor of the defendants and against plaintiff:

(1) Dismissing plaintiff's complaint and dissolving the writ of preliminary

injunction issued in this case;

(2) Ordering National Power Corporation to pay defendant Celso A. Fernandez P300,000.00 as actual damages and P30,000.00 as attorney's fees; and

With costs against the plaintiff.

SO ORDERED."<sup>[9]</sup>

Respondent Republic, through the Napocor, elevated the case to the respondent Court of Appeals.

On June 20, 1996, the respondent Court of Appeals ruled against petitioners. It held, inter alia, viz:

"The kernel and primal issue to be resolved by the Court is whether or not Free Patent No. IV-5(693) and Original Certificate of Title No. P-1405 and all derivative titles thereafter issued to the Appellees x x x are null and void. The Appellant avers that the parcel of land covered by the aforesaid Free Patent issued to Gordula is a portion of the vast track of land reserved by former President Marcos as permanent forest under Proclamation No. 573 dated June 26, 196<sup>[9]</sup> x x x and hence, non-disposable and inalienable, pursuant to Section 88 in relation to Section 83 of Commonwealth Act [No.] 141, as amended. In contrast, the Court a quo dismissed Appellant's complaint, in the light of the exclusionary clause in Proclamation No. 573 x x x that the setting up of the permanent forest reserves over the Caliraya-Lumot Watershed area was 'subject to private rights' if there be any and the letter-clearance of the then General Manager of [Napocor] x x x dated October 24, 1973, interposing no objection to the Application for a free patent of Manuel Fernandez, et al.

x x x

We are convinced, beyond cavil, that the parcel of land subject of the Free Patent issued to Gordula on January 17, 1974 and covered by Original Certificate of Title No. P-1405 issued on January 30, 1974 x x x as the two (2) parcels of land purportedly purchased by the [Republic] from Perez and Glorioso in 1941, were public disposable and alienable lands before the issuance, by the former President, of Proclamation No. 573, on June 26, 196<sup>[9]</sup>. x x x The property was, however, later reserved, under Proclamation No. 573, as a permanent forest, on June 26, 196<sup>[9]</sup>. Since then, the property became non-disposable and inalienable public land. x x x

x x x

At the time Gordula filed his application for a Free Patent, on January 9, 1973, the parcel of land x x x was already reserved as a permanent forest under Proclamation No. 573. Since the property was already a forest reservation as of June 26, 196<sup>[9]</sup>, the same could no longer be