

## THIRD DIVISION

[ CA-G.R. CV NO. 100586, May 28, 2014 ]

**MOISES CATING AND ZENAIDA CATING, PLAINTIFFS-  
APPELLEES, VS. PAN PACIFIC UNIVERSITY NORTH PHILIPPINES,  
REPRESENTED BY ITS PRESIDENT, DR. ROMEO PADILLA,  
DEFENDANT-APPELLANT.**

### D E C I S I O N

**BUESER, J.:**

Before this Court on appeal is the Decision dated 14 March 2013<sup>[1]</sup> rendered by the Regional Trial Court of Baguio City, Branch 6, which granted the present complaint for injunction with prayer for preliminary injunction and temporary restraining order (TRO) filed by plaintiffs-appellees Moises P. Cating and Zenaida B. Cating ("Appellees") against defendant-appellant Panpacific University North Philippines ("Appellant"), the dispositive portion of which reads in this wise:

"WHEREFORE, the instant complaint is hereby granted. The defendant, its agents, representatives and all persons acting for and in its behalf, are enjoined permanently to cease and desist from altering and renovating the function hall and ousting the plaintiffs from the use and possession of the function hall of the Heritage Mansion building for the duration of the lease. No award of other forms of damages including costs of suit is entered for either party.

*SO ORDERED."*

#### **The Facts**

The pertinent facts and antecedent proceedings, as borne by the records, are as follows:

On 14 June 2010, a Contract of Lease<sup>[2]</sup> was executed between the appellees, as lessees, and appellant, as lessor over the restaurant portion and the function rooms A, B and C of the Heritage Mansion building located at Abanao Extension, Baguio City. Said lease is for a term of ten (10) years and for the purpose of using the leased premises for the operation of appellees' Solibao Restaurant.

On 3 February 2012, appellees received notice that a portion of the function hall shall be renovated and added to the new lease premises of Land Bank. In exchange, the area affected by the renovation was replaced with an adjacent room.

On 10 April 2012, appellees again received notice that the functions rooms shall be converted into commercial stalls and that the construction thereof shall start after a week.

Attempting to enjoin said construction in order to protect their rights as lessees, appellees filed the present complaint for injunction on 12 April 2012.<sup>[3]</sup> On the same day, an initial hearing on the application for a TRO was conducted. Both parties agreed to forego of the hearing and committed to maintain the status quo in that no renovation will be undertaken by appellant and that appellees will still have access to the functions hall.

Countering the allegations of the complaint, appellant argued that the lease contract is unenforceable considering that Dr. Padilla, its Chairman and President, had no authority to enter into a contract for and in behalf of the corporation. Appellant further claimed that the contract of lease only granted appellees the exclusive right to use the function rooms and that the same are not included in the leased premises.

Hearings for appellees' prayer for the issuance of a writ of preliminary injunction were then conducted by the trial court. Appellees presented in evidence the testimonies of appellee Moises Cating and Armand Voltaire Cating. Dr. Padilla, in turn, was presented by appellant as its sole witness.

On 22 June 2012, the trial court granted and issued the writ of preliminary injunction in favor of appellees subject to the posting of a bond to answer for damages.

Thereafter, the parties entreated that the evidence adduced during the hearings for the preliminary injunction be considered as their evidence-in-chief. Both parties also moved for the submission of the case for decision without need for further proceedings.

While the case was referred to mediation, the parties did not reach an amicable settlement. Thus, the trial court issued its Order of 24 January 2013 submitting the case for decision.

In the now assailed Decision, the trial court found merit in the present complaint ruling that the appellees have duly proven their clear legal right over the leased premises. Anchoring its ruling on the provisions of the lease contract, the trial court opined that there is no need to go beyond the terms and conditions of the subject contract considering that the same are clear and leave no doubt as to the intention of the contracting parties. It was also observed that the contemporaneous and subsequent acts of the parties establish their intent to include the function hall as part of the leased premises.

Accordingly, the trial court, in the manner as aforequoted, issued a permanent injunction against appellant ordering the latter to cease and desist from altering and ousting appellees from the use and possession of the leased function hall for the duration of the lease contract.

Aggrieved, appellant filed the instant appeal.

#### The Issue

The main issue to be resolved in this petition is whether the terms and conditions of the lease contract include the function hall as part of the leased premises.

#### **The Court's Ruling**

We find the present appeal bereft of merit.

The cardinal rule in the interpretation of contracts is embodied in the first paragraph of Article 1370 of the Civil Code: "[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control."<sup>[4]</sup>

In the case at bench, this cardinal rule finds application. The contractual provisions pertinent to the controversy are clear and unambiguous and there is no doubt as to their meaning. The intention of the parties in executing the lease contract, specifically respecting the metes and bounds of the leased premises, undeniably identifies the same to include the restaurant and the function hall.

Emphatically, regardless of how insistent appellant stands to the contrary, the terms and conditions of the lease contract explicitly include the function hall as part of the leased premises. While appellant attempts to limit its own interpretation of the stipulations of the subject contract, the fact remains that the intent should be gathered not simply on what a single "whereas" clause but rather on the entirety of the contract.

On this note, it bears stressing that in interpreting a contract, its provisions should be read not in isolation but in relation to each other and in their entirety so as to render them effective, having in mind the intention of the parties and the purpose to be achieved. The various stipulations of a contract are to be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly.<sup>[5]</sup>

Verily, what the appellant espouse in this appeal as basis for its assertion is the provision, which reads as follows:

*"WHEREAS, the LESSEE desires to lease the restaurant portion of the premises and the LESSOR is willing to lease the same unto the LESSEE subject to the terms and conditions hereinafter specified;"*

However, the appellant simply neglects or refuses to consider the other contractual provisions that bolster appellees claim. First, in number six (6) of the terms and conditions of the lease contract, the parties agreed that "(C)atering services of the function rooms A, B and C shall be exclusive to the LESSEE of which 20% of gross sales shall be paid to the LESSOR after each function. The LESSOR shall at anytime use the Function Hall when there are no catering services of the LESSEE. Overflow of customers from the function room may use the area occupied by the Restaurant without additional charge."

Clearly, as expressly stipulated, the exclusive use of the function rooms is given to the appellee. The fact that the appellant attempts to give the exclusive use thereof to someone else by converting the same to a commercial stall is a direct contravention of the lease contract. Worse, appellant grasps at straws and posits that said provision only grants appellee the catering services for the function hall to the exclusion of other caterers. However, aside from the fact that aforesaid postulation is erroneous, as it is unfounded, number seven (7) of the terms and conditions of the lease contract further negates appellant's dire stance. It states:

*"RESPONSIBILITIES OF BOTH PARTIES: The LESSOR shall provide the Restaurant with electrical and water connections, tables and chairs,*