



Republic of the Philippines  
**Supreme Court**  
 Manila

**FIRST DIVISION**

**REPUBLIC OF THE  
 PHILIPPINES,**

Petitioner,

- versus -

**SIXTO SUNDIAM, L & F  
 MARKETING, INC., JOSE MA.  
 LOPEZ, ROSENDO D. BONDOC,  
 AUGUSTO F. DEL ROSARIO, and  
 LIBERTY ENGINEERING  
 CORPORATION,**

Respondents.

**G.R. No. 236381**

Present:

PERALTA, C.J., Chairperson,  
 CAGUIOA,  
 J. REYES, JR.,  
 LAZARO-JAVIER, and  
 LOPEZ, JJ.

Promulgated:

**AUG 27 2020**

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**DECISION**

**CAGUIOA, J.:**

Before the Court is the Petition<sup>1</sup> under Rule 45 of the Rules of Court filed by petitioner Republic of the Philippines (Republic), represented by the Office of the Solicitor General (OSG), assailing the Decision<sup>2</sup> dated December 19, 2017 of the Court of Appeals<sup>3</sup> in CA-G.R. CV No. 107773 affirming the Order<sup>4</sup> dated October 7, 2015 of the Regional Trial Court of Angeles City, Branch 56 (RTC) in Civil Case No. 79-3209, dismissing the reversion complaint filed by the Republic on the ground of equitable estoppel.

**The Facts and Antecedent Proceedings**

The CA Decision narrates the facts of the case as follows:

In a Complaint dated [October 16, 1979] filed before then Court of First Instance of Pampanga [(CFI)], the Republic, through the [OSG], alleged that a portion of the Fort Stotenberg Military Reservation in Pampanga, now Clark Air Force Base, was surveyed, segregated and

<sup>1</sup> *Rollo*, pp. 10-38, excluding Annexes.

<sup>2</sup> *id.* at 39-49. Penned by Associate Justice Rodil V. Zalameda (now a Member of the Court), with Associate Justices Japar B. Dimaampao and Renato C. Francisco concurring.

<sup>3</sup> Seventh Division.

<sup>4</sup> *Rollo*, pp. 94-97. Penned by Judge Irin Zenaida S. Buan.

designated as Lot 727, Psd-528, Angeles Cadastre, in favor of one Jose P. Henson. It was further subdivided into seven (7) lots, including Lot 727-G, allegedly without the approval or signature of the Director of Lands.

On [October 27, 1967], Lot No. 727-G was further subdivided into 63 lots, known as Csd-11198 and approved by the Director of Lands. One of the registered owners thereof, Sixto Sundiam [(Sundiam)], [respondent] herein, caused the registration of Lot No. 986 and thus, [Original Certificate of Title (OCT)] No. 80 was issued. Later on, Sundiam sold the said property to [respondent] L & F Marketing, Inc. [(L & F, Inc.)], which in turn sold the same, until the property passed on to [respondent] Liberty Engineering Corporation [(Liberty Corp.)], now under [Transfer Certificate of Title (TCT)] No. 34959. However, it was later on discovered that the said lot is within the Clark Air Force Base, a military reservation, prompting the Republic to file a reversion case to declare the titles on the said property null and void.

After the CFI issued summons, [respondents] Jose Ma. Lopez, Rosendo D. Bondoc, Augusto F. del Rosario and Liberty [Corp.], as transferees of the property, filed an Urgent Motion praying that the court direct the Republic to furnish them a copy of the sketch plan showing the disputed lot being within the Clark Air Force Base. The CFI granted the same through an Order dated [March 10, 1980], suspending the filing of the Answer until the said sketch plan had been furnished [respondents].

The Republic, however, failed to comply, hence, the CFI ordered the case be sent to the archives via an Order dated [April 30, 1982]. A year thereafter, the Republic filed a Motion to Declare Defendants in Default but the CFI issued an Order on [February 17, 1983] holding in abeyance action thereon pending motion from the Republic for the revival of the case.

Now, after twenty-four (24) years, the Republic, through the OSG, filed a Manifestation and Motion before the [RTC] praying for the revival of the case and the service of summons through publication on [respondents] Sundiam and L & F, Inc.

[Respondent] Liberty [Corp.] filed a Motion to Dismiss, arguing that the Republic's cause of action was already barred by prescription and laches. Moreover, the disputed property had already passed on to innocent purchasers for value, including Liberty [Corp.] The Republic opposed the same and maintained that neither prescription nor laches would bar its claims.

On [October 7, 2015], the [RTC] rendered the assailed Order dismissing the Complaint of the Republic, the dispositive portion of which states:

X X X X

WHEREFORE, in view of the above considerations, the motion to dismiss is hereby granted. The complaint is DISMISSED.

X X X X

SO ORDERED.

x x x x

The Republic sought a reconsideration, but the same was denied in an Order dated [March 15, 2016.]

x x x x

The Republic filed its Notice of Appeal which was given due course by the [RTC]. Hence, the x x x Appeal [to the CA.]<sup>5</sup>

[Petitioner, then, filed an appeal to the CA, raising the sole issue that the RTC erred in applying the doctrine of equitable estoppel against the Government to bar it from recovering land covered by a military reservation.]<sup>6</sup>

### ***Ruling of the CA***

In its Decision dated December 19, 2017, the CA denied the Republic's appeal. The CA agreed with the RTC's disquisition that the Republic is guilty of laches.<sup>7</sup>

The CA admitted that:

x x x [It] is aware that prescription does not run against the government. When the government is the real party in interest, and is proceeding mainly to assert its own rights and recover its own property, there can be no defense on the ground of laches or limitation. And, [j]urisprudence also recognizes the State's immunity from estoppel as a result of the mistakes or errors of its officials and agents.<sup>8</sup>

However, the CA pointed out that the disputed property, which the Republic has alleged to be within the Clark Air Base,<sup>9</sup> a military reservation, had already passed on to several third persons.<sup>10</sup> The CA stated that it is only fair and reasonable to apply the equitable principle of estoppel by laches against the government to avoid an injustice to innocent purchasers for value.<sup>11</sup> Further, the CA expressed that it adheres to the Court's ruling in *Republic v. Umali*,<sup>12</sup> that the government cannot institute reversion proceedings against transferees in good faith and for value, upholding the indefeasibility of a Torrens title.<sup>13</sup>

The dispositive portion of the CA Decision states:

**WHEREFORE**, premises considered, the instant Appeal is hereby **DENIED**. Accordingly, the assailed Order dated [October 7, 2015] issued by Branch 56, Regional Trial Court of Angeles City is **AFFIRMED in toto**.

<sup>5</sup> *Rollo*, pp. 40-43.

<sup>6</sup> *Id.* at 43.

<sup>7</sup> *Id.* at 45.

<sup>8</sup> *Id.* at 44. Citations omitted.

<sup>9</sup> Clark Air Force Base in some parts of the *rollo*.

<sup>10</sup> See *rollo*, pp. 46, 47.

<sup>11</sup> *Id.* at 47. Citations omitted.

<sup>12</sup> G.R. No. 80687, April 10, 1989, 171 SCRA 647.

<sup>13</sup> *Rollo*, pp. 47-48.



**SO ORDERED.**<sup>14</sup>

Hence, the instant Petition, without the Republic seeking reconsideration of the CA Decision. Respondent Liberty Engineering Corporation filed a Comment/Opposition<sup>15</sup> dated July 20, 2018.

***The Issue***

The Petition raises the sole issue: whether the CA erred in a question of law in ruling that the Republic is guilty of estoppel by laches.<sup>16</sup>

***The Court's Ruling***

The Petition is impressed with merit.

The Republic's interest in reversion cases is statutorily recognized. Section 101 of Commonwealth Act No. 141,<sup>17</sup> as amended, or the *Public Land Act* provides: "All actions for the reversion to the Government of lands of the public domain or improvements thereon shall be instituted by the Solicitor-General or the officer acting in his stead, in the proper courts, in the name of the Commonwealth of the Philippines." Since this reversion case was filed in 1979, the Complaint was verified by the then Director of Lands, Ramon N. Casanova.<sup>18</sup> The Court takes judicial notice that the Clark Air Base was transferred in 1993 to the Bases Conversion and Development Authority by virtue of Proclamation No. 163,<sup>19</sup> series of 1993.

Pursuant to Article 1431 of the Civil Code, "[t]hrough estoppel an admission or representation is rendered conclusive upon the party making it, and cannot be denied or disproved as against the person relying thereon." Article 1433, in turn, classifies estoppel as either *in pais* (by conduct) or by deed. The classification is based on the common classification of estoppels into equitable and technical estoppel.<sup>20</sup> In addition to estoppel *in pais* and by deed or record, estoppel may be by laches.<sup>21</sup> Thus, laches is but a form of estoppel. It is in the concept of laches that estoppel is to be understood in this ruling of the Court.

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<sup>14</sup> Id. at 48.

<sup>15</sup> Id. at 159-179.

<sup>16</sup> Id. at 17.

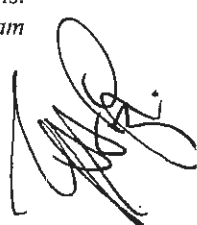
<sup>17</sup> AN ACT TO AMEND AND COMPILER THE LAWS RELATIVE TO LANDS OF THE PUBLIC DOMAIN, November 7, 1936.

<sup>18</sup> *Rollo*, p. 81.

<sup>19</sup> CREATING AND DESIGNATING THE AREA COVERED BY THE CLARK SPECIAL ECONOMIC ZONE AND TRANSFERRING THESE LANDS TO THE BASES CONVERSION AND DEVELOPMENT AUTHORITY PURSUANT TO REPUBLIC ACT NO. 7227, April 3, 1993.

<sup>20</sup> Desiderio P. Jurado, COMMENTS AND JURISPRUDENCE ON OBLIGATIONS AND CONTRACTS (1987 Ninth Rev. Ed.), p. 621.

<sup>21</sup> "A party may be estopped or barred from raising a question in different ways and for different reasons. Thus we speak of estoppel *in pais*, or estoppel by deed or by record, and of estoppel by laches." *Tijam v. Sibonghanoy*, No. L-21450, April 15, 1968, 23 SCRA 29, 35.



In a general sense, laches is the failure or neglect, for an unreasonable and unexplained length of time, to do that which, by exercising due diligence, could or should have been done earlier. Stated differently, it is negligence or omission to assert a right within a reasonable time, warranting a presumption that the party entitled to assert it either has abandoned it or declined to assert it.<sup>22</sup> The doctrine of laches or of “stale demands” is based upon grounds of public policy which requires, for the peace of society, the discouragement of stale claims, and is not a mere question of time but is principally a question of the inequity or unfairness of permitting a right or claim to be enforced or asserted.<sup>23</sup>

The four elements of the equitable defense of laches as held by the Court in *Go Chi Gun v. Co Cho*<sup>24</sup> are: (1) conduct on the part of the defendant, or of one under whom he claims, giving rise to the situation of which complaint is made and for which the complaint seeks a remedy; (2) delay in asserting the complainant’s rights, the complainant having had knowledge or notice of the defendant’s conduct and having been afforded an opportunity to institute a suit; (3) lack of knowledge or notice on the part of the defendant that the complainant would assert the right on which he bases his suit; and (4) injury or prejudice to the defendant in the event relief is accorded to the complainant, or the suit is not held to be barred.<sup>25</sup>

The scope of the application of estoppel is, however, limited by Article 1432 of the Civil Code, which provides:

ART. 1432. The principles of estoppel are hereby adopted insofar as they are not in conflict with the provisions of this Code, the Code of Commerce, the Rules of Court and special laws.

As well, jurisprudence on whether laches may bar the government from instituting a reversion case has been consistent. In the 1926 case of *Government of the United States of America v. The Judge of the Court of First Instance of Pampanga*,<sup>26</sup> it was ruled that:

The contention that the petitioner was guilty of laches in not taking timely advantage of the various other remedies available may be best answered by quoting the language of the Supreme Court of the United States in the case of *United States vs. Des Moines Navigation & Railroad Company*, 142 U. S., 510 (citing *U. S. vs. Nashville, Chattanooga and St. Louis Railway Company*, 118 U. S., 120; *U. S. vs. Insley*, 130 U. S., 263): “When the government is the real party in interest, and is proceeding simply to assert its own rights and recover its own property, there can be no defense on the ground of laches or limitation.” x x x<sup>27</sup>

<sup>22</sup> *Tijam v. Sibonghanoy*, id. at 35.

<sup>23</sup> Id.

<sup>24</sup> 96 Phil. 622 (1955).

<sup>25</sup> Id. at 637.

<sup>26</sup> 49 Phil. 495 (1926).

<sup>27</sup> Id. at 500.

This doctrine is the general rule and has been reiterated in, among others, *Land Bank of the Philippines v. Republic*,<sup>28</sup> *Reyes v. Court of Appeals*<sup>29</sup> and *Republic v. Court of Appeals*.<sup>30</sup>

However, in the case of *Estate of the Late Jesus S. Yujuico v. Republic*,<sup>31</sup> the Court cited the following instance when estoppel by laches may be raised as a defense against the State or its agents:

Assuming that the Parañaque RTC has jurisdiction over the reversion case, still the lapse of almost three decades in filing the instant case, the inexplicable lack of action of the Republic and the inquiry this would cause constrain us to rule for petitioners. While it may be true that estoppel does not operate against the state or its agents,<sup>32</sup> deviations have been allowed. In *Manila Lodge No. 761 v. Court of Appeals*, we said:

“Estoppels against the public are little favored. They should not be invoked except in rare and unusual circumstances, and may not be invoked where they would operate to defeat the effective operation of a policy adopted to protect the public. They must be applied with circumspection and should be applied only in those special cases where the interests of justice clearly require it. **Nevertheless, the government must not be allowed to deal dishonorably or capriciously with its citizens, and must not play an ignoble part or do a shabby thing; and subject to limitations x x x, the doctrine of equitable estoppel may be invoked against public authorities as well as against private individuals.**”<sup>33</sup> (Emphasis supplied.)

Equitable estoppel may be invoked against public authorities when as in this case, the lot was already alienated to innocent buyers for value and the government did not undertake any act to contest the title for an unreasonable length of time.

In *Republic v. Court of Appeals*, where the title of an innocent purchaser for value who relied on the clean certificates of the title was sought to be cancelled and the excess land to be reverted to the Government, we ruled that “[i]t is only **fair and reasonable to apply the equitable principle of estoppel by laches against the government to avoid an injustice to innocent purchasers for value** (emphasis supplied).”<sup>34</sup> x x x

x x x x

<sup>28</sup> G.R. No. 150824, February 4, 2008, 543 SCRA 453, 468.

<sup>29</sup> G.R. No. 94524, September 10, 1998, 295 SCRA 296, 313.

<sup>30</sup> G.R. No. 79582, April 10, 1989, 171 SCRA 721, 734.

<sup>31</sup> G.R. No. 168661, October 26, 2007, 537 SCRA 513.

<sup>32</sup> Citing *Manila Lodge No. 761 v. Court of Appeals*, Nos. L-41001 & L-41012, September 30, 1976, 73 SCRA 162, 186.

<sup>33</sup> Citing 31 CJS 675-676, cited in *Republic v. Court of Appeals*, G.R. No. 116111, January 21, 1999, 301 SCRA 366, 377.

<sup>34</sup> Citing *Republic v. Court of Appeals*, id. at 379.

*Republic v. Court of Appeals* is reinforced by our ruling in *Republic v. Umali*,<sup>35</sup> where, in a reversion case, we held that even if the original grantee of a patent and title has obtained the same through fraud, reversion will no longer prosper as the land had become private land and the fraudulent acquisition cannot affect the titles of innocent purchasers for value.<sup>36</sup>

From the foregoing, it thus is clear that only innocent purchasers for value (IPV) are afforded the right to raise the equitable principle of estoppel by laches in their defense against the government to avoid injustice to them.

However, it should be noted that the party who claims the status of an IPV has the burden of proving such assertion, and the invocation of the ordinary presumption of good faith, *i.e.*, that everyone is presumed to act in good faith,<sup>37</sup> is not enough.<sup>38</sup> To be sure, proof of good faith is, as it should be, required of the party asserting it. Stated differently, the party who seeks the protection of the Torrens system has the obligation to prove his good faith as a purchaser for value. This requirement should be applied without exception because only the IPV is insulated from any fraud perpetrated upon the registered owner which results in the latter being divested of his title (*i.e.*, he loses ownership) to the contested property and recognizing the same in the name of the IPV.

The determination of whether respondents are indeed IPV's can only proceed from a factual inquiry to be conducted by the RTC. As the instant proceedings stand, no evidence has been adduced by the parties on this factual issue because the Republic's complaint for reversion was dismissed without reception of evidence. Without evidence proving that respondents are indeed IPV's, laches cannot be applied to bar the Republic from pursuing the present reversion case against them. A remand to the RTC for reception of evidence is thus in order.

**WHEREFORE**, the Petition is hereby **GRANTED**. Accordingly, the Decision dated December 19, 2017 of the Court of Appeals in CA-G.R. CV No. 107773 is **REVERSED** and **SET ASIDE**. The Complaint for reversion and cancellation of title filed by the Republic of the Philippines in Civil Case No. 79-3209 with the Regional Trial Court of Angeles City, Branch 56 is **REINSTATED** and the said Regional Trial Court is directed to hear and resolve the case with immediate dispatch.

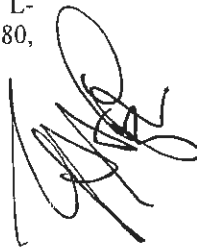
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<sup>35</sup> Supra note 12, at 653.

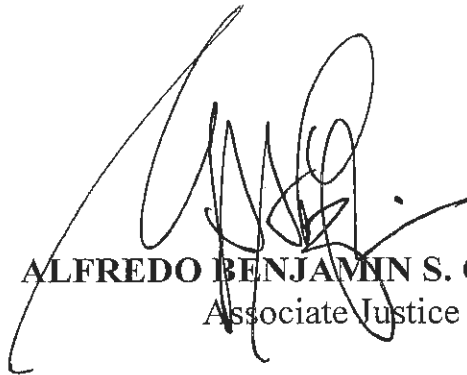
<sup>36</sup> *Estate of the Late Jesus S. Yujuico v. Republic*, supra note 31, at 529-532.

<sup>37</sup> Article 527 of the Civil Code states: "Good faith is always presumed, and upon him who alleges bad faith on the part of a possessor rests the burden of proof."

<sup>38</sup> See *Nobleza v. Nueva*, G.R. No. 193038, March 11, 2015, 752 SCRA 602, 611, citing *Raymundo v. Bandong*, G.R. No. 171250, July 4, 2007, 526 SCRA 514, 529 further citing *Potenciano v. Reynoso*, G.R. No. 140707, April 22, 2003, 401 SCRA 391, 401. See also *Baltazar v. Court of Appeals*, No. L-78728, December 8, 1988, 168 SCRA 354, 367 and *Santos v. Court of Appeals*, G.R. No. 90380, September 13, 1990, 189 SCRA 550, 559.



**SO ORDERED.**

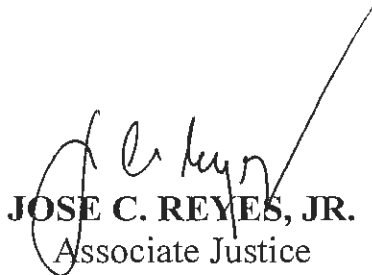


**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

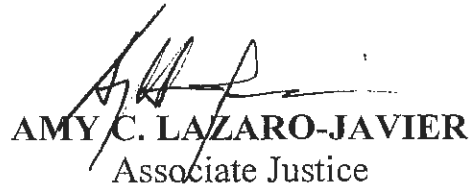
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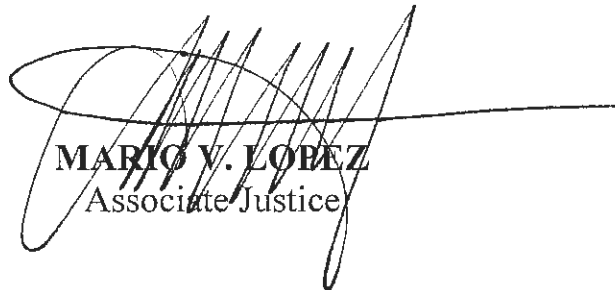
**DIOSDADO M. PERALTA**  
Chief Justice  
Chairperson



**JOSE C. REYES, JR.**  
Associate Justice



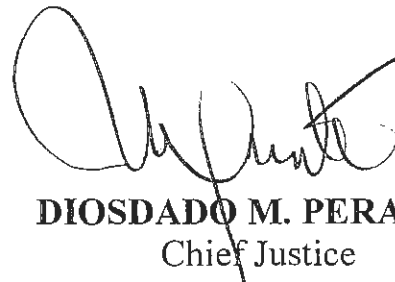
**AMY C. LAZARO-JAVIER**  
Associate Justice



**MARIO V. LOPEZ**  
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**DIOSDADO M. PERALTA**  
Chief Justice