Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

CATHAY METAL CORPORATION, Petitioner,	**G.R. No. 172204** Present:
-versus-	VELASCO, JR., *J., Chairperson,* PERALTA, VILLARAMA, JR.* MENDOZA, and LEONEN, *JJ.*
LAGUNA WEST MULTI-PURPOSE COOPERATIVE, INC., Respondent.	**Promulgated:** July 2, 2014

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DECISION

LEONEN, *J.*:

The Rules of Court governs court procedures, including the rules on service of notices and summons. The Cooperative Code provisions on notices cannot replace the rules on summons under the Rules of Court. Rule 14, Section 11 of the Rules of Court provides an exclusive enumeration of the persons authorized to receive summons for juridical entities. These persons are the juridical entity's president, managing partner, general manager, corporate secretary, treasurer, or in-house counsel.

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* Villarama, Jr., *J.*, designated as Acting Member per Special Order No. 1691 dated May 22, 2014 in view of the vacancy in the Third Division.

This petition under Rule 45 assails the Court of Appeals' decision dated November 25, 2005, and its resolution dated April 5, 2006. The Court of Appeals remanded the case to the trial court for respondent's presentation of evidence.

Respondent Laguna West Multi-Purpose Cooperative is a cooperative recognized under Republic Act No. 6657 or the Comprehensive Agrarian Reform Law.[1] It allegedly entered into a joint venture agreement with farmer-beneficiaries through Certificates of Land Ownership Award (CLOA) in Silang, Cavite.[2] While respondent was negotiating with the farmer-beneficiaries, petitioner Cathay Metal Corporation entered into Irrevocable Exclusive Right to Buy (IERB) contracts with the same farmer-beneficiaries.[3] Under the IERB, the farmer-beneficiaries committed themselves to sell to petitioner their agricultural properties upon conversion to industrial or commercial properties or upon expiration of the period of prohibition from transferring title to the properties.[4]

In 1996, respondent caused the annotation of its adverse claim on the farmer-beneficiaries' certificates of title.[5]

On November 9, 1998, the Department of Agrarian Reform issued an order converting the properties from agricultural to mixed use.[6]

In 1999, petitioner and the farmer-beneficiaries executed contracts of sale of the properties.[7] Transfer certificates of title were also issued in the name of petitioner in the same year.[8] The annotations in the original titles were copied to petitioner's titles.[9]

Respondent's Vice-President, Orlando dela Peña, sent two letters dated March 20, 2000 and April 12, 2000 to petitioner, informing it of respondent's claim to the properties.[10] Petitioner did not respond.[11]

On September 15, 2000, petitioner filed a consolidated petition for cancellation of adverse claims on its transfer certificates of title with the Regional Trial Court of Tagaytay City.[12] It served a copy of the petition by

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1 *Rollo*, p. 34.
2 Id. at 34 and 82.
3 Id. at 12 and 34.
4 Id. at 12 and 305.
5 Id. at 34 and 958.
6 Id. at 318–324.
7 Id at 325–865.
8 Id.; *see also rollo*, p. 1081; *see for example rollo*, p. 315.
9 Id. at 1081; *see for example rollo*, p. 317.
10 Id. at 34 and 973–976.
11 Id. at 34.
12 Id. at 35 and 173–304.

registered mail to respondent's alleged official address at "Barangay Mayapa, Calamba, Laguna."[13] The petition was returned to sender because respondent could not be found at that address.[14] The postman issued a certification stating that the reason for the return was that the "cooperative [was] not existing."[15] Petitioner allegedly attempted to serve the petition upon respondent personally.[16] However, this service failed for the same reason.[17]

Upon petitioner's motion, the Regional Trial Court issued an order on December 15, 2000 declaring petitioner's substituted service, apparently by registered mail,[18] to have been effected,[19] thus:

> Acting on the "Manifestation And Motion For Substituted Service" filed by petitioner Cathay Metal Corporation, thru counsel, and finding the reasons therein stated to be meritorious, the same is hereby GRANTED.
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> Accordingly, this Court hereby declares that substituted service of the Consolidated Petition for Cancellation of Adverse Claim on the President of Laguna West Multi-Purpose Cooperative, Inc. has been effected. The latter is hereby given a period of fifteen (15) days from the delivery of said pleadings to the Clerk of Court within which to file their opposition to the Consolidated petition for cancellation of adverse claim.[20]

Petitioner was later allowed to present its evidence ex parte.[21]

Upon learning that a case involving its adverse claim was pending, respondent, through Mr. Orlando dela Peña, filed a manifestation and motion, alleging that respondent never received a copy of the summons and the petition.[22] It moved for the service of the summons and for a copy of the petition to be sent to No. 160, Narra Avenue, Looc, Calamba, Laguna.[23]

The Regional Trial Court granted respondent's manifestation and motion on March 16, 2001.[24] It ordered that respondent be furnished with a copy of the petition at its new address.[25]

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13 Id. at 35 and 304.
14 Id. at 35.
15 Id. at 872.
16 Id. at 35.
17 Id.
18 Id. at 35, 872, 875, 882, 959, 1040, and 1094.
19 Id. at 35 and 873.
20 Id.
21 Id. at 35.
22 Id. at 977.
23 Id. at 35 and 977–978.
24 Id. at 980.
25 Id. at 35 and 980.

Instead of furnishing respondent with a copy of the petition, petitioner filed on April 16, 2001 a motion for reconsideration of the March 16, 2001 Regional Trial Court order.[26] In its motion for reconsideration, petitioner argued that the case was already submitted for decision after all of petitioner's evidence had been admitted, and a memorandum had been filed.[27] Therefore, it was too late for respondent to ask the court that it be furnished with a copy of the petition. [28] Moreover, because respondent was already in default, a manifestation and motion, without allegations of grounds for a motion to lift order of default, would not give it personality to participate in the proceedings.[29] Petitioner sent a copy of the motion for reconsideration to respondent by registered mail and set the motion for hearing on April 20, 2001.[30]

Respondent failed to appear at the hearing on the motion for reconsideration. On April 20, 2001, the Regional Trial Court submitted the motion for resolution.[31]

Respondent received a copy of the motion for reconsideration after the hearing. On August 13, 2001, respondent filed a motion for leave to admit attached opposition[32] and opposition to petitioner's motion for reconsideration of the March 16, 2001 Regional Trial Court order.[33] Respondent argued that since petitioner's ex parte presentation of evidence was secured through extrinsic fraud, there should be a new trial to give respondent a fair day in court.[34] This was opposed by petitioner on September 6, 2001.[35] Petitioner emphasized its alleged compliance with the Cooperative Code rule on notices and respondent's failure to file its comment despite the court's order that approved petitioner's substituted service.[36] Petitioner further pointed out that it had always questioned the authority of Mr. dela Peña to act for respondent.[37]

On January 16, 2003, the Regional Trial Court granted petitioner's motion for reconsideration.[38] It found that respondent's alleged representatives failed to prove their authorities to represent respondent.[39] It ruled that service should be made to the address indicated in its Cooperative

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26 Id. at 981–989.
27 Id. at 982.
28 Id.
29 Id. at 985–986.
30 Id. at 988.
31 Id. at 35–36.
32 Id. at 36 and 990–993.
33 Id. at 36 and 994–998.
34 Id. at 996–997.
35 Id. at 999-1009.
36 Id. at 1000–1003.
37 Id. at 1003.
38 Id. at 874–880.
39 Id. at 879.

Development Authority Certificate of Registration.[40] The case was declared submitted for decision.[41]

Respondent filed a motion for reconsideration of the January 16, 2003 order of the Regional Trial Court.[42]

On March 21, 2003, the Regional Trial Court issued a decision granting petitioner's petition for cancellation of annotations.[43] The Register of Deeds of Cavite was ordered to cancel the annotations on the certificates of title.[44]

On April 3, 2003, the Regional Trial Court issued an order[45] rescinding its March 21, 2003 decision for having been prematurely rendered, thus:

> This is regard to the Decision dated March 21, 2003 which the Court has rendered in this particular case.
>
> A review of the records show that the court for reasons unexplained, has committed an error in judgment in rendering said decision unmindful of the fact that there is still a pending incident (Oppositor Laguna's Motion for Reconsideration) which has first to be resolved.
>
> Fully aware that the error if allowed to remain unrectified would cause a grave injustice and deeply prejudiced [sic] the herein respondent, the Court, faithfully adhering to the principle enunciated by the Honorable Supreme Court in the case of Astraquilio vs Javier, 13 CRA 125 which provides that:
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> > "It is one of the inherent powers of the court to amend and control its process and orders so as to make them conformable to law and justice. This power includes the right to reverse itself, especially when in its opinion it has committed an error or mistake in judgment, and that to adhere to its decision will cause injustice to a party litigant."
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> do hereby, with deep and sincere apologies to the party-litigants, more particularly to the herein respondent Laguna West Multi-Purpose Cooperative, Inc., RECALL and RESCIND its Decision which was prematurely rendered.[46]

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40 Id. at 878–879.
41 Id. at 36 and 880.
42 Id. at 1080.
43 Id. at 1020–1044.
44 Id. at 1044.
45 Id. at 1045–1046.
46 Id.

In an order dated May 26, 2003, the Regional Trial Court denied respondent's motion for reconsideration of the January 16, 2003 order.[47]

On June 23, 2003, the Regional Trial Court decided to grant[48] petitioner's petition for cancellation of annotation on the basis of the following facts:[49]

> . . . These annotations were subsequently copied to the Transfer Certificates of Titles over the parcels of land subject of this suit that were issued in the name of Cathay. . . . Upon verification, Cathay found that Laguna did not file any claim against the farmer-beneficiaries or Cathay since the time the annotations were made. . . . Moreover, affidavits of adverse claim and supporting documents that Laguna supposedly submitted to the Register of Deeds of Cavite were certified by the Register of Deeds to be inexistent in the registry's vault. . . . Moreover, the Cooperative Development Authority likewise certified that Laguna has been inoperative since 1992 and during the period when the annotations were made in 1996. The Bureau of Posts has also certified that Laguna's office at Barangay Mayapa, Calamba, Laguna, its official address as indicated in its Articles of Incorporation and Confirmation of Registration is "closed".[50]

According to the Regional Trial Court, since respondent was inoperative at the time when its adverse claims were annotated, "there [was] no reason for [it] to believe that the person who caused the annotations of adverse claim on the titles of the farmer-beneficiaries . . . was authorized to do so."[51]

The Regional Trial Court ordered the Register of Deeds to cancel the annotations on the transfer certificates of title.[52] It held that Section 70 of Presidential Decree No. 1529 or the Property Registration Decree declares that "an adverse claim is effective [only] for a period of thirty (30) days and may be cancelled upon filing of a verified petition after the lapse of this period."[53] Since the 30-day period had already lapsed, the annotations were already the subject of cancellation.[54]

Respondent appealed to the Court of Appeals based on two grounds:

> 1) Petitioner-appellee secured the favorable orders of the lower court in fraud of appellant Laguna West by sending the petition, all

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47 Id. at 1080–1081.
48 Id. at 1045.
49 Id. at 1081–1084.
50 Id. at 1080–1082.
51 Id. at 1082.
52 Id. at 36.
53 Id. at 1082–1083.
54 Id. at 1083.

> other pleadings, and notices to its former address, thus, denying its day in court; and
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> 2) The trial court erred in applying the rule on substituted service, thus, it did not validly acquire jurisdiction over the appellant.[55]

The Court of Appeals granted respondent's appeal on November 25, 2005. The dispositive portion of the Court of Appeals' decision reads:

> WHEREFORE, premises considered, the appeal is hereby granted. The case is ordered remanded for appellant's presentation of evidence and thereafter, for the trial court to render judgment, albeit with dispatch.[56]

The Court of Appeals ruled that there was no valid service of summons upon respondent in accordance with Rule 14, Section 11 of the Revised Rules of Civil Procedure.[57] Hence, the "court acquire[d] no jurisdiction to pronounce a judgment in the case."[58]

The Court of Appeals denied petitioner's motion for reconsideration on April 5, 2006.[59]

The issue in this case is whether respondent was properly served with summons or notices of the hearing on the petition for cancellation of annotations of adverse claim on the properties.

Petitioner emphasized the following points:

Summons was served upon respondent at its official registered address at Barangay Mayapa, Calamba, Laguna.[60] Since no one received the summons, petitioner insisted that the trial court issue an order to effect substituted service.[61] Respondent still did not file its answer.[62]

Later, a certain Orlando dela Peña would file a manifestation and motion dated February 27, 2001 purportedly on behalf of respondent.[63] Mr. dela Peña claimed that he was an authorized representative of respondent and that respondent was already holding office at No. 160, Narra Avenue,

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55 Id. at 34.
56 Id. at 38.
57 Id. at 37.
58 Id. at 38.
59 Id. at 40.
60 Id. at 1175.
61 Id.
62 Id.
63 Id.

Looc, Calamba, Laguna, which was not the official address of respondent.[64] Mr. dela Peña never submitted proof of his authority to represent respondent. He was also never a member of respondent cooperative.[65]

However, Mr. dela Peña was still allowed to file an answer or opposition.[66] Petitioner filed a motion for reconsideration opposing the order allowing him to file an answer or opposition on behalf of respondent.[67] Respondent failed to oppose this. He did not participate further.[68]

Later, a certain Mr. Geriberto Dragon would claim to be an officer of respondent. He would file an opposition on its behalf after the period to file an opposition had lapsed.[69] Mr. Dragon alleged that respondent's address was at No. 167, Barangay Looc, Calamba, Laguna.[70] Like Mr. dela Peña, Mr. Dragon had never been a member or officer of respondent.[71]

Petitioner argued that Mr. dela Peña and Mr. Dragon never submitted proof of their authority to represent respondent.[72] They were never officers or members of respondent cooperative.[73] Therefore, petitioner cannot be blamed for being skeptical about Mr. dela Peña's and Mr. Dragon's claims of authority.[74]

Moreover, Mr. dela Peña and Mr. Dragon could not claim to have been authorized to represent respondent because it was determined to be inoperative since 1992.[75] In 2002, respondent was dissolved by the Cooperative Development Authority.[76]

Petitioner's motion for reconsideration of the trial court order allowing respondent to file an answer or opposition to the petition for cancellation of annotation was granted because of Mr. dela Peña's and Mr. Dragon's failure to show evidence of authority to act on behalf of respondent.[77]

Petitioner argued that summons could only be validly served to respondent's official address as indicated in its registration with the

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64 Id. at 1176.
65 Id.
66 Id.
67 Id.
68 Id.
69 Id.
70 Id.
71 Id. at 1177.
72 Id. at 1194 and 1197.
73 Id. at 1194 and 1196.
74 Id. at 1197.
75 Id. at 1189.
76 Id.
77 Id. at 1177.

Cooperative Development Authority.[78] This is because respondent as a registered cooperative is governed by Republic Act No. 6938, a substantive law that requires summons to be served to respondent's official address.[79] Substantive law takes precedence over procedural rules.[80]

Petitioner cites Article 52 of Republic Act No. 6938:

> Article 52. *Address.* – Every cooperative shall have an official postal address to which all notice and communications shall be sent. Such address and every change thereof shall be registered with the Cooperative Development Authority.

Further, petitioner argues that there is no law that requires parties to serve summons to "every unsubstantiated address alleged by [a] party."[81]

Petitioner also argued that the Court of Appeals erred when it remanded the case for trial because respondent already admitted that its adverse claims were based not on a right over the property but on the "alarm[ing] . . . possibility of losing the deal"[82] with the owners of the property. There was no agreement yet vesting in respondent any right over the properties.[83]

Moreover, the annotations on the title were made in 1996 when respondent was already inoperative.[84]

Meanwhile, respondent emphasized that it entered into a joint venture agreement with the farmer-beneficiaries.[85] While in the process of negotiations, petitioner suddenly entered into the picture by offering the farmer-beneficiaries an Irrevocable Exclusive Right to Buy (IERB) contracts.[86] It was then that respondent caused the annotation of an adverse claim on the titles.[87]

Respondent, through its Vice President, Mr. dela Peña, wrote two letters between March and April 2000 relative to its adverse claims in an attempt to amicably settle what seemed then as a brewing dispute.[88] These

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78 Id. at 1182–1183.
79 Id. at 1184–1185.
80 Id. at 1185.
81 Id. at 1187.
82 Id. at 1191–1192.
83 Id. at 1192–1193.
84 Id. at 1198.
85 Id. at 1209.
86 Id. at 1210.
87 Id.
88 Id.

letters were written on respondent's letterheads indicating the address, No. 167, Barangay Looc, Calamba, Laguna.[89]

Petitioner deliberately served summons upon respondent to its old address.[90] Later, petitioner would be allowed to present evidence ex parte.[91]

Moreover, respondent was unable to appear at the hearing on the motion for reconsideration of the court order allowing respondent to file its answer or opposition. Based on the records, respondent's failure to appear was due to petitioner setting the hearing on April 20, 2001 and mailing respondent's a copy of the motion on April 16, 2001 or just four (4) days before the hearing.[92]

Respondent filed a motion for leave to admit attached opposition to petitioner's motion for reconsideration. This was opposed by petitioner. Pending respondent's motion for leave to admit attached opposition, the trial court already issued its order dated January 16, 2013, granting petitioner's motion for reconsideration of the order allowing respondent to file its answer or opposition to the petition for cancellation of adverse claims.[93]

Respondent filed a motion for reconsideration of the order dated January 16, 2003. While the said incidents were pending, the trial court rendered its decision dated March 21, 2003, granting petitioner's petition to cancel the annotations of adverse claims.[94] This, according to respondent, was a premature decision.[95]

The trial court rescinded the March 21, 2003 decision. On May 26, 2003, the trial court denied respondent's motion for reconsideration.[96]

Within the period allowed for respondent to file its petition for certiorari, the trial court rendered judgment granting petitioner's petition to cancel the annotations of adverse claims on the title.[97]

Respondent appealed to the Court of Appeals. The appellate court remanded the case to the lower court so that respondent could be allowed to present evidence.[98]

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89 Id.
90 Id.
91 Id. at 1211.
92 Id. at 1212.
93 Id. at 1213.
94 Id. at 1214.
95 Id.
96 Id.
97 Id. at 1215.
98 Id.

Respondent argued that petitioner was not being fair when it served summons to respondent's old address despite knowledge of its actual address.[99]

Moreover, respondent argued that its rights over the property should be best determined after trial.[100]

According to respondent, had there been a trial, it would have:

> 4.2.1 Presented documentary evidence that its negotiation with the former landowners had earned for it part-ownership of the properties, or at the very least, the exclusive authority to deal with potential buyers or developers of the properties such as petitioner.
>
> 4.2.2 Offered in evidence the actual Joint Venture Agreements ("JVA") between the former landowners and Laguna West whereby Laguna West had made partial payment of the former landowners' 40% share in the joint venture. Laguna West had thus acquired interest over the properties, or had the same or better right than the registered owner thereof.
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> 4.2.3 Proved by competent evidence that the annotation sought to be cancelled was not a simple adverse claim but qualifies as a registration of an interest over the subject properties;
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> 4.2.4 Presented Laguna West's authorized representatives, Orlando dela Peña, Geriberto Dragon and Ediza Saliva, and one or two of the original landowners to testify on their dealings with Laguna West.
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> 4.2.5 Called on the officers of the CD on questions about a cooperative's address of record vis-à-vis its actual address as known to the party that the cooperative had previously been communicating with, in this case, petitioner.[101]

We rule that respondent was not validly served with summons or notice of the hearing. However, its annotations of adverse claims should be cancelled for being based on a future claim.

I

Respondent was not validly served with summons

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99 Id. at 1218.
100 Id. at 1219.
101 Id. at 970.

Republic Act No. 6938 of 1990 or the Cooperative Code of the Philippines provides that cooperatives are mandated to have an official postal address to which notices shall be sent, thus:

> Art. 52. Address. – Every cooperative shall have an official postal address to which all notices and communications shall be sent. Such address and every change thereof shall be registered with the Cooperative Development Authority.

This provision was retained in Article 51 of Republic Act No. 9520 or the Philippine Cooperative Code of 2008. Article 51 provides:

> Art. 51. Address. Every cooperative shall have an official postal address to which all notices and communications shall be sent. Such address and every change thereof shall be registered with the Authority.

Relying on the above provision, petitioner argued that respondent was sufficiently served with summons and a copy of its petition for cancellation of annotations because it allegedly sent these documents to respondent's official address as registered with the Cooperative Development Authority. Petitioner further argued that the Rules of Procedure cannot trump the Cooperative Code with respect to notices. This is because the Cooperative Code is substantive law, as opposed to the Rules of Procedure, which pertains only to matters of procedure.

Petitioner is mistaken.

The promulgation of the Rules of Procedure is among the powers vested only in this court. Article VIII, Section 5(5) provides:

> Sec. 5. The Supreme Court shall have the following powers:
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> . . . .
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> (5) Promulgate rules concerning the protection and enforcement of constitutional rights, pleading, practice, and procedure in all courts, the admission to the practice of law, the integrated bar, and legal assistance to the underprivileged. Such rules shall provide a simplified and inexpensive procedure for the speedy disposition of cases, shall be uniform for all courts of the same grade, and shall not diminish, increase, or modify substantive rights. Rules of procedure of special courts and quasi-judicial bodies shall remain effective unless disapproved by the Supreme Court.

This means that on matters relating to procedures in court, it shall be the Rules of Procedure that will govern. Proper court procedures shall be determined by the Rules as promulgated by this court.

Service of notices and summons on interested parties in a civil, criminal, or special proceeding is court procedure. Hence, it shall be governed by the Rules of Procedure.

The Cooperative Code provisions may govern matters relating to cooperatives' activities as administered by the Cooperative Development Authority. However, they are not procedural rules that will govern court processes. A Cooperative Code provision requiring cooperatives to have an official address to which all notices and communications shall be sent cannot take the place of the rules on summons under the Rules of Court concerning a court proceeding.

This is not to say that the notices cannot be sent to cooperatives in accordance with the Cooperative Code. Notices may be sent to a cooperative's official address. However, service of notices sent to the official address in accordance with the Cooperative Code may not be used as a defense for violations of procedures, specially when such violation affects another party's rights.

Section 11, Rule 14 of the Rules of Court provides the rule on service of summons upon a juridical entity. It provides that summons may be served upon a juridical entity only through its officers. Thus:

> Sec. 11. *Service upon domestic private juridical entity.* – When the defendant is a corporation, partnership or association organized under the laws of the Philippines with a juridical personality, service may be made on the president, managing partner, general manager, corporate secretary, treasurer, or in-house counsel.

We have already established that the enumeration in Section 11 of Rule 14 is exclusive.[102] Service of summons upon persons other than those officers enumerated in Section 11 is invalid.[103] Even substantial compliance is not sufficient service of summons.[104]

This provision of the rule does not limit service to the officers' places of residence or offices. If summons may not be served upon these persons personally at their residences or offices, summons may be served upon any

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[102] *See for example Paramount Insurance Corp. v. A.C. Ordoñez Corporation and Franklin Suspine*, 583 Phil. 321, 327 (2008) [Per J. Ynares-Santiago, Third Division; JJ. Austria-Martinez, Chico-Nazario, Nachura, and Reyes concurring].

[103] Id.

[104] Id. at 328.

of the officers wherever they may be found.

Hence, petitioner cannot use respondent's failure to amend its Articles of Incorporation to reflect its new address as an excuse from sending or attempting to send to respondent copies of the petition and the summons. The Rules of Court provides that notices should be sent to the enumerated officers. Petitioner failed to do this. No notice was ever sent to any of the enumerated officers.

Petitioner insists that it should not be made to inquire further as to the whereabouts of respondent after the attempt to serve the summons by registered mail to respondent's address as allegedly indicated in its Articles of Incorporation. The Rules does not provide that it needs to do so. However, it provides for service by publication. Service by publication is available when the whereabouts of the defendant is unknown. Section 14, Rule 14 of the Rules of Court provides:

> Sec. 14. *Service upon defendant whose identity or whereabouts are unknown.* – In any action where the defendant is designated as an unknown owner, or the like, **or whenever his whereabouts are unknown and cannot be ascertained by diligent inquiry**, service may, by leave of court, be effected upon him by publication in a newspaper of general circulation and in such places and for such time as the court may order. (Emphasis supplied)

This is not a matter of acquiring jurisdiction over the person of respondent since this is an action *in rem*. In an action *in rem*, jurisdiction over the person is not required as long as there is jurisdiction over the res. This case involves the issue of fair play and ensuring that parties are accorded due process.

In this case, petitioner served summons upon respondent by registered mail and, allegedly, by personal service at the office address indicated in respondent's Certificate of Registration. Summons was not served upon respondent's officers. It was also not published in accordance with the Rules of Court. As a result, respondent was not given an opportunity to present evidence, and petitioner was able to obtain from the Regional Trial Court an order cancelling respondent's annotations of adverse claims.

Respondent was, therefore, not validly served with summons.

II

Respondent's alleged non-operation does not bar it from

authorizing a person to act on its behalf in court proceedings

Petitioner argues that failure to serve the summons upon respondent was due to respondent's non-operation and failure to amend its Articles of Incorporation to reflect its new address.

Petitioner's conclusion that respondent was no longer operating was based only on the postmaster's certification. According to the postmaster's certification, it failed to serve the petition for cancellation of annotation to respondent's official address because of respondent's nonexistence or closure. Petitioner failed to consider that the postmaster was not in the position to make a reliable statement as to the existence or closure of an entity.

Moreover, the Cooperative Development Authority's certification stating that respondent was not submitting any financial report since 1992, which was proof of its non-operation, was a mere statement of what was indicative of non-operation. It was not yet a conclusive statement that respondent was not in operation.

In any case, even assuming that respondent was not operating, it might still exercise its powers as a cooperative until it would get dissolved. Section 9 of Republic Act No. 6938 provides the powers and capacities of registered cooperatives.

> **Section 9.** ***Cooperative Powers and Capacities***. - A cooperative registered under this Code shall have the following powers and capacities:
> (1) To sue and be sued in its cooperative name;
> (2) Of succession;
> (3) To amend its articles of cooperation in accordance with the provisions of this code;
> (4) To adopt by-laws not contrary to law, morals or public policy, and to amend and repeal the same in accordance with this Code;
> (5) To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage, and otherwise deal with such real and personal property as the transaction of the lawful affairs of the cooperative may reasonably and necessarily require, subject to the limitations prescribed by law and the Constitution;
> (6) To enter into division, merger or consolidation, as provided in this Code;
> (7) To join federations or unions, as provided in this Code;
> (8) To accept and receive grants, donations and assistance from foreign and domestic sources; and

> (9) To exercise such other powers granted in this Code or necessary to carry out its purpose or purposes as stated in its articles of cooperation.

Prior to dissolution, a cooperative is entitled to the exercise of these powers. It may engage in deals involving its properties or rights. It may cause the annotation of claims it deems to have in order to protect such claim. Contrary to petitioner's claim, respondent is not prevented from authorizing persons to act on its behalf.

In any case, even if petitioner alleged that respondent was already dissolved by virtue of a November 7, 2002 resolution of Cooperative Development Authority, the relevant acts of respondent had occurred before such resolution.

The resolution of the issue of representation could have facilitated the resolution of the case on the merits.

III

The trial court could have resolved the issue of representation; premature decisions elicit suspicion

The court must not trifle with jurisdictional issues. It is inexcusable that a case involving issues that the trial court had full control of had to be elevated to this court for determination.

The trial court had every opportunity to resolve the validity of Mr. dela Peña's and Mr. Dragon's alleged authority to act on behalf of respondent. The trial court had, in fact, already allowed respondent to file its answer and oppose petitioner's petition for cancellation of annotation. It could have easily ordered Mr. dela Peña or Mr. Dragon to produce evidence of their authority to represent respondent.

Moreover, there had been at least two motions for reconsideration filed before the trial court finally decided the petitioner's petition for cancellation of annotation.

The first was filed by petitioner when the trial court granted respondent's manifestation and motion on March 16, 2001. The trial court could have heard the parties on the issue of representation at this instance had it noted petitioner's non-compliance with the rule that the notice of

hearing must "be served in such a manner as to ensure its receipt by the other party at least three (3) days before the date of the hearing."[105] Section 4, Rule 15 provides:

> Sec. 4. *Hearing of motion.* – Except for motions which the court may act upon without prejudicing the rights of the adverse party, every written motion shall be set for hearing by the applicant. Every written motion required to be heard and the notice of the hearing thereof shall be served in such a manner as to ensure its receipt by the other party at least three (3) days before the date of hearing, unless the court for good cause sets the hearing on shorter notice.

In this case, petitioner set the case for hearing on April 20, 2001. It served a copy upon respondent by registered mail only on April 16, 2001 or four (4) days before the set date for hearing. To be covered by the three-day rule under Rule 15, Section 4, petitioner should ensure respondent's receipt of the notice by April 17, 2001. We take judicial notice that service by registered mail in our jurisdiction does not take place in one day. Service of notice by registered mail only four (4) days before the date of hearing, therefore, does not amount to ensuring the other party's receipt at least three (3) days before the hearing.

The second motion for reconsideration was filed by respondent when the Regional Trial Court granted petitioner's motion for reconsideration of its order of March 16, 2001. Hence, for the second time, the trial court had an opportunity to hear whether Mr. dela Peña or Mr. Dragon was properly authorized to act on behalf of respondent.

On one hand, nobody's rights would have been prejudiced had respondent been allowed to prove the alleged representatives' authorities. On the other hand, there is a likelihood of prejudice, in this case, if the court relied purely on technicalities.

Thus, we reiterate this court's ruling in *Alonso v. Villamor*:[106]

> . . . In other words, [processes] are a means to an end. When they lose the character of the one and become the other, the administration of justice is at fault and courts are correspondingly remiss in the performance of their obvious duty.
>
> . . . To take advantage of [a purely technical error] for other purposes than to cure it, does not appeal to a fair sense of justice. Its presentation as fatal to [a party]'s case smacks of skill rather than right. A litigation is not a game of technicalities in which one, more deeply

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105 RULES OF COURT, Rule 15, sec. 4.

106 16 Phil. 315, 321–322 (1910) [Per J. Moreland, En Banc].

> schooled and skilled in the subtle art of movement and position, entraps and destroys the other. It is, rather, a contest in which each contending party fully and fairly lays before the court the facts in issue and then, brushing aside as wholly trivial and indecisive all imperfections of form and technicalities of procedure, asks that justice be done upon the merits. Lawsuits, unlike duels, are not to be won by a rapier's thrust. Technicality, when it deserts its proper office as an aid to justice and becomes its great hindrance and chief enemy, deserves scant consideration from courts. There should be no vested rights in technicalities. No litigant should be permitted to challenge a record of a court of these Islands for defect of form when his substantial rights have not been prejudiced thereby.

Both motions for reconsideration filed in the trial court were opportunities to hear the parties on the issue of representation and to ensure that all parties were given their fair opportunity to be heard. The trial court ignored both opportunities and chose to rule based on technicalities to the prejudice of respondent.

The rules cannot be interpreted as a means to violate due process rights. Courts should, as much as possible, give parties the opportunity to present evidence as to their claims so that decisions will be made based on the merits of the case.

The trial court issued a decision pending incidents yet to be resolved. We take this opportunity to remind courts that the issuance of fair decisions is the heart of our functions. The judiciary is expected to take seriously its task of crafting decisions with utmost judiciousness. Premature decisions only elicit suspicion of the courts and diminish our role as administrator of justice.

IV

Rights still under negotiations are not adverse claims

Ordinarily, this case would be remanded to the trial court for the presentation of respondent's evidence. However, this case has been pending in this court for about eight (8) years. In the interest of judicial economy and efficiency, and given that the court records are sufficient to make a determination on the validity of respondent's adverse claim, we shall rule on the issue.

Respondent had been assailing the lack of service of summons upon it and the resulting cancellation of its alleged adverse claim on the titles. Its claim is anchored on its disrupted negotiations with the farmer-beneficiaries

involving the properties. In its memorandum filed on March 1, 2007, respondent stated:

> 1.2 Some ten (10) years ago, Laguna West entered into [sic] Joint Venture Agreement ("JVA") with various farmer-CLOA beneficiaries in the Kaong-Kalayugan area of Silang, Cavite for a total lot area of Eight Hundred Fifty Five Thousand and Nine Hundred Fourteen (855,914) square meters.
>
> 1.3 To hold the CLOA beneficiaries to their commitment to submit their respective lots to the JVA, Laguna West promised them a guaranteed share of 40% in the proceeds of the project.
>
> 1.4 But, while Laguna West was still in the process of finalizing the negotiations with these farmer-beneficiaries, petitioner entered the picture by offering an alleged "Irrevocable Exclusive Right to Buy (IERB)" contracts with the same farmer-landowners for the purpose of converting the subject vast track [sic] of land into an industrial, commercial and residential area.
>
> 1.5 Alarmed with the possibility that it could lose the deal to a big and moneyed corporation, Laguna West caused the annotation of adverse claims on the thirty-nine (39) TCTs in 1996.[107]

Respondent's annotations on petitioner's certificates of title are similarly worded, thus:

> Entry No. . . . -AFFIDAVIT OF ADVERSE CLAIM- Covering the parcel of land described in this title as per Affidavit of Adverse Claim executed by Calisto M. Dela Pena [sic] of Laguna West Multi-Purpose Cooperative Inc., wherein the registered owner entered into a Joint Venture Agreement, as per Affidavit of Adverse Claim, subs. and sworn to before the Not. Public for . . ., a copy is on file in this registry.
> Date of inst.- . . . .
> Date of inscription- . . . .
>
> NOTE: The foregoing annotations were copied from TCT. . . .[108]

Another version of the annotation is worded as follows:

> Entry No. . . . -ADVERSE CLAIM- Signed and executed by Calixto M. dela Pena [sic], president and Chairman of Cooperative, [alleging] therein the existence of Joint Venture Agreement with the registered owner and that there are about to dispose said lot, exec. before the Not. Public . . . Copy is on file in this registry.
> Date of inst.- . . . .
> Date of inscription- . . . .[109]
>
> NOTE: The foregoing annotations were copied from TCT. . . .

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107 *Rollo*, pp. 1209-1210.
108 Id. at 90.
109 Id. at 100.

The purpose of annotations of adverse claims on title is to apprise the whole world of the controversy involving a property. These annotations protect the adverse claimant's rights before or during the pendency of a case involving a property. It notifies third persons that rights that may be acquired with respect to a property are subject to the results of the case involving it.

Section 70 of Presidential Decree No. 1529 or the Property Registration Decree governs adverse claims. It describes an adverse claim as a statement in writing setting forth a subsequent right or interest claimed involving the property, adverse to the registered owner. Thus:

> Section 70. *Adverse claim.* – Whoever claims any part or interest in registered land adverse to the registered owner, arising subsequent to the date of the original registration, may, if no other provision is made in this Decree for registering the same, make a statement in writing setting forth fully his alleged right or interest, and how or under whom acquired, a reference to the number of the certificate of title of the registered owner, the name of the registered owner, and a description of the land in which the right or interest is claimed.
>
> The statement shall be signed and sworn to, and shall state the adverse claimant's residence, and a place at which all notices may be served upon him. This statement shall be entitled to registration as an adverse claim on the certificate of title. The adverse claim shall be effective for a period of thirty days from the date of registration. After the lapse of said period, the annotation of adverse claim may be cancelled upon filing of a verified petition therefor by the party in interest: Provided, however, that after cancellation, no second adverse claim based on the same ground shall be registered by the same claimant.
>
> Before the lapse of thirty days aforesaid, any party in interest may file a petition in the court of First Instance where the land is situated for the cancellation of the adverse claim, and the court shall grant a speedy hearing upon the question of the validity of such adverse claim, and shall render judgment as may be just and equitable. If the adverse claim is adjudged to be invalid, the registration thereof shall be ordered cancelled. If, in any case, the court, after notice and hearing, shall find that the adverse claim thus registered was frivolous, it may fine the claimant in an amount not less than one thousand pesos nor more than five thousand pesos, in its discretion. Before the lapse of thirty days, the claimant may withdraw his adverse claim by filing with the Register of Deeds a sworn petition to that effect.

A claim based on a future right does not ripen into an adverse claim as defined in Section 70 of Presidential Decree No. 1529. A right still subject to negotiations cannot be enforced against a title holder or against one that

has a legitimate title to the property based on possession, ownership, lien, or any valid deed of transfer.

Respondent's claim was not based on any of those. Its claim was based on a deal with the CLOA farmer-beneficiaries, which did not materialize.

Respondent alleged that had there been a trial, it could have "[p]resented documentary evidence that its negotiation with the former landowners had earned for it part-ownership of the properties, or . . . the exclusive authority to deal with potential buyers or developers."[110] Respondent contradicts itself. For there to be a contract, there must be a meeting of the minds between the parties. There could not have been any contract earning for respondent part-ownership or any right since it was still undergoing negotiations with the farmer-beneficiaries. At that stage, meeting of the minds was absent. The terms were not yet final. Hence, no right or obligation could attach to the parties. In essence, parties cannot claim, much less make an adverse claim of any right, from terms that are still under negotiations.

Respondent also alleged that had it been allowed to offer as evidence the joint venture agreement it entered with the farmer-beneficiaries, it would have shown that it "had made partial payment of the former landowners' 40% share in the joint venture,"[111] acquiring for itself an "interest over the properties, or . . . better right than the registered owner[s]."[112] Respondent was mistaken.

Republic Act No. 6657 or the Comprehensive Agrarian Reform Law prohibits its own circumvention. The prohibition on disposition includes all rights relating to disposition such as sale, and promise of sale of property upon the happening of conditions that remove the restrictions on disposition.

Republic Act No. 6657 prohibits the sale, transfer, or conveyance of awarded lands within ten (10) years, subject only to a few exceptions. Section 27 of the Act provides:

> SECTION 27. Transferability of Awarded Lands. —Lands acquired by beneficiaries under this Act may not be sold, transferred or conveyed except through hereditary succession, or to the government, or the LBP, or to other qualified beneficiaries for a period of ten (10) years: provided, however, that the children or the spouse of the transferor shall have a right to repurchase the land from the government or LBP within a period of two (2) years. Due

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110 Id. at 970.
111 Id.
112 Id.

> notice of the availability of the land shall be given by the LBP to the Barangay Agrarian Reform Committee (BARC) of the barangay where the land is situated. The Provincial Agrarian Reform Coordinating Committee (PARCCOM) as herein provided, shall, in turn, be given due notice thereof by the BARC.
>
> If the land has not yet been fully paid by the beneficiary, the rights to the land may be transferred or conveyed, with prior approval of the DAR, to any heir of the beneficiary or to any other beneficiary who, as a condition for such transfer or conveyance, shall cultivate the land himself. Failing compliance herewith, the land shall be transferred to the LBP which shall give due notice of the availability of the land in the manner specified in the immediately preceding paragraph.
>
> In the event of such transfer to the LBP, the latter shall compensate the beneficiary in one lump sum for the amounts the latter has already paid, together with the value of improvements he has made on the land

Republic Act No. 6657 also provides that the awarded lands may be converted to residential, commercial, or industrial use if these are not economically feasible anymore or because of urbanization, greater economic value will be derived with their conversion. Section 65 of the Act provides:

> SECTION 65. Conversion of Lands. — After the lapse of five (5) years from its award, when the land ceases to be economically feasible and sound for agricultural purposes, or the locality has become urbanized and the land will have a greater economic value for residential, commercial or industrial purposes, the DAR, upon application of the beneficiary or the landowner, with due notice to the affected parties, and subject to existing laws, may authorize the reclassification or conversion of the land and its disposition: provided, that the beneficiary shall have fully paid his obligation.

These provisions imply the following on rules on sale of awarded lands:

1) Subject to a few exceptions, lands acquired by beneficiaries may be conveyed to non-beneficiaries after ten (10) years.

2) Before the lapse of ten (10) years but after the lapse of five (5) years, a beneficiary may dispose of the acquired land if it "ceases to be economically feasible and sound for agricultural purposes, or the locality has become urbanized and the land will have a greater economic value"[113] with its residential, commercial, or industrial use.

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[113] Rep. Act No. 6657 (1988), sec. 65.

These implications are easily abused. Hence, Republic Act No. 6657 included among the prohibitions any act that will circumvent its provisions. Thus:

> SECTION 73. Prohibited Acts and Omissions. — The following are prohibited: (a) The ownership or possession, for the purpose of circumventing the provisions of this Act, of agricultural lands in excess of the total retention limits or award ceilings by any person, natural or juridical, except those under collective ownership by farmer-beneficiaries. (b) The forcible entry or illegal detainer by persons who are not qualified beneficiaries under this Act to avail themselves of the rights and benefits of the Agrarian Reform Program. **(c) The conversion by any landowner of his agricultural land into any nonagricultural use with intent to avoid the application of this Act to his landholdings and to dispossess his tenant farmers of the land tilled by them.** (d) The willful prevention or obstruction by any person, association or entity of the implementation of the CARP. **(e) The sale, transfer, conveyance or change of the nature of lands outside of urban centers and city limits either in whole or in part after the effectivity of this Act. The date of the registration of the deed of conveyance in the Register of Deeds with respect to titled lands and the date of the issuance of the tax declaration to the transferee of the property with respect to unregistered lands, as the case may be, shall be conclusive for the purpose of this Act. (f) The sale, transfer or conveyance by a beneficiary of the right to use or any other usufructuary right over the land he acquired by virtue of being a beneficiary, in order to circumvent the provisions of this Act.** (Emphasis supplied)

The prohibition from disposition of the properties encompasses all rights relating to disposition, including the right to convey ownership or to promise the sale and transfer of property from the farmer-beneficiaries to anyone upon the happening of certain conditions that will remove the conveyance restrictions.

The conveyance of the property within the prohibited period or before its conversion to non-agricultural use is an outright violation of Republic Act No. 6657. Meanwhile, the promise of sale of properties upon the happening of conditions that will remove restrictions carry with it an intent to circumvent the provisions of Republic Act No. 6657. This law prohibits its circumvention.

In this case, the CLOAs were awarded to the farmer-beneficiaries between 1990 and 1992.[114] Since the affidavit of adverse claim annotated on petitioner's certificates of title was annotated in 1996 and the properties were converted only in 1998, respondent's joint venture agreement with the farmer-beneficiaries could not have validly transferred rights to respondent.

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[114] *Rollo*, p. 318.

The 10-year period of prohibition against conveyance had not yet lapsed at that time. Neither were the properties already converted to non-agricultural use at that time. Respondent's adverse claim, therefore, based on its alleged payment of the farmer-beneficiaries' 40% could not be valid.

In sum, whether or not there were provisions on transfer of rights or promise to transfer rights in the joint venture agreement, there could be no basis for respondent's adverse claim. Lack of that provision means that respondent does not have any valid claim or right over the properties at all. Meanwhile, inclusion of such provision is illegal and, therefore, void.

This ruling is also applicable to petitioner, which entered into irrevocable exclusive right to buy contracts from the farmer-beneficiaries. These contracts provided that the farmer-beneficiaries committed themselves to selling their properties to petitioner upon expiration of the period of prohibition to transfer or upon conversion of the properties from agricultural to industrial or commercial use, whichever comes first. These contracts were executed between farmer-beneficiaries and petitioner during the period of prohibition and before the properties' conversion from agricultural to mixed use. Upon conversion of the properties, these were immediately sold to petitioner. Intent to circumvent the provisions of Republic Act No. 6657 is, therefore, apparent. Petitioner's contracts are, therefore, also illegal and void. Hence, this decision is without prejudice to the right of interested parties to seek the cancellation of petitioner's certificates of title obtained in violation of the law.

WHEREFORE, the petition is **GRANTED**. The Register of Deeds of Cavite is **ORDERED** to cancel the annotations of adverse claims on the transfer certificates of title.

SO ORDERED.

MARVIC MARIO VICTOR F. LEONEN
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

DIOSDADO M. PERALTA
Associate Justice

MARTIN S. VILLARAMA, JR.
Associate Justice

JOSE C. MENDOZA
Associate Justice

ATTESTATION

I attest 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.

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, 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.

MARIA LOURDES P. A. SERENO
Chief Justice