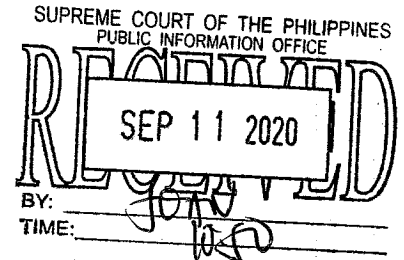




Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION



NOTICE

Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution dated **June 22, 2020**, which reads as follows:

“**G.R. No. 209123** (*Tacoma Integrated Port Services, Inc. v. Philippine Ports Authority*). – In this Petition for Review, petitioner Tacoma Integrated Port Services, Inc. (*TIPSI*) assails the May 17, 2013 Decision¹ and September 2, 2013 Resolution² issued by the Court of Appeals (*CA*) in CA-G.R. CV No. 95349. The *CA* set aside the March 10, 2010 Decision³ promulgated by the Regional Trial Court, Manila, Branch 11 (*RTC*), which granted the Petition for Declaratory Relief filed by *TIPSI*.

Antecedents

On October 3, 1911, the Philippine Government entered into two (2) lease contracts for a period of ninety-nine (99) years covering two (2) parcels of land⁴ located in South Harbor, Manila. In the years following their effectivity on December 1, 1911, the lease contracts had been assigned to different parties. *TIPSI*, a company engaged in cargo handling operations at the South Harbor,⁵ became the lessee through a Deed of Assignment executed by Pilsen International Trading, Inc. on December 28, 1987.⁶

At the time of the assignment of the lease contracts to *TIPSI*, Resolution No. 736⁷ issued by the Philippine Ports Authority (*PPA*)⁸ was already in effect.⁹ The resolution increased the rental fees under the subject lease

¹ *Rollo*, pp. 32-44; penned by Associate Justice Nina G. Antonio-Valenzuela, with Associate Justices Isaias P. Dicedican and Myra V. Garcia-Fernandez, concurring.

² *Id.* at 46-47.

³ *Id.* at 113-115; penned by Presiding Judge Cicero D. Jurado, Jr.

⁴ Namely: 1) Reclaimed Land Lease No. 22 covering tracts of land situated in Blocks 15, 16, and 21, then 115, 116 and 121, Reclamation No. 1, together with the street areas included in said Blocks; and 2) Foreshore Lease No. 6 covering a portion of the foreshore and lands under water situated, lying and being in the inner basin of Manila Harbor; *id.* at 33.

⁵ *Id.*

⁶ *Id.* at 75-76.

⁷ *Id.* at 77-78.

⁸ The government agency mandated to handle the development, financing, and operation of public ports in the country under its charter, P.D. No. 857.

⁹ Resolution No. 736 was approved by the *PPA* Board of Directors on September 5, 1985.

contracts and provided for periodic rental increases for the remaining duration of the lease beginning July 11, 1982.¹⁰ TIPSI complied with the rental adjustments from 1987 until July 1989. In 1998, it requested for a moratorium of rentals.¹¹ The PPA denied the request in a Letter¹² dated November 18, 1998.

Undeterred, TIPSI reiterated its request for a moratorium in another Letter¹³ dated January 13, 1999, and continued to ask for reconsideration while paying its rent based on the original rates stipulated in the lease contracts. The PPA deemed these payments deficient and subsequently declared TIPSI's account as delinquent.¹⁴

On April 16, 2008, TIPSI filed a Petition for Declaratory Relief¹⁵ with the RTC. It alleged, among others, that PPA Resolution No. 736 violated: a) the Philippine Commission Act No. 1654 of 1907 which provides that appraisal of the leased lands shall be made every ten (10) years and rental rate shall be three percent (3%) *per annum* of the appraised value; and b) Section 116 of Commonwealth Act No. 141 which proscribed increases of more than one hundred percent (100%) upon appraisal or reappraisal. TIPSI also claimed that since the rental increases were made without notice and hearing, PPA Resolution No. 736 is void based on the Court's ruling in *Manila International Airport Authority v. Airspan Corporation*.¹⁶

In its Answer with Compulsory Counterclaim,¹⁷ the PPA argued, among others, that TIPSI failed to exhaust administrative remedies and that a Petition for Declaratory Relief was not the proper remedy because TIPSI already violated PPA Resolution No. 736.¹⁸ During the pendency of the proceedings, PPA issued Memorandum Order No. 68-2009 which prescribed new rental rates on lands located at the Manila South Harbor Expanded Zone and penalized lessees who refused to enter into a compromise agreement with the PPA. TIPSI moved for the inclusion of this Memorandum as supplement to the Petition, which the RTC granted.¹⁹

¹⁰ *Rollo*, pp. 33 and 77.

¹¹ *Supra* note 5.

¹² *Id.* at 81-82.

¹³ *Id.* at 83-84.

¹⁴ *Supra* note 5.

¹⁵ *Id.* at 96-104.

¹⁶ 486 Phil. 1136 (2004).

¹⁷ Not attached to the *rollo*; as cited in CA Decision, *rollo*, p. 34.

¹⁸ *Id.*

¹⁹ *Id.* at 34-35.

The RTC Ruling

On March 10, 2010, the RTC rendered a Decision²⁰ in favor of TIPSI, the dispositive portion of which states:

WHEREFORE, premises considered, the petition is hereby **GRANTED** and the Court rules: 1) that the PPA Board Resolution No. 736 and Memorandum Order No. 68-2009 is declared null and void; 2) that [TIPSI's] account with [PPA] is not delinquent; 3) that [TIPSI] not being delinquent, [PPA] must refund the former of its overpayment of ₱28,619,690.44, including the subsequent payments made from October 2008, to the present; and 4) that Lease Contracts 1 and 2 dated October 3, 1911 and the rental adjustments under Commonwealth Act No. 141 are still in force and effect and petitioner can continue paying the rates stated therein.

SO ORDERED.²¹

The RTC declared that PPA Resolution No. 736 and Memorandum Order No. 68-2009 were null and void because they were issued without prior notice and hearing, which violates the due process clause. Moreover, the PPA as an attached agency of the Department of Transportation and Communication was not authorized to increase fees, charges, or rates.²²

The PPA's Motion for Reconsideration²³ having been denied, it filed an Appeal²⁴ with the CA. It maintained that the RTC erred in assuming jurisdiction over the Petition for Declaratory Relief despite the prior breach of PPA Resolution No. 736 committed by TIPSI, and in granting affirmative relief in favor of TIPSI which is not proper in an action for declaratory relief.²⁵

The CA Ruling

On May 17, 2013, the CA rendered the assailed Decision which decreed as follows:

WHEREFORE, the Appeal is **GRANTED**. The Decision dated 10 March 2010 granting the Petition for Declaratory Relief, and the Order dated 02 June 2010 denying the Motion for Reconsideration, are **SET ASIDE** for being void.

²⁰ Supra note 3.

²¹ Id. at 115.

²² Id. at 114.

²³ Id. at 116-127.

²⁴ Id. at 130-131.

²⁵ Id. at 188-189.

SO ORDERED.²⁶

The CA held that the RTC erred in assuming jurisdiction over the Petition for Declaratory Relief in light of TIPSİ's breach of PPA Resolution No. 736.²⁷ It found that the request for moratorium made by TIPSİ amounts to an acknowledgment that it was contractually bound to make such payment. TIPSİ's failure to pay the monthly rentals and the insufficiency of its subsequent payments constituted violations of its obligation as lessee.²⁸ The CA also declared that the RTC erred in granting affirmative relief considering that in a Petition for Declaratory Relief, the determination of the court must be limited to a construction of terms or declaration of the parties' rights and duties. Moreover, affirmative relief may only be awarded in actions where the parties were afforded ample opportunity to substantiate their claims. In this case, the RTC did not receive evidence on TIPSİ's monetary claim.²⁹

The CA denied TIPSİ's Motion for Reconsideration in its September 2, 2013 Resolution. Hence, this petition whereby TIPSİ maintains that PPA Resolution No. 736 and Memorandum Order No. 68-2009 are null and void because: 1) the PPA is not authorized by its charter to impose or increase rental rates; 2) the PPA violated Act No. 1654 and Commonwealth Act No. 141; and 3) the PPA failed to comply with the Administrative Code of 1997 which requires notice and public hearing before rates may be increased. TIPSİ also asserts that it did not commit any breach in its obligations to the PPA.³⁰

The Court's Ruling

We deny the petition.

One of the important requirements for a Petition for Declaratory Relief under Sec. 1, Rule 63 of the Rules of Court is that it must be filed **before breach or violation** of a deed, will, contract, other written instrument, statute, executive order, regulation, ordinance or any other governmental regulation.³¹

Here, TIPSİ failed to pay the proper amount of rent before filing a Petition for Declaratory Relief. Such insufficient payment already constituted a violation of the lease contracts.

Under the Civil Code,³² the lessee is obliged to pay the price of the lease

²⁶ Id. at 43.

²⁷ Id. at 41-42.

²⁸ Id. at 38-40.

²⁹ Id. at 42-43.

³⁰ Id. at 22-26.

³¹ *Quisumbing v. Garcia*, 593 Phil. 655, 674 (2008).

³² Art. 1657 of the Civil Code provides: The lessee is obliged: (1) To pay the price of the lease according to the terms stipulated; xxx.

according to the terms stipulated. The price of the lease in this case was not the amount stipulated in the original contracts in 1911, but the schedule of rental adjustments embodied in Resolution No. 736 which took effect in 1985 but made to apply retroactively in 1982. This rental scheme had thus been in place for several years before the execution of the Deed of Assignment in favor of TIPSI. The Court further notes that the two (2) predecessors-in-interest of TIPSI had complied with the rental adjustments under Resolution No. 736³³ without any issue. As the assignee of the lease contracts and as the new lessee, TIPSI was therefore obligated to pay rental fees in accordance with Resolution No. 736. In fact, TIPSI had paid the prescribed rent more than a year.

TIPSI's decision to stop paying rent in accordance with Resolution No. 736 and instead adhere to the monthly rentals stipulated in the original 1911 lease contracts amounts to a breach of the lease contracts. As mentioned, the original rental rates have been amended and thus were no longer available to it. Moreover, TIPSI's execution of the Deed of Assignment, signified its acceptance of the terms of the lease contracts including the schedule of rental adjustments. By not paying the revised rental fees, TIPSI committed a breach of its basic obligation as a lessee under the lease contracts. Such breach, in turn, gave rise to a cause of action on the part of the PPA to ask for the rescission of the contract and/or indemnification for damages,³⁴ as well as the right to eject the lessee.³⁵ Since TIPSI had previously violated the terms of the lease contract and a cause of action already accrued in favor of PPA, a Petition for Declaratory Relief was no longer an available remedy for TIPSI.

Verily, the purpose of the action for declaratory relief is to secure an authoritative statement of the rights and obligations of the parties under a written instrument for their guidance in their enforcement or compliance, and not to settle issues arising from their alleged breach. Where a contract has already been contravened prior to the filing of an action for declaratory relief, the trial court can no longer assume jurisdiction over the action. Under such circumstances, inasmuch as a cause of action has already accrued in favor of one or the other party, there is nothing more for the court to explain or clarify, short of a judgment or final order.³⁶

At bottom, the CA committed no reversible error in setting aside the RTC Decision which granted TIPSI's Petition for Declaratory Relief.

³³ *Rollo*, p. 284; PPA alleged that National Stevedoring and Lighterage Corporation (NSLC) and Pilsen International Trading, Inc., TIPSI's predecessors-in-interest, have complied with the series of rental adjustments enumerated in Resolution No. 736.

³⁴ Art. 1659 of the Civil Code provides: If the lessor or the lessee should not comply with the obligations set forth in articles 1654 and 1657, the aggrieved party may ask for the rescission of the contract and indemnification for damages, or only the latter, allowing the contract to remain in force.

³⁵ Art. 1673 of the Civil Code provides: The lessor may judicially eject the lessee for any of the following causes: xxx (2) Lack of payment of the price stipulated; (3) Violation of any of the conditions agreed upon in the contract; xxx.

³⁶ See *Quisumbing v. Garcia*, supra note 31.

WHEREFORE, the petition is **DENIED**. The May 17, 2013 Decision and September 2, 2013 Resolution issued by the Court of Appeals in CA-G.R. CV No. 95349 are **AFFIRMED**.


Costs against petitioner.

SO ORDERED."

By authority of the Court:

MISAEAL DOMINGO C. BATTUNG III
Division Clerk of Court

By:


RUMAR D. PASION
Deputy Division Clerk of Court
7/13/2020

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(Civil Case No. 08-119077)