Republic of the Philippines
Supreme Court
Manila

EN BANC

ESTATE OF FERDINAND E. MARCOS,
Petitioner,

-versus-

REPUBLIC OF THE PHILIPPINES,
Respondent.

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ESTATE OF FERDINAND E. MARCOS,
Petitioner,

-versus-

PRESIDENTIAL COMMISSION

x----------x

G.R. No. 212330

G.R. No. 212612

Present:

GESMUNDO,* *C.J.*,
LEONEN,
CAGUIOA,
HERNANDO,
LAZARO-JAVIER,*
INTING, **
ZALAMEDA,
LOPEZ, M.,
GAERLAN,*
ROSARIO,
LOPEZ, J.,
DIMAAMPAO,
MARQUEZ,
KHO, JR., and
SINGH, *JJ.* ***

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* No part.
** On official leave.
*** On official business.

ON GOOD GOVERNMENT AND PHILIPPINE TOURISM AUTHORITY,
Respondents.

Promulgated:
November 14, 2023

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DECISION

LEONEN, *J.*:

The original and exclusive jurisdiction conferred on the Sandiganbayan includes not only the principal causes of action regarding the recovery of alleged ill-gotten wealth, but also all incidents arising from, incidental, or related to such cases. Thus, a declaration of nullity of a lease agreement, when involving property alleged to be ill-gotten wealth, falls within the jurisdiction of the antigraft court.

This Court resolves two Petitions for Review on *Certiorari*[1] filed by the Estate of Ferdinand E. Marcos, Sr. (Estate) against the Presidential Commission on Good Government, the Philippine Tourism Authority (now the Tourism Infrastructure and Enterprise Zone Authority), and the Republic of the Philippines.

G.R. No. 212330 is a Petition for Review[2] filed by the Estate assailing the Court of Appeals Decision[3] and Resolution[4] which dismissed the Estate's action for unlawful detainer for lack of jurisdiction.

G.R. No. 212612, on the other hand, is a Petition for Review[5] filed by the Estate assailing the Sandiganbayan Decision[6] which declared the 1978 Lease Contract between former president Ferdinand E. Marcos, Sr. (Marcos, Sr.) and the Philippine Tourism Authority void and found that the portions of land subject of the lease are properties of the State.

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1 *Rollo* (G.R. No. 212612), pp. 9–27; *Rollo* (G.R. No. 212330), pp. 43–61.
2 Under Rule 45 of the Rules of Court.
3 *Rollo* (G.R. No. 212612), pp. 28–51. The September 26, 2013 Decision in CA-G.R. SP No. 125766 was penned by Associate Justice Apolinario D. Bruselas, Jr. and concurred in by Associate Justices Rebecca De Guia-Salvador and Samuel H. Gaerlan (now a Member of this Court) of the Third Division, Court of Appeals, Manila.
4 *Id.* at pp. 52–54. The May 20, 2014 Resolution in CA-G.R. SP No. 125766 was penned by Associate Justice Apolinario D. Bruselas, Jr. and concurred in by Associate Justices Rebecca De Guia-Salvador and Samuel H. Gaerlan (now a Member of this Court) of the Former Third Division, Court of Appeals, Manila.
5 Under Rule 45 of the Rules of Court.
6 *Rollo* (G.R. No. 212330), pp. 7–39. The April 21, 2014 Decision in Civil Case No. SB-10-CVL-0001 was penned by Associate Justice Rafael R. Lagos, and concurred in by Associate Justices Efren N. Dela Cruz and Rodolfo A. Ponferrada of the First Division, Sandiganbayan.

The 1978 Lease Contract subject of the consolidated Petitions involves a 576,787-square meter parcel of land in Barangay Suba, Paoay, Ilocos Norte.[7]

On June 21, 1969, Republic Act No. 5631 was enacted, declaring Paoay Lake and its extremities in the province of Ilocos Norte as a national park.[8]

Later, on July 13, 1977, Marcos, Sr. issued Proclamation No. 1653, declaring the Province of Ilocos Norte a tourist zone under the control and supervision of the Philippine Tourism Authority.[9]

On August 15, 1977, Letter of Instructions No. 584 was issued, authorizing Philippine Tourism Authority General Manager Bernardo Vergara (Vergara) to purchase lands within or surrounding Paoay lake and to convert it to a tourist site.[10]

Subsequently, on October 3, 1977, Letter of Instructions No. 610 was issued for the construction of the Paoay Lake Sports Complex.[11]

On December 28, 1977, Marcos, Sr. issued a Letter of Intent to the Philippine Tourism Authority for the lease of the property upon which the Paoay Lake Sports Complex was to be erected.[12] Afterwards, Letter of Instructions No. 649 was issued, directing the use of public funds to develop the tourism agenda in Paoay Lake.[13]

On June 11, 1978, Presidential Decree No. 1554 was issued, excluding all lands under a bona fide claim of ownership since time immemorial from the operation of Republic Act No. 5631 and declaring them open to disposition or acquisition under existing laws.[14]

Thereafter, Marcos, Sr., as lessor, and Vergara, representing the Philippine Tourism Authority as lessee, entered into a Lease Contract[15] on December 20, 1978, covering parcels of land in Barangay Suba, Paoay, Ilocos Norte with an aggregate area of 576,787 square meters. It had a term of 25 years from January 1, 1978 to December 31, 2003 at a nominal rental fee of PHP 1.00 per year.[16] The 1978 Lease Contract also provided that the lessee will shoulder the costs of construction of improvements and infrastructure.[17]

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7 *Id.* at 7.
8 *Rollo* (G.R. No. 212612), p. 109. Republic Act No. 5631 (1969), sec. 1.
9 *Rollo* (G.R. No. 212330), p. 69-A.
10 *Rollo* (G.R. No. 212612), p. 108. Letter of Instructions No. 584, s. 1977.
11 *Id.* Letter of Instructions No. 610, s. 1977.
12 *Rollo* (G.R. No. 212330), p. 20.
13 Letter of Instructions No. 649, s. 1977
14 *Rollo* (G.R. No. 212612), pp. 108–109. Presidential Decree No. 1554 (1978).
15 *Rollo* (G.R. No. 212330), pp. 94–99. Also called the 1978 Lease Agreement in some parts of the *rollo*.
16 *Id.* at 96–97.
17 *Id.* at 98.

The lot numbers covered by the 1978 Lease Contract were stated therein as follows:

> WHEREAS, the LESSOR is the owner of certain parcels of land situated in the barrio of Suba, municipality of Paoay, province of Ilocos Norte, surveyed under Cadastral Survey No. 455-D, Case 1, with the following lot numbers, the corresponding area of which is indicated opposite thereto, to wit:

LOT NUMBER	AREA IN SQUARE METERS
684	966
699	967
700	1,043
703	2,754
712	10,951
713	1,108
714	18,243
715	6,402
716	2,428
717	1,770
718	1,860
719	707
720	737
721	677
722	781
723	801
724	6,689
725	6,389
726	1,950
729	14,040
731	5,075
732	5,989
733 (portion)	10,000
739	7,817
759	8,380
760	3,697
761 (portion)	7,828
762	6,666
763	21,690
779	4,422
780	3,985
5032	9,023
5033	7,242
5035	33,346
5036	30,132
5037	19,710
5044	6,333
5048	1,263
5049	3,595
5050	131
5051	191
5052	150
5053	172
5054	433
5056	2,851

5057	13,551
5058	172
5059	4,787
5060	5,347
5061	5,013
5062	5,304
5063	138
5064	443
5065	359
5069	131
5070	515
5071	486
5072	493
5073	513
5074	1,299
5075	1,173
5076	13,963
5077	911
5078	491
5079	506
5080	7,095
5081	823
5082	1,419
5083	11,433
5084	5,871
5085	5,060
5086	4,911
5087	915
5088	1,352
5089	2,183
5090	6,206
5091	4,075
5092	12,739
5093	256
5094	279
5095	350
5096	967
5097	1,075
5098	2,172
5099	1,202
5100	1,299
5101	471
5102	503
5103	730
5104	755
5105	1,730
5106	1,070
5107	2,008
5108	1,734
5109	1,587
5110	1,549
5111	1,428
5112	1,856
5113	1,299
5114	1,124
5115	1,244
5116	1,118

5117	978
5118	1,682
5119	682
5120	871
5121	741
5122	1,613
5123	813
5124	738
5125	699
5126	276
5127	951
5128	1,339
5129	1,781
5130	2,554
5131	1,158
5132	1,150
5133	5,520
5134	2,787
5135	276
5136	3,916
5137	1,202
5138	1,310
5139	20,374
5140	80
5152 (portion)	1,167
5154	800
5155 (portion)	262
5164	405
5165 (portion)	453
5166 (portion)	791
5167	855
5168	1,394
5169	775
5170	4,503
5172 (portion)	554
5173 (portion)	806
5174	2,197
5175 (portion)	1,675
5176	25,149
5177	12,599
5178	5,061
5179	5,188
5180	11,576
5181	2,054
5182	7,411
5183	2,638
5184	360
5185	440
5186	1,941
5187	2,037
5202	913
5203	525
Total area in square meters -	576,787[18]

[18] *Id.* at 94–96.

Using public funds, improvements were built on the subject parcels of land to further develop Paoay Lake.[19] These improvements include the Malacañang of the North, Maharlika Hall, and the Paoay Sports Complex which houses an 18-hole golf course.[20]

In February 1986, Marcos, Sr. was ousted from the presidency and was replaced by Corazon C. Aquino. In the same year, Executive Order No. 1 was issued, creating the Presidential Commission on Good Government.[21]

On March 14, 1991, during the subsistence of the 1978 Lease Contract, the Philippine Tourism Authority entered into a sublease agreement[22] with Polar Peak Group, Inc., also known as Grand Ilocandia Resort and Development Inc. (Grand Ilocandia), for a period of 10 years.[23]

On April 23, 2001, another Lease Agreement[24] was entered into, this time by the Philippine Tourism Authority, Presidential Commission on Good Government, and Grand Ilocandia, extending the sublease of Grand Ilocandia for another 10 years.[25] The 2001 Lease Agreement also stated that the subject properties were under sequestration by the Presidential Commission on Good Government.[26]

In the same year, Grand Ilocandia assigned its rights as sublessee to Fort Ilocandia Property Holdings and Development Corporation (Fort Ilocandia).[27]

In 2002, the Philippine Tourism Authority sent a letter to Imee R. Marcos (Imee) informing her of two civil cases for recovery of possession[28] involving Lot 761, a portion of the Paoay golf course within the subject parcels of land.[29] It further requested Imee to participate in these cases by virtue of the 1978 Lease Contract entered into by her father, Marcos, Sr.[30]

On February 7, 2005, the Estate, through its administrator, Ferdinand Marcos, Jr. (Marcos, Jr.), demanded the Philippine Tourism Authority to turn over the subject parcels of land to the Estate considering the expiration of the

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19 *Id.* at 97–98.
20 CA *rollo*, p. 391.
21 Executive Order No. 1 (1986), sec. 2(a).
22 CA *rollo*, pp. 154–158.
23 *Id.* at 154; *Rollo* (G.R. No. 212330), p. 69. Also called "Polar Peak Phils., Inc." in some parts of the records.
24 CA *rollo*, pp. 165–171.
25 *Id.* at 167.
26 *Id.* at 165.
27 *Rollo* (G.R. No. 212330), pp. 21–22.
28 *Id.* at 22; *Rollo* (G.R. No. 212612), pp. 31–32. Docketed as Civil Case Nos. 753-P entitled "*Manuela Padayao, et. al. v. PTA*" and 769-P entitled "*Florencio Padayao, et. al. v. PTA.*"
29 *Rollo* (G.R. No. 212612), pp. 31–32.
30 *Id.* at 31.

1978 Lease Contract in 2003. It further demanded a payment of the rental fees on the subsequent lease agreements executed.[31]

On March 23, 2007, the Estate again demanded the Philippine Tourism Authority, Grand Ilocandia, and Nams to vacate the land.[32]

All three recipients of the demand letter refused to vacate the land. Consequently, the Estate filed a complaint against the Philippine Tourism Authority, Grand Ilocandia, and Presidential Commission on Good Government for unlawful detainer before the Municipal Circuit Trial Court of Paoay, Currimao, Ilocos Norte.[33]

In a May 23, 2007 Order, the Municipal Circuit Trial Court dismissed the unlawful detainer on the ground of prescription and lack of jurisdiction:[34]

> WHEREFORE, the complaint is hereby motu proprio ordered dismissed on ground that the cause of action for unlawful detainer has been barred by the Statute of Limitations and lack of jurisdiction of the Court over the subject matter of action publiciana.
>
> SO ORDERED.[35]

However, this was reversed upon the Estate's appeal with the Regional Trial Court. In its November 20, 2007 Decision,[36] the Regional Trial Court remanded the case to the Municipal Circuit Trial Court:

> WHEREFORE, PREMISES CONSIDERED, this Court resolves to GRANT the Appeal. The action for Unlawful Detainer was filed within the prescribed period which is one year from the accrual of the cause of action *i.e.* from the last demand on March 26, 2007. The Municipal Circuit Trial Court of Currimao-Paoay, Ilocos Norte, therefore is with jurisdiction over said action. Case remanded to the court a quo for further proceedings.
>
> SO ORDERED.[37]

The Presidential Commission on Good Government moved for reconsideration, but this was denied by the Regional Trial Court.[38]

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31 *Id.* at 32.

32 *Id.* Nams is a Korean corporation doing business in the Philippines and employed by Fort Ilocandia to manage the subject parcels of land.

33 *Id.* at 57.

34 *Id.* at 32.

35 *Id.* at 32–33.

36 *Id.* at 55–63. The November 20, 2007 Decision in Civil Case No. 4855-17 was penned by Judge Angelo M. Albano of Branch 17, Regional Trial Court, Batac City, Ilocos Norte.

37 *Id.* at 63.

38 *Id.* at 33.

During the proceedings in the Municipal Circuit Trial Court, the Philippine Tourism Authority and Presidential Commission on Good Government filed their respective Answers. However, the answer of the Philippine Tourism Authority was not admitted for being filed out of time. Thereafter, the Estate filed an Amended Complaint, adding Fort Ilocandia as defendant.[39]

Fort Ilocandia filed its Answer. Later, the Philippine Tourism Authority and Presidential Commission on Good Government filed a Joint Amended Answer. However, the Municipal Circuit Trial Court struck the Philippine Tourism Authority's Answer due to their failure to file their initial answer within the reglementary period.[40] Consequently, the Philippine Tourism Authority was barred from presenting their evidence due to their failure to file a responsive pleading.[41]

On March 3, 2010, the Presidential Commission on Good Government filed a Petition before the Sandiganbayan, praying that the 1978 Lease Contract be declared null and void and that the subject parcels of land be declared owned by the State.[42]

The Estate, in its Answer, stated that it had acquired ownership of the subject parcels of land due to its possession in the concept of an owner for the required number of years. It added that the Philippine Tourism Authority never repudiated the 1978 Lease Contract and even leased it to a third party. It also alleged that the Sandiganbayan did not attain jurisdiction over the subject matter since there was no allegation that the parcels of land were ill-gotten.[43] Instead, it should have been filed as an ordinary action involving title and possession.[44]

On May 27, 2010, the Philippine Tourism Authority filed its Answer alleging that the Petition failed to state a cause of action against it and stated that the contract is valid and anchored on legal grounds since it is mandated to possess, own, and operate lands within a tourist zone.[45] Thereafter, trial in the Sandiganbayan ensued.

Meanwhile, on July 8, 2010, the Municipal Circuit Trial Court rendered a Decision[46] in the unlawful detainer case in favor of the Estate:

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39 *Id.*
40 CA *rollo*, p. 94.
41 *Id.* at 34.
42 *Rollo* (G.R. No. 212330), p. 8.
43 *Id.*
44 *Id.* at 8–9.
45 *Id.* at 8.
46 *Rollo* (G.R. No. 212612), pp. 64–77. The July 8, 2010 Decision in Civil Case No. 889-P was penned by Judge Artemio H. Quidilla, Jr. of the Municipal Circuit Trial Court of Paoay-Currimao, Ilocos Norte.

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against all defendants, except FIPHDC, for the restitution of the Subject Premises listed in the 1978 Lease Agreement (Annex "A") and further delineated, described and plotted in the Commissioner's Report and its annexes (Exh. "Y"; Exh. "5-PCGG; Exh. "6-PCGG"). Defendants PTA, PCGG, GIRDI and NAM'S are directed to vacate the Subject Premises and deliver to the plaintiff all improvements made thereon. Plaintiff, for its part, is ordered to religiously abide by the 2001 Deed of Assignment in relation to the 2001 Lease Agreement and allow defendant FIPHDC to remain on, occupy and use the Paoay Sports Complex which includes the Paoay Lake Golf Course, Maharlika Hall, and all related facilities and structures necessary and desirable for its convenient use and operation.

Defendant PTA is further directed to pay or remit to plaintiff Estate of Ferdinand Marcos the sum of NINE HUNDRED FORTY SEVEN THOUSAND TWO HUNDRED ELEVEN & 053/100 PESOS (P947,211.53) covering the rents due for the period March 27, 2007 to December 31, 2008 it received from FIPHDC.

Defendant PCGG is further directed also to pay or remit to plaintiff Estate of Ferdinand Marcos the sum of ONE MILLION EIGHT HUNDRED THOUSAND PESOS (P1,800,000.00) as advance payment and two-months deposit it received from PPPI on 12 March 1991.

Defendants PTA and PCGG are likewise ordered to pay to the plaintiff the sum of Four Pesos (P4.00), representing the rents due (rounded-off to higher amount for being insignificant) for the duration of the implied new lease from January 1, 2004 to March 26, 2007, in addition to the delivery of the improvements made on the Subject Premises which is the primary consideration of the 1978 Lease Contract, and such further amount of rents due or they shall receive from time to time until the Subject Premises are vacated by them.

Defendant FIPHDC is further ordered to pay to plaintiff Estate of Ferdinand Marcos the sum of THREE MILLION TWO HUNDRED EIGHTY FIVE THOUSAND ONE HUNDRED FORTY SIX & 65/100 PESOS (P3,285,146.65) comprising the supposed share of PTA from the unpaid rents due for 2009 and 2010 in the sum of P1,289,076.36 and the supposed share of [PCGG] from the unpaid rents due for the period March 27, 2007 up to December 31, 2010, which is not sufficiently covered by the P1,800,000.00 advance payment and two years deposit, in the sum of P1,996,070.29.

Defendants PTA and PCGG are finally ordered to pay to plaintiff Estate of Ferdinand Marcos TWENTY THOUSAND PESOS (P20,000.00) by way of attorney's fees and SEVEN THOUSAND EIGHT HUNDRED SIXTY PESOS (P7,860.00) as costs of suit.

SO ORDERED.[47]

The Municipal Circuit Trial Court found that the ownership of the subject lots could not have transferred to the Estate through acquisitive prescription, but nonetheless held that the Estate, as the "possessor in the concept of owner has in his favor the presumption that he possesses with a

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[47] *Id.* at 76–77.

just title"[48] and need not be obligated to prove the same. It further found that the right of the Philippine Tourism Authority over the subject premises expired when lease agreement with the Estate ended. On the other hand, the Presidential Commission on Good Government never earned authority over the subject premises since sequestration proceedings were never held.[49]

This was appealed to the Regional Trial Court, which upheld the Decision of the Municipal Circuit Trial Court.[50]

Aggrieved, the Philippine Tourism Authority and the Presidential Commission on Good Government filed a Petition for Review before the Court of Appeals.[51]

The Philippine Tourism Authority and Presidential Commission on Good Government argued that the Municipal Circuit Trial Court had no jurisdiction over the latter as jurisdiction over it falls exclusively with the Sandiganbayan. They also asserted that the Municipal Circuit Trial Court erred when it decided on the case despite the pending litigation before the Sandiganbayan. Moreover, they claimed that the 1978 Lease Contract was void, and as such, the Estate did not have any right to possess and lease the properties. Lastly, they claimed that the Estate's claim prescribed and it was therefore barred from asserting its rights over the property.[52]

In its September 26, 2013 Decision,[53] the Court of Appeals granted the Petition of the Philippine Tourism Authority and Presidential Commission on Good Government. It held that the Municipal Circuit Trial Court, upon learning of the supervening Sandiganbayan case, should have refrained from promulgating its Decision.[54] Similarly, it found that the Regional Trial Court erred in affirming the Municipal Circuit Trial Court's Decision despite the ongoing Sandiganbayan case.[55] It further held that both courts failed to recognize that the 1978 Lease Contract between Marcos, Sr. and a government agency was questionable, which is why there was a pending Sandiganbayan case.[56] It added that the Sandiganbayan has exclusive and original jurisdiction, considering the subject matter of the case.[57]

The dispositive portion of the Court of Appeals Decision states:

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48 *Id.* at 71.
49 *Id.* at 72–76.
50 *Id.* at 78–102. The March 8, 2012 Decision in Civil Case No. 5198-18 was penned by Judge Isidoro T. Pobre of Branch 18, Regional Trial Court, Batac, Ilocos Norte.
51 *Id.* at 36.
52 *Id.*
53 *Id.* at 28–51.
54 *Id.* at 44–45.
55 *Id.*
56 *Id.* at 46.
57 *Id.* at 47–48.

> WHEREFORE, the petition is GRANTED. The Decision and Order appealed from are SET ASIDE and VACATED. A new one is entered DISMISSING the complaint *a quo* for lack of jurisdiction.
>
> IT IS SO ORDERED.[58]

The Estate moved for reconsideration of the Court of Appeals Decision, to no avail.[59]

On the other hand, after trial on the merits in the Sandiganbayan case, the antigraft court promulgated its April 21, 2014 Decision[60] declaring the 1978 Lease Contract void and demanding the return of the subject parcels of land that have no patent application with the State as part of the public domain.[61]

The dispositive portion of the Sandiganbayan Decision states:

> WHEREFORE, premises considered, the Court rules as follows:
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> 1. Declaring the Lease Agreement dated December 20, 1978 between former President Ferdinand E. Marcos and the Philippine Tourism Authority as VOID *AB INITIO* and HAVING NO LEGAL EFFECT;
>
> 2. Declaring the lots covered by the said lease agreement which are not subject to any patent application, namely, Lot no. 699, Lot no. 717, Lot no. 723, Lot no. 733, Lot no. 760, Lot no. 761, Lot no. 779, Lot no. 780, Lot no. 5036, Lot no. 5044, Lot no. 5051, Lot no. 5053, Lot no. 5054, Lot no. 5055, Lot no. 5056, Lot no. 5057, Lot no. 5059, Lot no. 5060, Lot no. 5061, Lot no. 5063, Lot no. 5064, Lot no. 5065, Lot no. 5071, Lot no. 5072, Lot no. 5079, Lot no. 5133, Lot no. 5134, Lot no. 5136, Lot no. 5152, Lot no. 5172, Lot no. 5173, Lot no. 5175, and Lot no. 5203, TO BELONG TO THE STATE BEING PART OF THE PUBLIC DOMAIN;
>
> 3. Declaring the lots covered by the said lease agreement whose patent applications, by either the Marcos heirs or other third-party applicants, are still pending in the DENR-LMB, namely, Lot No. 700, Lot No. 712, Lot No. 713, Lot No. 718, Lot No. 719, Lot No. 720, Lot No. 721, Lot No. 722, Lot No. 724, Lot No. 725, Lot No. 726, Lot No. 731, Lot No. 732, Lot No. 5035, Lot No. 5037, Lot No. 5049, Lot No. 5050, Lot No. 5052, Lot No. 5062, Lot No. 5076, Lot No. 5078, Lot No. 5081, Lot No. 5082, Lot No. 5083, Lot No. 5084, Lot No. 5085, Lot No. 5086, Lot No. 5088, Lot No. 5089, Lot No. 5091,

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58 *Id.* at 51.
59 *Id.* at 52–54.
60 *Rollo* (G.R. No. 212330), pp. 7–39.
61 *Id.* at 38.

> Lot No. 5092, Lot No. 5093, Lot No. 5094, Lot No. 5095, Lot No. 5096, Lot No. 5097, Lot No. 5098, Lot No. 5099, Lot No. 5102, Lot No. 5106, Lot No. 5114, Lot No. 5119, Lot No. 5121, Lot No. 5122, Lot No. 5123, Lot No. 5166, Lot No. 5174, Lot No. 5177, Lot No. 5178, Lot No. 5179, Lot No. 5180, Lot No. 5182, and Lot No. 5183, TO BELONG TO THE STATE, SUBJECT TO THE FINAL OUTCOME OF THESE PATENT APPLICATIONS;
>
> 4. Declaring the improvements introduced by the Philippine Tourism Authority on the lots covered by the said lease agreement consisting of the Maharlika Building, Old Motor Pool, Swimming Pools and Guest House, Malacañang Ti Amianan, Tennis Court, and Golf Course TO BE OWNED BY THE STATE, represented by the Philippine Tourism Authority; and
>
> 5. No damages are awarded in favor of respondent Estate.
>
> SO ORDERED.[62]

On May 20, 2014, the Estate filed a Motion for Extension of Time to File Petition for Review before this Court.[63]

On June 10, 2014 the Estate filed the Petition docketed as G.R. No. 212330 before this Court, assailing the Sandiganbayan Decision.[64]

On June 17, 2014, petitioner filed the Petition docketed as G.R. No. 212612, assailing the Court of Appeals Decision and Resolution.[65]

In its Petition in G.R. No. 212330, petitioner asserts that the assailed Sandiganbayan Decision was erroneous when it ruled that the Petition of the Presidential Commission on Good Government contains allegations of ill-gotten wealth. Petitioner primarily questions the jurisdiction of the Sandiganbayan over 1978 Lease Contract, asserting that the jurisdiction over the issue is vested exclusively with the Regional Trial Court as the lands were neither sequestered nor covered by any action of reconveyance. It adds that the Sandiganbayan erred when it held that the subject parcels of lands were part of the Paoay Lake National Park as such question may only be ruled upon by the Regional Trial Court or the appropriate administrative agency.[66]

In G.R. No. 212612, petitioner avers that the Court of Appeals erred when it held that the action filed by petitioner before the Municipal Circuit Trial Court was not an action for unlawful detainer but an *accion publiciana*

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62 *Id.* at 38–39.
63 *Id.* at 3–5.
64 *Id.* at 43–60.
65 *Rollo* (G.R. No. 212612), pp. 9–27.
66 *Rollo* (G.R. No. 212330), p. 47.

or *accion reivindicatoria*.[67] It adds that the Court of Appeals was mistaken in ruling that the Municipal Circuit Trial Court and the Regional Trial Court lost jurisdiction over the complaint filed when a petition involving the same subject matter was filed before the Sandiganbayan.[68]

The two cases were consolidated through this Court's August 18, 2014 Resolution.[69]

On December 19, 2014, respondents filed their Consolidated Comment.[70]

They argue that the Sandiganbayan correctly exercised its jurisdiction over the Petition for Declaration of Nullity of the 1978 Lease Contract. They aver that the Sandiganbayan is vested with exclusive jurisdiction over the Presidential Commission on Good Government and all actions involving ill-gotten wealth, including incidents thereto.[71] They assert that since the 1978 Lease Contract involves ill-gotten wealth of the subject parcels of land, it falls under the jurisdiction of the Sandiganbayan.[72]

Respondents also assert that the Court of Appeals was correct in dismissing the complaint filed in the Municipal Circuit Trial Court for lack of jurisdiction since the lower court has no jurisdiction over issues of ill-gotten wealth. They further state that prescription had already set in given that the 1978 Lease Contract had already expired.[73]

On July 6, 2015, petitioner filed its Consolidated Reply.[74] It argues that since respondents do not concede that Marcos, Sr. did not acquire ownership of the subject parcels of land, the Petition before the Sandiganbayan could not be one for recovery of ill-gotten wealth.[75] It further reiterates that the Sandiganbayan erred when it took cognizance of the Petition for Declaration of Nullity of the Lease Agreement in consonance with a prior Sandiganbayan case, which was affirmed by this Court in *Republic v. Tan*.[76] Lastly, it states that the Amended Complaint filed before the Municipal Circuit Trial Court did not have the effect of invalidating the prior ruling of the Regional Trial Court regarding the filing of the unlawful detainer complaint within the one year reglementary period.[77]

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67 *Rollo* (G.R. No. 212612), p. 13.
68 *Id.* at 14.
69 *Id.* at 105.
70 *Rollo* (G.R. No. 212330), pp. 144–192.
71 *Id.* at 154.
72 *Id.* at 155.
73 *Id.*
74 *Id.* at 206–213.
75 *Id.* at 206–207.
76 *Id.* at 208; 470 Phil. 322 (2004) [Per J. Carpio Morales, Third Division].
77 *Id.* at 210.

The issues for this Court's resolution are:

First, whether the Sandiganbayan has jurisdiction over the Petition for Declaration of Nullity of the 1978 Lease Contract and the unlawful detainer complaint before the Municipal Circuit Trial Court;

Second, whether the 1978 Lease Contract is valid; and

Lastly, whether respondents are entitled to the improvements on the parcels of land and rental payments.

The Petition is without merit.

I (A)

The primary question raised before this Court is whether the Sandiganbayan has jurisdiction over the two consolidated cases concerning the 576,787 square meters of land in Paoay, Ilocos Norte. Specifically, we are asked to determine if the following cases are within the jurisdiction of the Sandiganbayan: (a) the Petition for Declaration of Nullity of the 1978 Lease Contract filed before the Sandiganbayan by respondent Presidential Commission on Good Government, and (b) the complaint of unlawful detainer filed by petitioner in the Municipal Circuit Trial Court.

Petitioner contends that the Sandiganbayan erred in exercising jurisdiction over the Petition of the Presidential Commission on Good Government despite its failure to prove the ill-gotten nature of the parcels of land. It claims that respondents failed to prove that the subject parcels of land were registered in the name of Marcos, Sr. and are thus not ill-gotten wealth and are outside the purview of the Sandiganbayan.

Similarly, petitioner asserts that the Court of Appeals erred in its assailed Decision and Resolution in finding that the Municipal Circuit Trial Court and Regional Trial Court exceeded their authority when they exercised jurisdiction on the unlawful detainer suit despite knowledge that the same parcels of land were under litigation with the Sandiganbayan.

Petitioner's arguments are partially devoid of merit.

The Presidential Commission on Good Government was created through Executive Order No. 1 in 1986, with the primary task of recovering

the ill-gotten wealth accumulated by Marcos, Sr., his family, relatives, subordinates, and close associates.[78]

In Executive Order No. 2, series of 1986, the Commission was empowered to freeze all assets and properties that may be identified as ill-gotten wealth and prohibit its transfer, conveyance, or encumbrance until appropriate proceedings determining whether such assets or properties were acquired through improper or illegal machinations have been concluded.

In line with these responsibilities, the Commission was mandated to investigate and file cases, whether civil or criminal, before the Sandiganbayan which has exclusive and original jurisdiction over it.[79] In addition to recovery of unlawfully acquired property, it was also given the authority to file suits for the restitution, reparation of damages, indemnification, or other civil actions with the Sandiganbayan against Marcos, Sr., Imelda R. Marcos (Imelda), members of their immediate family, close relatives, subordinates, close or business associates, dummies, agents, and nominees.[80]

Accordingly, the Commission was given the authority to implement special provisional remedies to recover and safeguard the properties identified as ill-gotten wealth. These are: (a) sequestration, (b) freeze orders for "unearthed instances of 'ill-gotten' wealth;"[81] and (c) provisional takeover of "business enterprises and properties taken over by the government of the Marcos Administration or by entities or persons close to [Marcos, Sr.]."[82] The Paoay development were among the properties that the Commission took over.

On April 11, 1986, the Presidential Commission on Good Government Rules and Regulations was enacted. It defined "ill-gotten wealth" as "any asset, property, business enterprise or material possession of persons within the purview of Executive Nos. 1 and 2 acquired by them directly, or indirectly thru dummies, nominees, agents, subordinates and/or business associates by any of the following means or similar schemes":[83]

> (1) Through misappropriation, conversion, misuse or malversation of public funds or raids on the public treasury;
> (2) Through the receipt, directly or indirectly, of any commission, gift, share, percentage, kickbacks or any other form of pecuniary benefit from any person and/or entity in connection with any government contract or project or by reason of the office or position of the official concerned;

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78 Executive Order No. 1 (1986), sec. 2(a).
79 Executive Order No. 14 (1986), sec. 2.
80 Executive Order No. 14 (1986), sec. 3.
81 *Republic v. Sandiganbayan,* 310 Phil. 401, 415 (1995) [Per J. Narvasa, *En Banc*].
82 *Id.*
83 The PCGG Rules and Regulations Implementing Executive Order Nos. 1 and 2 (1986), sec. 1.

(3) By the illegal or fraudulent conveyance or disposition of assets belonging to the government or any of its subdivisions, agencies or instrumentalities or government owned or controlled corporations;
(4) By obtaining, receiving or accepting directly or indirectly any shares of stocks, equity, or any other form of interest or participation in any business enterprise or undertaking;
(5) Through the establishment of agricultural, industrial or commercial monopolies or other combination and/or by the issuance, promulgation and/or implementation of decrees and orders intended to benefit particular persons or special interest; and
(6) By taking undue advantage of official position, authority, relationship or influence for personal gain or benefit.[84]

In *Bataan Shipyard and Engineering Co., Inc. v. Presidential Commission on Good Government*,[85] this Court discussed the governing principles, scope, and extent of ill-gotten wealth:

a. Proclamation No. 3

The impugned executive orders are avowedly meant to carry out the explicit command of the Provisional Constitution, ordained by Proclamation No. 3, that the President — in the exercise of legislative power which she was authorized to continue to wield "until a legislature is elected and convened under a new Constitution" — "shall give priority to measures to achieve the mandate of the people," among others to (r)ecover ill-gotten properties amassed by the leaders and supporters of the previous regime and protect the interest of the people through orders of sequestration or freezing of assets or accounts."

b. Executive Order No. 1

Executive Order No. 1 stresses the "urgent need to recover all ill-gotten wealth," and postulates that "vast resources of the government have been amassed by former President Ferdinand E. Marcos, his immediate family, relatives, and close associates both here and abroad." Upon these premises, the Presidential Commission on Good Government was created, "charged with the task of assisting the President in regard to [. . .] (certain specified) matters," among which was precisely —

> "[. . .] The recovery of all ill-gotten wealth accumulated by former President Ferdinand E. Marcos, his immediate family, relatives, subordinates and close associates, whether located in the Philippines or abroad, including the takeover or sequestration of all business enterprises and entities owned or controlled by them, during his administration, directly or through nominees, by taking undue advantage of their public office and/or using their powers, authority, influence, connections or relationship."

In relation to the takeover or sequestration that it was authorized to undertake in the fulfillment of its mission, the PCGG was granted "power and authority" to do the following particular acts, to wit:

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[84] The PCGG Rules and Regulations Implementing Executive Order Nos. 1 and 2 (1986), sec. 1.
[85] 234 Phil. 180 (1987) [Per J. Narvasa, *En Banc*].

> 1. "To sequester or place or cause to be placed under its control or possession any building or office wherein any ill-gotten wealth or properties may be found, and any records pertaining thereto, in order to prevent their destruction, concealment or disappearance which would frustrate or hamper the investigation or otherwise prevent the Commission from accomplishing its task."
>
> 2. "To provisionally take over in the public interest or to prevent the disposal or dissipation, business enterprises and properties taken over by the government of the Marcos Administration or by entities or persons close to former President Marcos, until the transactions leading to such acquisition by the latter can be disposed of by the appropriate authorities.["]
>
> 3. "To enjoin or restrain any actual or threatened commission of acts by any person or entity that may render moot and academic, or frustrate or otherwise make ineffectual the efforts of the Commission to carry out its task under this order.["]
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> . . . .
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> c. Executive Order No. 2

Executive Order No. 2 gives additional and more specific data and directions respecting "the recovery of ill-gotten properties amassed by the leaders and supporters of the previous regime." It declares that:

1) "[. . .]the Government of the Philippines is in possession of evidence showing that there are assets and properties purportedly pertaining to former (*sic*) Ferdinand E. Marcos, and/or his wife Mrs. Imelda Romualdez Marcos, their close relatives, subordinates, business associates, dummies, agents or nominees which had been or were acquired by them directly or indirectly, through or as a result of the improper or illegal use of funds or properties owned by the government of the Philippines or any of its branches, instrumentalities, enterprises, banks or financial institutions, *or by taking undue advantage of their office, authority, influence, connections or relationship, resulting in their unjust enrichment and causing grave damage and prejudice to the Filipino people and the Republic of the Philippines*;" and

2) "[. . .]said assets and properties are in the form of bank accounts, deposits, trust accounts, shares of stocks, buildings, shopping centers, condominiums, mansions, residences, estates, and other kinds of real and personal properties in the Philippines and in various countries of the world."

. . . .

d. Executive Order No. 14

A third executive order is relevant: Executive Order No. 14, by which *the PCGG is empowered, "with the assistance of the Office of the*

> *Solicitor General and other government agencies*, [. . .] *to file and prosecute all cases investigated by it . . . as may be warranted by its findings." All such cases, whether civil or criminal, are to be filed "with the Sandiganbayan, which shall have exclusive and original jurisdiction thereof."* Executive Order No. 14 also pertinently provides that "(c)ivil suits for restitution, reparation of damages, or indemnification for consequential damages, forfeiture proceedings provided for under Republic Act No. 1379, or any other civil actions under the Civil Code or other existing laws, in connection with [. . .] (said Executive Orders Numbered 1 and 2) may be filed separately from and proceed independently of any criminal proceedings and may be proved by a preponderance of evidence"; and that, moreover, the "technical rules of procedure and evidence shall not be strictly applied to [. . .] (said) civil cases." [86] (Emphasis supplied, citations omitted)

Based on the discussions on ill-gotten wealth, the situations envisioned are that:

1) properties and assets were amassed by Marcos, Sr., his immediate family, relatives, subordinates, and close associates;

2) these properties and assets were owned or controlled by them directly or indirectly, through or as a result of:

   a) improper or illegal use of funds or properties owned by the Philippine government or any of its branches, instrumentalities, enterprises, banks or financial institutions, or

   b) by taking undue advantage of their office, authority, influence, connections, or relationship;

3) this resulted in their unjust enrichment and caused grave damage and prejudice to the Filipino people and the Republic of the Philippines.

Petitioner insists that the allegations in respondents' Petition will not give the Sandiganbayan jurisdiction over the case since respondent Presidential Commission on Good Government never explicitly stated that the subject parcels of land were ill-gotten wealth and did not pray for its recovery in its Petition before the Sandiganbayan.[87]

Associate Justice Jose Midas P. Marquez (Justice Marquez) points out that the principal cause of action of the Petition before the Sandiganbayan is not the recovery of ill-gotten wealth. The Petition actually seeks the declaration of nullity of the 1978 Lease Contract. Justice Marquez adds that the Presidential Commission on Good Government did not claim that Marcos, Sr. took possession or acquired ownership of the properties subject of the 1978

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[86] *Id.* at 199–203.

[87] *Rollo* (G.R. No. 212330), p. 54.

Lease Contract and instead emphasized that Marcos, Sr. did not possess any title to the aforementioned properties.[88]

However, a review of the Petition[89] filed before the Sandiganbayan will reveal otherwise:

> 1. This is a petition instituted pursuant to Executive Order (E.O.) Nos. 1, 2, 14 and 14-A, creating the PCGG with the mandate of assisting the President in recovering for the Filipino people the "ill-gotten" wealth accumulated by former President Ferdinand E. Marcos, his immediate family, relatives, subordinates and close associates.
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> . . . .
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> 5. Sometime in December 1978, during the martial law years, then President Ferdinand E. Marcos (hereinafter "Marcos") sent a Lease Contract to then General Manager (GM) of the PTA, Bernardo Vergara, for signature. On December 20, 1978, the Lease Contract (1978 Lease Contract) was signed by then GM Vergara in haste, without undergoing through the usual verification process and feasibility study by the business development group of the PTA.
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> . . . .
>
> 6. The 1978 Lease Contract covers several parcels of land situated at the Barrio of Suba, Paoay, Ilocos Norte with an aggregate area of 576,787 square meters. The contracting parties are Marcos as the Lessor and alleged owner of said parcels of land, and the PTA, as represented by then GM Vergara, as the Lessee. The term of the lease was for twenty-five (25) years covering the period of January 1, 1979 to December 31, 2003 at a nominal rate of PhP1.00 per year. Under the conditions of the lease, PTA "shall immediately enter into the land and undertake on its own, or jointly with other parties, any and all manner, nature and kind of improvements and construction that it may desire for tourism purposes, including the development of the land for public park with athletic, recreational and other similar facilities." Significantly, the 1978 Lease Contract further stipulates that PTA "shall bear all the cost of development, including the amortization of capital improvements and infrastructure, which the lessee is required to make and finance under the terms of [the] contract." At the end of the lease, "all improvements made by the lessee, its successors or assigns, shall vest in and become the property of the lessor."
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> . . . .
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> 14.2 President Marcos' financial interest in the lease contract is evident in the stipulation in the lease contract whereby President Marcos, as lessor, will appropriate the capital improvements and infrastructures introduced by the PTA at the expiration of the lease. Clearly, under these terms, the former President would profit enormously at the expense of the government.
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88 J. Marquez, Reflections, pp. 4–5.

89 CA *rollo*, pp. 388–401.

16. . . . . The 1978 Lease Contract was designed to unduly benefit President Marcos. Even if the consideration seems nominal at PhP1.00 per year or PhP25.00 for the entire duration of the contract from 1979 to 2003, the PTA, however, will be deprived of the aggregate fair market value of the improvements and facilities on the subject parcels of land, including the resulting appreciation thereof, which required the enormous expenditures of public therefor, as these will come under the ownership of former President Marcos at the expiration of the lease.

. . . .

17. The execution of the 1978 Lease Contract is unauthorized, and thus unlawful. The draft contract came straight from the office of former President Marcos for the affixing of signature of then PTA GM Vergara. The 1978 Lease Contract did not undergo the usual feasibility and legal study and project screening of PTA's business development and legal group. More importantly, there is no resolution of the PTA Board which authorized GM Vergara to execute the 1978 Lease Contract. The Charter of the PTA provides for a governing board. The act of the chief executive officer of the PTA, especially as the 1978 Lease Contract required the PTA to allocate and spend substantial resources for the capital improvements and infrastructures on the land, requires specific authority from the Board. There is no such authority that preceded or ratified the execution of the 1978 Lease Contract.

17.1 Moreover, neither the PTA, nor its GM Vergara, has the competence to accept or recognize former President Marcos' ownership of the property. GM Vergara's act of recognizing Marcos' ownership violates the Regalian Doctrine. Apart from the dubious allegation in the first whereas clause that President Marcos is the owner of the subject parcels of land; no evidence of title was referred to and made an integral part of the 1978 Lease Contract. The Regalian Doctrine mandates that it is indispensable that the person claiming title to public land should show that his title was acquired through purchase or grant from the State, or through any other mode of acquisition recognized by law. Those lands not appearing to be clearly within private ownership are presumed to belong to the State.

. . . .

19. It contravenes the purpose and essence of the PTA under its charter when a specific party profits from a tourism project developed by the PTA over and to the exclusion and prejudice of the general public. PTA funds were spent for the structures erected on the land to spur the tourism industry in the Ilocos region. These public funds are allocated to tourism projects in the tourism industry which should benefit the general public. By the lease contract with the President, the capital infused by the PTA in the tourism project will eventually be appropriated by the President at the expiration of the lease.[90]

In addition, the prayer in the Petition states:

WHEREFORE, petitioner respectfully prays that:

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[90] *Id.* at 388; 396–398.

> 1. The Lease Contract executed on December 20, 1978 between then President Ferdinand E. Marcos and the Philippine Tourism Authority be declared null and void *ab initio*; and
>
> 2. The parcels of land subject of the aforesaid Lease Contract be declared owned by the Republic of the Philippines.
>
> Such other reliefs, just and equitable in the premises, are likewise prayed for.[91]

It is a time-honored rule that it is the allegations in the complaint that are controlling and not the caption of the case.[92] This Court has held that even without a specific remedy prayed for, "the courts may nevertheless grant the proper relief as may be warranted by the facts alleged in the complaint and the evidence introduced."[93] Thus, petitioner's assertion that the allegations contained in the Petition before the Sandiganbayan do not support a claim for recovery of ill-gotten wealth will not stand.

Although the Petition did not overtly claim that it sought the recovery of ill-gotten wealth, a review of its allegations reveals that its primary cause of action was to determine the validity of the 1978 Lease Contract, and its second cause of action was to retrieve the properties involved in the 1978 Lease Contract which was purportedly acquired in breach of public trust and abuse of power.

The Petition did not explicitly mention the recovery of ill-gotten wealth, but the allegations clearly indicate that the matter before the Sandiganbayan concerns ill-gotten wealth. The Petition narrates how Marcos, Sr. abused his authority to enter into a lease contract involving properties on the 576,787-square meter land within the Paoay National Park development. Specifically, the Petition asserted that Marcos, Sr. used undue influence to execute the 1978 Lease Contract and declared himself as owner of the parcels of land despite scintilla of evidence proving the same. It was further stated that the 1978 Lease Contract was drafted by the Office of the President and delivered to the general manager of Philippine Tourism Authority for signature. These allegations aim to show that the 1978 Lease Contract was executed with abuse of power. Moreover, these properties and assets, while not registered in the name of Marcos, Sr. came to be controlled by him through the lease agreement.

Furthermore, the Petition alleged that the acquisition of the contested properties would not only unjustly enrich Marcos, Sr. and his estate but also be detrimental to the Republic. Undoubtedly, these allegations align with the envisioned circumstances of ill-gotten wealth in *Bataan Shipyard*.

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91 *Id.* at 399.

92 *Spouses Monsalud v. National Housing Authority*, 595 Phil. 750, 764 (2008) [Per J. Reyes, Third Division].

93 *Id.* at 765.

The allegations in the Petition of declaration of nullity likewise satisfies the principle of ill-gotten wealth laid down in the landmark case of *Chavez v. Presidential Commission on Good Government*:[94]

> We may also add that "ill-gotten wealth," by its very nature, assumes a public character. Based on the aforementioned Executive Orders, "ill-gotten wealth" refers to assets and properties purportedly acquired, directly or indirectly, by former President Marcos, his immediate family, relatives and close associates through or as a result of their improper or illegal use of government funds or properties; or their having taken undue advantage of their public office; or their use of powers, influences or relationships, "resulting in their unjust enrichment and causing grave damage and prejudice to the Filipino people and the Republic of the Philippines." Clearly, the assets and properties referred to supposedly originated from the government itself. To all intents and purposes, therefore, they belong to the people. As such, upon reconveyance they will be returned to the public treasury, subject only to the satisfaction of positive claims of certain persons as may be adjudged by competent courts. Another declared overriding consideration for the expeditious recovery of ill-gotten wealth is that it may be used for national economic recovery.[95] (Citations omitted)

According to *Chavez,* the two requisites that must be present for properties or assets to be considered ill-gotten wealth are: (a) their origin must be traced from the State; and (b) they were acquired by Marcos, Sr., his immediate family, relatives, and close associates by illegal means.

Both elements are present here.

First, what is involved is 576,787 square meters of land public and inalienable land in the Ilocos Region. It is alleged to be property of the State misappropriated by Marcos, Sr. for his benefit and enjoyment. This satisfies the first requirement that the property in question "originated from the government itself" and the second requirement of ill-gotten wealth, that "they must have been taken by illegal means." Thus, the Petition for Declaration of Nullity brings into light the 1978 Lease Contract that involves ill-gotten wealth, that is, State properties illegally appropriated by Marcos, Sr. through undue influence and abuse of power.

Given that the case involves ill-gotten wealth, the Sandiganbayan has jurisdiction over the validity of the 1978 Lease Contract and the Presidential Commission on Good Government was correct in filing its Petition before the anti-graft court.

Executive Order No. 14 series of 1986 provides:

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[94] 360 Phil. 133 (1998) [Per J. Panganiban, First Division].
[95] *Id.* at 165.

> SECTION 1. Any provision of the law to the contrary notwithstanding, *the Presidential Commission on Good Government, with the assistance of the Office of the Solicitor General and other government agencies, is hereby empowered to file and prosecute all cases investigated by it under Executive Order No. 1, dated February 28, 1986, and Executive Order No. 2, dated March 12, 1986, as may be warranted by its findings.*
>
> SECTION 2. *The Presidential Commission on Good Government shall file all such cases, whether civil or criminal, with the Sandiganbayan, which shall have exclusive and original jurisdiction thereof.* (Emphasis supplied)

This was reiterated in *Presidential Commission on Good Government v. Peña*,[96] when it was established that the jurisdiction of the Sandiganbayan covers cases of recovery of ill-gotten wealth, as well as those incidents arising therefrom, thus:

> On the issue of jurisdiction squarely raised, as above indicated, the Court sustains petitioner's stand and holds that regional trial courts and the Court of Appeals for that matter have *no* jurisdiction over the Presidential Commission on Good Government in the exercise of its powers under the applicable Executive Orders and Article XVIII, section 26 of the Constitution and therefore may not interfere with and restrain or set aside the orders and actions of the Commission. *Under section 2 of the President's Executive Order No. 14 issued on May 7, 1986, all cases of the Commission regarding "the Funds, Moneys, Assets, and Properties Illegally Acquired or Misappropriated by Former President Ferdinand Marcos, Mrs. Imelda Romualdez Marcos, their Close Relatives, Subordinates, Business Associates, Dummies, Agents, or Nominees" whether civil or criminal, are lodged within the "exclusive and original jurisdiction of the Sandiganbayan" and all incidents arising from, incidental to, or related to, such cases necessarily fall likewise under the Sandiganbayan's exclusive and original jurisdiction*, subject to review on *certiorari* exclusively by the Supreme Court.
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> . . . .
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> The law and the courts frown upon split jurisdiction and the resultant multiplicity of actions. To paraphrase the leading case of *Rheem of the Phil., Inc. vs. Ferrer, et al.*, to draw a tenuous jurisdiction line is to undermine stability in litigations. A piecemeal resort to one court and another gives rise to multiplicity of suits. To force the parties to shuttle from one court to another to secure full determination of their suit is a situation gravely prejudicial to the administration of justice. The time lost, the effort wasted, the anxiety augmented, additional expenses incurred, the irreparable injury to the public interest — are considerations which weigh heavily against split jurisdiction.[97] (Emphasis supplied, citations omitted)

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96 243 Phil. 93 (1988) [Per J. Teehankee, *En Banc*].

97 *Id.* at 102–106.

Soriano III vs. Yuzon[98] illustrated incidents originating from ill-gotten wealth or cases related to it:

> Now, that exclusive jurisdiction conferred on the Sandiganbayan would evidently extend not only to the principal causes of action, *i.e.*, the recovery of alleged ill-gotten wealth, but also to "all incidents arising from, incidental to, or related to, such cases," such as the dispute over the sale of the shares, the propriety of the issuance of ancillary writs or provisional remedies relative thereto, the sequestration thereof, which may not be made the subject of separate actions or proceedings in another forum.[99]

To reiterate, the antigraft court has original and exclusive jurisdiction over "(a) cases filed by the [Presidential Commission on Good Government], pursuant to the exercise of its powers under Executive Order Nos. 1, 2 and 14, as amended by the Office of the President, and Article XVIII, Section 26 of the Constitution, *i.e.*, where the principal cause of action is the recovery of ill-gotten wealth, as well as all incidents arising from, incidental to, or related to such cases and (b) cases filed by those who wish to question or challenge the commission's acts or orders in such cases."[100]

Petitioner makes much of the fact of the absence of a sequestration order on the property. This is untenable as the lack of a sequestration order does not remove a particular property outside the purview of ill-gotten wealth.

In *Republic v. Sandiganbayan*,[101] this Court held that the lifting of orders of sequestration does not lift the nature of a property as ill-gotten wealth. It held further that the Presidential Commission on Good Government may proceed on the recovery of ill-gotten wealth even without an order of sequestration:

> Even with the lifting of the sequestration orders against PHI and the PTIC shares, these properties may still be recovered by the government upon substantial proof, proffered in the proper suit, that they indeed constitute unlawfully amassed wealth of the Marcoses and/or their conduits. *The lifting of the subject orders does not ipso facto mean that the sequestered properties are not ill-gotten; neither does it preempt a finding to that effect in the main action.*
>
> The effect of the lifting of the sequestration against PHI and the subject PTIC shares will merely be the termination of the role of the government as conservator thereof. In other words, the PCGG may no longer exercise administrative or housekeeping powers, and its nominees may no longer vote the heretofore sequestered shares to enable them to sit on the corporate board of the subject firm.

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98 247 Phil. 191 (1988) [Per J. Narvasa, *En Banc*].

99 *Id.* at 208.

100 *Abad v. Philippine Communications Satellite Corporation*, 756 Phil. 294, 305 (2015) [Per J. Villarama, Jr., Third Division].

101 355 Phil. 181 (1998) [Per J. Panganiban, First Division].

> *In brief, sequestration is not the be-all and end-all of the efforts of the government to recover unlawfully amassed wealth. The PCGG may still proceed to prove in the main suit who the real owners of these assets are.* Besides, as we reasserted in *Republic vs. Sandiganbayan*, the PCGG may still avail itself of ancillary writs, since "Sandiganbayan's jurisdiction over the sequestration cases demands that it should also have the authority to preserve the subject matter of the cases, the alleged ill-gotten wealth properties[.]"[102] (Emphasis supplied, citations omitted)

Sequestration is only one of the special powers the law has given to respondent Presidential Commission on Good Government. It is not a prerequisite before the Sandiganbayan may exercise its jurisdiction.

I (B)

Now, we discuss whether the Sandiganbayan has jurisdiction over the complaint for unlawful detainer.

It is a well-settled rule that the allegations in a complaint determine jurisdiction over the subject matter. Moreover, only law can confer jurisdiction.[103] Rule 70 of the Rules of Court governs the procedure on cases of ejectment, namely forcible entry and unlawful detainer. Section 1 specifies the requirements for filing an unlawful detainer complaint:

> SECTION 1. Who may institute proceedings, and when. — Subject to the provisions of the next succeeding section, a person deprived of the possession of any land or building by force, intimidation, threat, strategy, or stealth, or a lessor, vendor, vendee, or other person against whom the possession of any land or building is unlawfully withheld after the expiration or termination of the right to hold possession, by virtue of any contract, express or implied, or the legal representatives or assigns of any such lessor, vendor, vendee, or other person, may, at any time within one (1) year after such unlawful deprivation or withholding of possession, bring an action in the proper Municipal Trial Court against the person or persons unlawfully withholding or depriving of possession, or any person or persons claiming under them, for the restitution of such possession, together with damages and costs.

The municipal trial court has original and exclusive jurisdiction for cases of unlawful detainer. There are special jurisdictional facts that must be set forth in the complaint: (1) the initial possession of the property by respondent was by contract with or by tolerance of petitioner; (2) that such possession became unlawful; (3) that respondent remained in possession of the property and in turn deprived petitioner of its enjoyment; and (4) that

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102 *Id.* at 206–207.

103 *Regalado v. Vda. de de la Peña,* 822 Phil. 705, 716 (2017) [Per J. Del Castillo, First Division].

petitioner filed a complaint for ejectment within one year from last demand to vacate the property.[104]

In this case, petitioner filed the Complaint for unlawful detainer in May 2007 against respondents Presidential Commission on Good Government, Philippine Tourism Authority, and Grand Ilocandia questioning their possession of the parcels of land covered in the 1978 Lease Contract. The pertinent allegations of petitioner in its Complaint[105] for unlawful detainer are reproduced below:

> 1. The late President Ferdinand E. Marcos is the registered owner of various parcels of land situated in the municipality of Paoay and the City of Laoag, Ilocos Norte. These parcels of land, among others, are where Malacanang Ti Amianan, Maharlika Hall, Suba Sports Complex as well as the 18-hole golf course are located (hereinafter collectively referred to as the "SUBJECT PREMISES").
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> 2. On or about 20 December 1978, President Marcos (as lessor) entered into a Lease Agreement with defendant PTA (as lessee) with respect to the SUBJECT PREMISES.
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> 3. A cursory reading of the terms of the Lease Agreement would reveal that the same was obviously a "gift" from President Marcos to his *Ilocano* constituents. Way back in 1978, President Marcos could have easily opted to lease the SUBJECT PREMISES to a foreign investor and smile prettily while collecting the rentals therefrom. Instead, he chose to lease more than 57 hectares of prime property to PTA for the measly sum of one peso (PhP 1.00) a year for 25 years. There were only two important provisions to the Lease Agreement:
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> . . . .
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> 10.1. On or about 23 April 2001, or 2 years prior to the expiration of the Lease Agreement, defendants PTA and PCGG – in evident bad faith, entered into another ten (10) year Lease Agreement with regard to the SUBJECT PREMISES, this time with defendant GIRDI. A copy of the Lease Agreement between defendants PTA, PCGG and GIRDI is attached hereto and made an integral part hereof as Annex "E";
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> 10.2. It is interesting to note that whereas before it was only PTA who would enter into Lease Agreements involving the SUBJECT PREMISES, now even PCGG entered the picture! Their justification for getting a piece of the action was because the SUBJECT PREMISES were "under sequestration by the PCGG" and that it was them who transferred custody and management of the same to defendant PTA (see 2nd WHEREAS clause, Lease Agreement dated 23 April 2001). However, as shall be demonstrated below, PCGG's contention is bereft of any factual or legal basis.[106]

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[104] *Santos Ventura Hocorma Foundation, Inc. v. Mabalacat Institute, Inc.*, G.R. No. 211563, September 29, 2021 [Per J. Hernando, Second Division].

[105] CA *rollo*, pp. 127–143.

[106] *Id.* at 129–134.

Petitioner alleged that it was the registered owner of the parcels of land subject of the lease between petitioner and respondents. It asserted that the respondents maintained possession of the subject lands after the expiration of the 1978 Lease Contract, and that respondents refused to vacate the subject parcels of land despite demand from petitioner. Petitioner further alleged that while the contract had expired on December 31, 2003, the last demand for respondents to vacate was on March 26, 2007. Thus, the filing of the unlawful detainer complaint on May 2, 2007 was within the one year period required by the law.

To recall, an action for unlawful detainer seeks to reclaim possession of real property from a party who unlawfully retains it following the expiration or termination of their contractual right to do so. Here, due to the expiration of the 1978 Lease Contract, respondent Philippine Tourism Authority's right to possess became unlawful. These were all alleged in the unlawful detainer Complaint of petitioner. As such, they sufficiently alleged factual and legal basis for an unlawful detainer case. The same remains regardless of whether the facts asserted are proven in trial and whether petitioner is entitled to the relief sought.[107]

Petitioner's Complaint had already met the jurisdictional requirements for an unlawful detainer case, thus, the Municipal Circuit Trial Court's jurisdiction over the subject matter has already been conferred.[108]

Likewise, the Regional Trial Court obtained jurisdiction over the case as the appellate court in accordance with Rule 70, Section 18 of the Rules of Court.[109]

Associate Justice Maria Filomena D. Singh (Justice Singh) notes that the jurisdiction of the Municipal Circuit Trial Court and the Regional Trial Court over the unlawful detainer case is not lost despite the filing of the Petition before the Sandiganbayan.[110] This is because once jurisdiction is obtained, it does not lapse and remains in effect until the termination of the case.[111]

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107 *Canlas v. Tubil*, 616 Phil. 915, 926 (2009) [Per J. Ynares-Santiago, Third Division].

108 *Santos Ventura Hocorma Foundation, Inc. v. Mabalacat Institute, Inc.*, G.R. No. 211563, September 29, 2021 [Per J. Hernando, Second Division].

109 Rule 70, sec. 18 provides in part:
Section 18. . . .
The judgment or final order shall be appealable to the appropriate Regional Trial Court which shall decide the same on the basis of the entire record of the proceedings had in the court of origin and such memoranda and/or briefs as may be submitted by the parties or required by the Regional Trial Court.

110 J. Singh, Reflections, p. 4.

111 *Mejia-Espinoza v. Cariño*, 804 Phil. 248, 257 (2017) [Per. J. Jardeleza, Third Division].

Still, there have been instances where the suspension of the unlawful detainer proceedings was allowed. In *Amagan v. Marayag*,[112] this Court held that cases of unlawful detainer may be suspended on considerations of equity:

> As a general rule, an ejectment suit cannot be abated or suspended by the mere filing before the regional trial court (RTC) of another action raising ownership of the property as an issue. As an exception, however, unlawful detainer actions may be suspended even on appeal, on considerations of equity, such as when the demolition of petitioner's house would result from the enforcement of the municipal circuit trial court (MCTC) judgment.
>
> . . . .
>
> After a close reading of the peculiar circumstances of the instant case, however, we hold that equitable considerations impel an exception to the general rule. In its earlier July 8, 1997 Decision in CA-GR No. 43611-SP which has long become final, the Court of Appeals, through Justice Artemio G. Tuquero, arrived upon the following factual findings which are binding on herein parties:
>
> > "Admittedly, petitioners who appealed the judgment in the ejectment case did not file a supersedeas bond. Neither have they been depositing the compensation for their use and occupation of the property in question as determined by the trial court. Ordinarily, these circumstances would justify an execution pending appeal. However, there are circumstances attendant to this case which would render immediate execution injudicious and inequitable.
> >
> > "ONE. Private respondent Teodorico T. Marayag anchors his action for unlawful detainer on the theory that petitioners' possession of the property in question was by mere tolerance. However, in an answer to his demand letter dated April 13, 1996 (Annex 'D'), petitioners categorically denied having any agreement with him, verbal or written, asserting that they are 'owners of the premises we are occupying at 108 J.P. Rizal Street, San Vicente, Silang, Cavite.' In other words, it is not merely physical possession but ownership as well that is involved in this case.
> >
> > "TWO. In fact, to protect their rights to the premises in question, petitioners filed an action for reconveyance, quieting of title and damages against private respondents, docketed as Civil Case No. TG-1682 of the Regional Trial Court, Branch 18, Tagaytay City. The issue of ownership is squarely raised in this action. Undoubtedly, the resolution of this issue will be determinative of who is entitled to the possession of the premises in question.

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[112] 383 Phil. 486 (2000) [Per J. Panganiban, Third Division].

> "THREE. The immediate execution of the judgment in the unlawful detainer case will include the removal of the petitioners' house [from] the lot in question.
>
> "To the mind of the Court it is injudicious, nay inequitable, to allow demolition of petitioners' house prior to the determination of the question of ownership [of] the lot on which it stands."
>
> Indisputably, the execution of the MCTC Decision would have resulted in the demolition of the house subject of the ejectment suit; thus, by parity of reasoning, considerations of equity require the suspension of the ejectment proceedings. We note that, like *Vda. de Legaspi*, the respondent's suit is one of unlawful detainer and not of forcible entry. And most certainly, the ejectment of petitioners would mean a demolition of their house, a matter that is likely to create the "confusion, disturbance, inconveniences and expenses" mentioned in the said exceptional case.
>
> Necessarily, the affirmance of the MCTC Decision would cause the respondent to go through the whole gamut of enforcing it by physically removing the petitioners from the premises they claim to have been occupying since 1937. (Respondent is claiming ownership only of the land, not of the house.) Needlessly, the litigants as well as the courts will be wasting much time and effort by proceeding at a stage wherein the outcome is at best temporary, but the result of enforcement is permanent, unjust and probably irreparable.[113] (Emphasis in the original, citation omitted)

In *Amagan*, this Court found that the risk of demolishing one's house while there was a pending ownership dispute was a sufficient and equitable justification to suspend unlawful detainer proceedings. Surely, the matter at hand is accompanied by strong reasons of equity as well. The subject matter before the trial courts were parcels of land amounting to 576,787 square meters where the Paoay National Park is located. Thus, an order to vacate the leased premises would entail the surrender of tourist sites administered and managed by the Department of Tourism. It would not only be a time-consuming and costly endeavor, but it would also be an exercise in futility due to the potential impact of the Sandiganbayan's decision on the decision of the lower court. The government's time and resources would thus be wasted as a result.

However, as Justice Singh pointed out, the Presidential Commission on Good Government failed to move for the issuance of a preliminary injunction to restrain the lower courts from exercising jurisdiction over the unlawful detainer case.[114] Consequently, although judicial economy dictates that suspension of the ejectment case is appropriate while the Sandiganbayan case is pending, a stay of proceedings or execution is not automatic and must be initiated by a preliminary order from the courts.

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[113] *Id.* at 489–499.

[114] J. Singh, Reflections, pp. 5–6.

It is important to note, however, that an ejectment case merely determines who has the superior right to possession. Judgments on unlawful detainer are conclusive only with respect to the question of actual—not legal—possession.[115] It will not bind title, affect ownership, or bar an action between the same parties respecting title to the subject property.[116]

That the Municipal Circuit Trial Court and the Regional Trial Court acquired and exercised jurisdiction over the unlawful detainer case does not prevent the parties from challenging the ownership of the subject parcels of land before the competent courts. In addition, the trial courts' jurisdiction over the unlawful detainer case does not in any way exclude the subject parcels of lands from the definition of ill-gotten wealth. Thus, the validity of the 1978 Lease Contract between Marcos, Sr., and the Philippine Tourism Authority may still be contested before the Sandiganbayan.

II

Having established that the Sandiganbayan correctly exercised its jurisdiction over the case filed before it, this Court will now discuss the substantial matters at hand, specifically, the validity of the 1978 Lease Contract.

A contract is defined in Article 1305 of the Civil Code as a meeting of minds between two or more parties, where one binds themself to give something or render service. There is no contract unless the following requisites are present: (1) consent of the contracting parties; (2) object certain which is the subject matter of the contract; and (3) cause of the obligation which is established.[117]

A contract is void where one of the essential requisites of a valid contract is totally wanting or when the terms and conditions stipulated are contrary to law, morals, good customs, public order, or public policy.[118] In a lease agreement, there is a meeting of minds between two or more parties, wherein one party binds himself to another, to grant use or enjoyment of a thing for a period of time and for a fee certain.[119] In this setup, the use of the thing is the subject matter and the fee certain is the cause of the obligation.[120]

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115 *Eversley Childs Sanitarium v. Barbarona*, 829 Phil. 111, 129 (2018) [Per J. Leonen, Third Division].

116 RULES OF COURT, Rule 70, sec. 18.

117 CIVIL CODE, art. 1318.

118 CIVIL CODE, art. 1306 states:
ARTICLE 1306. The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.

119 *Hilltop Market Fish Vendors' Association, Inc. v. Yaranon*, 813 Phil. 654, 662 (2017) [Per J. Carpio, Second Division.

120 *Id.* at 664.

In the 1978 Lease Contract, Marcos, Sr., as lessor and alleged owner of the lands, and respondent Philippine Tourism Authority, as lessee, agreed to lease 567,787 square meters of land in Paoay, Ilocos Norte for 25 years for PHP 1.00 per year.[121] The pertinent portions of the contract state:

> a. The Lease Contract shall be for the full term of Twenty-Five (25) Years from and including, the 1st day of January 1978 at a nominal rental fee of ONE PESO (P1.00) per year and shall expire on the 31st day of December 2003.
> b. The Lessee shall immediately enter into the land and undertake on its own, or jointly with other parties, any kind of improvements and construction that it may desire for tourism purposes.
> c. The Lessee shall bear all the cost of development, including the amortization of capital improvements and infrastructure, which the Lessee is required to make and finance under the terms of the contract.
> d. That upon the termination of the lease or of any extension thereof, all improvements made by the Lessee, its successors or assigns, shall vest in and become the property of the Lessor.[122]

Two essential elements of the 1978 Lease Contract are questionable, namely, the subject matter of the contract and the cause or consideration of the obligation.

First, Marcos, Sr. declared himself as the owner of the 576,787-square meter property. However, there is no showing that he owned the subject parcels of land upon execution of the 1978 Lease Contract.

To recall, Republic Act No. 5631 deemed the Paoay Lake and all its extremities a national park, and thus, put it outside the commerce of man.[123] National Parks were first established in February 1, 1932 through the passage of Act No. 3915 which provides:

> SECTION 1. Upon recommendation of the Secretary of Agriculture and Natural Resources, the Governor-General shall, by proclamation, reserve and withdraw from settlement, occupancy or disposal under the laws of the Philippine Islands any portion of the public domain which, because of its panoramic, historical, scientific or aesthetic value, should be dedicated and set apart as a national park for the benefit and enjoyment of the people of the Philippine Islands.

A national park was further defined in Presidential Decree No. 705 or the Forestry Reform Code of the Philippines:

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121 *Rollo* (G.R. No. 212330), p. 97.
122 *Id.* at 21.
123 Republic Act No. 5631, sec. 1. Paoay Lake in the Province of Ilocos Norte and its extremities within one kilometer from said lake is hereby declared a national park.

> SECTION 3. *Definitions.* – . . . .
>
> h) National park refers to a forest land reservation essentially of primitive or wilderness character which has been withdrawn from settlement or occupancy and set aside as such exclusively to preserve the scenery, the natural and historic objects and the wild animals or plants therein, and to provide enjoyment of these features in such a manner as will leave them unimpaired for future generations.

Under Section 16 of the same law, national parks were declared not capable of being alienable and disposable:

> SECTION 16. Areas Needed for Forest Purposes. — The following lands, even if they are below eighteen per cent (18%) in slope, are needed for forest purposes, *and may not, therefore, be classified as alienable and disposable land,* to wit:
>
> . . . .
>
> 9. *Areas needed for other purposes, such as national parks, national historical sites, game refuges and wildlife sanctuaries, forest station sites, and others of public interest; and*
>
> 10. *Areas previously proclaimed by the President as forest reserves, national parks, game refuge, bird sanctuaries, national shrines, national historic sites:*
>
> Provided, That in case an area falling under any of the foregoing categories shall have been titled in favor of any person, steps shall be taken, if public interest so requires, to have said title cancelled or amended, or the titled area expropriated. (Emphasis supplied)

Being a national park, the lots were public lands and remained part of the inalienable land of the public domain, and thus incapable of private appropriation.[124] It was only when Presidential Decree No. 1554 was issued declaring certain parcels of land surrounding Paoay Lake as alienable and disposable that the same became open for acquisition by private individuals through duly constituted laws.[125] The Presidential Decree provides:

> WHEREAS, the establishment of the said national park did not take into consideration, and has in fact prejudiced, the continuous, exclusive possession and occupation of the land area thereof under a bona fide claim of ownership since time immemorial by such possessors, claimants or occupants who are conclusively presumed to have performed all the conditions essential to government grant and are, therefore entitled to certificates of title thereto under provisions of existing laws; and

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[124] *Republic v. Intermediate Appellate Court,* 264 Phil. 450, 455 (1990) [Per J. Paras, Second Division].

[125] Presidential Decree No. 1554 (1978). Amending Republic Act No. 5631, Which Declared the Paoay Lake and its Extremities Situated in the Province of Ilocos Norte a National Park, by Excluding a Certain Portion of the Land Embraced Therein and Declaring the Same Open for Disposition Under Existing Laws.

> WHEREAS, over-riding considerations of equity and justice demand that such bona fide claims, possessions and occupations be excluded from the operation of the national park reservation established under the aforementioned law.
>
> NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order the amendment of Republic Act No. 5631, by excluding from the operations of said Act all lands beyond the Paoay Lake proper at its highest water level, and declaring the same open to disposition/acquisition under the provisions of existing laws.

This was in line with the president's power to classify lands of the public domain into alienable and disposable lands under Section 6 of Commonwealth Act No. 141.[126]

Notwithstanding Presidential Decree No. 1554, which converted the subject parcels of land and opened it to acquisition, there is no showing that ownership of these parcels of land were transferred to Marcos, Sr. before the 1978 Lease Contract was executed. Contrary to petitioner's assertions, different government agencies issued certifications confirming that Marcos, Sr. did not own the subject parcels of land. These are the following: (a) Certification of the Office of the Municipal Assessor of Paoay certifying that the former president had no properties declared in his name within the municipality;[127] (b) Certification issued by the Registrar of Deeds of Laoag City stating that there are no certificate of titles covering the lots where Paoay Sports Complex, Maharlika Hall, and Paoay Golf Course are erected;[128] (c) Certification from the Registry of Deeds of Batac, Ilocos Norte stating that Lot No. 5133 declared under the name of Paoay Sports Complex and Malacañang of the North has not been issued any title from the records.[129] That being said, it appears that Marcos, Sr.'s declaration of ownership was merely unilateral.

In addition, while the Sandiganbayan found that among the lots involved, 58 lots have free patent grants and 32 have pending patent applications,[130] all of the patent applications were filed with the Department of Environment and Natural Resources between 1995 and 2000, or almost two decades after the 1978 Lease Contract was executed.[131] Consequently, petitioner cannot claim that it owned the parcels of land covered when the

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[126] SECTION 6. The President, upon the recommendation of the Secretary of Agriculture and Commerce, shall from time to time classify the lands of the public domain into —
(a) Alienable or disposable,
(b) Timber, and
(c) Mineral lands,
and may at any time and in a like manner transfer such lands from one class to another, for the purposes of their administration and disposition.

[127] CA *rollo*, p. 432.

[128] *Id.* at 427. Dated April 1, 2009.

[129] *Id.* at 365. Dated March 31, 2009.

[130] *Rollo* (G.R. No. 212330) p. 15.

[131] *Id.* at 16–17.

1978 Lease Contract was signed by virtue of free patents that were granted after the fact. Evidently, Marcos, Sr., had no legal claim of ownership over the properties whatsoever. While the lessor does not need to be the owner of the property, they must possess an authority or a right to lease it (e.g., as usufructuary or lessee), or at the very least, act as an agent of the owner, usufructuary, or lessee.[132] Here, Marcos, Sr. neither had ownership nor a right to enter into the lease agreement.

In *Fullido v. Grilli*,[133] it was held that when one of the elements essential for the validity of a contract is absent, the contract is void. It further illustrated that one cannot enter into a contract involving property if they have no authority to do so:

> A void or inexistent contract may be defined as one which lacks, absolutely either in fact or in law, one or some of the elements which are essential for its validity. It is one which has no force and effect from the very beginning, as if it had never been entered into; it produces no effect whatsoever either against or in favor of anyone. *Quod nullum est nullum producit effectum.* Article 1409 of the New Civil Code explicitly states that void contracts also cannot be ratified; neither can the right to set up the defense of illegality be waived. Accordingly, there is no need for an action to set aside a void or inexistent contract.
>
> A review of the relevant jurisprudence reveals that the Court did not hesitate to set aside a void contract even in an action for unlawful detainer. In *Spouses Alcantara v. Nido*, which involves an action for unlawful detainer, the petitioners therein raised a defense that the subject land was already sold to them by the agent of the owner. The Court rejected their defense and held that the contract of sale was void because the agent did not have the written authority of the owner to sell the subject land.
>
> Similarly, in *Roberts v. Papio*, a case of unlawful detainer, the Court declared that the defense of ownership by the respondent therein was untenable. The contract of sale invoked by the latter was void because the agent did not have the written authority of the owner. A void contract produces no effect either against or in favor of anyone.
>
> In *Ballesteros v. Abion*, which also involves an action for unlawful detainer, the Court disallowed the defense of ownership of the respondent therein because the seller in their contract of sale was not the owner of the subject property. For lacking an object, the said contract of sale was void *ab initio*.
>
> Clearly, contracts may be declared void even in a summary action for unlawful detainer because, precisely, void contracts do not produce legal effect and cannot be the source of any rights. To emphasize, void contracts may not be invoked as a valid action or defense in any court proceeding, including an ejectment suit...[134] (Citations omitted)

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[132] *Ballesteros v. Abion*, 517 Phil. 253, 262 (2006) [Per J. Corona, Second Division].
[133] 781 Phil. 840 (2016) [Per J. Mendoza, Second Division].
[134] *Id.* at 852–853.

Seeing as Marcos, Sr. had no authority over the property, either as owner or possessor, he likewise had no authority to enter into the 1978 Lease Contract. Thus, the subject matter of the 1978 Lease Contract is wanting.

The third element of a contract, that is, the cause or consideration, is likewise questionable.

The 1978 Lease Contract stipulated that Marcos, Sr. is the lessor and owner of the properties involved. In addition, the contract also stated that ownership of all improvements made on the properties during the term of the lease would transfer to the lessor upon termination of the contract. This gave Marcos, Sr. a pecuniary interest in the contract which is explicitly prohibited in the 1973 Constitution, as adopted in the 1987 Constitution.

Article VII, Section 8 of the amended 1973 Constitution states:

> SECTION 8. . . .
>
> (2) The President and the Vice-President shall not, during their tenure, hold any other office, except when otherwise provided in this Constitution, nor may they practice any profession, participate directly or indirectly in any business, or be financially interested directly or indirectly in any contract with, or in any franchise or special privilege granted by the Government or any subdivision, agency, or instrumentality thereof, including any government-owned or controlled corporation.

This was carried over in Article VII, Section 13 of the 1987 Constitution:

> SECTION 13. The President, Vice-President, the Members of the Cabinet, and their deputies or assistants shall not, unless otherwise provided in this Constitution, hold any other office or employment during their tenure. They shall not, during said tenure, directly or indirectly, practice any other profession, participate in any business, or be financially interested in any contract with, or in any franchise, or special privilege granted by the Government or any subdivision, agency, or instrumentality thereof, including government-owned or controlled corporations or their subsidiaries. They shall strictly avoid conflict of interest in the conduct of their office.

Moreover, the terms and conditions in the 1978 Lease Contract bestowing pecuniary interest to the lessor are unconstitutional. While the rental fee of PHP 1.00 per year of use was negligible, it cannot be denied that improvements were built on the land using millions of government funds. The extremely low rental fee was but a scheme to circumvent the constitutional prohibition against the president holding any financial interest in any contract with a government agency.

Given the unconstitutional nature of the 1978 Lease Contract, there is no question that it is a void contract and must be deemed as if it had never existed or had force and effect.

Article 1409(1) of the Civil Code provides that a contract is considered void or nonexistent and cannot be ratified if its cause or object did not exist at the time of the transaction, if the object was beyond the scope of human commerce, or if it is expressly prohibited by law, among others. Therefore, petitioner's assertion of subsequent possession or ownership of the properties will not serve to ratify or validate the contract. A void contract cannot be the source of any right.

III

Having established that the 1978 Lease Contract between Marcos, Sr. and respondent Philippine Tourism Authority is void, any rights arising therefrom have no legal basis. Accordingly, petitioner's claim over the possession, ownership, and payment of rental fees on the subject premises[135] in its unlawful detainer suit finds no justification.

Petitioner asserts that the Court of Appeals erred when the latter resolved its appeal on the ejectment suit in this wise: "The appropriate forum to resolve the issue of the validity of the 1978 Lease [Contract] and the concomitant determination of ownership of the subject premises is the Sandiganbayan."[136] In the same vein, petitioner insists that the Sandiganbayan never acquired jurisdiction over the case and has no capacity to rule that the parcels of land formed part of the protected Paoay Lake National Park.[137] Consequently, petitioner prays that the Decision of the Sandiganbayan, as well as that of the Court of Appeals, be reversed and the Decisions of the Municipal Circuit Trial Court and the Regional Trial Court be reinstated.

This Court finds that a discussion on the classification of public lands is imperative to arrive at a conclusion in the present case. This was exhaustively laid down in *Heirs of Malabanan v. Republic*:[138]

> Whether or not land of the public domain is alienable and disposable primarily rests on the classification of public lands made under the Constitution. Under the 1935 Constitution, lands of the public domain were classified into three, namely, agricultural, timber and mineral. Section 10, Article XIV of the 1973 Constitution classified lands of the public domain into seven, specifically, agricultural, industrial or commercial, residential, resettlement, mineral, timber or forest, and grazing land, with the

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135 *Rollo* (G.R. No. 212612), p. 48.
136 *Id.* at 50.
137 *Rollo* (G.R. No. 212330), p. 58.
138 717 Phil. 141 (2013) [Per J. Bersamin, *En Banc*].

reservation that the law might provide other classifications. The 1987 Constitution adopted the classification under the 1935 Constitution into agricultural, forest or timber, and mineral, but added national parks. Agricultural lands may be further classified by law according to the uses to which they may be devoted. The identification of lands according to their legal classification is done exclusively by and through a positive act of the Executive Department.

Based on the foregoing, the Constitution places a limit on the type of public land that may be alienated. Under Section 2, Article XII of the 1987 Constitution, only agricultural lands of the public domain may be alienated; all other natural resources may not be.

Alienable and disposable lands of the State fall into two categories, to wit: (a) patrimonial lands of the State, or those classified as lands of private ownership under Article 425 of the Civil Code, without limitation; and (b) lands of the public domain, or the public lands as provided by the Constitution, but with the limitation that the lands must only be agricultural. Consequently, lands classified as forest or timber, mineral, or national parks are not susceptible of alienation or disposition unless they are reclassified as agricultural. A positive act of the Government is necessary to enable such reclassification, and the exclusive prerogative to classify public lands under existing laws is vested in the Executive Department, not in the courts. If, however, public land will be classified as neither agricultural, forest or timber, mineral or national park, or when public land is no longer intended for public service or for the development of the national wealth, thereby effectively removing the land from the ambit of public dominion, a declaration of such conversion must be made in the form of a law duly enacted by Congress or by a Presidential proclamation in cases where the President is duly authorized by law to that effect. Thus, until the Executive Department exercises its prerogative to classify or reclassify lands, or until Congress or the President declares that the State no longer intends the land to be used for public service or for the development of national wealth, the Regalian Doctrine is applicable.

Disposition of alienable public lands

Section 11 of the Public Land Act (CA No. 141) provides the manner by which alienable and disposable lands of the public domain, *i.e.*, agricultural lands, can be disposed of, to wit:

> Section 11. Public lands suitable for agricultural purposes can be disposed of only as follows, and not otherwise:
>
> (1) For homestead settlement;
> (2) By sale;
> (3) By lease; and
> (4) By confirmation of imperfect or incomplete titles;
> [a] By judicial legalization; or
> [b] By administrative legalization (free patent).

The core of the controversy herein lies in the proper interpretation of Section 11(4), in relation to Section 48(b) of the Public Land Act, which expressly requires possession by a Filipino citizen of the land since June 12, 1945, or earlier, *viz*:

> Section 48. The following-described citizens of the Philippines, occupying lands of the public domain or claiming to own any such lands or an interest therein, but whose titles have not been perfected or completed, may apply to the Court of First Instance of the province where the land is located for confirmation of their claims and the issuance of a certificate of title thereafter, under the Land Registration Act, to wit:
>
> x x x x
>
> (b) Those who by themselves or through their predecessors-in-interest have been in open, continuous, exclusive, and notorious possession and occupation of alienable and disposable lands of the public domain, under a bona fide claim of acquisition of ownership, since June 12, 1945, or earlier, immediately preceding the filing of the applications for confirmation of title, except when prevented by war or force majeure. These shall be conclusively presumed to have performed all the conditions essential to a Government grant and shall be entitled to a certificate of title under the provisions of this chapter.

Note that Section 48(b) of the Public Land Act used the words "lands of the public domain" or "alienable and disposable lands of the public domain" to clearly signify that lands otherwise classified, *i.e.,* mineral, forest or timber, or national parks, and lands of patrimonial or private ownership, are outside the coverage of the Public Land Act. What the law does not include, it excludes. The use of the descriptive phrase "alienable and disposable" further limits the coverage of Section 48(b) to only the agricultural lands of the public domain as set forth in Article XII, Section 2 of the 1987 Constitution. Bearing in mind such limitations under the Public Land Act, the applicant must satisfy the following requirements in order for his application to come under Section 14(1) of the Property Registration Decree, to wit:

> 1. The applicant, by himself or through his predecessor-in-interest, has been in possession and occupation of the property subject of the application;
> 2. The possession and occupation must be open, continuous, exclusive, and notorious;
> 3. The possession and occupation must be under a bona fide claim of acquisition of ownership;
> 4. The possession and occupation must have taken place since June 12, 1945, or earlier; and
> 5. The property subject of the application must be an agricultural land of the public domain.[139] (Citations omitted)

Here, Republic Act No. 5631 declared the parcels of land surrounding the Paoay Lake as a national park. This includes the 576,787-square meter property subject of this case. As part of a national park, it was assigned a public purpose, making it inalienable land of public domain. However, Presidential Decree No. 1554 was issued, declaring it otherwise.

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[139] *Id.* at 161–164.

Consequently, the portions of land surrounding the Paoay Lake that were under a bona fide claim of ownership since time immemorial were excluded from the operation of the national park and were effectively made alienable and disposable to private individuals.

When Presidential No. 1554 was enacted, the 1973 Constitution was in effect. Accordingly, lands of the public domain may be classified into agricultural, industrial or commercial, residential, resettlement, mineral, timber or forest, and grazing lands, and such other classes as may be provided by law.[140] However, the 1987 Constitution established a limitation on the alienability of lands of the public domain. Article XII, Sections 2 and 3 of the 1987 Constitution state:

> SECTION 2. All lands of the public domain, waters, minerals, coal, petroleum and other mineral oils, all forces of potential energy, fisheries, forests or timber, wildlife, flora and fauna, and other natural resources *are owned by the State. With the exception of agricultural lands, all other natural resources shall not be alienated.* The exploration, development, and utilization of natural resources shall be under the full control and supervision of the State.
>
> . . . .
>
> SECTION 3. Lands of the public domain are classified into agricultural, forest or timber, mineral lands, and national parks. Agricultural lands of the public domain may be further classified by law according to the uses which they may be devoted. *Alienable lands of the public domain shall be limited to agricultural lands. Private corporations or associations may not hold such alienable lands of the public domain except by lease, for a period not exceeding twenty-five years, renewable for not more than twenty-five years, and not to exceed one thousand hectares in area.* Citizens of the Philippines may lease not more than five hundred hectares, or acquire not more than twelve hectares thereof by purchase, homestead, or grant.
>
> Taking into account the requirements of conservation, ecology, and development, and subject to the requirements of agrarian reform, the Congress shall determine, by law, the size of lands of the public domain which may be acquired, developed, held, or leased and the conditions therefor. (Emphasis supplied)

These provisions removed all lands of the public domain, save for agricultural lands, from possibly being declared as alienable and disposable land. The rest of the lands of the public domain, namely, forest, timber, mineral lands, or national parks, must first be converted into agricultural lands before it may be declared alienable and disposable, thus requiring two positive acts from the government.[141] Verily, under the 1987 Constitution, lands of public domain, including national parks, must first become agricultural land

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[140] 1973 CONST., art. XIV, sec. 10.

[141] *See Heirs of Malabanan v. Republic*, 717 Phil. 141, 162 (2013) [Per J. Bersamin, *En Banc*].

before it may be acquired by citizens. This creates an inconsistency between Presidential Decree No. 1554 and the 1987 Constitution.[142]

However, this Court will defer from resolving the constitutionality of the presidential issuance since the issue can be decided on other grounds.[143] As Associate Justice Alfredo Benjamin S. Caguioa (Justice Caguioa) correctly points out, it is not the *lis mota* of the case.[144] It is well-settled that questions of constitutionality cannot be raised collaterally and may only be passed upon if it is indispensable to the resolution of the case.

IV

Given that the 1978 Lease Contract has been declared void, the prospect of recovering the involved parcels of land will be examined. At this juncture, this Court will be required to examine and evaluate the pieces of evidence presented by the parties in the lower courts to ascertain the proper ownership and possession of the 576,787-square meter parcel of land.

However, this Court is not a trier of facts. It is a well-established rule that this Court is limited to questions of law in a petition for review under Rule 45 and defers to the factual findings of the trial court given their unique opportunity to directly observe the disposition and demeanor of the parties involved. *Pascual v. Burgos*[145] enunciated:

> Review of appeals filed before this court is "not a matter of right, but of sound judicial discretion[.]" This court's action is discretionary. Petitions filed "will be granted only when there are special and important reasons[.]" This is especially applicable in this case, where the issues have been fully ventilated before the lower courts in a number of related cases.
>
> The Rules of Court require that only questions of law should be raised in petitions filed under Rule 45. This court is not a trier of facts. It will not entertain questions of fact as the factual findings of the appellate courts are "final, binding[,] or conclusive on the parties and upon this [c]ourt" when supported by substantial evidence. Factual findings of the appellate courts will not be reviewed nor disturbed on appeal to this court.[146] (Citations omitted)

Thus, as a general rule, the factual findings of the Sandiganbayan bind this Court, if supported by substantial evidence.

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142 1987 Constitution, Article XVIII, Section 3. All existing laws, decrees, executive orders, proclamations, letters of instructions, and other executive issuances not inconsistent with this Constitution shall remain operative until amended, repealed, or revoked.

143 *Parcon-Song v. Parcon*, 876 Phil. 364, 401–402 (2020) [Per J. Leonen, *En Banc*].

144 J. Caguioa, Reflections, p. 5.

145 776 Phil. 167 (2016) [Per J. Leonen, Second Division].

146 *Id.* at 181–182.

A review of the evidence presented before the Sandiganbayan will show that out of the 150 parcels of land listed in the 1978 Lease Contract, 58 parcels of land had been granted free patents, either to the heirs of Marcos, Sr. or other individuals. It was summarized as follows:[147]

Seq.	Exh#	Lot No.	Applicant's Name	Date filed	Date Granted
1	J	5033	FRM Marcos	Oct. 20, 2000	Aug. 8, 2001
2	K	5069	FM Marcos	Oct. 20, 2000	Dec. 12, 2007
3	L	5070	MI R. Marcos	Oct. 20, 2000	Dec. 14, 2007
4	M	5073	FM Marcos	Oct. 20, 2000	Dec. 12, 2007
5	N	5074	FM Marcos	Oct. 20, 2000	Dec. 12, 2007
6	O	5075	MI R. Marcos	Oct. 20, 2000	Aug. 8, 2001
7	P	5111	FRM Marcos	Oct. 20, 2001	Dec. 12, 2007
8	Q	5112	FM Marcos	Oct. 20, 2000	Dec. 7, 2007
9	R	5113	FM Marcos	Dec. 20, 2000	Dec. 7, 2007
10	S	5115	MJ Marcos	Oct. 20, 2000	Dec. 12, 2007
11	T	5116	MJ Marcos	Oct. 20, 2000	Dec. 12, 2007
12	U	5117	MJ Marcos	Oct. 20, 2000	Dec. 12, 2007
13	V	5118	MJ Marcos	Oct. 20, 2000	Dec. 12, 2007
14	W	5125	MJ Marcos	(Missing data)	June 25, 2003
15	X	5126	FM Marcos	Oct. 20, 2000	Dec. 12, 2007
16	Y	5127	FM Marcos	Oct. 20, 2000	Dec. 12, 2007
17	Z	5128	FRM Marcos	Oct. 20, 2000	Dec. 12, 2007
18	A	5129	FM Marcos	Oct. 20, 2000	Aug. 8, ('03?)
19	B	5131	FRM Marcos	Oct. 20, 2000	Aug. 8, 2001
20	C	5135	FM Marcos	(Missing data----------)	
21	D	5137	FRM Marcos	Oct. 20, 2000	June 25, 2003
22	E	5138	FM Marcos	(Missing data)	June 25, 2003
23	F	5138	MI R. Marcos	Sept. 20, 2000	June 25, 2003
24	G	5140	MJ Marcos	Oct. 20, 2000	June 25, 2003
25	H	5154	MJ Marcos	Oct. 20, 2000	Dec. 12, 2007
26	I	5155	FM Marcos	(Missing data)	June 25, 2003
27	J	5164	FM Marcos	Oct. 20, 2000	Dec. 12, 2007
28	K	5165	FM Marcos	Oct. 20, 2000	Jan. 17, 2003
29	L	5169	FM Marcos	(Missing data)	Nov. 21, 2002
30	M	5170	FM Marcos	Oct. 20, 2000	Aug. 8, 2001
31	N	5077	MI Marcos	Oct. 20, 2000	Aug. 8, 2001
32	O	5080	FM Marcos	Oct. 20, 2000	Aug. 8, 2001
33	P	5087	MI R. Marcos	Oct. 20, 2000	Aug. 8, 2001
34	Q	5100	MJ Marcos	Oct. 20, 2000	Dec. 12, 2007
35	R	5101	FRM Marcos	Oct. 20, 2000	Dec. 12, 2007
36	S	5103	FM Marcos	Oct. 20, 2000	Dec. 7, 2007
37	T	5104	FM Marcos	Oct. 20, 2000	Dec. 7, 2007
38	U	5105	FRM Marcos	Oct. 20, 2000	Dec. 12, 2007
39	V	5107	FM Marcos	Oct. 20, 2000	Dec. 7, 2007
40	W	5108	MJ Marcos	Oct. 20, 2000	Dec. 12, 2007
41	X	5109	FRM Marcos	Oct. 20, 2000	Dec. 12, 2007
42	Y	5110	FM Marcos	Oct. 20, 2000	Dec. 12, 2007

[147] *Rollo* (G.R. No. 212330), pp. 16–17. The following initials/last name have full names, to wit: "FRM Marcos" is Ferdinand Richard Michael Marcos, "FM Marcos" is Fernando Martin Marcos, "MI R. Marcos" is Maria Imelda "Imee" Marcos, "MJ Marcos" is Matthew Joseph Marcos, "F Menor" is Felisardo Menor, "J.C. Tobias" is Julie C. Tobias, "F.P. Buduan" is Ferdinand P. Buduan, "J.P. Ignacio" is Jessica P. Ignacio, "P. Rasco" is Portia Rasco, "Q.R. Gobio" is Quirino P. Gobio, and "C. Dancel" is Constante Dancel.

43	Z	5124	FM Marcos	Oct. 20, 2000	June 25, 2003
44	A	5130	FRM Marcos	Oct. 20, 2000	Dec. 12, 2007
45	B	5132	FM Marcos	Oct. 20, 2000	Nov. 21, 2002
46	C	684	F. Menor	April 13, 1998	Feb. 25, 1999
47	D	714	J.C. Tobias	Jan. 7, 2002	Dec. 28, 2004
48	E	715	F.P. Buduan	July 28, 1998	Dec. 29, 1998
49	F	716	F.P. Buduan	July 28, 1998	Dec. 29, 1998
50	G	729	J.P. Ignacio	Mar. 6, 1996	May 13, 1996
51	H	739	P. Rasco	Mar. 4, 1998	Sept. 30, 1999
52	I	763	Q.R. Gobio	Sept. 19, 1994	Dec. 6, 1994
53	J	5185	C. Dancel	Oct. 1, 1995	Apr. 8, 1998
54	K	5184	C. Dancel	Oct. 1, 1995	Apr. 8, 1998
55	L	5185	C. Dancel	Oct. 1, 1995	Apr. 8, 1998
56	M	5186	C. Dancel	Oct. 1, 1995	Apr. 8, 1998
57	N	5187	C. Dancel	Oct. 1, 1995	Apr. 8, 1998
58	O	5202	C. Dancel	Oct. 1, 1995	Aug. 8, 1998

Out of the 58 granted free patents, 48 are in the names of the heirs of Marcos, Sr. while the remaining are in the names of other private individuals. These free patents were issued in accordance with Section 44 of the Commonwealth Act No. 141 or the Public Land Act as amended by Republic Act No. 6940 which provides that "[a]ny natural-born citizen of the Philippines who is not the owner of more than twelve (12) hectares and who, for at least thirty (30) years prior to the effectivity of this amendatory Act, has continuously occupied and cultivated, either by himself or through his predecessors-in-interest a tract or tracts of agricultural public lands subject to disposition, who shall have paid the real estate tax thereon while the same has not been occupied by any person shall be entitled, under the provisions of this Chapter, to have a free patent issued to him for such tract or tracts of such land not to exceed twelve (12) hectares."

Sheila Camagon, Land Management Officer III and Chief of the Land Management Service of the Department of Natural Resources-Provincial Environment and Natural Resources Office in Ilocos Norte, testified that the free patent applicants, including the heirs of Marcos, Sr., submitted barangay clearances stating that the lot is free from claims and conflicts, court clearances, tax declarations, and documents of conveyances to prove that the ownership of the previous owners from 1960 or earlier should tack to that of the ownership of the heirs Marcos, Sr.[148] The patent applications included affidavits from previous possessors regarding confirmations of sales or assignments of the parcels of land in favor of Marcos, Sr. in 1974.[149]

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[148] *Rollo* (G.R. No. 212330), p. 15. It cites the August 14, 2012 transcript of stenographic notes of Sheila Camagon: "We issue patent in accordance (with) Republic Act 6940 which took effect on April 18, 1990, and it says there (that) the possession, the occupation, the cultivation of the applicant or through his predecessor in (interest) shall be 30 years prior to its effectivity.... The tacking of possession of one (1) applicant should (be) from 1960; And then... on the status we check if it is unapplied, we check the survey claimant; We also request a barangay clearance if the lot is free from claims and conflicts...; We also request an RTC or MCTC clearance...; We also request the applicant to submit tax declaration; We request the submission of all documents of conveyances to prove the ownership of the applicant that should tack from 1960 or earlier."

[149] *Id.* at 74-A.

Free patents granted by the Department of Environment and Natural Resources are presumed to have complied with all duly constituted legal requirements, unless proven otherwise. In the same vein, the Department is presumed to have regularly issued the free patent in the ordinary course of the performance of its duties.[150] Once a free patent is issued, it is presumed that the applicant has met the burden of proof by clear, positive, and convincing evidence that their alleged possession and occupation were of the nature and duration required by law.[151] *Bustillo v. People*[152] held that:

> In sum, the petitioners have in their favor the presumption of regularity in the performance of official duties which the records failed to rebut. The presumption of regularity of official acts may be rebutted by affirmative evidence of irregularity or failure to perform a duty. The presumption, however, prevails until it is overcome by no less than clear and convincing evidence to the contrary. Thus, unless the presumption i[s] rebutted, it becomes conclusive. Every reasonable intendment will be made in support of the presumption and in case of doubt as to an officer's act being lawful or unlawful, construction should be in favor of its lawfulness.[153]

Thus, in the absence of a showing that the grant of a free patent was accompanied by "fraud, imposition, or mistake, other than error of judgment in the estimating the value or effect of evidence, regardless of whether or not it is consistent with the preponderance of the evidence, so long as there is some evidence upon which the finding in question could be made,"[154] the subsisting free patents are valid. It bears to clarify, however, that the free patents were issued in favor of the heirs of Marcos, Sr. and other third parties, and not to petitioner. Moreover, they were granted after the death of Marcos, Sr.. As such, the Estate remains to have no right over the properties.

Notwithstanding, there are glaring irregularities with a number of free patents. An examination of the granted and applied free patents will reveal that some were awarded to private individuals despite it being part of the national park development under the administration and control of respondent Philippine Tourism Authority and the Department of Tourism.[155] The improvements found on the properties are:[156]

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150 *Republic v. Sadca,* G.R. No. 218640, November 29, 2021 [Per J. Leonen, Third Division].

151 *Mendoza v. Valte,* 768 Phil. 539, 563–564 (2015) [Per J. Leonen, Second Division].

152 634 Phil. 547 (2010) [Per J. Del Castillo, Second Division].

153 *Id.* at 556.

154 *Quinsay v. Intermediate Appellate Court*, 272-A Phil. 235, 248 (1991) [Per J. Regalado, Second Division]. (Citation omitted)

155 *Rollo* (G.R. No. 212330), pp. 75–76.

156 *Id.* at 76. Commissioner's Report submitted to the Municipal Circuit Trial Court of Paoay, Currimao in the case titled *Estate of Ferdinand E. Marcos (Represented by its Special Co-Administrator Ferdinand R. Marcos Jr.) v. Philippine Tourism Authority, Presidential Commission on Good Government, Grand Ilocandia Resort & Development, Inc. and Nam's Corporation.*

Lot No.	Area[157]	Improvements	Party in Possession	Free Patent
5037	19,710	Maharlika Building	Leased to the Philippine Tourism Authority	Application by Imee Marcos pending
5044	6,333	Old motor pool	Leased to the Philippine Tourism Authority	Unapplied
5130	2,554	Swimming pool and guest house	Department of Tourism	Patent in favor of Ferdinand Richard Michael Marcos
5132	1,150	Malacañang	Department of Tourism	Patent in favor of Ferdinand Richard Michael Marcos
5133	5,520	Malacañang	Department of Tourism	Unapplied
5134	2,787	Malacañang	Department of Tourism	Unapplied
5152	1,167	Malacañang	Department of Tourism	Unapplied
5164	405	Swimming pool	Department of Tourism	Patent in favor of Ferdinand Martin Marcos
5165	453	Tennis court	Department of Tourism	Patent in favor of Ferdinand Martin Marcos
5166	791	Tennis court	Department of Tourism	Application by Ferdinand Martin Marcos pending
5168	1,394	Guest house	Department of Tourism	-

[157] In square meters. CA *rollo*, pp. 531–534.

Out of the 11 lots, six have been identified as of interest to the heirs of Marcos, Sr. with four free patent applications granted and two still pending.[158] This puts the granted free patents in question due to the elementary principle that an incontestable character of a certificate of title cannot operate when the land covered is found to be part of the public domain.[159] In the same vein, free patents will not be recognized when the land it covers is not capable of registration.

As defined, a free patent is a mode of disposition wherein public alienable and disposable lands may be acquired by its longtime possessors and cultivators. While the free patent applications of the members of the Marcos family were found to include affidavits of predecessors-in-interest who transferred their rights to Marcos, Sr., the same cannot stand when what is being transferred are rights over a property of the State. In *Hacienda Bigaa, Inc. v. Chavez*:[160]

> In any event, Hacienda Bigaa can never have a better right of possession over the subject lots above that of the Republic because the lots pertain to the public domain. All lands of the public domain are owned by the State — the Republic. Thus, all attributes of ownership, including the right to possess and use these lands, accrue to the Republic. Granting Hacienda Bigaa the right to possess the subject premises would be equivalent to "condoning an illegal act" by allowing it to perpetuate an "affront and an offense against the State" — *i.e.*, occupying and claiming as its own lands of public dominion that are not susceptible of private ownership and appropriation. Hacienda Bigaa — like its predecessors-in-interests, the Ayalas and the Zobels — is a mere usurper in these public lands. The registration in Hacienda Bigaa's name of the disputed lots does not give it a better right than what it had prior to the registration; the issuance of the titles in its favor does not redeem it from the status of a usurper. We so held in *Ayala y Cia* and we reiterated this elementary principle of law in *De los Angeles*. The registration of lands of the public domain under the Torrens system, by itself, cannot convert public lands into private lands.[161] (Citations omitted)

It bears to reiterate that Republic Act No. 5631, enacted on June 21, 1969, declared the Paoay Lake and the extremities within one kilometer as a national park.

Thereafter, Letter of Instructions No. 584 was issued by Marcos, Sr., instructing respondent Philippine Tourism Authority to negotiate the purchase of the lots from private individuals with public funds for the Paoay Lake development.

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158 *Id.*

159 *Dizon v. Rodriguez*, 121 Phil. 681, 686 (1965) [Per J. Barrerra, *En Banc*].

160 *Hacienda Bigaa, Inc. v. Chavez*, 632 Phil. 574 (2010) [Per J. Brion, Second Division].

161 *Id.* at 599.

Through Letter of Instructions No. 610, respondent Philippine Tourism Authority was ordered to construct structures on the affected lands for the sports and recreation complex planned in the Paoay Lake area.

At this point, none of the lands in the area were titled[162] in favor of Marcos, Sr., nor were they occupied by him.[163] No one held the said properties in the concept of owner as they were, and still are, owned by the State. When Presidential Decree No. 1554 was enacted excluding lands under a bona fide claim of ownership since time immemorial from the operation of the national park reservation, this did not include the parcels of land which were being utilized and developed as part of the Paoay Sports Complex. Being part of a national park, the subject parcels of land could not be the subject of appropriation. As reservation for a national park, the land was outside the commerce of man and cannot be disposed of or registered as private property.[164] Thus, its possession by a third party, whether it be the president or an ordinary citizen, could not ripen into ownership.

Petitioner prays that the Decision of the Municipal Circuit Trial Court, which was affirmed by the Regional Trial Court, be reinstated. There, the Municipal Circuit Trial Court declared petitioner as the rightful possessor of the parcels of land. The reasoning behind its Decision is untenable. It held:

> Therefore, the Subject Premises could not have been acquired through extra-ordinary acquisitive prescription. However, the law explicitly provides that a "possessor in the concept of owner has in his favor the presumption that he possesses with a just title and he cannot be obliged to show or prove it." In this action, the late President was undoubtedly a possessor in the concept of owner because he claimed to be the owner of the subject premises and had exercised exclusive dominion over the same. He has a vested proprietary right in the Subject Premises as the actual possessor thereof in the concept of owner, through its lessee defendant PTA. Although the plaintiff failed to show it has registrable title to the Subject Premises, its possession thereof which dates back to 1978, at the least, or for more than thirty (30) years now should be respected notwithstanding the absence of certificates of title or tax declarations.[165]

The statements of the Municipal Circuit Trial Court have no justification in fact or in law. While it was correct in stating that the parcels of lands were incapable of acquisitive prescription, Marcos, Sr. could not be deemed as a possessor in the concept of owner. Possession in the concept of owner finds basis in the following articles of the Civil Code:

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[162] CA *rollo*, p. 531. According to the Report, only Lot 759, which had no improvements, was titled under a certain Mr. Duldulao.

[163] *Id.*

[164] *Republic v. Intermediate Appellate Court*, 264 Phil. 450, 455 (1990) [Per J. Paras, Second Division].

[165] *Rollo* (G.R. No. 212612), p. 71.

> ARTICLE 525. The possession of things or rights may be had in one of two concepts: either in the concept of owner, or in that of the holder of the thing or right to keep or enjoy it, the ownership pertaining to another person.
>
> ARTICLE 540. Only the possession acquired and enjoyed in the concept of owner can serve as a title for acquiring dominion.
>
> ARTICLE 541. A possessor in the concept of owner has in his favor the legal presumption that he possesses with a just title and he cannot be obliged to show or prove it.

For one to be deemed a possessor in the concept of an owner, they must present *prima facie* evidence of possession or ownership, such as tax receipts and declarations, coupled with a show of open, complete, continuous, peaceful, and actual possession. These strengthen one's claim of ownership and can be used to avail of acquisitive prescription.[166] However, these were absent in the instant case.

Marcos, Sr. and his heirs never had actual possession of the properties in question as they were developed and used by respondent Philippine Tourism Authority since 1978. The Municipal Circuit Trial Court found that Marcos, Sr. had a vested proprietary right to the parcel of land through respondent Philippine Tourism Authority as his lessee. However, considering that the 1978 Lease Contract is void, no rights emanate from it. Moreover, the unilateral invocation of Marcos, Sr. of ownership in the 1978 Lease Contract is in no way sufficient proof to support petitioner's claim and the Municipal Circuit Trial Court's conclusion. No one, not even the president, can claim exclusive rights over property of the State.

Given that the subject lots have been part of the Paoay Lake development and have been under the control and possession of respondent Philippine Tourism Authority and their sublessees, the requirement that the land acquired by its longtime possessors and cultivators were not met. On the contrary, the lots, as well as the improvements thereat, remained in the possession and administration of respondent Philippine Tourism Authority as a tourist zone.[167] It is apparent that they were never in possession of the subject properties when they submitted their free patent applications in 2000. Accordingly, the free patents on said parcels of land where the improvements sit are put into question.

Moreover, the improvements were built with government money, largely coming from collection of travel taxes. Any property acquired by means of spending taxes collected should be treated as public property. The testimony of Atty. Guiller B. Asido, the Corporate Secretary and Corporate

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166 *Cequeña v. Bolante*, 386 Phil. 419, 430 (2000) [Per J. Panganiban, Third Division].

167 A "Tourist Zone" is defined in Section 38(d) of Presidential Decree No. 564 as a "geographic area with well-defined boundaries proclaimed as such by the President, upon the recommendation of the Authority, and placed under the administration and control of the Authority."

Legal Counsel of Philippine Tourism Authority,[168] before the Sandiganbayan is illuminating:

> Q: What is the mandate of the Philippine Tourism Authority before it became TIEZA?
> A: Under Presidential Decree 564, issued in 1974, the Philippine Tourism Authority was mandated to be the implementing arm of the Department of Tourism so that it involves the supervision and development and control of tourism zones and to act as the administering infrastructure arm of the Department of Tourism, so we developed from 1974, basically some of the functions of PTA so we are developing tourism zones thus also undertaking tourism infrastructure projects.
>
> Q: Mr. Witness, pursuant to its mandate to develop tourism to these areas, how does PTA take possession of the areas to be developed?
> A: Under our old charter, P.D. 564, we were authorized to negotiate the private land owners for the acquisition of lands as well as for development.
>
> Q: In this mandate, what are the properties expropriated or purchased by the Philippine Tourism Authority? Do you have the list of these properties?
> A: I have a list of all the properties of PTA and that includes the description, mode of acquisition, and proof of ownership that were undertaken.
>
> . . . .
>
> Q: You said a while ago that Philippine Tourism Authority acquired possession of the property as a means of expropriation or sale, am I correct?
> A: Yes, ma'am.
>
> Q: How about the lease, Mr. Witness, is PTA authorized to lease properties?
> A: Under Section 5 of P.D. 564, we are allowed to enter into a lease agreement for purposes of developing an area into a tourism zone.
>
> . . . .
>
> Q: What about the project cost of Paoay Golf Course and Sports Complex?
> A: Based on this document, in 1978 the Paoay Sports Complex, the project was P60,905,000.00 and in 1986 the Paoay Golf Course and Sports Complex was P277,000.00.
>
> Q: Mr. Witness, how did PTA fund these projects, namely the Fort Ilocandia Resort Hotel and the Paoay Golf Course and Sports Complex?
> A: All projects undertaken by the former PTA were funded through the travel taxes.
>
> . . . .

[168] CA *rollo*, pp. 547–578.

Q: You were asked earlier regarding the turnover of infrastructure built or constructed by the Philippine Tourism Authority in the area developed. You said that the PTA can turn over infrastructures to the LGU, who will then continue its operation, is that correct?
A: Yes, ma'am.

Q: Has there been an instance wherein Philippine Tourism Authority turned over areas to a private individual?
A: Based on my recall, none.

Q: Is that allowed in the PTA charter, for PTA to turn over a certain distressed area after it has developed to a private individual?
A: No.

Q: How about to a local government unit?
A: Yes.[169]

From the quoted testimony, it is apparent that public funds were used to build infrastructure on the lots in furtherance of the Paoay National Park's tourism agenda. Accordingly, petitioner's claim of ownership over the improvements will not stand. The improvements, as well as the land where they sit, are areas of public domain. They are outside the commerce of people and cannot be acquired by any private individual despite the passage of time. Petitioner, in insisting otherwise, is a mere usurper of public property. Moreover, petitioner cannot claim any right over the parcel of land or the improvements on the basis of the lease contract or free patent. Ultimately, the land now in litigation, save for those validly covered by free patents, form part of the public dominion which properly belongs to the State.

The parcels of land covered by free patents or free patent applications cannot revert to the State in this case. As Justice Marquez noted during the deliberations, only the petitioner was impleaded in the Petition before the Sandiganbayan. The holders or applicants of the relevant free patents were not parties to the ill-gotten wealth case.[170] As a result, the Sandiganbayan's nullification of any application for or grant of free patents cannot stand. Similarly, any decision from this Court regarding properties covered by free patents or patent applications would violate the parties' right to due process.

The free patent applicants and the patent holders are necessary parties to the ownership dispute over the leased properties. Without them, a definitive resolution could not be achieved.

It is beyond dispute that the government has the right and obligation to recover the properties in question, provided that the factual premises of the Executive Orders and Proclamation No. 3 are true and verifiable by competent evidence. However, no matter how obvious and valid that right and duty may

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169 *Id.*
170 J. Marquez, Reflections, p. 6.

be, its fair and reasonable exercise is necessary to ensure that the fundamental rights of private property and free enterprise are accorded the proper respect and adequate protection they deserve. As such, this Court refrains from resolving the issue of ownership of the lots with granted free patents or free patent applications.

In this instance, the State is not left without recourse. When a property covered by a free patent is part of inalienable land of the public domain, the title issued pursuant to it is void and the rule on indefeasibility of title will not apply.[171] In *Agne v. Director of Lands*:[172]

> The rule on the incontrovertibility of a certificate of title upon the expiration of one year, after the entry of the decree, pursuant to the provisions of the Land Registration Act, does not apply where an action for the cancellation of a patent and a certificate of title issued pursuant thereto is instituted on the ground that they are *null and void* because the Bureau of Lands had no jurisdiction to issue them at all[.][173] (Emphasis supplied)

Reversion proceedings, the process through which the State seeks to return a parcel of land to the public domain, may be initiated by the competent authority. It is done when public land is "fraudulently awarded and disposed of in favor of private individuals or corporations, or when a person obtains a title under the Public Land Act which includes, by oversight, lands which cannot be registered under the Torrens system as they form part of the public domain."[174] The Office of the Solicitor General alone may institute reversion proceedings to return lands and improvements held in violation of the Constitution back to the government.[175]

Section 101 of the Public Land Act states:

> SECTION 101. All actions for the reversion to the Government of lands of the public domain or improvements thereon shall be brought by the Solicitor General or the officer acting in his stead, in the proper courts, in the name of the [Republic] of the Philippines.

However, prior to filing reversion proceedings, the Office of the Solicitor General must first obtain the president's approval. This was laid down in Executive Order No. 292 or the Administrative Code of 1987 which provides that only the president may compel the Office of Solicitor General to initiate reversion proceedings. Specifically, Book III, Title I, Chapter 4, Section 13 provides:

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171 *Republic v. Heirs of Daquer*, 839 Phil. 548, 570 (2018) [Per J. Leonen, *En Banc*].

172 261 Phil. 13 (1990) [Per J. Regalado, Second Division].

173 *Id.* at 25.

174 *Vines Realty Corporation v. Ret*, G.R. No. 224610, October 13, 2021 [Per J. Lazaro-Javier, First Division].

175 *Republic v. Sandiganbayan (Special Second Division)*, 885 Phil. 96, 133 (2020) [Per J. Leonen, Third Division].

> SECTION 13. Power to Direct Escheat or Reversion Proceedings. — The President shall direct the Solicitor General to institute escheat or reversion proceedings over all lands transferred or assigned to persons disqualified under the Constitution to acquire land.

This does not imply, however, that the president is expected to exercise these powers personally. Due to multifarious responsibilities of the president, it is neither practical or efficient to require them to do so. As such, this particular power is delegated to the Land Management Bureau or the Department of Environment and Natural Resources. Given the nature of reversion proceedings, these agencies have the technical competence and knowledge to lodge an investigation on the current status of a particular land or property. Moreover, it is the State that carries the burden of proving that the land previously declared or adjudicated in favor of another is land that cannot be owned by private individuals.[176] This was illustrated in *Vines Realty Corporation v. Ret*:[177]

> As a matter of procedural and administrative policy, though, the President directs the OSG to file a complaint for cancellation and reversion of property only upon recommendation of the LMB or DENR.
>
> This executive policy is not without basis.
>
> In *Republic v. The Heirs of Meynardo Cabrera,* the Court decreed that the State bears the burden to prove that the land previously decreed or adjudicated in favor of the defendant constitutes land which cannot be owned by private individuals. This is owed to the nature of reversion proceedings, the outcome of which may upset the stability of registered titles through the cancellation of the original title and others that emanate from it. This is also consistent with the rule that the burden of proof rests on the party who, as determined by the pleadings or the nature of the case, asserts the affirmative of an issue.
>
> Indeed, the nature of reversion proceedings puts the *onus probandi* on the State. In order to ensure that the State would be able to discharge this burden, the LMB or DENR first determines whether there is ground to file a case for reversion and whether the State has sufficient evidence to prove its claim. Without a recommendation and evidentiary documentation from LMB and DENR, the OSG could not possibly prosecute its case for reversion; it would not be able to discharge its burden of proof. (Citation omitted)

Investigating potential, and subsequently filing, reversion cases are exclusively the prerogative of the Executive, over which this Court has no authority.[178] In addition, the Land Management Bureau and the Department of Environment and Natural Resources possess the expertise and technical know-how to investigate and initiate reversion proceedings. Therefore, it

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176 *Republic v. Heirs of Cabrera*, 820 Phil. 771, 784 (2017) [Per J. Caguioa, Second Division].
177 G.R. No. 224610, October 13, 2021 [Per J. Lazaro-Javier, First Division].
178 *Id.*

would be futile to order the Office of the Solicitor General to conduct its own investigation without first obtaining a recommendation from the Land Management Bureau and the Department of Environment and Natural Resources.

Unfortunately, it is not within the Sandiganbayan or this Court's jurisdiction to determine whether the free patents were obtained fraudulently. Neither is it within the Court's power to initiate reversion proceedings. These matters fall under the jurisdiction of the Executive branch of the government. Thus, this Court will refrain from ruling on the validity of the free patents and await the filing of a reversion action in the appropriate courts.

ACCORDINGLY, the Consolidated Petitions are **DENIED**. The September 26, 2013 Decision and May 20, 2014 Resolution of the Court of Appeals in CA-G.R. SP No. 125766 and the April 21, 2014 Decision of the Sandiganbayan in Civil Case No. SB-10-CVL-0001 are **AFFIRMED** with **MODIFICATIONS**. The December 20, 1978 Lease Contract between Ferdinand E. Marcos, Sr. and the Philippine Tourism Authority is **VOID** for being **UNCONSTITUTIONAL**.

SO ORDERED.

MARVIC M.V.F. LEONEN
Senior Associate Justice

WE CONCUR:

(No part)
ALEXANDER G. GESMUNDO
Chief Justice

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

RAMON PAUL L. HERNANDO
Associate Justice

(No part)
AMY C. LAZARO-JAVIER
Associate Justice

On official leave
HENRI JEAN PAUL B. INTING
Associate Justice

RODIL V. ZALAMEDA
Associate Justice

MARIO V. LOPEZ
Associate Justice

(No part)
SAMUEL H. GAERLAN
Associate Justice

RICARDO R. ROSARIO
Associate Justice

JHOSEP Y. LOPEZ
Associate Justice

JAPAR B. DIMAAMPAO
Associate Justice

JOSE MIDAS P. MARQUEZ
Associate Justice

ANTONIO T. KHO, JR.
Associate Justice

On official business
MARIA FILOMENA D. SINGH
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 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.

ALEXANDER G. GESMUNDO
Chief Justice