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THIRD DIVISION

[G.R. No. 52518. August 13, 1991]

INTERNATIONAL HARDWOOD AND VENEER COMPANY OF THE PHILIPPINES, *petitioner-appellee, vs.* **UNIVERSITY OF THE PHILIPPINES and JOSE C. CAMPOS, JR.,** *respondents-appellants.*

SYLLABUS

1. **REMEDIAL LAW; SPECIAL CIVIL ACTIONS; DECLARATORY RELIEF; PLEADINGS CONSIDERED AMENDED IN CASE AT BAR. —** Where the issues in the case bring the matter within the scope of an action for declaratory relief under Section 1, Rule 64 of the Rules of Court and render meaningless the appeal to the rule laid down in *Sarmiento, et al. vs. Capapas, et al.*, that declaratory relief cannot be joined by injunction, because herein petitioner, for all legal intents and purposes, abandoned it by its failure to raise it in the Stipulation of Facts, what attains is an amendment to both pleadings (the complaint and the answer), which is authorized by Section 5, Rule 10 of the Rules of Court.

2. **ID.; ID.; ID.; REQUISITES. —** The requisites for declaratory relief: (a) there must be a justiciable controversy; (b) the controversy must be between persons whose interests are adverse; (c) the party seeking declaratory relief must have a legal interest in the controversy; and (d) the issue invoked must be ripe for judicial determination.

3. **ID.; ID.; ID.; ID.; JUSTICIABLE CONTROVERSY. —** There is a justiciable controversy where there is an actual controversy, or the ripening seeds *of one exists* between the parties, all of whom are *sui juris* and before the court, and that the declaration sought will help in ending the controversy. A doubt becomes a justiciable controversy when it is translated into a claim of right which is actually contested.

4. **POLITICAL LAW; ADMINISTRATIVE LAW; R. A. 3990; INTENDS UNEQUIVOCAL ABSOLUTE TRANSFER OF ABSOLUTE OWNERSHIP SUBJECT TO EXISTING CONCESSIONS. —** Pursuant, however, to R.A. No. 3990 which

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establishes a central experiment station for the use of the UP in connection with its research and extension functions, particularly by the College of Agriculture, College of Veterinary Medicine and College of Arts and Sciences, the "reserved" area was "ceded *and transferred in full ownership to the University of the Philippines subject to any existing concessions, if any." When it ceded and transferred* the property to UP, the Republic of the Philippines completely removed it from the public domain and, more specifically, in respect to the areas covered by the timber license of petitioner, removed and segregated it from a public forest; it divested itself of its rights and title thereto and relinquished and conveyed the same to the UP; and made the latter the absolute owner thereof, subject only to the existing concession. That the law intended a transfer of the absolute ownership is unequivocally evidenced by its use of the word "full" to describe it. *Full* means entire, complete, or possessing all particulars, or not wanting in any essential quality. The proviso regarding existing concessions refers to the timber license of petitioner. All that it means, however, is that the right of petitioner as a timber licensee must not be affected, impaired or diminished; it must be respected.

5. ID.; ID.; ID.; ID.; PROPERTY CONVERTED INTO A REGISTERED PRIVATE WOODLAND OVER WHICH THE BUREAU OF FORESTRY HAS NO JURISDICTION. — Insofar as the Republic of the Philippines is concerned, all its rights as grantor of the license were effectively assigned, ceded and conveyed to UP as a consequence of the above transfer of full ownership. This is further borne out by Section 3 of R.A. No. 3990 which provides, *inter alia*, that "any incidental receipts or income therefrom shall pertain to the general fund of the University of the Philippines." Having been effectively segregated and removed from the public domain or from a public forest and, in effect, converted into a registered private woodland, the authority and jurisdiction of the Bureau of Forestry over it were likewise terminated. This is obvious from the fact that the condition in Proclamation No. 791 to the effect that the disposition of timber shall be subject to forestry laws and regulations is not reproduced in R.A. No. 3990. The latter does not likewise provide that it is subject to the conditions set forth in the proclamation.

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6. CIVIL LAW; OWNERSHIP; RIGHT OF OWNER. — An owner has the right to enjoy and dispose of a thing without other limitations than those established by law. The right to enjoy includes the *jus utendi* or the right to receive from the thing what it produces, and the *jus abutendi*, or the right to consume the thing by its use. As provided for in Article 441 of the Civil Code, to the owner belongs the natural fruits, the industrial fruits and the civil fruits. There are, however, exceptions to this rule, as where the property is subject to a usufruct, in which case the usufructuary gets the fruits.

7. ID.; ID.; ID.; CASE AT BAR. — In the instant case, that exception is made for the petitioner as licensee or grantee of the concession, which has been given the license to cut, collect, and remove timber from the area ceded and transferred to UP until 1 February 1985. However, it has the correlative duty and obligation to pay the forest charges, or royalties, to the new owner, the UP, at the same rate as provided for in the Agreement. The charges should not be paid anymore to the Republic of the Philippines through the Bureau of Internal Revenue because of the very nature of the transfer as aforestated. Consequently, even the Bureau of Internal Revenue automatically lost its authority and jurisdiction to measure the timber cut from the subject area and to collect forestry charges and other fees due thereon.

APPEARANCES OF COUNSEL

Tañada, Vivo & Tan for petitioner-appellee.

D E C I S I O N

DAVIDE, JR., *J.*:

From an adverse decision of the then Court of First Instance (now RTC) Laguna dated 3 June 1968 in a special civil action for declaratory relief with injunction, Civil Case No. SC-650 entitled *International Hardwood and Veneer Company of the Philippines vs. University of the Philippines and Jose Campos,* the dispositive portion of which reads:

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"WHEREFORE, the Court hereby renders judgment in favor of petitioner and against the respondents:

(a) Declaring that Rep. Act No. 3990 does not empower the University of the Philippines, in lieu of the Bureau of Internal Revenue and Bureau of Forestry, to scale, measure and seal the timber cut by the petitioner within the tract of land referred to in said Act, and collect the corresponding forest charges prescribed by the National Internal Revenue Code therefor; and

(b) Dismissing the respondents' counterclaim."

respondents appealed to the Court of Appeals. The appeal was docketed as C.A.-G.R. No. 49409-R.

After the parties filed their respective Briefs in 1971, the Court of Appeals (Sixth Division) promulgated on 28 December 1979 a resolution elevating the case to this Court as the "entire case hinges on the interpretation and construction of Republic Act 3990 as it applies to a set of facts which are not disputed by the parties and therefore, is a legal question."[1]

Civil Case No. SC-650 was filed by petitioner Hardwood before the trial court on 28 June 1966.[2] Petitioner seeks therein a declaration that respondent University of the Philippines (hereafter referred to as UP) does not have the right to supervise and regulate the cutting and removal of timber and other forest products, to scale, measure and seal the timber cut and/or to collect forest charges, reforestation fees and royalties from petitioner and/or impose any other duty or burden upon the latter in that portion of its concession, covered by License Agreement No. 27-A issued on 1 February 1963, ceded in full ownership to the UP by Republic Act No. 3990; asks that respondents be enjoined from committing the acts complained of; and prays that respondents be required to pay petitioner the sum of ₱100,000.00 as damages and costs of the suit.

Its motion to dismiss on the ground of improper venue having been unfavorably acted upon, and pursuant to the order of the

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[1] *Rollo*, 47.

[2] Amended Record on Appeal, 1-14.

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trial court of 26 August 1967, respondents filed their Answer on 13 September 1987,[3] wherein they interpose the affirmative defenses of, among others, improper venue and that the petition states no cause of action; they further set up a counterclaim for the payment of it by petitioner of forest charges on the forest products cut and felled within the area ceded to UP under R.A. No. 3990 from 18 June 1964, with surcharges and interests as provided in the National Internal Revenue Code.

Petitioner filed a Reply and Answer to Counterclaim.[4]

On 18 October 1967, the parties submitted a Joint Stipulation of Facts and Joint Submission of the Case for Judgment,[5] which reads as follows:

"COME NOW the parties in the above-entitled case, by the undersigned counsel, and respectfully submit the following JOINT STIPULATION OF FACTS AND JOINT SUBMISSION OF THE CASE FOR JUDGMENT, without prejudice to the presentation of evidence by either party:

x x x x x x x x x

2. Plaintiff is, among others, engaged in the manufacture, processing and exportation of plywood and was, for said purpose, granted by the Government an exclusive license for a period of 25 years expiring on February 1, 1985, to cut, collect and remove timber from that portion of timber land located in the Municipalities of Infanta, Mauban and Sampaloc, Province of Quezon and in the Municipalities of Siniloan, Pangil, Paete, Cavinti and Calauan, Province of Laguna under License Agreement No. 27-A (Amendment) issued and promulgated by the Government through the Secretary of Agriculture and Natural Resources on January 11, 1960. x x x;

3. That aforementioned Timber License No. 27-A (Amendment) is a renewal of the Timber License Agreement No. 27-A previously granted by the Government to the plaintiff on June 4, 1953 to February 1, 1963. x x x;

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[3] Record on Appeal, 47-60.

[4] Amended Record on Appeal, 61-65.

[5] *Ibid*., 66-82.

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4. Plaintiff, since June 4, 1953, continuously up to the present, has been in peaceful possession of said timber concession and had been felling, cutting and removing timber therefrom pursuant to the aforementioned Timber License Agreement No. 27-A (Amendment) of January 11, 1960;

5. Plaintiff, on the strength of the License Agreement executed by the Government on June 4, 1953 (License Agreement No. 27-A) and of the License Agreement No. 27-A (Amendment) of January 11, 1960, has constructed roads and other improvements and installations of the aforementioned area subject to the grant and purchased equipment in implementation of the conditions contained in the aforementioned License Agreement and has in connection therewith spent more than ₱7,000,000.00 as follows: x x x;

6. Sometime on September 25, 1961, during the effectivity of License Agreement No. 27-A (Amendment) of January 11, 1960, the President of the Philippines issued Executive Proclamation No. 791 which reads as follows:

x x x x x x x x x

RESERVING FOR THE COLLEGE OF AGRICULTURE, UNIVERSITY OF THE PHILIPPINES, AS EXPERIMENT STATION FOR THE PROPOSED DAIRY RESEARCH AND TRAINING INSTITUTE AND FOR AGRICULTURAL RESEARCH AND PRODUCTION STUDIES OF THIS COLLEGE A CERTAIN PARCEL OF LAND OF THE PUBLIC DOMAIN, SITUATED PARTLY IN THE MUNICIPALITIES OF PAETE AND PAKIL PROVINCE OF LAGUNA, AND PARTLY IN THE MUNICIPALITY OF INFANTA, PROVINCE OF QUEZON, ISLAND OF LUZON.

Upon the recommendation of the Secretary of Agriculture and Natural Resources and pursuant to the authority vested in me by law, I, Carlos P. Garcia, President of the Philippines, do hereby withdraw from sale or settlement and reserve for the College of Agriculture, University of the Philippines, as experiment station for the proposed Dairy Research and production studies of this College, a certain parcel of land of the Public domain situated partly in the municipalities of Paete and Pakil, province of Laguna, and partly in the municipality of Infanta, Province of Quezon, Island of Luzon, subject to

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private rights, if any there be, and to the condition that the disposition of timber and other forest products found therein shall be subject to the forestry laws and regulations, which parcel of land is more particularly described as follows, to wit:

x x x x x x x x x

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Republic of the Philippines to be affixed.

Done in the City of Manila, this 25th day of September, in the year of Our Lord, nineteen hundred and sixty-one, and of the Independence of the Philippines, the sixteenth.

(SGD.) CARLOS P. GARCIA
President of the Philippines

x x x x x x x x x

7. That on or about June 18, 1964, during the effectivity of the aforementioned License Agreement No. 27-A (Amendment) of July 11, 1960, Republic Act No. 3990 was enacted by the Congress of the Philippines and approved by the President of the Philippines, which Republic Act provides as follows:

AN ACT TO ESTABLISH A CENTRAL EXPERIMENT STATION FOR THE UNIVERSITY OF THE PHILIPPINES.

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. There is hereby established a central experiment station for the use of the University of the Philippines in connection with its research and extension functions, particularly by the College of Agriculture, College of Veterinary Medicine and College of Arts and Sciences.

SECTION 2. For this purpose, the parcel of the public domain consisting of three thousand hectares, more or less, located in the Municipality of Paete, Province of Laguna, the precise boundaries of which are stated in Executive Proclamation 791, Series of 1961, is hereby ceded and transferred in full ownership to the University of the Philippines, subject to any existing concessions, if any.

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SECTION 3. All operations and activities carried on in the central experiment station shall be exempt from taxation, local or general, any provision of law to the contrary notwithstanding, and any incidental receipts or income therefrom shall pertain to the general fund of the University of the Philippines.

SECTION 4. This Act shall take effect upon its approval.

Approved, June 18, 1964.

8. That on the strength of the provisions of Republic Act No. 3990, and prior to the institution of the present suit, defendants have demanded, verbally as well as in writing to plaintiff:

(a) That the forest charges due and payable by plaintiff under the License Agreement 27-A (Amendment) referred to in paragraph 2 hereof be paid to the University of the Philippines, instead of the Bureau of Internal Revenue; and

(b) That the selling of any timber felled or cut by plaintiff within the boundaries of the Central Experiment Station as defined in Republic Act No. 3990 be performed by personnel of the University of the Philippines.

9. That the position of the plaintiff on the demand of the defendants was fully discussed in the letter dated April 29, 1966 of plaintiff's lawyer addressed to the President of the University of the Philippines, copy of which is hereto attached as Annex "A" hereof.

10. That in line with its position as stated in paragraph 9 hereof, plaintiff has refused to allow entry to personnel of the University of the Philippines to the Central Experiment Station area assigned thereto for the purpose of supervising the felling, cutting and removal of timber therein and scaling any such timber cut and felled prior to removal;

11. That in view of the stand taken by plaintiff and in relation to the implementation of Republic Act No. 3990 the defendant Business Executive sent the letter quoted below to the Commissioner of Internal Revenue:

x x x x x x x x x

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February 8, 1966

Commissioner of Internal Revenue
Manila
Re: Forest Charges of U.P. Paete Land Grant

Dear Sir:

Under Republic Act 3990 approved in June, 1964 a parcel of forest land approximately 3,500 hectares in area was ceded in full ownership by the government to the University of the Philippines. This area is known as Paete Land Grant, the title to which is presently issued in the name of the University of the Philippines. The law transferring the ownership to the University of the Philippines gives the University full rights of dominion and ownership, subject to the existing concession of International Hardwood and Veneer Company of the Philippines. Under the terms of this law all forest charges due from the concessionaire should now be paid to the University of the Philippines. The purpose of giving this land grant to the University is to enable us to generate income out of the land grant and establish a research and experimental station for the Colleges of Agriculture, Forestry, Arts and Sciences and Veterinary Medicine.

I would like, therefore, to inform you and to secure your approval of the following matters:

1. All forest charges paid by Interwood to the District Forester of Laguna from June, 1964 up to the present should be remitted in favor of the University of the Philippines;
2. All forest charges presently due from Interwood shall hereafter be paid to the University of the Philippines and lastly
3. Hereafter the University of the Philippines shall receive all forest charges and royalties due from any logging concession at the land grant.

May we request that proper instructions be issued by the District Forester of Laguna about this matter. Thank you.

Very truly yours,

(Sgd.) JOSE C. CAMPOS, JR.
Business Executive

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12. That in reply to the above letter of defendant Business Executive dated February 8, 1966, the Commissioner of Internal Revenue issued the following letter-ruling dated March 11, 1966:

x x x x x x x x x

March 11, 1966

U.P. Paete Land Grant
University of the Philippines
Diliman, Quezon City

Attn: Jose C. Campos, Jr.
Business Executive

Gentlemen:

This has reference to your letter dated February 8, 1966 stating as follows:

x x x x x x x x x

In reply thereto, I have the honor to inform you as follows:

In accordance with Section 266 of the Tax Code as amplified by Section 15(a) of Revenue Regulations No. 85, the Forest Products Regulations, forest products, cut, gathered and removed from registered private woodlands are not subject to forest charges, but they must be invoiced when removed to another municipality or for commercial purposes in the manner prescribed by the regulations. As the Paete Land Grant was ceded by law to the U.P. in full private ownership and as the grant is manifestly to be considered registered, no forest charges are actually due and payable on the timber cut and removed therefrom. The forest charges purportedly to be paid by any concessionaire under any licensing agreement entered or to be entered into by the U.P. are, therefore, to be considered not as the charges contemplated by the National Internal Revenue Code but as part of the royalties payable by the concessionaires for the exploitation of the timber resources of the land grant.

Accordingly, your queries are answered *viz*:.

1. The University may directly collect the supposed forest charges payable by concessionaires of the land grant.

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2. The forest charges paid by International Hardwood and Veneer Company of the Philippines may be refunded provided that a formal claim for the refund thereof is made within two years from the date of payment. The proper claimant shall be International Hardwood and not the University.

Very truly yours,

(Sgd.) MISAEL P. VERA
Commissioner of Internal Revenue

13. That subsequently, defendant Business Executive sent the letter quoted below to the District Forester of the province of Laguna dated April 18, 1966:

April 18, 1966

The District Forester
Bureau of Forestry
Sta. Cruz, Laguna

Dear Sir:

Enclosed is a copy of a letter to the Commissioner of Internal Revenue concerning the right of the University of the Philippines to collect forest charges from the existing logging concessionaire at the Laguna Land Grant (formerly Paete Land Grant). This tract of forest land containing some 3,500 hectares was ceded to the University of the Philippines in full ownership by Republic Act No. 3990, approved in June, 1964. In view thereof, the University of the Philippines requested that its authority over said land be recognized and that the existing concessionaire, International Hardwood and Veneer Company of the Philippines, in turn pay its forest charges directly to the University instead of to the national government.

Please take note of page '2' of the enclosed letter of the Commissioner of Internal Revenue on the official ruling of the Bureau of Internal Revenue to the following points raised by the University:

1. That the University of the Philippines may now directly collect forest charges from INTERWOOD, the existing logging concessionaire.

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2. That forest charges paid by INTERWOOD to the Bureau of Forestry from June, 1964 up to April, 1966 shall be refunded to the University of the Philippines. In this manner, INTERWOOD is requested to file a claim for the refund in the amount heretofore paid by it to be remitted to the University of the Philippines.

On the basis of this letter to the Commissioner of Internal Revenue, it is understood that forest charges on timber cut from the Laguna Land Grant as scaled by scalers of the University of the Philippines shall now be paid directly to the University of the Philippines. In another ruling by the Commissioner of Internal Revenue, the University, particularly the Laguna Land Grant, is exempted from all kinds of Internal Revenue taxes.

Very truly yours,

(Sgd.) Jose C. Campos, Jr.
Business Executive

14. That the above quoted letter of defendant Business Executive dated April 18, 1966 was duly endorsed by the District Forester of the province of Laguna to the Director of Forestry;

15. That on or about June 7, 1966, the Assistant Director of Forestry addressed to plaintiff the letter dated June 7, 1966, which states as follows:

Sirs:

This is in connection with your request for this Office to comment on your reply to the letter of Mr. Jose C. Campos, Jr. of the University of the Philippines.

In your reply to the letter of Mr. Campos, it is stated that the University of the Philippines is claiming the right:

(a) To scale, measure and seal the timber cut inside the areas covered by the U.P. Land Grant at Paete, Laguna;

(b) To collect the corresponding forest charges;

(c) To collect royalties aside from the forest charges; and

(d) To exercise in effect all the authority vested by law upon the Bureau of Forestry in the cutting, removal

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and disposition of the timber from said area, and the authority of the Bureau of Internal Revenue respecting the measurement and scaling of the logs and the collection of the corresponding forest charges and other fees in connection therewith.

This office is in full accord with your arguments against the claim of the University of the Philippines to have acquired the above rights. We believe that the right vested the INTERWOOD by virtue of Timber License Agreement No. 27-A (Amendment) to utilize the timber inside subject area is still binding and should therefore, be respected. It is on the basis of this acknowledgment that we sent your client our letter of November 4, 1965 requesting him to comment on the application of the State University for a Special Timber License over the said area.

16. That acting on the endorsement referred to in paragraph 14, the Director of Bureau of Forestry issued the letter ruling quoted below, dated June 30, 1966:

x x x x x x x x x

June 30, 1966
District Forester
Sta. Cruz, Laguna
(Thru the Regional Director of Forestry, Manila)

Sir:

This concerns your inquiry contained in the 3rd paragraph of your letter dated April 26, 1966, designated as above, as to whether or not you shall turn over the scaling work for logs cut from the area of the International Hardwood & Veneer Company of the Philippines in the Paete Land Grant to Scalers of the University of the Philippines.

In view of the ruling of the Commissioner of Internal Revenue that the Paete Land Grant, which embraces the area of the International Hardwood & Veneer Company of the Philippines, is considered a registered private woodland of the University of the Philippines and therefore no forest charges are actually due and payable on the timber cut and removed therefrom, and in view further of the ruling of said Commissioner that the forest charges purportedly to be paid by any concessionaire under any licensing agreement entered or to be entered into by the

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U.P. are to be considered not as the charges contemplated by the National Internal Revenue Code but as part of the royalties payable by the concessionaires for the exploitation of the timber resources of the land grant, you may turn over the scaling work therein to the scalers of the U.P.

However, you should guard against the use of such licensing agreements entered or to be entered into by the U.P. as a means of smuggling forest products from the neighboring public forests.

Very truly yours,

(SGD.) ANTONIO A. QUEJADA

x x x x x x x x x

On the basis of the above JOINT STIPULATION OF FACTS, the pleadings filed in the case, and whatever additional evidence may be presented by the parties, the parties hereto, through counsel, jointly move and pray of this Honorable Court that judgment be rendered granting full and appropriate relief, on the following issues:

1. Whether plaintiff, as of the date of present case was filed, should pay forest charges due and payable under its Timber License Agreement No. 27-A (Amendment) as set forth in paragraph 2 hereof, to the Bureau of Internal Revenue, or to the University of the Philippines; and

2. In the event that it be found by this Honorable Court that said forest charges are to be paid to the University of the Philippines, whether or not the University of the Philippines is entitled to supervise, through its duly appointed personnel, the logging, felling and removal of timber within the Central Experiment Station area as described in Republic Act No. 3990, and to scale the timber thus felled and cut.

Manila for Laguna, September 29, 1967."

Upon the foregoing Stipulation of Facts, the trial court rendered its judgment on 3 June 1968 in favor of the petitioner, the dispositive portion of which is quoted at the beginning of this decision. In deciding the case against UP, it held:

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"x x x the court finds that the respondents' demand on the petitioner has no legal basis. In the first place, the cession in full ownership of the tract of land referred to in the Act was expressly made 'subject to any existing concessions.' Inasmuch as at the time of the enactment of the Act, the petitioner's timber concession over the tract of land was existing and would continue to exist until February 1, 1985, the University of the Philippines will acquire `full ownership' and exclusive jurisdiction to control and administer the property only after February 1, 1985. The cession of the property to the University of the Philippines is akin to the donation of a parcel of land, subject to usufruct. The donee acquires full ownership thereof only upon the termination of the usufruct. At the time of the donation, all what the donee acquires is the 'naked' ownership of the property donated. In the second place, the respondents' demand cannot be valid unless the provisions of Secs. 262 to 276 of the National Internal Revenue Code regarding the measuring of timber cut from the forest and the collection of the prescribed forest charges by the Bureau of Internal Revenue and Bureau of Forestry are first amended. In their arguments, the respondents tried to stretch the scope of the provisions of Republic Act No. 3990 in order to include therein such amendment of the provisions of the National Internal Revenue Code and Revised Administrative Code, but they failed to convince the Court, not only because of the first reason above stated, but also because it clearly appears that such amendment is not intended in Republic Act No. 3990, which does not contain even a remote allusion thereto in its title or a general amendatory provision at the end. In the third place, under Republic Act No. 3990, the University of the Philippines cannot legally use the tract of land ceded to it for purposes other than those therein expressly provided, namely, 'for the use of the University of the Philippines in connection with its research and extension functions, particularly by the College of Agriculture, College of Veterinary Medicine and College of Arts and Sciences.' Hence, upon the expiration of the petitioner's timber concession, the University of the Philippines cannot even legally renew it or grant timber concession over the whole tract of land or over portions thereof to other private individuals and exercise the functions of the Bureau of Internal Revenue and Bureau of Forestry by scaling and measuring the timber cut within the area and collecting from them the forest charges prescribed by the National Internal Revenue Code."

Respondents claim in their Brief that the trial court erred:

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"I

x x x WHEN IT DID NOT DISMISS THE PETITION FOR DECLARATORY RELIEF WITH INJUNCTION INSPITE OF ITS INHERENT JURISDICTIONAL DEFECTS THAT SHOULD WARRANT A DISMISSAL.

II

x x x WHEN IT DECLARED THAT REPUBLIC ACT NO. 3990 DOES NOT EMPOWER THE RESPONDENT UNIVERSITY OF THE PHILIPPINES, IN LIEU OF THE BUREAU OF INTERNAL REVENUE AND BUREAU OF FORESTRY, TO SCALE, MEASURE AND SEAL THE TIMBER CUT BY THE PETITIONER WITHIN THE TRACT OF LAND REFERRED TO IN SAID ACT, AND COLLECT THE CORRESPONDING FOREST CHARGES PRESCRIBED BY THE NATIONAL INTERNAL REVENUE CODE."

1. The first assigned error is without merit. In the Joint Stipulation of Facts, the parties jointly move and pray that the trial court render judgment "g*ranting full and appropriate remedy on the following issues*:

'1. Whether plaintiff, as of the date of present case was filed, should pay forest charges due and payable under its Timber License Agreement No. 27-A (Amendment) as set forth in paragraph 2 hereof, to the Bureau of Internal Revenue, or to the University of the Philippines; and

2. In the event that it be found by this Honorable Court that said forest charges are to be paid to the University of the Philippines, whether or not the University of the Philippines is entitled to supervise, through its duly appointed personnel, the logging, felling and removal of timber within the Central Experiment Station area as described in Republic Act No. 3990, and to scale the timber thus felled.'"

These issues bring the matter within the scope of an action for declaratory relief under Section 1, Rule 64 of the Rules of Court and render meaningless the appeal to the rule laid down in *Sarmiento, et al. vs. Caparas, et al.*,[6] that declaratory relief

[6] 4 SCRA 816.

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cannot be joined by injunction, because herein petitioner, for all legal intents and purposes, abandoned it by its failure to raise it in the Stipulation of Facts. Thus, what attains is an amendment to both pleadings (the complaint and the answer), which is authorized by Section 5, Rule 10 of the Rules of Court. Said section pertinently provides:

"SECTION 5. *Amendment to conform to or authorize presentation of evidence*. — When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respect, as if they had been raised in the pleadings. Such amendment of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be made upon motion of any party at any time, even after judgment; but failure to so amend does not affect the result of the trial by these issues. x x x"

The stipulation of facts and the agreement as to the issues unquestionably satisfy the requisites for declaratory relief: (a) there must be a justiciable controversy; (b) the controversy must be between persons whose interests are adverse; (c) the party seeking declaratory relief must have a legal interest in the controversy; and (d) the issue invoked must be ripe for judicial determination.[7]

There is a justiciable controversy where there is an actual controversy, or the *ripening seeds of one exists* between the parties, all of whom are *sui juris* and before the court, and that the declaration sought will help in ending the controversy. A doubt becomes a justiciable controversy when it is translated into a claim of right which is actually contested.[8]

2. On the second assigned error, respondents assert that: (a) Under R.A. No. 3990, the Republic of the Philippines may effect collection of forest charges through the University of the Philippines because the License Agreement does not expressly provide that the forest charges shall be paid to the Bureau of

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[7] *Delumen, et al. vs. Republic*, 94 Phil. 287; *Tolentino vs. Board of Accountancy*, 90 Phil. 83.

[8] MORAN, M.V., *Comments on the Rules of Court*, Vol. III, 1980 ed., 153.

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Internal Revenue; in the absence of a specific contractual provision limiting it to a particular agency in collecting forest charges owing to it, the Republic may effect such collection through another agency. (b) Having been vested with administrative jurisdiction over and being the owner of the tract of land in question, the UP acquired full control and benefit of the timber and other resources within the area. Timber areas within the ceded property but outside the concession of petitioner can be fully exploited by UP. However, in respect to timber areas within the ceded property but covered by the concession of petitioner, only forest charges (or more appropriately, royalties) may be enjoyed by UP until the expiration of petitioner's license. To deny it such charges would render its "full ownership" empty and futile. (c) The UP is clearly entitled to the income derived from the tract of land ceded to it, for Section 3 of R.A. No. 3990 expressly provides:

> "All *operations and activities* carried on in the central experiment station shall be exempt from taxation, local or general, any provision of law to the contrary notwithstanding, and any *incidental* receipts or income therefrom shall pertain to the general fund of the University of the Philippines." (italics supplied for emphasis).

(d) As provided by R.A. No. 3990, the UP is duty bound to operate and maintain a central experiment station; since this law does not provide for appropriations for such purpose, it is clearly the legislative intention that the establishment and maintenance thereof must be financed by the earnings or income from the area, which can only come from the timber and the royalties or charges payable therefrom. This is in accordance with the general principle that a grant of authority or jurisdiction extends to all incidents that may arise in connection with the matter over which jurisdiction is exercised. (e) Supervision of the License Agreement in favor of petitioner by UP was intended by R.A. No. 3990. (f) Finally, the two government agencies affected by R.A. No. 3990 have issued specific rulings recognizing the authority of UP to collect royalties or charges and to supervise petitioner's logging operations.

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Petitioner refutes the foregoing arguments of respondents by asserting that: (a) The UP has not been granted by R.A. No. 3990 the authority to collect forest charges or the authority to supervise the operation by the petitioner of the timber concession affected by said Act.

The rule is well-settled that legislative grants must be construed strictly in favor of the public and most strongly against the grantee, and nothing will be included in the grant except that which is granted expressly or by clear implication. Under Section 262 of the Tax Code, as amended, the duties incident to the measuring of forest products and the collection of the charges thereon shall be discharged by the Bureau of Internal Revenue under the regulations of the Department of Finance. The reforestation fee shall be collected by the Bureau of Forestry.[9] The supervision and regulation of the use of forest products and of the cutting and removal of forest products are vested upon the Bureau of Forestry.[10] R.A. No. 3990 does not expressly, or even impliedly, grant the UP any authority to collect from the holders of timber concessions on the area ceded to it forest charges due and payable to the Government under the Tax Code, or to enforce its provisions relating to charges on forest products or to supervise the operations of the concessions by the holders thereof. (b) The cession in full ownership of the land in question was expressly made "subject to any concession, if any," and that petitioner's concession would continue until 1 February 1985; the UP then would acquire full ownership and exclusive jurisdiction to control and administer the property only after 1 February 1985. The position of UP is akin to that of a donee of a parcel of land subject to usufruct. (c) The rulings of the Commissioner of Internal Revenue and the Acting Director of the Bureau of Forestry are patently incorrect; moreover, said agencies do not have the power to interpret the law, which is primarily a function of the judiciary. (d) Finally, it has acquired a vested right to operate the timber concession under the supervision and control of the Bureau of Forestry.

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[9] Republic Act No. 115.

[10] Section 816 of the Revised Administrative Code.

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There is merit in the second assigned error.

Under Proclamation No. 791, dated 25 September 1961, a parcel of land of the public domain described therein, with an area of 3,500 hectares, which is the very parcel of land subject of R.A. No. 3990, was withdrawn from sale or settlement and was reserved for the College of Agriculture of the UP as experiment station for the proposed Dairy Research and Training Institute and for research and production studies of said college, subject however to private rights, if any, and to the condition that the disposition of timber and other forest products found thereon shall be subject to forestry laws and regulations.

The above reservation is within the area covered by petitioner's timber license.

Pursuant, however, to R.A. No. 3990 which establishes a central experiment station for the use of the UP in connection with its research and extension functions, particularly by the College of Agriculture, College of Veterinary Medicine and College of Arts and Sciences, the above "reserved" area was "*ceded and transferred in full ownership to the University of the Philippines subject to any existing concessions, if any*."

When it *ceded and transferred* the property to UP, the Republic of the Philippines completely removed it from the public domain and, more specifically, in respect to the areas covered by the timber license of petitioner, removed and segregated it from a public forest; it divested itself of its rights and title thereto and relinquished and conveyed the same to the UP; and made the latter the absolute owner thereof, subject only to the existing concession. That the law intended a transfer of the *absolute* ownership is unequivocally evidenced by its use of the word "full" to describe it. *Full* means entire, complete, or possessing all particulars, or not wanting in any essential quality.[11] The *proviso* regarding existing concessions refers to the timber license of petitioner. All that it means, however, is that the

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[11] Black's *Law Dictionary*, 5th ed., 604-605, Webster's *Third New International Dictionary*, 1986, 919.

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right of petitioner as a timber licensee must not be affected, impaired or diminished; it must be respected. But, insofar as the Republic of the Philippines is concerned, all its rights as grantor of the license were effectively assigned, ceded and conveyed to UP as a consequence of the above transfer of *full* ownership. This is further borne out by Section 3 of R.A. No. 3990 which provides, *inter alia*, that "any incidental receipts or income therefrom shall pertain to the general fund of the University of the Philippines." Having been effectively segregated and removed from the public domain or from a public forest and, in effect, converted into a registered private woodland, the authority and jurisdiction of the Bureau of Forestry over it were likewise terminated. This is obvious from the fact that the condition in Proclamation No. 791 to the effect that the disposition of timber shall be subject to forestry laws and regulations is not reproduced in R.A. No. 3990. The latter does not likewise provide that it is subject to the conditions set forth in the proclamation. An owner has the right to enjoy and dispose of a thing without other limitations than those established by law.[12] The right to enjoy includes the *jus utendi* or the right to receive from the thing what it produces, and the *jus abutendi*, or the right to consume the thing by its use.[13] As provided for in Article 441 of the Civil Code, to the owner belongs the natural fruits, the industrial fruits and the civil fruits. There are, however, exceptions to this rules, as where the property is subject to a usufruct, in which case the usufructuary gets the fruits.[14] In the instant case, that exception is made for the petitioner as licensee or grantee of the concession, which has been given the license to cut, collect, and remove timber from the area ceded and transferred to UP until 1 February 1985. However, it has the correlative duty and obligation to pay the forest charges, or royalties, to the new owner, the UP, at the same rate as provided for in the Agreement. The charges should not be paid

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[12] Article 428, Civil Code of the Philippines.

[13] TOLENTINO, A.M., *Civil Code of the Philippines*, Vol. II, 1983 ed., 42.

[14] *Op. cit.*, 94.

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anymore to the Republic of the Philippines through the Bureau of Internal Revenue because of the very nature of the transfer as aforestated. Consequently, even the Bureau of Internal Revenue automatically lost its authority and jurisdiction to measure the timber cut from the subject area and to collect forestry charges and other fees due thereon.

The foregoing disposes of the contention of petitioner that R.A. No. 3990 does not grant the UP the authority to collect forest charges and to supervise the operations of its concession insofar as the property of the UP within it is concerned. Its argument that it has acquired vested rights to operate its concession under the supervision and control of the Bureau of Forestry is preposterous. The grantor, Republic of the Philippines, was by no means bound under the License to perpetuate the Bureau as its agent. Neither is there force to its contention that legislative grants must be construed strictly in favor of the public and most strongly against the grantee. The grant under R.A. No. 3990 is transfer of absolute, full and entire ownership which leaves no room for a strict interpretation against the grantee, the UP. The reservation therein made is in favor of the private party pursuant to the license, which is nevertheless protected. It is the concession in favor of the petitioner which should, on the contrary, be bound by the rule.

It follows then that respondent UP is entitled to supervise, through its duly appointed personnel, the logging, felling, and removal of timber within the area covered by R.A. No. 3990.

IN THE LIGHT OF ALL THE FOREGOING, judgment is hereby *rendered REVERSING* the decision of the trial court in Civil Case No. C-650, rendered on *3 June 1968*; *DECLARING* that *forest charges due from and payable by* petitioner for timber cut pursuant to its *License Agreement No. 27-A (Amendment)* within the area ceded and transferred to the University of the Philippine pursuant to R.A. No. 3990 *shall be paid to the University of the Philippines*; *DECLARING* that the *University of the Philippines* is *entitled* to *supervise*, through its duly appointed personnel, *the logging,* felling, and removal of timber within the aforesaid area covered by R.A. No. 3990.

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Costs against petitioner.

SO ORDERED.

Fernan, C.J., Gutierrez, Jr., Feliciano, and *Bidin, JJ.*, concur.

FIRST DIVISION

[G.R. No. 95709. August 13, 1991]

DULCE BEO and AUGUSTO LIANKO, *petitioners, vs.* **HONORABLE COURT OF APPEALS and HEIRS OF DOMINADOR ABADA,** *respondents.*

SYLLABUS

1. CIVIL LAW; PROPERTY; POSSESSION; ACTION FOR RECOVERY OF POSSESSION; WHEN IT MAY PROSPER.— x x x When the record does not show that the land subject matter of the action for recovery of possession has been exactly determined, such action cannot prosper, as in the case of petitioners. In sum, proof of ownership coupled with identity of the land is the basic rule. Corollarily, the rule is likewise well-settled that in order that an action for recovery of possession may prosper, it is indispensable that he who brings the action fully proves not only his ownership but also the identity of the property claimed, by describing the location, area and boundaries thereof. As the appellate court succinctly stated, he who claims to have a better right to the property must clearly show that the land possessed by the other party is the very land that belongs to him.

2. REMEDIAL LAW; APPEALS; GENERALLY, FINDINGS OF FACT OF THE COURT OF APPEALS ARE BINDING AND CONCLUSIVE AND CANNOT BE REVIEWED BY THE SUPREME COURT.— Petitioners, however, invoke the general rule that findings of fact of the trial court which tried the case and heard the witnesses are not to be disturbed on