SUPREME COURT
THIRD DIVISION

UNIVERSITY PHYSICIANS SERVICES, INC.,
***Petitioner*,**

-versus-

G.R. No. 115045
January 31, 2000

COURT OF APPEALS, MARIAN CLINICS, INC. and SPOUSES LOURDES F. MABANTA and FAUSTO MABANTA,
***Respondents*.**
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D E C I S I O N

GONZAGA-REYES, *J.*:

Before us is a Petition for Review by way of *Certiorari* of the November 26, 1993[1] Decision and April 11, 1994[2] Resolution of the Court of Appeals in CA-G.R. CV No. 20450. The Court of Appeals (CA) affirmed the October 28, 1988 Decision[3] of the Regional Trial Court (RTC) of Pasig, Branch 165 in Civil Case No. 52978, an action for compensation and damages.

The pertinent facts, as found by the trial court, are as follows:

"The plaintiffs and the defendant entered into a lease agreement (Exhibit "A"), commencing on 01 June 1973 and ending on 31 May 1983, with a provision that the 'period of this lease may be extended for another period of five (5) years subject only to re-negotiation of rentals, which re-negotiations should start not less than six (6) months prior to the termination of the original period of this lease.' (par. 1, Exhibit "A").

The lease contract covers the Marian Hospital and four Schools, consisting of four buildings, a 10-storey concrete building, a 9-storey concrete building, a 3-storey building and one called Soledad Building, including the land on which they stand, as well as facilities, furnitures, fixtures and equipments, listed in Annexes "A" and "B" attached to the Lease Agreement (Exh. "A"). Excepted from this lease is a certain portion of the Soledad Building used as a clinic of plaintiff Dra. Lourdes F. Mabanta, and another portion at the western end of the building used as a 'bibingka store.' Defendant was to pay a monthly rental of P70,000.00, which became due and payable within the first ten days of every month in advance, except the first rental and the rentals for the last months of April and May 1983, which were due and payable at the time of the execution of the contract of lease.

As early as 1975, problems appear to have arisen from the contractual relations of the parties when, on 27 October 1975, herein defendant, as plaintiff, filed with the Court of First Instance of Manila, Civil Case No. 99934, against the herein plaintiffs, as defendants in that case, for specific performance with damages, due to alleged violations by the herein plaintiffs of certain provisions of the Lease Agreement (Exh. "A"), specifically for alleged 'condemned' installation, electrical installations and for their failure to present the occupancy permit for the buildings leased,' (TSN, session of Dec. 17, 1987, p. 13).

Subsequent to the filing by herein defendant of Civil Case No. 99934, herein plaintiffs filed with the City Court of Manila, on 18 December 1975 (see page 2, 'Plaintiffs' Opposition to

Defendant's Motion to Dismiss'), an ejectment case for unlawful detainer against defendant, docketed as Civil Case No. 006665-CV (see par. 3.3. of Answer).

The principal ground of the ejectment (unlawful detainer) case filed by the herein plaintiffs against the herein defendant was for the alleged non-payment of rentals on the lease properties, beginning November 1975, because the defendant suspended the payments thereof (see Annex "B" to the Complaint).

After trial by the City Court of Manila of Civil Case No. 006665-CV, the case was dismissed and the decision of the City Court rendered on 10 August 1980, was appealed to the Court of First Instance, and therein docketed as Civil Case No. 135396, and assigned to Hon. Tomas Maddela, Judge Presiding. Also, Civil Case No. 99934, for specific performance with damages, was tried by Judge Maddela, and he rendered a decision, on the same day he rendered a decision in Civil Case No. 135396, against the herein plaintiffs and in favor of herein defendant, directing herein plaintiffs to pay herein defendant some P663,153.49 in damages. This decision is now pending appeal (see par. 3.5, Answer).

The Regional Trial Court of Manila (RTC, for short), rendered on 21 April 1983 a decision in Civil Case No. 135396, affirming in toto the decision of the City Court in Civil Case No. 006665-CV. The decision of the Regional Trial Court in Civil Case No. 135396, affirming in toto the appealed decision of the City Court in Civil Case No. 006665-CV, was appealed to the Intermediate Appellate Court (IAC, for short), docketed as AC-G.R. SP. No. 00994, which rendered a decision on 28 February 1985, (Annex "B" to the Complaint), and Amplified/Amended by its Resolution of 18 July 1985, (Annex "B-1" of the Complaint), reversing the decision in Civil Case No. 135396, with the finding that the respondent RTC erred in affirming the decision of the City Court dismissing petitioners' (herein plaintiffs) complaint of ejectment; that, there being violations made by respondent (herein defendant) of the lease agreement as proven by the evidence submitted by the petitioners, and private respondent's efforts to justify such violations not being sufficient so as to

negate the payment of rental, respondent court should have reversed the City Court's decision and should have ordered the respondent to vacate the premises (p. 13 of Annex "B" to the Complaint). The IAC subsequently directed the herein defendant to pay to herein plaintiffs rentals from November 1975 to 31 May 1983, less rentals that were deposited and withdrawn by herein plaintiffs, and directing defendant to vacate the leased properties including the fixtures, supplies and equipments listed in Annex "A" (other than the property ceded to the Development Bank of the Philippines in the *'dacion en pago'*) more particularly but is now occupied by Juanchito's restaurant and the passage way of the premises still owned by petitioners.' (pp. 3-4, Annex "B-1" to Complaint).

The decision and resolution were the subject of a petition for review by herein defendant filed with the Supreme Court on 07 August 1985.[*]

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Meanwhile, that the cases were filed by and against one another (of one parties), the Development Bank of the Philippines (DBP, for short), acquired, thru a *'dacion en pago'* the ownership of two of the four buildings leased to defendant, while plaintiff Lourdes Mabanta continue to own the other two buildings — the 3-storey building and the Soledad Bldg. (see par. 3-7, Answer). Defendant continued to occupy, under lease, the two buildings ceded to DBP.

While the Lease Agreement (Exh. "A"), 'may be extended for another period five (5) years, subject only to re-negotiation of rentals, which re-negotiation should start not less than six (6) months prior to the termination of the original period of this lease,' no such renegotiations were ever made 'on account of the fact that the relationship between the parties was already strained at that point in time as a result of the cases which each has filed against the other' (see par. 3-11, Answer).

Nonetheless, on 12 May 1983, defendant delivered a letter, dated 01 May 1983 (Exh. "1"), addressed to Plaintiff Dra.

Lourdes F. Mabanta, informing the latter that it (defendant) is exercising its option to extend the lease for another period of five years and that it is willing and ready to negotiate the rentals (despite the fact that, in view of the previous position you have taken on the matter, the re-negotiation would/may be a futile exercise)'. This letter also warns plaintiffs that 'should you however refuse to negotiate, we will be constrained to request the court to fix the rentals of the extended period.'

This letter (Exh. "1") was answered by plaintiffs, through their lawyer, with a letter dated 16 May 1983, stating, inter alia, that since there were no renegotiations on the rentals which should have started 'not less than six (6) months prior to the termination of the original period, there are no rights which have arisen thereunder' (see Exh. "2").

The defendant insisted on its right to extend as shown by its letters marked Exhibits "3" and "4".

It has also been well-established, by preponderance of evidence that:

a) Sometime in November, 1983, defendant had caused the destruction, by its eight (8) security guards, of plaintiffs' steel gate that closes the passageway into plaintiff Mabanta's properties which caused her to suffer P5,000.00 in damages.

b) Defendant has been possessing, using, enjoying and had continued to possess, use and enjoy the passage way into plaintiff Dra. Mabanta's properties even after 31 May 1983, and was still using and enjoying the passage way at the time plaintiff Dra. Mabanta took the witness stand on 06 May 1987 and that the reasonable compensation for the use of the passage way is P2,000.00 a month;

c) Defendant had still kept, retained and had been detaining, using and enjoying the hospital and school fixtures, equipments, furnitures and supplies, listed in

Exh. “B”, which is Annex “A” to the Lease Agreement (Exh. “A”), from June 1983 up to the present, without having paid any reasonable compensation for the use and enjoyment of such properties, and for which a reasonable compensation was shown by plaintiff Lourdes Mabanta to be P30,000.00 a month; and

d) Defendant had continued occupying and using the Juanchito Restaurant from 01 June 1983 to 10 April 1987, without paying any reasonable compensation for such use, and for which a reasonable compensation was shown by Plaintiff Lourdes Mabanta to be P5,000.00 a month.”[4]

After more than two years from the time the original period of the lease expired on May 31, 1983, herein private respondents filed on November 21, 1985, a complaint for Compensation and Damages docketed as Civil Case No. 52978 before the Regional Trial Court of Pasig against herein petitioner UPSI. Herein private respondents claimed that despite the lapse of the original period of the lease, the latter continuously occupied and used the leased premises without paying the necessary rent. Herein private respondents also sought the payment of damages caused by the petitioner, defendant below, for the destruction of the steel gate shutter by the latter’s security guards.

After trial on the merits, the lower court ruled in favor of herein private respondents. The dispositive portion of the judgment states as follows:

“WHEREFORE, judgment is hereby rendered, against the defendant and in favor of the plaintiffs, ordering defendant to pay:

1. to the plaintiffs the sum of P30,000.00 as reasonable compensation for defendant’s use of the hospital and school equipments, fixtures, furnitures, facilities and supplies owned by plaintiffs, or in the event of its inability to return the properties or some of them, to replace them in the same quantity and quality, as it received them, pursuant to par. 8(e), of Exh. “A”;

2. to the plaintiff Lourdes Mabanta, the sum of P2,000.00 a month, with legal interest thereon, as the reasonable compensation for defendant's use and enjoyment of the passage way, commencing 01 June 1983 until the said passage way is actually and completely surrendered/delivered to plaintiff Lourdes Mabanta;

3. to the plaintiff Lourdes Mabanta, the sum of P5,000.00 a month, with legal interest thereon, as the reasonable monthly compensation for defendant's occupation and use of the Juanchito Restaurant, commencing from 01 June 1983 until 31 March 1987;

4. to the plaintiff Dra. Lourdes Mabanta the sum of P200,000.00, as and for moral damages;

5. to the plaintiffs, the sum of P200,000.00, as and for exemplary damages;

6. to the plaintiffs, the sum of P50,000.00, as and for attorney's fees and expenses of litigation; and

7. the costs of this suit.

All other claims of plaintiffs and the defendant against each other are hereby dismissed for lack of merit.

SO ORDERED."[5]

The aforesaid decision was appealed to the Court of Appeals on September 28, 1989. On November 26, 1993, the respondent court affirmed the decision of the trial court with the modification that the award of moral and exemplary damages is reduced from a total of P400,000.00 to P200,000.00.

Hence, this appeal. Petitioner University Physician Services, Inc. (UPSI) submits the following as issues, to wit:

1. WHETHER OR NOT THE OTHER PENDING CASES BETWEEN THE PARTIES CONSTITUTE A BAR TO THE INSTANT COMPLAINT UNDER THE RULE ON LITIS PENDENCIA.

2. WHETHER OR NOT, UNDER THE TERMS OF THE LEASE AGREEMENT, PETITIONER HAD THE RIGHT TO EXTEND THE DURATION OF THE LEASE.

3. WHETHER OR NOT PRIVATE RESPONDENTS ARE ENTITLED TO DAMAGES CONSISTING OF REASONABLE COMPENSATION FOR THE USE OF THE PASSAGEWAY, THE JUANCHITO'S RESTAURANT, AND THE FIXTURES, FACILITIES, SUPPLIES, ETC. IF SO, WHETHER OR NOT THE AMOUNT OF "REASONABLE COMPENSATION" CAN BE UNILATERALLY DICTATED BY PRIVATE RESPONDENTS.

On the first issue raised, petitioner argues that Civil Case No. 52978[6] should have been dismissed on the ground of *litis pendencia*. Petitioner UPSI alleges that the pendency of the three cases[7] effectively bars the resolution of the case subject of the present petition (Civil Case No. 52978).

This argument is untenable.

Litis pendencia as a ground for the dismissal of a civil action refers to that situation wherein another action is pending between the same parties for the same cause of action and that the second action becomes unnecessary and vexatious.[8] It does not exist solely because other action(s) is pending between the same parties. It must be shown that the institution of the later action(s) was unnecessary and intended to harass the respondent therein. More particularly it must conform to the following requisites:

1. Identity of parties, or at least such parties as those representing the same interests in both actions.

2. Identity of rights asserted and reliefs prayed for, the reliefs being founded on the same facts.

3. Identity with respect to the two preceding particulars in the two cases, such that any judgment that may be rendered in the pending case, regardless of which party is successful, would amount to res judicata in the other case.[9]

All three requisites must be present. The absence of any one requisite would defect the claim of *litis pendencia* or *lis pendens*.

As regards the first requirement, it is evident that the four cases involved essentially the same parties representing the same interest. In order that there be identity of parties the law does not require absolute identity of such parties with respect to a later case. Only substantial, and not absolute, identity of parties is required for *lis pendens*.[10] The addition or elimination of parties does not alter the situation.[11] In Civil Case No. 99934, the plaintiff is University Physicians Services, Inc., and the defendants are Marian Clinics, Inc. and Dra. Lourdes F. Mabanta. In Civil Case No. 00665-CV, the plaintiffs are Marian Clinics, Inc. and Dra. Lourdes F. Mabanta and the defendant is University Physicians Services. In Civil Case No. 83-21275, the plaintiffs are Lourdes F. Mabanta, assisted by her Administrator Elias S. Asuncion and the defendants are University Physicians Services, Inc., and Dr. Paulo C. Campos, defendants. And in the case at bar, which originated as Civil Case No. 52978, the plaintiffs are the Marian Clinics, Inc. and spouses Lourdes and Fausto Mabanta and the defendant is University Physicians Services, Inc.

However, the two (2) other requisites are not present. The reliefs sought in the three other pending cases are different from that sought in the instant case and are anchored on different facts, different sets of acts or omissions constituting the cause of action in the present case. The relief sought in the present case evidently is not similar much less identical to that sought in the three (3) other cases. A resolution of any of these three pending cases below would not in any way constitute a bar to the resolution of the present case. What the instant case seeks is only the reasonable compensation for UPSI's continued use of private respondents' properties beyond the May 31, 1983 expiry date of the original lease contract and for the damages suffered by Dra. Mabanta when the latter's gate was destroyed by UPSI's security guards. For there to be identity of rights and reliefs

prayed for, the basic consideration is that the relief sought must be founded on the same facts which gives rise to the cause of action which is not the case here.

Civil Case No. 99934, for specific performance and damages was filed by herein petitioner UPSI on October 27, 1975. UPSI claimed that private respondents (except respondent Fausto Mabanta) violated the lease agreement by their failure to deliver the certificates of occupancy of the leased buildings and the alleged non-repair of the defective electrical installations in the leased buildings. In Civil Case No. 00665-CV for Unlawful Detainer, filed on December 18, 1975, the case centers on the alleged violation of UPSI of the contract of lease for non-payment and refusal to pay its monthly rental since November 1975 at the time the lease contract was still in force. The merits of this case was already resolved by this Court in favor of the private respondents herein in G.R. No. 71579. The subject of appeal pending before the Court of Appeals refers only to defendant's opposition to the execution of judgment filed by herein private respondents and not the merit of their claim for unlawful detainer. On the other hand, Civil Case No. 83-21275, a case for restoration of water supply with injunction and damages, which was filed on November 14, 1983, was based on UPSI's alleged unlawful closure of the pipe lines which supplied water to all parts of the Soledad Building except that pipe line supplying water to the Juanchito restaurant occupied by petitioners. The only relief prayed for in this case is the reconnection of the water supply to the Soledad Building and damages. As admitted by the private respondents in their Appellee's Brief[12] filed before the respondent court what is left for determination is only their claim for damages because a few days after the case was filed herein petitioner restored the water supply to the Soledad Building. The case was then archived pending determination of the ejectment case.

Consequently, there being different causes of action in these four (4) cases including the case subject matter of the present petition, a decision in one case will not constitute res judicata with respect to the other pending cases.

We affirm the following ratiocination of the trial court in its Order[13] dated May 29, 1986 denying the motion to dismiss filed by petitioner

UPSI, which was adopted by the respondent court as being in accord with existing laws and jurisprudence on the matter:

> "A cursory examination of the causes of action in the different cases enumerated by the defendant in its motion, viewed from the purposes of the actions, would readily show that the other cases referred to, as pending between the parties involved causes of action very much different from the causes of action in the present case. As can be gleaned from defendant's motion to dismiss, amplified by plaintiff's opposition to said motion, the first case (Civil Case No. 99934) filed by University Physicians Services, Inc., hereafter referred to as UPSI for brevity, is for specific performance, whereby UPSI seeks the delivery of Marian Clinics, Inc. and Lourdes Mabanta, Certificates of Occupancy and the payment of damages arising from the non-delivery of the certificates. The second case (specified by plaintiffs in their opposition as Civil Case No. 006665-CV) filed by Marian Clinics and Lourdes Mabanta, seeks the ejectment of UPSI from the leased premises, on grounds of breach of the terms of the lease. And the third case (Civil Case No. 83-21275, filed by Lourdes Mabanta, assisted by her administrator), seeks the restoration of water supply in Lourdes Mabanta's premises, with injunction and damages.
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> The instant action has for its subject the recovery of reasonable compensation for defendant's use of certain leased properties of the plaintiffs Marian Clinics, Inc. and Lourdes Mabanta, from June 1, 1983 to the present, and also for damages allegedly suffered by plaintiff Lourdes Mabanta by reason of the alleged destruction by defendant of the steel gate shutter of plaintiffs' property.
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> From these, the Court cannot see how the two causes of action in the present complaint in the case at bar can be the same with the causes of action of the three pending cases cited by defendants.
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> X x x

> On the identity of rights asserted and the reliefs prayed for: This Court had shown the difference in rights asserted and the reliefs prayed for in the three other cases, Civil Cases Nos. 99934, 0066634-CV and 83-21275 and in the case at bar. Let it, however, be emphasized that the three cases and the one at bar are founded on different facts, different sets of alleged violations of the rights constituting causes of action in the three cases, are entirely different in the case at bar.
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> Third, a judgment rendered in three cases cannot be res judicata in the case at bar because the rights asserted and the reliefs prayed for in the instant case are entirely different, separate and distinct from the rights asserted and the reliefs demanded in the three other cases.
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> In fine, there is no res judicata to justify the dismissal of the case at bar." (Emphasis Ours)[14]

From the foregoing, the other claim by petitioner UPSI regarding forum shopping has to be rejected in light of the ruling of this Court in Dasmariñas Village Association, Inc. vs. Court of Appeals,[15] where it was held that:

> "the established rule is that for forum-shopping to exist, both actions must involve the same transactions; same essential facts and circumstances and must raise identical causes of action, subject matter and issues. In this regard, forum-shopping exists where the elements of litis pendencia are present or where a final judgment in one case will amount to res judicata in the other.
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> Accordingly, the requisites of litis pendencia not having concurred, private respondent cannot be held guilty of forum-shopping."

The second assigned error concerns petitioner's contention that paragraph 1 of the Lease Agreement expressly grants it a unilateral option to extend the lease for another five (5) years. Said paragraph 1 reads:

> "1. The LESSEE shall have the exclusive right to possess, use, run, manage and operate, as its own businesses, the LEASED ASSETS at its present location for a period of ten (10) years starting on June 1, 1973 up to and including May 31, 1983. The period of this lease may be extended for another period of five (5) years, subject only to re-negotiation of rentals, which re-negotiation should start not less than six (6) months prior to the termination of the original period of this lease."

Petitioner UPSI also claims that under paragraph 11 of the Lease Agreement,[16] which reads:

> "The parties agree that any violation or breach of any of the conditions in the [is] Contract by any of the parties shall entitle the other either (a) to terminate the same immediately; or (b) to enforce the performance of the same, with right of damages, in either case in accordance with law. It is further agreed that should the LESSEE be the one to violate or breach any of the conditions of this contract and the LESSORS may required (sic) the LESSEE or any one occupying the premises under it to vacate the premises immediately without the obligation to reduce or return any amount already received."

both the lessor and the lessee are entitled to either terminate the lease agreement or to enforce the performance of the contract and that petitioner, as lessee, had the concurrent and equal right to enforce performance of the express option to extend the lease for another period of five (5) years under paragraph 1 thereof. The lease agreement was not to expire until 31 May 1983. Although the private respondent had filed an ejectment suit against petitioner, the City Court had declared that petitioner was legally justified in suspending payment of rentals in view of herein private respondents' failure to comply with its obligation under the lease agreement to deliver the certificates of occupancy. Petitioner claims that this ruling was affirmed on appeal to the CFI.

We do not agree.

Contrary to the claim of petitioner UPSI that their right to suspend payment of their rent was sustained by the City Court and affirmed by the CFI, the aforesaid rulings did not yet became final. The adverse party thereat, private respondents herein, was able to seasonably appeal the said decision of the CFI before the then Intermediate Appellate Court (now Court of Appeals) docketed as AC-G.R. SP No. 00994, which reversed the CFI ruling. The appellate court opined that the lack of certificate of occupancy for the buildings and the defective electrical installations on the premises leased finds no justification on the part of the lessee to fail or refuse payment of the rent. On the one hand, the absence of the certificates of occupancy show that such absence of the certificates did not impair the peaceful and adequate enjoyment of the premises leased. And, on the other hand, as to the defective electrical installations, the lessee is not left without remedy for it could have had the electrical installations properly installed at the expense of the lessor. This ruling of the appellate court became final and executory on January 14, 1987 after the Petition for Review filed by petitioner UPSI was dismissed by this Court in G.R. No. 71579 for lack of merit.

The rule is well settled that in the construction and interpretation of a contract, the intention of the parties must be sought.[17] Contracts being private laws of the contracting parties, should be fulfilled according to the literal sense of their stipulations if their terms are clear and leave no room for doubt as to the intention of the contracting parties,[18] as in this case. Here, there is no dispute that under the express terms of the Lease Agreement, petitioner UPSI, as lessee, was granted an option to extend the contract of lease. However, such option to extend must not be read in isolation from the rest of the terms of the provision where such grant was written. The ruling of this Court in Oil Gas Commission vs. Court of Appeals[19] is instructive:

> "Thus, this Court has held that as in statutes, the provisions of a contract should not be read in isolation from the rest of the instrument but, on the contrary, interpreted in the light of the other related provisions. The whole and every part of a contract must be considered in fixing the meaning of any of its parts and in order to produce a harmonious whole. Equally applicable is the cannon of construction that in interpreting a statute (or a

> contract as in this case), care should be taken that every part thereof be given effect, on the theory that it was enacted as an integrated measure and not as a hodge-podge of conflicting provisions. The rule is that a construction that would render a provision inoperative should be avoided; instead, apparently inconsistent provisions should be reconciled whenever possible as parts of a coordinated and harmonious whole."[20]

A careful reading of the subject paragraph yields no basis for recognizing an exclusive unilateral right on the part of the lessee to extend the term of the lease for another five (5) years. The word "extended" was qualified by the word "may be" which connotes possibility; it does not connote certainty.[21] The extension clearly was premised on the act of both parties, i.e. re-negotiation of rentals, which re-negotiation should start not less than six (6) months prior to the termination of the original period of the lease. The need for re-negotiation or a future consensual agreement between the lessor and the lessee with regard to the rentals clearly negates the idea of a unilateral option in favor of the lessee. The record shows that petitioner UPSI failed to comply with the six-month period as it offered to re-negotiate only on May 1, 1983, barely a few weeks before the original period of lease expired on May 31, 1983. Absent any re-negotiation of rentals made six (6) months prior to the expiration of the original period of lease, no extension of the lease in favor of UPSI has arisen.

Petitioner further claims that the respondent court erred when it failed to apply the doctrine then prevailing as enunciated in the cases of Legarda Koh vs. Ongsiako[22] and Cruz vs. Alberto[23] wherein a renewal clause incorporated in a lease agreement has been held to be understood as being one in favor of the lessee.[24] Although the aforesaid rulings of the Court were allegedly modified in Fernandez vs. Court of Appeals,[25] it is contended that the rulings of both the respondent court and the lower court were not based on such new doctrine.[26]

The doctrine enunciated in the Koh and Cruz cases that language in a lease contract fixing the term thereof for a fixed period "extendible at the will of both parties" or for another extendible term "agreed upon by both parties" is a unilateral stipulation in favor of the lessee, is no

longer controlling. The two earlier cases were discussed at length in Fernandez vs. Court of Appeals[27] in this wise:

> "On the purely linguistic level, we note that the important, operative word in the contract clause in both Koh and Cruz was "extendible"; in the case at bar, the contract used the term "renewable". In Koh, the Court has in effect looking at the word "extendible" standing alone: Mr. Justice Torres found that the phrase "at the will of both parties" had been unilaterally inserted by a stranger to the contract — the lessor's caretaker of the property involved — without the consent of the lessee; the phrase therefore could be disregarded. In Cruz, Mr. Justice Street felt compelled by what may well be too mechanical a rendering into English of the past participle form in Spanish to read *"convenidos por ambas partes"* as referring to a previous agreement contemporaneous with execution of the contract to grant the lessee a unilateral option to continue with the lease beyond the original term; in any event Mr. Justice Street treated the phrase as a superfluity. In the case at bar, "renewable" does not stand alone: as noted earlier, it is qualified and amplified by two phrases, the one stressing that the option to renew was not unilateral but mutual, and the other emphasizing the need for future agreement between lessor and lessee on the detailed terms and conditions of renewal.
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> As a matter of dictionary meaning, "extendible" means "capable of extension", and "renewable" means "capable of renewal"; both are oriented towards the future. It may be seen that both "extendible" and "renewable", when considered in and of themselves, are non-committal: they do not purport to answer the intensely practical question of who is vested-lessor or lessee or both acting together — with the option to extend or renew a lease. Again, neither term by itself pre-empts the question of what the specific terms and conditions of the extended or renewed lease shall be: shall all terms and provisions of the old lease be carried forward into the future, or shall all or some of them be renegotiated upon expiration of the old lease. Thus, both Koh and Cruz seem to impose an impossible burden upon single words. Put a little differently, both Mr. Justice Torres and Mr. Justice Street read too much into a single word: they read

> "extendible" as if it said "extendible at the option of the lessee alone, all other terms and conditions remaining unchanged". In effect, Koh and Cruz treated "extendible" as a highly technical and cryptic term.
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> We do not believe that the use of either "extendible" or "renewable" should be given sacramental significance. The important task in contract interpretation is always the ascertainment of the intention of the contracting parties and that task is of course to be discharged by looking to the words they used to project that intention in their contract, all the words not just a particular word or two, and words in context not words standing alone. In the case at bar, the intent of the parties is observable with sufficient clarity and specificity in the language they used.
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> It is also important to bear in mind that in a reciprocal contract like a lease, the period of the lease must be deemed to have been agreed upon for the benefit of both parties, absent language showing that the term was deliberately set for the benefit of the lessee or lessor alone. We are not aware of any presumption in law that the term of a lease is designed for the benefit of the lessee alone. Koh and Cruz in effect rested upon such a presumption. But that presumption cannot reasonably be indulged in casually in an era of rapid economic change, marked by, among other things, volatile costs of living and fluctuations in the value of the domestic currency. The longer the period the more clearly unreasonable such a presumption would be. In an age like that we live in, very specific language is necessary to show an intent to grant a unilateral faculty to extend or renew a contract of lease to the lessee alone, or to the lessor alone for that matter. We hold that the abovequoted rulings in Koh vs. Ongsiaco and Cruz vs. Alberto should be and are overruled."[28] (Emphasis Ours)

The subject contract herein contains the phrase "may be extended for another period of five (5) years, subject only to re-negotiation of rentals." Following the rule in the Fernandez case, we hold that the language of the contract does not specifically or by clear implication grant a unilateral faculty to extend the term of the lease to either

party. Re-negotiation of rentals which is the most vital substantive condition in the contract necessarily requires a future consensual agreement, thus making the option to renew a mutual option. The use of the words "may be," which connotes possibility and not certainty, further precludes an interpretation that the right to extend has already been created in favor of the lessee at the time the contract was entered into in 1973. Finally, the stipulation that the re-negotiation should start not less than six (6) months prior to the termination of the original period of the lease reveals the intent of both parties to restrict the operation of the renewal clause, thus foreclosing any promise to vest in one party the option to renew or extend the term at its sole discretion upon the expiration of the original term.

In this case no re-negotiation transpired nor was feasible. Petitioner tried to start re-negotiation on May 1, 1983, by writing a letter to respondent Mabanta stating that it is exercising its option to extend and that it is willing to negotiate on the rentals (Exhibit "1"). Unfortunately, there was no compliance with the six (6) month period. And more importantly, the lease was already terminated upon the filing of the unlawful detainer case, which was ultimately resolved against petitioner in the Intermediate Appellate Court in AC-G.R. SP No. 00994.

In their third assigned error petitioner UPSI contends that private respondents are not entitled to the damages awarded by the Court of Appeals. It is claimed that the right to fix the rent of the lease does not cover nor extend to a right to determine reasonable compensation for the use and occupation of the premises. Since the private respondents have refused to re-negotiate with petitioner for the new rental rates they cannot invoke the right to fix rent because their failure to re-negotiate the new rental rate was deemed a waiver of their right, as lessors, to fix rentals. Besides, what private respondents now demand is compensation, not rent, for the use of their property.

We do not agree.

Following the conclusion that petitioner had no right to unilaterally extend the term of the lease for another five (5) years, no contractual relation governed petitioner UPSI's continued stay on the leased properties after the Lease Agreement expired on May 31, 1983. There

is no provision in the contract of lease that is in point. Contrary to petitioner UPSI's claim regarding the reasonable compensation, we affirm the conclusions adduced by the respondent court in affirming the trial court on the question of reasonable compensation on the basis of the evidence, thus:

> "We cannot agree with appellant that the lower court erred in awarding damages insofar as the P2,000 monthly rental for the use of the passage way commencing on June 1, 1983 until appellant surrenders possession of the same to appellees; the P5,000 monthly rental for the Juanchito Restaurant of the appellant from June 1, 1983 to March 31, 1987; the P30,000 monthly rental for the use of the hospital facilities, furnitures, fixtures and supplies including the operation of four schools commencing on June 1, 1983 up to the time appellant turns over possession of the same to appellees; and the P5,000 for the destruction of the steel gate of the premises in question. All these is (sic) supported by evidence by appellees. As correctly found by the lower court, appellant has not presented any contrary evidence to dispute said amount of damages. Clearly, appellant has not come up with the required burden of proof as to the alleged contract amount of damages (Sec. 1, Rule 131 of the Revised Rules of Evidence of 1989). In fact, up to the instant appeal, appellant has not presented the alternative figures for these damages.
>
> There is also no question that appellees were compelled to litigate due to the adamant refusal of appellant to satisfy their valid demand, for which the lower court correctly awarded the amount of P50,000.00 as reasonable attorney's fees (Art. 2208 (5) & (11), New Civil Code)." [Emphasis Ours][29]

The claim of petitioner that private respondents do not have a unilateral right to fix rentals when the latter refused to re-negotiate is specious. It should be emphasized that the amount awarded to herein private respondents as a result of petitioner's continued use of the leased premises was not unilaterally fixed by herein private respondents. The award was based on the testimony made by Dra. Lourdes Mabanta and the trial court had the authority and discretion to accept, reject or modify the amount testified to if it finds the same

to be unconscionable. Petitioner failed to present before the trial court the proper alternative figures to support its view of what it considered as the reasonable compensation for its continued use of the passageway, the Juanchito's Restaurant, and the fixture, facilities, supplies, etc. beyond the original term of the lease. Petitioner had every opportunity below to rebut, during the cross-examination of Dra. Lourdes Mabanta, the amount claimed by private respondents as reasonable value, which it did not. There being no contrary evidence presented, the trial court cannot be faulted for adopting the amount testified to by Dra. Lourdes Mabanta since it finds that the amount testified to was justified under the given circumstances. Where the judge has exercised due care and discretion in making his findings and has not overlooked anything which would justify the Court in questioning the soundness of his conclusions, the Supreme Court will not disturb his findings and conclusions.[30]

In Sia vs. Court of Appeals[31] we had occasion to address a similar question on reasonable compensation of leased property, to wit:

> "Finally, petitioner submits that the award of monthly rental of P5,000.00 as fixed by the Regional Trial Court and affirmed by the respondent Court of Appeals, is excessive, exorbitant and unreasonable. We disagree. On the contrary, the records bear out that the P5,000.00 monthly rental is a reasonable amount, considering that the subject lot is a prime commercial real property whose value has significantly increased and that P5,000.00 is within the range of prevailing rental rates in that vicinity. Moreover, petitioner has not proffered controverting evidence to support what he believes to be the fair rental value of the leased building since the burden of proof to show that the rental demanded is unconscionable or exorbitant rests upon the lessee. Thus, here and now we rule, as we did in the case of Manila Bay Club vs. Court of Appeals,[32] that petitioner having failed to prove its claim of excessive rentals, the valuation made by the Regional Trial Court, as affirmed by the respondent Court of Appeals, stands.
>
> "It is worth stressing at this juncture that the trial court had the authority to fix the reasonable value for the continued use and occupancy of the leased premises after the termination of the

> lease contract, and that it was not bound by the stipulated rental in the contract of lease since it is equally settled that upon termination or expiration of the contract of lease, the rental stipulated therein may no longer be the reasonable value for the use and occupation of the premises as a result or by reason of the change or rise in values. Moreover, the trial court can take judicial notice of the general increase in rentals of real estate specially of business establishments." (Emphasis Ours)

Indeed, a review of the records yields no basis for awarding a different amount by way of damages.

WHEREFORE, premises considered, the assailed Decision dated November 26, 1993 and the Resolution dated April 11, 1994 of the respondent Court of Appeals are hereby **AFFIRMED** and the instant petition **DISMISSED** for lack of merit.

SO ORDERED.

Melo, Vitug, Panganiban and Purisima, *JJ.*, concur.

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[1] Second Division, composed of Associate Justices Vicente V. Mendoza (now Associate Justice of the Supreme Court) as Chairman, Jesus M. Elbiñas, and Lourdes K. Tayao-Jaguros (ponente); Rollo, pp. 52-68.
[2] Rollo, p. 97.
[3] Penned by Judge Milagros V. Caguioa; Rollo, pp. 69-95.
[*] The case was Docketed as G.R. No. 71579 (University Physicians Services, Inc. vs. Court of Appeals, et al.). In a Resolution dated September 10, 1986, the Court's Second Division resolved to deny the petition for lack of merit. The motion for reconsideration filed by the counsel for petitioner University Physicians, Inc. was likewise denied for lack of merit and the denial was made final. On January 14, 1987, said decision became final and executory and was recorded in the Book of Entries of Judgments.
[4] Rollo, pp. 54-59.
[5] Rollo, pp. 94-95.
[6] "Marian Clinics, Inc. and spouses Lourdes and Fausto Mabanta, plaintiffs vs. University Physicians Services, Inc., defendant" for COMPENSATION AND DAMAGES, Civil Case No. 52978.
[7] These are as follows:

1. "University Physicians Services, Inc., plaintiff, vs. Marian Clinics, Inc. and Dra. Lourdes F. Mabanta, defendants" for SPECIFIC PERFORMANCE AND DAMAGES —
   originated as Civil Case No. 99934, CFI-Manila, Branch 34 and is now pending appeal in the Court of Appeals;
2. "Marian Clinics, Inc. and Dra. Lourdes F. Mabanta, plaintiffs vs. University Physicians Services, Inc., defendant" for UNLAWFUL DETAINER — originated as Civil Case No. 00665-CV, City Court of Manila, was later appealed to the Regional Trial Court of Manila (Civil Case No. 135396), and then to the Court of Appeals and eventually to this Honorable Court. Defendant's opposition to the execution of judgment is now pending resolution in the Court of Appeals (CA-G.R. CV No. 34971);
3. "Lourdes F. Mabanta, assisted by her Administrator Elias S. Asuncion, plaintiff vs. University Physicians Services, Inc., and Dr. Paulo C. Campos, defendants," for RESTORATION OF WATER SUPPLY WITH INJUNCTION AND DAMAGES, Civil Case No. 83-21275, Regional Trial Court of Manila, the proceedings of which have been archived.

[8] Feliciano vs. CA, 287 SCRA 61, 67.
[9] Philippine Woman's Christian Temperance Union, Inc. vs. Abiertas House of Friendship, Inc., 292 SCRA 785, 791 (1998).
[10] Sempio vs. CA, 284 SCRA 580, 586.
[11] Dasmariñas Village Association, Inc. vs. CA, 299 SCRA 598, 605 (December 1998).
[12] Petition, Annex "N-2," p. 16; Rollo, p. 443.
[13] Records, pp. 296-298.
[14] CA Decision, p. 9-12; Annex "A", Rollo, pp. 60-63.
[15] 299 SCRA 598, 606 citing International Container Terminal Services, Inc. vs. CA, 249 SCRA 389 (1995); Philippine Woman's Christian Temperance Union, Inc. vs. Abiertas House of Friendship, Inc. & Radiance School, Inc., 292 SCRA 785 (1998); and Marina Properties Corp. vs. CA, 294 SCRA 273 (1998).
[16] Memorandum for the Petitioner, p. 29; Rollo, p. 728.
[17] Cruz vs. Commission on Audit, 168 SCRA 140.
[18] Salvatierra vs. CA, 261 SCRA 45, 57.
[19] 293 SCRA 26.
[20] Ibid., pp. 40-41.
[21] Capati vs. Ocampo, 113 SCRA 794, 796.
[22] 36 Phil. 185, 190.
[23] 39 Phil. 991.
[24] This was later on reiterated in the case of Vda. De Murga vs. Chan, 25 SCRA 441 (1968).
[25] 166 SCRA 577.
[26] See Reply to Comment, pp. 4-5; Rollo, pp. 595-596.
[27] 166 SCRA 577.
[28] Ibid., 582-587.

[29] Court of Appeals Decision dated November 26, 1993, p. 15; Rollo, p. 66.
[30] People vs. Tanilon, 293 SCRA 742.
[31] 272 SCRA 141 (1997).
[32] 245 SCRA 715 (1995).