

SPOUSES LEONIDES DE CASTRO AND MERLIN DE CASTRO, PETITIONERS, VS. MAXIMA TINOCO DE CRUZ, INC., RESPONDENT.

Ponente: ELBINIAS, J.

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ELBINIAS, J.:

Addressed here is a Petition for Review[1] filed under Rule 42 of the Rules of Court. The Petition assails the Decision[2] dated June 30, 2011 of the Regional Trial Court (“RTC” for brevity) of Manila, Branch 52, which affirmed the Decision[3] dated October 15, 2010 of the Metropolitan Trial Court (“MeTC” for brevity) of Manila in Civil Case No. 186980 - CV for “Illegal Detainer”. [4] The Petition also questions the RTC's Order[5] dated December 21, 2011, which denied petitioners' eventual Motion for Reconsideration.[6]

The salient facts are those as stated in the RTC's Decision[7] dated June 30, 2011, to wit:

“Plaintiff-appellee corporation (respondent here) filed a complaint for illegal detainer against spouses Leonides and Merlin De Castro (petitioners here) on the ground of the latter's refusal to vacate the second floor of the two-storey house located at Unit 716-1 Ludovico Street, Bilibid Viejo, Quiapo, Manila (subject property here) which was the subject of an oral contract of lease on a monthly basis for a monthly rental of Php1,500.00. Said contract of lease expired on January 31, 2010.

Defendants-appellants (petitioners) opposed the said complaint mainly on the ground that as stockholders of the plaintiff-appellee corporation (respondent) and as heirs of Maxima Tinoco De Cruz, their possession of the subject property is not by virtue of a contract of lease but in their capacity as stockholders and co-owners thereof. Thus, the issue in this case is an intra-corporate dispute and therefore the Court has no jurisdiction over it.”[8]

On October 15, 2010, the MeTC rendered a Decision[9] ordering petitioners Spouses Leonides de Castro and Merlin de Castro (“petitioners” for brevity) and all persons claiming rights under them to vacate and to surrender the possession of the subject property to respondent Maxima Tinoco de Cruz, Inc. (“respondent” for brevity). The Decision[10] also ordered petitioners to pay respondent Actual Damages, Attorney's Fees, appearance fee, litigation expenses, and costs of the proceedings. The dispositive portion of the MeTC's Decision[11] read:

“WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiff and against the defendants:

1. Ordering defendants and all persons claiming rights under them to vacate UNIT NO. 716-I (Up) Ludovico Street, Bilibid Viejo, Quiapo, Manila, and surrender possession thereof to plaintiff;
2. Ordering defendants jointly and severally to pay plaintiff actual damages in the sum of P1,500.00 per month computed from February 1, 2010 until defendants have vacated the leased premises and restored possession to plaintiff;
3. Ordering defendants jointly and severally to pay plaintiff Attorney's fees in the reduced amount of P20,000.00 and appearance fee of [P]3,500.00 per hearing plus litigation expenses at P10,000.00; and
4. Costs of suit.

SO ORDERED.”[12]

Upon petitioners' appeal, the RTC, in its assailed Decision[13] dated June 30, 2011 affirmed in toto the MeTC's Decision[14] of October 15, 2010.[15]

After petitioners' Motion for Reconsideration[16] was denied in the RTC's assailed Order[17] dated December 21, 2011, petitioners filed the Petition for Review[18] at bench praying for the following:

“WHEREFORE, PREMISES CONSIDERED, it is respectfully prayed of this Honorable Court that UPON FILING, to issue a temporary restraining order to prevent, restrain and enjoin the respondent corporation, its assigns, agents and all persons under their stead and control from disturbing the peaceful possession of the subject premises by petitioner.

THEREAFTER, a PRELIMINARY INJUNCTION BE ISSUED.

AFTER TRIAL, a JUDGMENT be RENDERED, in petitioner's favor, by REVERSING and SETTING ASIDE the Decision and Order [dated 30[th] June 2011 and 21[st] December 2011 respectively of Manila RTC-52] based on the grounds above discussed.

Other equitable reliefs are likewise prayed for.”[19] (Emphasis was made in the original)

Petitioners raised the following assignment of errors:

“-A-

THE MANILA MTC-16 HAS NO JURISDICTION TO TAKE COGNIZANCE OF THE SECOND EJECTMENT CASE WHEN THE SAME HAS ALREADY BEEN BARRED BY RES JUDICATA SINCE A COMPROMISE WAS ENTERED IN THE FIRST EJECTMENT CASE.

-B-

THE MANILA MTC-16 HAS NO JURISDICTION TO TRY THE SECOND EJECTMENT CASE DUE TO THE INTRA-CORPORATE RELATION OF THE PARTIES.

-C-

IN FILING THE SECOND EJECTMENT CASE, THE RESPONDENT CORPORATION VIOLATED SECTION 5, RULE 7 AND FOR LACK OF JURISDICTION AND PREMATURITY.”[20] (Emphasis and Underlings were made in the original)

Contrary to petitioners' assignment of errors -A-, -B-, and -C-, the MeTC exercised jurisdiction over the instant case for Illegal Detainer (“instant Illegal Detainer case” for brevity) which was filed by respondent against petitioners.

Petitioners had argued as follows:

“In affirming the assailed Decision of the Manila MTC-16, the Manila RTC-52 held that the petitioner's reliance on the principle of res judicata is allegedly 'misplaced' supposedly because the date and rate of rental of the ejectment cases filed by the respondent corporation are 'different'. xxx

With due respect, the date of rental is immaterial since the ground for ejectment in the two [2] lease expiration. In other words, both cases involve the same cause of action – lease expiration.

Moreover, there is already a compromise in the first case, as the respondent corporation did not cause the execution of ejectment decision due to compromise and novation – the parties agreed – petitioner shall vacate only after full payment of purchase price, execution of sale and demand by new owner. This is clear in the

Certification [compromise] that the respondent corporation submitted in court on 25[th] July 1997 xxx

xxx

In its assailed Decision, the Manila MTC-16 expressly took cognizance of the first ejectment case. As a matter of fact, it mentioned the 1993 Civil Case No. 142265-CV in the penultimate paragraph of page 8 of its appealed Decision xxx

Undeniably, the Civil Case No. 142265-CV is ejectment case between the same parties involving the same property xxx. Its basis for the first ejectment case is the same cause of action in the second ejectment case – termination of a verbal month-to-month lease xxx

Very clearly, the Civil Case No. 186980-CV – second ejectment case – is also based on termination of a verbal month-to-month lease. xxx

xxx

However, the respondent corporation did not pursue the execution [of the first ejectment case it lost at MeTC, but won on appeal at RTC] despite the lapse of three [3] years xxx because the parties freely and voluntarily executed a compromise, which necessarily and effectively novated the Manila RTC-26 Decision on appeal.

As a matter of fact, due to compromise and novation – the respondent corporation did not pursue the ejectment because of a settlement, as it allowed petitioner to stay. xxx

xxx

Very clearly, the respondent corporation cannot file a second ejectment complaint since a judicial compromise has the effect of res judicata. xxx

xxx

Based on the foregoing, the appealed Decision of the Manila MTC-16 should have been set aside rather than affirmed by the Manila RTC-52 since the former, clearly, has no jurisdiction to entertain the second ejectment case, as it is deemed barred by res judicata.

xxx

To reiterate, there is an intra-corporate [relation] between plaintiff-appellee corporation, its authorized officer Reynaldo C. De Castro and inter-se to his brother Leonides C. De Castro, who was a stockholder-director and property administrator.

On its face, it appears to be an ordinary ejectment case. But, going deeper and behind its face, it affects and involves the determination of petitioners' corporate rights.

Notably and as discussed above, it was judicially admitted that the respondent corporation issued a Resolution to sell the subject property. As a minority stockholder, the late Leonides C. De Castro has corporate rights to [1] notice, [2] oppose any sale [3] right of first refusal and [3] appraisal right.

xxx

Since the ejectment case also involves the determination of the rights of the stockholder and corporation, jurisdiction is with the intra-corporate court [not with MeTC].

As there is intra-corporate relation between the parties, the jurisdiction is with the special commercial courts. xxx”[21] (Emphasis, italics and underlinings were made in the original)

Defeating petitioners' arguments however, is that in ejectment cases, such as the instant “Illegal Detainer” case,

the jurisdiction of the court is determined by the allegations in the Complaint, and can not be made to depend upon the allegations made in the Answer or in a Motion to Dismiss[22], which in turn had instead been insisted on by petitioners.[23]

Here, the allegations in respondent's Complaint[24] sufficed for an Unlawful Detainer Case under Section 1, Rule 70 of the Rules of Court[25]. This is because respondent was able to show the following: (1) that respondent was the owner of the subject property which it leased to petitioners under an oral month-to-month contract of lease; (2) that petitioners, after the expiration of the contract of lease, failed to vacate the subject property; (3) that despite notice of expiration of the contract of lease and demand by respondent for petitioners to vacate, petitioners still failed to vacate the subject property, and; (4) that the Complaint[26] was filed within one (1) year from the time the last demand to vacate was made by respondent to petitioners. Specifically, respondent's Complaint[27] stated that, among others:

“3. Plaintiff is the owner of a 1,428-square meter lot with a two-storey house and several apartment units situated at 716 Ludovico Street, Bilibid Viejo, Quiapo, Manila. The second floor of the house, hereinafter referred to as UNIT 716-I (up), was subject to an oral month-to-month contract of lease between plaintiff and defendants at a monthly rent of P1,500.00.

4. On January 27, 2010, plaintiff's corporate secretary sent a formal written notice to defendant informing them that the month-to-month lease covering UNIT 716-I (Up) would no longer be renewed when the lease expires on January 31, 2010 and demanding that defendants vacate said unit and deliver possession thereof to plaintiff within thirty (30) days from January 31, 2010 xxx. A photocopy of the LETTER DATED JANUARY 20, 2010 of MTC's corporate secretary addressed to defendant Leonides de Castro is hereto attached and marked xxx.

5. The said letter dated January 20, 2010 was sent to defendants by domestic express mail service posted on January 21, 2010 as evidenced by the corresponding receipt xxx.

xxx

10. As shown in paragraphs 4 to 9 above, despite defendants' receipt of the letter dated January 20, 2010 xxx terminating the lease and giving them thirty (30) days from January 31, 2010 within which to vacate UNIT 716-I (Up), said defendants failed and refused and still fail and refuses to vacate and turn over said unit.

xxx

12. Upon the termination of the lease on January 31, 2010, plaintiff demanded that defendants vacate UNIT 716-I (Up) within thirty (30) days from said date or up to March 2, 2010, but which demand defendants ignored.

xxx

17. From January 31, 2010, when the lease was terminated, defendants have remained in possession of said unit up to the present causing plaintiff to suffer actual damages from being denied its use and enjoyment as owner and for which defendants should be held liable in the amount of P1,500.00 per month as reasonable rental computed from February 1, 2010 until possession is fully restored to plaintiff.”[28] (Emphasis Supplied)

An action for Unlawful Detainer is proper if the complainant is able to state in his Complaint[29] the elements of Unlawful Detainer, as is pursuant to the following pronouncement of the Supreme Court in *Sps. Vicente Dionisio and Anita Dionisio vs. Wilfredo Linsangan*, G.R. No. 178159, March 2, 2011:

“An action is for unlawful detainer if the complaint sufficiently alleges the following: (1) initially, the defendant has possession of property by contract with or by tolerance of the plaintiff; (2) eventually, however, such possession became illegal upon plaintiff's notice to defendant, terminating the latter's right of possession; (3) still, the defendant remains in possession, depriving the plaintiff of the enjoyment of his property; and (4) within a year from plaintiff's last demand that defendant vacate the property, the plaintiff

files a complaint for defendant's ejectment." (Emphasis Supplied)

Given that respondent's Complaint[30] sufficiently alleged the elements of an Unlawful Detainer Case, then, the instant "Illegal Detainer" case was within the exclusive original jurisdiction of the MeTC.[31] This is so, despite petitioners' other allegation that the case involved an "intra-corporate relation"[32], considering that respondent's Complaint[33] did not even state the alleged corporate relationship of petitioners and respondent.

Petitioners could not also properly argue that *res judicata* barred the MeTC from exercising its jurisdiction over the instant "Illegal Detainer" case, Civil Case No. 186980-CV filed by respondent against petitioners. This is because a perusal of the allegations in the instant "Illegal Detainer" case and in the previous "Unlawful Detainer"[34] case, Civil Case No. 142265-CV, reveals that the cases, although involving the same property, involved different causes of action.

The instant "Illegal Detainer" case[35] filed by respondent against petitioners was based on the expiration of the lease on January 31, 2010 with a monthly rental of One Thousand Five Hundred pesos (Php 1,500.00). On the other hand, in Civil Case No. 142265-CV[36], the "Unlawful Detainer" case filed by respondent against petitioners was based on the termination of the month-to-month lease on July 31, 1993 with a monthly rental of Two Hundred Fifty Pesos (Php 250.00).

All of these matters were as similarly found by the RTC, to wit:

"Further, the defense of *res judicata* raised by the defendants-appellants is clearly misplaced. Though it appears that the present case and Civil Case No. 142265-CV involved the same parties and the same nature of action over the same property, perusal of the Decision on the appeal which was rendered by the Regional Trial Court of Manila (RTC) Branch 26, on August 2, 1994 reversing the Decision of the Metropolitan Trial Court of Manila, Branch 6, shows that the lease covered therein for a monthly rental of Php250.00 expired on July 31, 1993. On the other hand, the lease covered by the present case expired on January 31, 2010 and the monthly rental therein is Php1,500.00. Hence, it cannot be said that *res judicata* applies for there appears no identity of cause of action in the two cases. It appears that the parties herein have entered anew into another oral contract of lease after the finality of the Decision of the RTC, Branch 26, and the expiration of which is the subject matter of the second case." [37] (Emphasis Supplied)

There is no *res judicata* that would bar a subsequent action between the parties over the same property when the cause of action in the second case is different from the cause of action in the first case. This is pursuant to the pronouncement of the Supreme Court in *Ferdinand S. Agustin vs. Sps. Mariano and Presentacion delos Santos*, G.R. No. 168139, January 20, 2009, as follows:

"*Res judicata* applies in the concept of 'bar by prior judgment' if the following requisites concur: (1) the former judgment or order must be final; (2) the judgment or order must be on the merits; (3) the decision must have been rendered by a court having jurisdiction over the subject matter and the parties; and (4) there must be, between the first and the second action, identity of parties, of subject matter and of causes of action.

xxx

As to the subject matter, we find that there is no identity. xxx In an unlawful detainer case, the subject matter is the contract of lease between the parties while the breach thereof constitutes the suit's cause of action. In the present case, the lease contract subject of the controversy is verbal and on a monthly basis. In these instances, it is well settled that the lease is one with a definite period which expires after the last day of any given thirty-day period. Following this reasoning, it becomes apparent that what exists between the parties is not just one continuous contract of lease, but a succession of lease contracts, each spanning a period of one month. Hence, to be accurate, each action for ejectment—each referring to a unique thirty-day period of occupation of respondents' property by the petitioner—deals with a separate and distinct lease contract corresponding to a

separate and distinct juridical relation between the parties. Considering, therefore, that the subject matter of Civil Case No. 167142-CV is a different contract of lease from the subject matter of the instant case, it is obvious that there is no identity of subject matter between the first ejectment suit and the ejectment suit subject of the present action.

Since there is no identity of subject matter between the two cases, it is but logical to conclude that there is likewise no identity of causes of action. xxx Therefore, while the causes of action in the first and second ejectment suits are similar in that both consist of unlawful possession by petitioner, they are not identical. Each act of refusal to vacate by petitioner—one in May 2000 and another in October 2002—breached separate and distinct lease contracts which consequently gave birth to separate and distinct causes of action. Petitioner's contention that there is but one single cause of action in the two ejectment suits must perforce fail.

xxx

xxx We reiterate that the subject matter of the first ejectment suit, on the one hand, and the subject matter of the second ejectment suit, on the other, are two separate and distinct contracts of lease. Given these facts, the issue of expiration of lease contract involved in the first case is different and far removed from the issue of expiration of the lease contract subject of the instant case. Logically, any ruling on the expiration of lease contract in the earlier ejectment case will never be conclusive on this subsequent case.

Conceding, for the sake of argument, petitioner's premise that the first and second ejectment cases involve the same lease contract, petitioner's argument still does not hold water, but even serves to boost respondents' case. It is to be noted that by singling out the issue of the expiration of the lease contract, petitioner invoked the application of *res judicata* in the concept of 'conclusiveness of judgment.' Well settled is the rule that where there is identity of parties in the first and second cases, but no identity of causes of action, the first judgment is conclusive only as to those matters actually and directly controverted and determined and not as to matters merely involved therein. xxx." (Emphasis supplied)

Indeed, the findings of the MTC, especially when affirmed by the RTC as is the case here, are conclusive and accorded respect.[38]

After careful consideration of all the facts, arguments, and issues appearing on the records, as well as of the pertinent laws and jurisprudence, and, in accordance with what is best determined to be proper under the circumstances, the following disposition is therefore made on these matters.

WHEREFORE, the Petition is DENIED.

SO ORDERED.

Didican, and Paredes, JJ., concur.

[1] Rollo, pp. 1 - 27

[2] Rollo, pp. 28 - 31

[3] Rollo, pp. 62 - 70

[4] Rollo, p. 62

[5] Rollo, pp. 32 - 34

[6] Rollo, pp. 136 - 152

[7] Rollo, pp. 28 - 31

[8] Rollo, p. 29

[9] Rollo, pp. 62 - 70

[10] Rollo, pp. 62 - 70

[11] Rollo, pp. 62 - 70

[12] Rollo, p. 69

[13] Rollo, pp. 28 - 31

[14] Rollo, pp. 62 - 70

[15] Rollo, p. 31

[16] Rollo, pp. 136 - 152

[17] Rollo, pp. 32 - 34

[18] Rollo, pp. 13 - 27

[19] Rollo, p.26

[20] Rollo, p. 13

[21] Rollo, pp. 13 - 22

[22] Baby Arlene Larano vs. Sps. Alfredo Calendacion and Rafaela T. Calendacion, G.R. No. 158231, June 19, 2007

[23] Iglesia Evangelica Metodista en Las Islas Filipinas (IEMELIF), Inc. vs. Natanael B. Juane, G.R. No. 172447, September 18, 2009; Angela dela Rosa and Corazon Medina vs. Ofelina D. Roldan, Lorna San Diego, Flordeliza D. Catacutan, Norma Y. Lacuesta, and Arsenio Dulay, G.R. No. 133882, September 5, 2006

[24] Rollo, pp. 35 - 44

[25] RULE 70. Forcible Entry and Unlawful Detainer

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

[26] Rollo, pp. 35 - 44

[27] Rollo, pp. 35 - 44

[28] Rollo, pp. 36 - 42

[29] Rollo, pp. 35 - 44

[30] Rollo, pp. 35 - 44

[31] Iglesia Evangelica Metodista en Las Islas Filipinas (IEMELIF), Inc. vs. Natanael B. Juane, G.R. No. 172447, September 18, 2009

[32] Rollo, p 22

[33] Rollo, pp. 35 - 44

[34] Rollo, pp. 99 - 102

[35] Rollo, pp. 35 - 44

[36] Rollo, pp. 99 - 102

[37] Rollo, pp. 30 - 31

[38] Erasmo Tayao v. Rosa Mendoza, et al., G.R. No. 162733, April 12, 2005.

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