

**PHILIPPINE WOMAN’S CHRISTIAN TEMPERANCE UNION, INC.,  
PETITIONER, VS. ABIERTAS HOUSE OF FRIENDSHIP, INC., &#038;  
RADIANCE SCHOOL, INC., RESPONDENTS.**

*G.R. No. 125571. July 22, 1998*

Ponente: PANGANIBAN, J.

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**PANGANIBAN, J.:**

Two actions were filed by petitioner: (1) with the Securities and Exchange Commission, a petition to declare a contract of lease void for being ultra vires; and (2) before a regional trial court, a complaint for the recovery of possession of the property subject of the said contract. Was the RTC judge correct in dismissing the complaint on the ground of *litis pendentia* and forum shopping?

**The Case**

This is the principal issue in this petition for review on certiorari before us, seeking a reversal of the Resolution dated May 20, 1996 of the Regional Trial Court of Quezon City, Branch 215,[1] in Civil Case No. Q-96-27058,[2] and its subsequent Order dated July 15, 1996.

The assailed Resolution reads:

“RESOLUTION

Before this court is a Motion to Dismiss, an Opposition and a Reply thereto. There being a case filed with the Securities and Exchange Commission, does the action filed in the latter agency raise the same issues as the case filed before this court?

By simply comparing the relief prayed for in both complaints, there is but only one conclusion that can be reached, that these two (2) cases raise the same issues, considered in the light of the Rules, particularly , Section 1 (e), Rule 16, explained in this wise:

“The pendency of another action, or *litis pendentia*, as a ground for a motion to dismiss, requires that the parties to the action are the same, that there is substantial identity in the cause of action and reliefs sought and that the result of the first action is determinative of the second in any event (*Northcott & Co. vs. Villa-Abrille*, 41 Phil 462) and regardless of which party is successful (*Arceo vs. Oliveros*, et. al. L-38251, Jan. 31, 1985). The motion to dismiss may be filed in either suit, not necessarily in the one instituted first (*Teodoro vs. Mirasol*, 53 O.G. 80888; *Magsaysay vs. Magsaysay*, et. al. L-49847, July 17, 1980).’

Withal, this case is dismissed with costs against the plaintiff.

SO ORDERED.”[3]

The assailed Order is worded thus:

“ORDER

Acting on the Motion for Reconsideration filed by plaintiff, through counsel, and the opposition thereto, the said motion is denied for lack of merit. The motion for reconsideration offers no new arguments. Its attempt at distinction falls upon the unraveling of the complaint's purpose after a consideration thereof.

SO ORDERED.”[4]

### The Facts

Petitioner Philippine Woman's Christian Temperance Union, Inc. (PWCTU) filed, with the court a quo on April 1, 1996, a Complaint against Private Respondents Abiertas House of Friendship, Inc. (AHFI) and Radiance School, Inc. (RSI) for recovery of possession with damages and a prayer for preliminary injunction and restraining order.[5] Petitioner alleged in its Complaint that it was the registered owner of a parcel of land in Santolan Road, Quezon City, covered by TCT No. 209770 T-2270 issued on May 19, 1934. The said certificate of title contained a restriction that reads:[6]

“xxx the property shall be used as a site for an institution to be known as the Abiertas House of Friendship, the purpose of which shall be to provide a home for needy and unfortunate women and girls, including children of both sexes and promote and foster all efforts, work activities looking toward their protection from the ravages at all forms of immoralities.”

Petitioner further averred that on May 24, 1995, Private Respondents AHFI and RSI entered into a contract of lease whereby the former would rent out to the latter certain portions of the aforementioned property owned by the petitioner, to enable RSI to establish and operate a grade school in said premises.[7] Petitioner contended that such contract was entered into without its consent as the owner of the property,[8] that AHFI had no right to lease any portion of said property, and that therefore the contract of lease was null and void.[9] It argued further that the continued operation of the school by RSI violated the restriction on the title to the property, and that despite a demand to vacate, RSI continued to occupy the premises.[10] It prayed that the contract of lease be declared null and void; and that private respondents be ordered to vacate the premises and to pay reasonable compensation for the use of the same, as well as for damages and attorney's fees.[11]

On April 3, 1996, private respondents jointly moved to dismiss the RTC Complaint on the grounds that (1) there was another action pending between the same parties for the same cause, and (2) the Complaint violated the rule against forum shopping. They asserted that petitioner had previously filed with the Securities and Exchange Commission, on December 5, 1995, a Petition for injunction with damages against AHFI and RSI (“Philippine Woman's Christian Temperance Union, Inc. vs. Abiertas House of Friendship, Inc. and Radiance School Inc.”).[12] In addition, they asserted that a judgment in one would amount to res judicata in the other, because there was, between the cases, an identity of parties and rights asserted; and the reliefs prayed for in the RTC Complaint were founded on the same facts alleged in the SEC Petition. Private respondents also moved to cite petitioner in contempt of court for violating the rule against forum shopping.[13]

On April 12, 1996, petitioner filed its Opposition, arguing that the SEC Petition did not bar or abate the RTC Complaint; and that although the parties were identical, the causes of action were different -- in the former, petitioner sought (1) to prohibit AHFI from engaging in the school business anywhere, because it was not authorized by its charter; and (2) to declare the lease contract between AHFI and RSI fraudulent and ultra vires, because it was made to enable AHFI to engage in the operation of a school illegally. The RTC Complaint, on the other hand, sought the nullity of the contract of lease between AHFI and RSI because, as petitioner argued, AHFI could not lease out a property it did not own.[14]

As earlier stated, on May 20, 1996, Judge Marcelino F. Bautista, Jr. issued the assailed Resolution and, on July 15, 1996, the Order denying reconsideration. Raising only a question of law, petitioner came directly to this Court

through this petition for review.[15]

### The Issue

Petitioner posits this sole issue:

“The lower court erred in applying the rule on *litis pendentia* and in dismissing the complaint notwithstanding that the nature of the action and the relief prayed for in the RTC complaint are not identical with the nature of the action and relief prayed for in petitioner’s petition with the Securities and Exchange Commission.”

Our discussion will revolve around two matters: (1) *litis pendentia* and (2) forum shopping.

### The Court’s Ruling

The petition is meritorious.

### No Litis Pendentia

The RTC dismissed the Complaint on the ground of *litis pendentia*. We disagree. *Litis pendentia* requires the concurrence of 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 adjudicata* in the other case[16]

It is true that both the SEC Petition and the RTC Complaint involved the same parties -- Petitioner Philippine Woman’s Christian Temperance Union, Inc. and Private Respondents Abiertas House of Friendship, Inc. and Radiance School, Inc. A study of the said initiatory pleadings, however, reveals no identity of rights asserted or of reliefs prayed for.

In the SEC Petition, PWCTU questioned AHFI’s corporate act of operating a school under the guise of RSI, purportedly another corporation.[17] Petitioner contended that AHFI could not operate or manage a school because it was contrary to its declared corporate purpose, which was primarily “to provide a Home where unwed and expectant mothers can go to find friendship, help, security and privacy in time of need.”[18] Contending that AHFI’s charter “does not legally allow it to enter into a contract with any firm for any purpose other than to use the premises as Home for unwed or expectant mothers and their babies,”[19] petitioner likewise assailed the contract of lease executed between private respondents for being *ultra vires*. The SEC Petition also sought that Private Respondents AHFI and RSI be declared mere alter egos and extensions of petitioner, and that they be prohibited from operating a school anywhere.[20]

On the other hand, the core of the RTC Complaint was petitioner’s ownership of the property subject of the lease contract; and AHFI, not being the owner of said property, had no right whatsoever to lease it out. Hence, petitioner contended that RSI, the purported lessee, had no right to occupy such property,[21] and that the occupancy and continued operation of the school by RSI violated the restriction on the title to said property.[22] The Complaint likewise sought damages and back rentals for the “illegal” use of the subject property.[23]

The foregoing considered, we agree with petitioner that the thrust of the RTC Complaint was to enjoin the operation of the school in its premises. Because of its proprietary interest as owner of the premises, petitioner maintains that it never consented to or approved of the lease arrangement between private respondents.[24] Along

quite a different line, petitioner argued, through its SEC Petition, that AHFI had no power to engage in the school business, which it was doing through RSI; and that AHFI's act of operating a school was ultra vires and contrary to AHFI's charter.[25]

In their Joint Comment, private respondents maintained that the rights asserted and reliefs prayed for in the SEC Petition and the RTC Complaint were identical, insisting that in both cases, the petitioner's cause was centered on the contract of lease and the supposed violation by respondents of the restriction on the title to the property.[26]

True, both the SEC Petition and the RTC Complaint delved on the contract of lease. However, in the former, the contract of lease was alleged to have been executed ultra vires; that is, it was beyond the power of AHFI to enter into because it was not empowered to engage in the school business. The focus, therefore, was on the alleged ultra vires act, not on the contract itself. On the other hand, the validity of the contract of lease was the principal issue in the RTC Complaint. Thus, it cannot be said that the rights asserted and the reliefs prayed for were the same.

Verily, the Securities and Exchange Commission had jurisdiction to entertain the Petition filed before it, presenting as it did purported intra-corporate issues. On the other hand, the trial court's jurisdiction over the accion publiciana case cannot be denied.

The third requisite is also absent, because a judgment in the SEC case will not amount to res judicata in the RTC litigation and vice versa. Any judgment that will be rendered by the SEC will not fully resolve the issues presented before the trial court. For instance, a SEC ruling against the private respondents, prohibiting them, on the ground of ultra vires, from engaging in the school business anywhere will not settle the issues pending before the trial court: those of possession, validity of the lease contract, damages and back rentals. Conversely, a trial court's decision abrogating the lease contract and granting damages and back rentals will not settle the issue of ultra vires or corporate power of the private respondents to operate a school in a place other than petitioner's property.

Second Issue:

No Forum Shopping

Notwithstanding the foregoing, Private Respondents AHFI and RSI contend that the RTC Complaint may still be dismissed for violating the rule against forum shopping.[27] They emphasize that the definition of forum shopping makes reference to identical issues, and not to identical causes of action. They argue that both the SEC Petition and the RTC Complaint involved mainly the issue of their right to continue operating the school on the premises subject of said cases, as well as that of the validity of the contract of lease executed between them.[28] We are not persuaded.

As earlier discussed, the main issue in the SEC Petition was AHFI's purported act, through RSI, of operating a school anywhere, which was allegedly against its corporate charter. The RTC case, however, was an accion publiciana; and the issues presented there were the validity of the contract of lease, payment of damages and back rentals. Clearly, the issues in the two cases are not identical.

In *First Philippine International Bank vs. Court of Appeals*,[29] the Court said: "The test for determining whether a party violated the rule against forum shopping has been laid down in the 1986 case of *Buan vs. Lopez*,[30] also by Chief Justice Narvasa; and that is, forum shopping exists where the elements of *litis pendentia* are present or where a final judgment in one case will amount to *res judicata* in the other."

The requisites of *litis pendentia* not having concurred, and the issues presented in the SEC Petition and RTC Complaint not being identical, petitioner is therefore not guilty of forum shopping.

### SEC Petition Already Withdrawn

It is noteworthy that Petitioner PWCTU, in its Memorandum,[31] manifested that it had withdrawn its petition from the Securities and Exchange Commission, and that such withdrawal was allegedly granted by the latter in an Order dated November 6, 1997. If true,[32] this withdrawal gives us more reason to grant the petition. Considering the discussions above, we find absolutely no legal impediment to the continuation of Civil Case Q-96-27058 in the court a quo.

WHEREFORE, the petition is GRANTED. The assailed Resolution dated May 20, 1996, and Order dated July 15, 1996, issued by the Regional Trial Court of Quezon City, Branch 215, are REVERSED and SET ASIDE. The case is REMANDED to the court a quo which is hereby ORDERED to proceed with the case with all deliberate speed.

SO ORDERED.

Davide, Jr., (Chairman), Bellosillo, Vitug, and Quisumbing, JJ., concur.

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[1] Presided by Judge Marcelino F. Bautista, Jr.

[2] Entitled "Philippine Woman's Christian Temperance Union, Inc. vs. Abiertas House of Friendship, Inc. and Radiance School, Inc."

[3] Rollo, p. 67.

[4] Ibid., p. 72.

[5] Petition, p. 2.; Rollo, p.11.

[6] Complaint, p. 1.; Rollo, p. 32.

[7] Complaint, pp. 2-3; Rollo, pp. 33-34.

[8] Ibid.

[9] Ibid.

[10] Ibid.

[11] Ibid., pp. 5-6.

[12] Docketed as SEC Case No. 12-95-5208.

[13] Motion to Dismiss, pp. 1-7; Rollo, pp. 47-53.

[14] Petition, p. 17; Rollo, p. 26.

[15] The case was deemed submitted for resolution on January 12, 1998, when the petitioner's Memorandum was received by the Court.

[16] Valencia vs. Court of Appeals, 263 SCRA 275, October 17, 1996; Atienza vs. Court of Appeals, 232 SCRA 594, May 27, 1994; Victrionics Computers, Inc. vs. RTC, Br. 63, Makati, 217 SCRA 517, January 25, 1993; Ramos vs. Peralta, 203 SCRA 412, November 11, 1991; Suntay vs. Aguiluz, 209 SCRA 501, June 3, 1992; Ramos vs. Ebarle, 182 SCRA 245, February 15, 1990.

[17] SEC Petition, pp.4-6; Rollo, pp. 58-60. See also Memorandum for Petitioner, par. 5, p.3; Rollo, p. 131.

[18] Ibid., p. 3; Rollo, p. 57.

[19] Ibid., p. 5; Rollo, p. 59.

[20] Ibid., p. 8; Rollo, p. 62. Emphasis added.

[21] RTC Complaint, p. 3; Rollo, p. 34.

[22] Ibid.

[23] Ibid., p. 6; Rollo, p. 37.

[24] Petition, p. 18; Rollo, p. 25. See also Memorandum for Petitioner, p. 14; Rollo, p. 142. Emphasis added.

[25] Ibid., p. 20; Rollo, p. 27.

[26] Rollo, p. 88.

[27] Supreme Court Administrative Circular 04-94.

[28] Joint Comment, pp. 11-12; Rollo, pp. 95-96.

[29] 252 SCRA 259, January 24, 1996, per Panganiban, J.

[30] 145 SCRA 34, October 13, 1986.

[31] P. 18; Rollo, p. 146.

[32] We say “if true,” because private respondents did not comment on petitioner’s claim that the SEC Petition has been withdrawn.

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