

**SPOUSES MARCELO B. ARENAS AND ANITA T. ARENAS,
PETITIONERS, VS. THE HON. COURT OF APPEALS, SPOUSES
CONRADO S. ROJAS AND ROSALINA BAUZON ROJAS, RESPONDENTS.**

G.R. No. 126640. November 23, 2000

Ponente: PARDO, J.

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PARDO, J.:

The Case

The case is a petition for review[1] assailing the decision of the Court of Appeals,[2] reversing and setting aside the decision of the Regional Trial Court, Pangasinan, Branch 39, Lingayen,[3] dismissing petitioners' complaint for "Damages, Certiorari with a Writ of Preliminary Injunction and/or Restraining Order."

The Facts

Respondent Rosalina B. Rojas was the co-owner of a two-story building located in Calasiao, Pangasinan.[4]

Sometime in 1970, respondent Rojas entered into a verbal contract of lease with petitioner Marcelo B. Arenas over one stall located at the ground floor of the building, on a month to month basis. Petitioner Arenas used the leased premises as an optical clinic.[5]

In 1990, respondent Rojas wanted to demolish and reconstruct the building and terminated her lease contract with petitioner Arenas.

On November 19, 1990, respondents sent petitioners a notice of termination and a demand to vacate the premises on or before January 2, 1991.

However, petitioners refused to vacate the premises.

Civil Case No. 658

On June 18, 1991, respondent Rojas filed with the Municipal Trial Court, Calasiao, Pangasinan, a complaint[6] for "Unlawful Detainer and Damages" against petitioner Arenas. Respondent prayed first, that the petitioner be ordered to vacate the premises in question; second, that respondent be allowed to cause the demolition, reconstruction and renovation of the premises; and third, that petitioner be ordered to indemnify respondent damages in the form of litigation expenses and attorney's fees.

On June 28, 1991, petitioner Arenas filed his answer[7] to the complaint and counterclaim for moral damages amounting to P50,000.00, exemplary damages totaling P30,000.00 and attorney's fees, stating that the case was maliciously filed.

After trial, on August 29, 1991, the Municipal Trial Court, Calasiao, Pangasinan decided against petitioners, to wit:

"Premises considered, the Court hereby renders judgment in favor of the plaintiff and against the defendant by

ordering the defendant:

"(a) to vacate the premises leased and occupied by him subject of this case;

"(b) to pay the plaintiff litigation expenses in the amount of P2,000.00 and attorney's fees in the amount of P10,000.00; and

"(c) to pay the costs of suit.

"Counterclaim of defendant is dismissed for lack of evidence." [8]

In due time, petitioner Arenas appealed the above-quoted decision to the Regional Trial Court, Dagupan City, Branch 44. [9]

The Regional Trial Court denied the appeal and affirmed the decision of the Municipal Trial Court in toto.

Civil Case No. 16890

On September 2, 1991, before petitioners Arenas received a copy of the decision in Civil Case No. 658, they filed with the Regional Trial Court, Pangasinan, Lingayen an action for "Damages, Certiorari with a Writ of Preliminary Injunction and/or Restraining Order" against respondents Rojas. We quote pertinent parts of the complaint: [10]

"3. That notwithstanding the existence of a contract between plaintiff Marcelo R. Arenas and defendant Rosanna Bauzon-Rojas (sic), for the use of said one door commercial stall, defendant Rosanna Bauzon Rojas (sic) filed a complaint for ejectment against plaintiff Marcelo R. Arenas, a copy of which is hereto attached as Annex "A" hereof;

xxx xxx xxx

"5. That after the filing of said complaint, defendants-spouses conspiring together as husband and wife caused the removal of the sign board in front (sic) of the clinic of plaintiffs and dumped gravel and sand in front (sic) of their stall and fenced off the same preventing the patients and customers of plaintiffs from coming in;

"6. That in order to force the ejectment of plaintiffs from their stall defendants cut off their electric connection;

"15. That due to the unlawful and malicious concerted acts of defendant spouses, plaintiffs suffered moral damages amounting to P200,000.00;

"16. That likewise plaintiffs suffered a net income loss of P50,000.00 at the rate of P5,000.00 per month;

"17. That similarly plaintiffs were constrained to engage the services of undersigned counsel for a fee of P25,000.00."

On September 4, 1991, the Regional Trial Court issued a temporary restraining order [11] enjoining the Municipal Trial Court, Calasiao, Pangasinan from hearing Civil Case No. 658. The temporary restraining order also directed respondents to cease and desist from "committing acts of disturbances" against the stall of petitioners.

On September 13, 1991, invoking the rule against "multiplicity of suits," respondents moved the trial court to dismiss the case. [12]

On September 26, 1991, the trial court denied the motion to dismiss for lack of merit. [13]

On October 16, 1991, respondents filed with the trial court their answer to the complaint with counterclaim, [14] reiterating their motion to dismiss with an alternative motion to suspend the proceedings for the reason that the pending appeal [15] raises a prejudicial question.

On December 23, 1991, the trial court issued a resolution[16] stating that it had jurisdiction to hear, try and decide Civil Case No. 16890.

On August 10, 1992, the trial court decided the case in favor of petitioners. The trial court reasoned: First, there was a tacit renewal of the lease and that the defendants (respondents) maliciously filed the ejectment case (Civil Case No. 658). Second, respondents' acts of "dumping gravel" and of placing a "no trespassing sign" in front of the stall rented by plaintiffs (petitioners) were done merely to harass petitioners and cause damage to their business. The trial court thus ordered:

"(1) Defendants to pay the plaintiffs actual damages in the amount of P50,000.00 representing unrealized earnings;

"(2) Defendants to pay the plaintiffs, moral and exemplary damages in the amount of P15,000.00;

"(3) Defendants to pay the plaintiffs, attorney's fees of P6,500.00 plus expenses of litigation of P3,000.00 and to pay the costs.

"SO ORDERED." [17]

On August 20, 1992, respondents appealed to the Court of Appeals.[18]

On June 10, 1996, the Court of Appeals rendered its decision[19] reversing that of the trial court and dismissing petitioner's complaint. The Court of Appeals reasoned that since petitioners interposed a counterclaim for moral and exemplary damages in Civil Case No. 658, they were barred from instituting Civil Case No. 16890. The Court of Appeals dismissed Civil Case No. 16890, as follows:

"WHEREFORE, the decision appealed from is hereby REVERSED and SET ASIDE and the complaint filed by plaintiffs-appellees against defendants-appellants is hereby DISMISSED. With costs against plaintiffs-appellees.

"SO ORDERED." [20]

On June 27, 1996, petitioners filed with the Court of Appeals a motion for reconsideration.[21]

On September 12, 1996, the Court of Appeals denied petitioners' motion for reconsideration for lack of merit.[22]

Hence, this appeal.[23]

The Issue

The sole issue raised is whether the causes of action complained of in the Regional Trial Court[24] were in the nature of compulsory counterclaims that must be pleaded in Civil Case No. 658 of the Municipal Trial Court.

Petitioners argue that the acts complained of in Civil Case No. 16890 arose after the filing of the complaint and the answer in Civil Case No. 658. Thus, damages arising from such acts could not be raised therein as compulsory counterclaims.[25]

The Court's Ruling

We find the appeal meritorious.

We agree with petitioners that the causes of action pleaded in Civil Case No. 16890 are different from those in Civil Case No. 658, and that such causes could not have been raised as compulsory counterclaims therein.

Nonetheless, we find that the trial court erred in Civil Case No. 16890 for touching on the propriety of the ejectment case which was settled in Civil Case No. 658 and affirmed on appeal in Civil Case No. D-9996.

We discuss these points seriatim.

Not Compulsory Counterclaims

Rule 11 of the 1997 Rules of Civil Procedure provides:

"Sec. 8. Existing counterclaim or cross-claim - A compulsory counterclaim or a cross-claim that a defending party has at the time he files his answer shall be contained therein." (underscoring ours)

A counterclaim is compulsory where: (1) it arises out of, or is necessary connected with, the transaction or occurrence that is the subject matter of the opposing party's claim;^[26] (2) it does not require the presence of third parties of whom the court cannot acquire jurisdiction; and (3) the trial court has jurisdiction to entertain the claim.^[27]

The following are the tests by which the compulsory nature of a counterclaim can be determined: (1) Are the issues of fact and law raised by the claim and counterclaim largely the same? (2) Would res judicata bar a subsequent suit on defendant's claim absent the compulsory counterclaim rule? (3) Will substantially the same evidence support or refute plaintiff's claim as well as defendant's counterclaim? (4) Is there any logical relation between the claim and counterclaim?^[28]

We do not agree with the Court of Appeals that the claims in Civil Case No. 16890 may be pleaded as compulsory counterclaims in Civil Case No. 658.

First. In Civil Case No. 16890, the damages prayed for arose not from contract but from quasi-delict.^[29] They constitute separate and distinct causes of action.

A cause of action has the following elements: (1) the legal right of plaintiff, (2) the correlative obligation of the defendant, and (3) the act or omission of the defendant in violation of said legal right.^[30]

Cause of Action in Civil Case No. 658

Civil Case No. 658 involves a complaint for unlawful detainer and damages. In an unlawful detainer case, the issue is the right to physical possession of the premises or possession de facto.^[31] The basis is a contract of lease.

Causes of Action in Civil Case No. 16890

The acts complained of in Civil Case No. 16890 were:

"1. Removal of the signboard in front of the stall of Marcelo Arenas, which is being used as an eye clinic and the refusal of Conrado Rojas or his failure to return it;

"2. Dumping of gravel and sand in front of the stall as well as the fencing of the front of the stall in question thus effectively preventing patients and customers from coming in;

"3. Cutting off the electric connection to the eye clinic."^[32]

We agree with petitioners that the acts complained of were not founded on the contract of lease but could constitute violations of the Civil Code provisions on Human Relations, specifically:

"Art. 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

"Art. 20. Every person who, contrary to law, willfully or negligently causes damage to another, shall indemnify the latter for the same.

"Art. 21. Any person who willfully causes loss or injury to another in a manner that is contrary to morals, good

customs or public policy shall compensate the latter for the damage."

Here, respondents' duty to respect petitioners' rights is an obligation sourced not from contract but from quasi-delict.[33]

Second. In *de Leon v. Court of Appeals*,[34] we held that "[W]here the issues of the case extend beyond those commonly involved in unlawful detainer suits, the case is converted from a mere detainer suit to one 'incapable of pecuniary estimation' thereby placing it under the exclusive jurisdiction of the regional trial courts." Verily, since the municipal trial court could not have taken cognizance of the claims in Civil Case No. 16890, then such claims could not be considered as compulsory counterclaims in Civil Case No. 658.

The fact that the rule on summary procedure governs ejectment cases emphasizes the point that an action for damages incapable of pecuniary estimation can not be pleaded as counterclaims therein. It cannot be overemphasized that the reason for the rule on summary procedure is to prevent undue delays in the disposition of cases. To achieve this, the filing of certain pleadings is prohibited and the periods for acting on motions as well as on the case itself are relatively reduced.[35]

Third. The acts complained of were committed after the complaint and the answer were filed.[36]

Trial Court Ruling in Civil Case No. 16890 Erroneous

However, as the Court of Appeals erred, so did the trial court.

In Civil Case No. 16890, the trial court ruled that the lease was still subsisting and that the ejectment case was maliciously brought. It should not have done so. These issues were already decided in Civil Case No. 658 and affirmed on appeal in Civil Case No. D-9996. These issues, stemming from the lease contract are barred by *res judicata*.

Res judicata exists when the following elements are present:

"(a) the former judgment must be final;

"(b) the court which rendered judgment had jurisdiction over the parties and the subject matter;

"(c) it must be a judgment on the merits;

"(d) and there must be between the first and second actions identity of parties, subject matter, and cause of action." [37]

The doctrine of *res judicata* is a rule which pervades every well regulated system of jurisprudence and is founded upon two grounds embodied in various maxims of the common law, namely: (1) public policy and necessity which makes it to the interest of the State that there should be an end to litigation, *interest reipublicae ut sit finis litum*, and (2) the hardship on the individual that he should be vexed twice for the same cause, *memo debet bis vexari et eadem causa*. [38]

The decision of the Regional Trial Court, Branch 39, Lingayen, Pangasinan in Civil Case No. 16890 touched on matters already decided. There must be an end to litigation.[39] The issue of whether ejectment was proper was fully and fairly adjudicated in Civil Case No. 658.

Remand Case

Whether or not the acts of respondents complained of in Civil Case No. 16890 prejudiced petitioners may be objectively determined by the trial court, independent of the issues of the propriety of the ejectment and malicious prosecution.

To settle this, it must be determined whether respondents committed quasi-delict and acted in bad faith. Malice or bad faith implies a conscious and intentional design to do a wrongful act for a dishonest purpose or moral obliquity.[40]

The determination of whether one acted in bad faith and whether damages may be awarded is evidentiary in nature. As a matter of defense, it can be best passed upon after a full-blown trial on the merits.[41] Thus, there is a need to remand the case to the court of origin.

The Fallo

WHEREFORE, the Court GRANTS the petition, and SETS ASIDE the decision of the Court of Appeals in CA-G. R. CV No. 40470, dismissing the petition in Civil Case No. 16890.

In lieu thereof, the Court renders judgment setting aside the decision of the Regional Trial Court, Pangasinan, Branch 39, Lingayen, in Civil Case No. 16890, and REMANDING the case to the court of origin with instructions that the court shall hear the case with all deliberate dispatch, limiting itself to the determination of whether the acts committed by respondents constitute quasi-delict, entitling petitioners to the damages prayed for. The trial court shall report to the Court the progress of the case on a month to month basis.

No costs.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Puno, Kapunan, and Ynares-Santiago, JJ., concur.

[1] Filed under Rule 45 of the 1964 Revised Rules of Court.

[2] In CA-G. R. CV No. 40470, promulgated June 10, 1996, Luna, J., ponente, Barcelona and Alino-Hormachuelos, JJ., concurring.

[3] In Civil Case No. 16890.

[4] No. 15, Rizal Avenue, Poblacion East, Calasiao, Pangasinan.

[5] "Tandoc-Arenas Optical Clinic."

[6] Docketed as Civil Case No. 658, Complaint, Annex "B", RTC Record, pp. 7-8.

[7] Complaint, Annex "C", RTC Record, pp. 12-16.

[8] RTC Record, pp. 30-33.

[9] Docketed as Civil Case No. D-9996.

[10] Petition, Annex A, Rollo, pp. 28-39, at pp. 31-33.

[11] RTC Record, p. 23.

[12] Ibid., p. 27.

[13] Ibid., pp. 35-36.

[14] RTC Record, pp. 37-41.

[15] Civil Case No. D-9996.

- [16] RTC Record, pp. 69-70.
- [17] RTC Decision, Ibid., pp. 127-133.
- [18] Docketed as CA-G. R. CV No. 40470.
- [19] Petition, Annex "A", Rollo, pp. 28-39.
- [20] Rollo, p. 39.
- [21] CA Rollo, pp. 68-72.
- [22] Petition, Annex "B", Rollo, p. 40.
- [23] Petition, filed on November 8, 1996, Rollo, pp. 8-20. On January 31, 2000, we gave due course to the petition, Rollo, pp. 62-63.
- [24] Civil Case No. 16890.
- [25] Petition, Rollo, p. 18.
- [26] Cabaero v. Cantos, 338 Phil. 105 (1997).
- [27] Intestate Estate of Amado B. Dalisay v. Marasigan, 327 Phil. 298 (1996); Ponciano v. Parentella, G. R. No. 133284, May 9, 2000.
- [28] Valencia v. Court of Appeals, 331 Phil. 590 (1996).
- [29] The Civil Code of the Philippines, Article 1157, provides "Obligations arise from: (1) Law; (2) Contracts; (3) Quasi-contracts; (4) Acts or omissions punished by law; and (5) Quasi-delicts." Article 2176 provides, "Whoever by act or omission causes damage to another, there being fault or negligence, is obliged to pay for the damage done. Such fault or negligence, if there is no pre-existing contractual relation between the parties, is called a quasi-delict and is governed by the provisions of this Chapter."
- [30] Dabuco v. Court of Appeals, G. R. No. 133775, January 20, 2000.
- [31] Del Rosario v. Court of Appeals, 311 Phil. 589 (1995), citing University Physicians Services, Inc. v. Court of Appeals, 233 SCRA 86 [1994]; Gachon v. Davera, Jr., 274 SCRA 540 (1997); Arcal v. Court of Appeals, 348 Phil. 813 (1998); Carreon v. Court of Appeals, 353 Phil. 271, 281 (1998).
- [32] Supra, Note 10.
- [33] Banco Filipino Savings and Mortgage Bank v. Court of Appeals, 225 SCRA 199 (1993).
- [34] 315 Phil. 140 (1995).
- [35] Cuevas v. Balerian, A. M. No. MTJ-00-1276, June 23, 2000.
- [36] The complaint was filed by respondents on June 18, 1991; petitioners filed their answer on June 28, 1991. On July 20, 1991, respondents removed the signboard of petitioners stall; respondents also subsequently dumped gravel and sand in front of the stall, placed a "no trespassing sign" and cut off the electricity to the stall (Rollo, pp. 99-100).
- [37] Mangoma v. Court of Appeals, 241 SCRA 21 (1995); Militante v. National Labor Relations Commission, 246 SCRA 365 (1995); Saura v. Saura, 313 SCRA 465 (1999).
- [38] Madarieta v. Regional Trial Court, G. R. No. 126443, February 28, 2000.

[39] Calusin v. Court of Appeals, G. R. No. 128405, June 21, 2000.

[40] Far East Bank and Trust Company v. Court of Appeals, 311 Phil. 783 (1995).

[41] Deloso v. Desierto, G. R. No. 129939, September 9, 1999.

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