

SPOUSES ARSENIO AND NIEVES S. REYES, PETITIONERS, VS. SOLEMAR DEVELOPMENT CORPORATION AND RENATO M. TANSECO, RESPONDENTS

G.R. NO. 129247. March 03, 2006

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

These two (2) consolidated petitions involve a parcel of land with an area of 66,787 square meters, more or less, identified as Lot 1 of subdivision plan Psd-18002, being a portion of land described in Plan II-483 LRC (GLRO) Record No. 707, situated at Barangay San Dionisio, Municipality (now City) of Parañaque.

Petitioners in G.R. No. 129247 assail the Decision dated December 10, 1996 of the Court of Appeals in CA-G.R. SP No. 37467, entitled "Solemar Development Corporation and Renato M. Tanseco v. Hon. Omar U. Umin."

In G.R. No. 136270, petitioners, in their motion for reconsideration, seek the reversal of our Resolution dated December 13, 1999 denying the petition on grounds of res judicata and stability of judgments.

G.R. No. 129247

On January 14, 1992, spouses Arsenio and Nieves Reyes, petitioners, filed with the Regional Trial Court (RTC), Branch 135, Makati City, a Complaint for "Damages and Preliminary Injunction with Prayer for a Temporary Restraining Order" (TRO) against respondent Solemar Development Corporation (Solemar), represented by its president, Renato Tanseco, also a respondent, docketed as Civil Case No. 92-109.

In their Complaint, petitioners alleged that they are the registered owners of the property in question as evidenced by Transfer Certificate of Title (TCT) No. 31798 (40312) of the Registry of Deeds of Parañaque City. Sometime in December 1991, they fenced the property and posted two (2) security guards to prevent trespassers from entering the premises. On January 6, 1992, respondent Renato Tanseco, accompanied by police officers, "employing force and intimidation," entered the premises and demolished its perimeter fence. Respondent "tried to eject them (petitioners) from their property thru the unlawful and felonious illegal notice of demolition and permit." They thus prayed for the issuance of a writ of preliminary injunction to prevent respondents from ejecting them from the property without any court order.

In their Answer, respondents raised the defense that they own the disputed property, asserting that petitioners' title is of doubtful authenticity as found by the Land Registration Authority (LRA) Verification Committee. Petitioners filed their Reply thereto, after which they filed a Motion for Leave to File Amended Complaint, impleading Solemar's lessee, AMI (Philippines) Inc., as additional defendant. They also included additional causes of action, praying among others, that respondent Solemar's titles be nullified.

Respondents filed an Opposition to petitioners' motion arguing that (1) the amendments will substantially change petitioners' original cause of action or theory of the case and that (2) their certificate of title will be subjected to collateral attack.

On May 6, 1992, the RTC admitted petitioners' Amended Complaint.

After their motion for reconsideration was denied on July 11, 1992, respondents filed a Petition for Certiorari and Prohibition with the Court of Appeals assailing the Order of the RTC admitting petitioners' Amended Complaint, docketed as CA G.R. SP No. 28364.

On March 11, 1993, the Appellate Court granted the petition and annulled the RTC Order dated May 6, 1992 admitting petitioners' Amended Complaint. On September 6, 1993, petitioners filed a Motion for Reconsideration, but it was denied.

Petitioners elevated the matter to this Court in a Petition for Review on Certiorari, docketed as G.R. No. 111755. On January 26, 1994, we issued a Resolution affirming the March 11, 1993 Decision of the Court of Appeals. Our Resolution became final and executory after we denied with finality petitioners' motion for reconsideration on March 21, 1994.

Back to the RTC. Respondents filed a Motion to Dismiss the complaint in Civil Case No. 92-109 on the ground of lack of jurisdiction considering that the allegations therein clearly show that the action is one for forcible entry, which is under the exclusive jurisdiction of the Municipal Trial Court (MTC). On March 30, 1995, the RTC denied the motion to dismiss, holding that it has jurisdiction over the case since it "is for recovery of damages and recovery of possession of real property and, of necessary consequence, the issue of ownership thereof is brought to fore."

On June 8, 1995, the RTC denied respondents' motion for reconsideration.

Forthwith, respondents filed a Petition for Certiorari, Prohibition and Mandamus with the Court of Appeals, docketed therein as CA-G.R. SP No. 37467. In a Decision dated December 10, 1996, the Appellate Court granted the petition and ordered the RTC to dismiss the case for lack of jurisdiction, finding that "a careful reading of the allegations therein would show that the complaint for damages, taken in its full context, was meant to restore private respondents to the peaceful possession of the land and to prevent petitioners from further depriving the former of the lawful occupation thereof." The Appellate Court further held:

It is thus clear that while private respondents may have valid claims for indemnity for what they perceived were the result of wrongful or illegal acts committed by petitioners, it is nevertheless unquestionable that in filing their complaint, private respondents were asking the court to determine their right, or the lack of it, to possess the subject property. It follows, therefore, that the damages allegedly suffered by private respondents are merely incidental to the issue of possession which is the very heart of the parties' dispute.

On May 7, 1997, the Court of Appeals denied petitioners' motion for reconsideration.

Hence, this Petition for Review on Certiorari where the issue for our resolution is whether petitioners' complaint is one for forcible entry falling under the jurisdiction of the MTC or for the recovery of ownership falling under the jurisdiction of the RTC.

We hold that the Court of Appeals did not err in ordering the RTC, Branch 135, Makati City, to dismiss petitioners' complaint in Civil Case No. 92-109. Jurisdiction of the court over the subject matter of the action is determined by the allegations of the complaint, irrespective of whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein.[1] It cannot be made to depend on the exclusive characterization of the case by one of the parties.[2] After reviewing carefully the allegations in petitioners' complaint, specifically paragraphs 4, 10, and 15,[3] we found no reason to deviate from the finding of the Appellate Court that indeed the complaint is for forcible entry. Significantly, the complaint was filed on January 14, 1992, or within one (1) year, specifically within eight (8) days, from the alleged forcible entry to the property by respondent Tanseco on

January 6, 1992.[4] While captioned as a Complaint for Damages with Application for a TRO and Preliminary Injunction, yet the allegations therein show that petitioners are asserting their right to the peaceful possession of their property which is proper in an ejectment suit. All ejectment cases are within the jurisdiction of the MTC.[5]

Accordingly, the denial of the petition in this case is in order.

G.R. No. 136270

On July 29, 1992, the Republic of the Philippines, represented by the Administrator of the LRA, herein respondent, filed with the RTC, Branch 60, Makati City, a Complaint for Declaration of Nullity and Cancellation of TCT No. 31798 (40312) in the name of spouses Arsenio and Nieves Reyes, docketed as Civil Case No. 92-2135. The complaint alleges that the land title of said spouses, now petitioners, is of doubtful authenticity, having been obtained through fraud, as found by the LRA Verification Committee. The Republic prayed that the same be declared void and be cancelled by the Register of Deeds of Parañaque City.

In their Answer, petitioners maintained that their title is valid and that the so called LRA Verification Committee Report appears to have been irregularly issued. As compulsory counterclaim, they pleaded that their title to the property be declared valid and their right to recover from the Assurance Fund be upheld "in the unlikely possibility that the same is nullified because of the negligence, incompetence, inadvertence, let alone due to the anomalous practices of those charged with the issuance of land titles." They prayed that the Republic's complaint be dismissed and that judgment be rendered on their counterclaim.

Solemar filed a Complaint for Quieting of Title against petitioners with the RTC, Branch 61, Makati City, docketed as Civil Case No. 93-1566. On April 26, 1996, the RTC rendered a Decision declaring that TCT No. 31798 (40312) in the name of herein petitioners, spouses Reyes, is spurious and directed the Register of Deeds of Parañaque City to cancel the same. The RTC found that:

From the evidence presented to prove the validity of SOLEMAR's eight (8) titles, the Court finds an exhaustive and detailed presentation of evidence tracing the historical origin of SOLEMAR's titles termed as "TRACE BACK" (Exhibit "I"), from the original registration proceedings before the Court of First Instance of Rizal and other administrative matters leading to the issuance of SOLEMAR's Titles.

Upon the other hand, the evidence consisting of public documents to prove the nature of the REYES' title, SOLEMAR submitted a detailed origin of REYES' title as shown in the Verification Committee Report dated November 7, 1990 of the Land Registration Authority (LRA) tracing the series of falsification and dubious source of REYES' title and their predecessors' title which led the LRA to conclude that REYES' title is of doubtful validity and authenticity and includes its recommendation to the Office of the Solicitor General for the filing of a case for the cancellation of REYES' title and requesting the National Bureau of Investigation to prosecute the parties responsible for the irregularities.

On the above findings on the evidence, the Court concludes that SOLEMAR has duly established its case through overwhelming preponderance of evidence on the validity of SOLEMAR's titles. At the same time, the evidence of SOLEMAR has likewise proven that defendants REYES' titles are fake and spurious and/or total nullity as found by government agencies.

Petitioners filed a Motion for New Trial and/or Motion for Reconsideration of the Decision. But the trial court denied the same. On September 16, 1996, petitioners filed a Notice of Appeal, but it was not given due course. The trial court ruled that the motion filed earlier, which is pro forma, did not suspend the period to appeal, thus its Decision became final on May 19, 1996. On September 24, 1996, the trial court issued a writ of execution. Thereupon, the Register of Deeds of Parañaque City cancelled petitioners' TCT No. 31798 (40312).

Petitioners filed with the Court of Appeals a Petition for Certiorari, Prohibition and Mandamus. In its Decision of

July 30, 1997, the Appellate Court denied the petition for having been filed out of time, prompting petitioners to file with this Court a Petition for Review on Certiorari, docketed as G.R. No. 130888. In a Resolution dated January 28, 1998, we affirmed the Decision of the Appellate Court. In a Resolution dated April 13, 1998, we denied with finality petitioners' motion for reconsideration. Thus, the RTC Decision in Civil Case No. 93-1566 for quieting of title in favor of respondents has been put to rest.

Since Solemar's titles have been declared valid, the Solicitor General, on April 29, 1997, filed a Motion to Withdraw the Republic's Complaint in Civil Case No. 92-2135 for declaration of nullity of petitioners' land title. On June 19, 1997, the RTC denied the motion to withdraw the complaint on the grounds that (a) a court may not grant plaintiff's motion to dismiss his complaint if the defendant who pleaded a compulsory counterclaim objected thereto; and that (b) the Decision of the RTC, Branch 61, Makati City, in Civil Case No. 93-1566 for quieting of title in favor of Solemar does not constitute *res judicata* on Civil Case No. 92-2135 wherein the Solicitor General filed a motion to withdraw the Republic's complaint.

The Solicitor General then filed a Motion for Reconsideration but it was denied on January 12, 1998 by the RTC. This prompted the Solicitor General to file with the Court of Appeals a Petition for Certiorari assailing the Resolution of the RTC denying their motion to withdraw the complaint. The Appellate Court granted the petition. It ordered the trial court to dismiss the Republic's Complaint and petitioners' counterclaim, without prejudice for the latter to pursue their claim against the Assurance Fund. They filed a Motion for Reconsideration, but it was denied by the Appellate Court.

On January 6, 1999, petitioners filed with this Court the instant Petition for Review on Certiorari, docketed as G.R. No. 136270, contending that the dismissal of their complaint will deprive them the opportunity to recover damages from the Assurance Fund.

The Republic filed a Manifestation and Motion (in lieu of Comment) alleging that, "(A)fter a thorough re-evaluation of the record of this case". it would be to the best interest of the state that this case be remanded to the court *a quo* for further proceedings on the following grounds: (a) that the Decision in Civil Case No. 93-1566 for quieting of title cannot bind the Republic because it is not a party to the case; and (b) the Republic would in effect be recognizing the ownership of Solemar over the property.

Solemar filed a Motion for Leave to Intervene as respondent-intervenor. In our Resolution dated July 14, 1999, we granted the motion. Solemar alleged that "(W)ith the denial with finality of petitioners' motion for reconsideration and the issuance of the corresponding Entry of Judgment by this Honorable Court, the Decision of the RTC of Makati, Branch 61, in Civil Case No. 93-1566 declaring as spurious TCT No. (31798) 40312 issued in the name of Nieves S. Reyes, married to Arsenio Reyes and declaring as valid Solemar's titles, can now be considered as final, conclusive and entitled to full faith and credit. The matter cannot be reopened anymore without violating the principle of *res judicata*."

On December 13, 1999, we issued a Resolution denying the instant petition on the grounds of *res judicata* and stability of judgments, thus:

First, the order of dismissal of the Republic's complaint is proper. The complaint asserted that TCT No. (31798) 40312 is of doubtful authenticity. This matter, however, was passed upon in Civil Case No. 93-1566. In said case, petitioners were initially declared as in default, but were later given several opportunities to present their evidence, but this notwithstanding, they still failed to do so (pp. 279-280, Rollo). After due proceedings, the trial court rendered a decision quieting SOLEMAR's titles, adjudging the same as valid and declaring TCT No. (31798) 40312 spurious, and accordingly directing therein defendant Register of Deeds of Parañaque, Metro Manila, to cancel the same. Said decision was sustained on appeal in CA-GR SP No. 44779. The matter was finally disposed of by this Court when we adversely resolved the petition in G.R. No.

130888 (First Division, January 28, 1998) filed by petitioners. Petitioners' motion for reconsideration was denied with finality in our resolution dated April 13, 1998.

In his manifestation and motion in lieu of comment, the Solicitor General posits that the aforesaid decision in Civil Case No. 93-1566 which became final and executory is conclusive only between the parties therein, that is, SOLEMAR and petitioners, and cannot bind respondent, considering that suits to quiet title are not technically suits in rem, nor are they in personam, but are against the person in respect of the res, or quasi in rem; and that the dismissal of Civil Case No. 92-2135 on the basis of the decision in Civil Case No. 93-1566 would in effect require respondent Republic to recognize the ownership of SOLEMAR over the subject property. This ratiocination is quite strained. A comparison of the two civil cases will show that the requisites of res judicata are present, viz: (a) the former judgment or order must be final; (b) it must be a judgment or order on the merits; (c) it must have been rendered by a court having jurisdiction over the subject matter and the parties; and (d) there must be, between the first and the second actions, identity of parties, of subject matter, and of cause of action (*Ybañez v. Court of Appeals*, 253 SCRA 540 [1996]). The argument that there is no identity of parties since the Republic was not impleaded in Civil Case No. 93-1566 is also suspect. It has been repeatedly emphasized by the Court that absolute identity of parties is not required in order for res judicata to apply because substantial identity is sufficient. This means that the parties in both cases need not be physically identical provided there is privity between them. Notably, Civil Case No. 93-1566 was filed not only against petitioners but also against the Register of Deeds of Parañaque, Metro Manila, an officer of the Republic. Thus, the Republic cannot be considered a stranger in said case, which clearly involves rights of ownership of realty.

Another point. To allow the remand of the instant case to the court a quo, as prayed for by the Solicitor General, will indeed violate the principle of stability of judgments. To permit the same will necessarily allow Branch 60 of the Regional Trial Court of Makati City to pass upon issues already ruled upon by a coordinate tribunal or court of law, whose decision and action were in fact sustained by this Court.

Second, we find the order of dismissal of petitioners' counterclaim likewise proper. Primarily, it is significant to stress that a compulsory counterclaim is essentially auxiliary or ancillary to the main controversy inasmuch as it arises out of or is necessarily connected with the transaction or occurrence that is the subject matter of the complaint (*Herrera: Comments on the 1997 Rules of Civil Procedure, As Amended*, Vol. VII, p. 78). Hence, the ruling on the doubtful authenticity of TCT No. (31798) 40312 already necessarily dismisses the "principal counterclaim" insisted by petitioners, that is, a claim that the subject title and its derivative titles be declared genuine, valid, and authentic, since the counterclaim cannot subsist with the dismissal of the main case (*Moran, Comments on the Rules of Court*, Vol. I, 1995 ed., p. 356). As regards petitioners' "alternative relief" or their claim to be compensated and/or declared entitled to recover from the Assurance Fund, we agree with the Court of Appeals when it held that the dismissal of the complaint and counterclaim in Civil Case No. 92-2135 is "without prejudice to the defendants pursuing their claim against the Assurance Fund after impleading the proper parties."

An action for compensation from the Assurance Fund must be filed against the Register of Deeds of the province or city where the land is situated and the National Treasurer as defendants when "such action is brought to recover for loss or damage or for deprivation of land or any estate or interest therein arising wholly through fraud, negligence, omission, mistake or misfeasance of the court personnel, Register of Deeds, his deputy, or other employees of the registry in the performance of their respective duties." (Section 96, Presidential Decree No. 1529). If "such action is brought to recover for loss or damage or for deprivation of land or any interest therein arising through fraud, negligence, mistake or misfeasance of persons other than court personnel, the Register of Deeds, his deputy or other employees of the registry," the action must be brought against the Register of Deeds, the National Treasurer, as well as other persons as co-defendants.

The parties indispensable in a claim against the Assurance Fund, particularly the Register of Deeds of Parañaque and the National Treasurer should have been included in the action so that relief from the

Assurance Fund may be adjudged in the same proceeding. Further, the one-paragraph counterclaim does not sufficiently allege facts that constitute conditions justifying payment of damages from the Assurance Fund such as factual allegations of fraud and negligence. Petitioners may suitably comply with these requirements by filing a new action specifically to recover from the fraud.

Petitioners filed a Motion for Reconsideration.

In our Resolution dated February 16, 2000, we found "no cogent reason to reverse or modify our December 13, 1999 Resolution"; and held that "the arguments raised in the motion for reconsideration have been amply discussed and we find no reason to disturb our earlier ruling." However, we disposed of petitioners' motion for reconsideration as follows:

WHEREFORE, the instant case (G.R. No. 132670) is hereby ordered consolidated with G.R. No. 129247 ("Arsenio Reyes, et al. v. Court of Appeals, et al.") where the motion for reconsideration filed herein (G.R. No. 136270) may be properly resolved.

SO ORDERED.

In the same dispositive portion, we should have also DENIED petitioners' motion for reconsideration in light of our ratiocination earlier quoted, instead of merely ordering the consolidation of this case with G.R. No. 136270.

WHEREFORE, we DENY the petition in G.R. No. 129247.

Petitioners' Motion for Reconsideration of our Resolution dated December 13, 1999 in G.R. No. 136270 is also DENIED.

Costs against petitioners.

SO ORDERED.

Puno, (Chairperson), Corona, Azcuna and Garcia, JJ., concur.

[1] Section 33, B.P. Blg. 129, as amended; Herrera v. Ballon, G.R. No. 138258, January 18, 2002, 374 SCRA 107.

[2] Pilipinas Bank v. Court of Appeals, G.R. No. 117079, February 22, 2000, 326 SCRA 147.

[3] "4. That on January 8, 1992, defendant Renato Tanseco, with the full aid and assistance of the Social Investigation Division (SID) of the Parañaque Police Force, employing force and intimidation entered the premises and demolished the fence erected by the plaintiffs and the two security guards posted thereat were forcibly arrested and brought to the police station without any complaint or warrant of arrest, a clear case of brutality of police officers and abuse of power;

x x x

10. That, as a matter of fact, the Parañaque police and defendant Tanseco clearly tried to eject the plaintiffs from their property thru the unlawful and felonious illegal notice of demolition and permit issued by Municipal Engineer Goocho to construct concrete fence, ordering his men with the assistance of the Parañaque police to demolish not only the fence but also the guardhouse erected thereon and arresting the security guards posted by the plaintiffs and posting his own security guards;

x x x

15. That the continuous commission of the illegal acts being complained of would probably work injustice to

the plaintiffs because defendant Tanseco insists in forcibly ejecting the plaintiffs from the land using the notice of demolition and permit as his basis and through use of force and intimidation with police assistance without any court order. Moreover, temporary restraining order is being sought because violence may erupt in the premises, considering that both contending parties are posting their own security guards, although the guards of defendant Tanseco have the advantage because of the assistance given by the police force of Parañaque;"

[4] Section 1, Rule 70 of the 1997 Rules of Civil Procedure, as amended, provides:

"SECTION 1. Who may institute proceedings, and when. — Subject to the provisions of the next succeeding section, a person deprived of 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)"

[5] Tala Realty Services Corporation v. Banco Filipino Savings and Mortgage Bank, G.R. No. 137533, November 22, 2002, 392 SCRA 506.

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