

COMPANIA GENERAL DE TABACOS DE FILIPINAS AND MANILA TOBACCO TRADING, INC., PETITIONERS, VS. THE COURT OF APPEALS, HON. LEO M. RAPATALO, LA UNION TOBACCO REDRYING CORPORATION, FI...

G.R. No. 130326. November 29, 2001

Ponente: DE LEON, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-130326/>

DE LEON, JR., J.:

Before us are two (2) consolidated petitions for review on certiorari.

In G.R. No. 130326, the petitioners, Compania General De Tabacos De Filipinas (CDF) and Manila Tobacco Trading, Incorporated (MTTI) seek to set aside the Decision[1] of the Court of Appeals dated January 23, 1997 in CA-G.R. SP No. 38229, and its Resolution dated August 27, 1997 denying their Motion for Reconsideration. The assailed Decision upheld a Resolution issued by Judge Leo M. Rapatalo of the Regional Trial Court (RTC), Branch 32, Agoo, La Union in Civil Case No. A-1567 granting a Writ of Preliminary Injunction in favor of respondents, La Union Tobacco Redrying Corporation (LUTORCO), Fieldman Agricultural Trading Corporation (FATCO), See Lin Chan, Kam Biak Y. Chan, Jr., Tita C. Yabut, Fieldman Trucking Corporation and Tessie C. Tio, and denying petitioners' Motion to Dismiss Civil Case No. A-1567.

In G.R. No. 137868, the petitioners, FATCO and LUTORCO seek to set aside the Decision[2] of the Court of Appeals dated December 22, 1998 in CA-G.R. SP No. 35438 and its Resolution of March 9, 1999 denying the petitioners' Motion for Reconsideration. The assailed Decision of the Court of Appeals upheld the following Orders of Judge Felipe S. Tongco of the RTC of Manila, Branch 42:

(1)

Order dated March 4, 1994 granting respondent MTTI's prayer for the appointment of a receiver in Civil Case No. 94-69608;

(2)

Order dated April 13, 1994 denying petitioners' Motion to Dismiss Civil Case No. 94-69608;

(3)

Order dated April 24, 1994 appointing a certain Atty. Rodolfo V. Yabes as the receiver; and

(4)

Order dated September 9, 1994 denying the Motion for Reconsideration of both the March 4 and April 13, 1994 Orders.[3]

From three (3) civil cases sprung forth the instant petitions.

Civil Case No. 94-69342: On February 15, 1994 at 10:30 in the morning, a Complaint with Petition and Affidavit for Issuance of a Writ of Preliminary Attachment[4] was filed by CDF and MTTI (referred to as plaintiffs) against LUTORCO, FATCO, See Lin Chan, Kam Biak Y. Chan, Jr., Jacqueline Y. Chan, Nellie Y. Chan, Susie C. Tan, Precy C. Chong, Julie C. Dyhengco, and Tita C. Yabut (referred to as defendants). The said complaint was docketed as Civil Case No. 94-69342 and assigned to Branch 9 of the RTC of Manila.

The plaintiffs alleged in their complaint that during the tobacco crop year of 1993, they gave defendants LUTORCO and FATCO cash and other advances in the total amount of Two Hundred Nine Million Eight Hundred Forty-Eight Thousand Six Hundred Forty-Eight Pesos and Thirty-Eight Centavos (P209,848,648.38) under the agreement that LUTORCO and FATCO shall repay the said amount at or about the end of the same year either in cash or tobacco. They alleged further that LUTORCO and FATCO paid only the amount of One Hundred Sixty-One Million Eight Hundred Nineteen Thousand Eight Hundred Eleven Pesos (P161,819,811.00) in tobacco, and One Million Two Hundred One Thousand Nine Hundred Forty-Six Pesos and Seventy-Six Centavos (P1,201,946.76) in kind and in services rendered (car rental, electric bills, and 566 hogsheads), leaving an unpaid balance in the amount of Forty-Six Million Eight Hundred Twenty-Six Thousand Eight Hundred Ninety Pesos and Sixty-Two Centavos (P46,826,890.62) which LUTORCO and FATCO failed and refused to pay despite plaintiffs' demands. The unpaid balance is partially secured up to Twenty-Five Million Pesos (P25,000,000.00) by contracts of pledge executed by See Lin Chan, Kam Biak Y. Chan, Jr., Jacqueline Y. Chan, Nellie Y. Chan, Susie C. Tan, Precy C. Chong, Julie C. Dyhengco, and Tita C. Yabut. Plaintiffs thus prayed for the payment of the unpaid balance in the amount of Forty-Six Million Eight Hundred Twenty-Six Thousand Eight Hundred Ninety Pesos and Sixty-Two Centavos (P46,826,890.62), the foreclosure of the pledges, and the issuance of a writ of preliminary attachment on the unsecured portion of the balance.

Civil Case No. A-1567: On February 15, 1994 at 4:30 in the afternoon, LUTORCO, FATCO, See Lin Chan, Kam Biak Y. Chan, Jr., and Tita C. Yabut together with Fieldman Trucking Corporation and Tessie C. Tio (referred to as plaintiffs) filed with the RTC of Agoo, La Union, a Complaint for Specific Performance, Accounting and Production of Documents with Damages and Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction[5] against CDF and MTTI (referred to as defendants). The Complaint was docketed as Civil Case No. A-1567 and assigned to Branch 32 of the RTC of Agoo, La Union.

The plaintiffs alleged in their complaint that LUTORCO and FATCO, on one hand, and defendant CDF, on the other, had entered into an agreement of joint account operation. Although under the joint account operation, the agreement was between plaintiffs LUTORCO and FATCO and defendant CDF, both defendants CDF and MTTI were giving cash advances for tobacco purchases with the agreement that defendant CDF shall principally deal with the plaintiffs LUTORCO and FATCO.

Plaintiffs claimed that contrary to their mutual agreement and the conditions of their joint account operation, defendant CDF refused to make the required liquidation statement for the years 1991 and 1992, and corresponding inventory of stocks of leaf tobacco belonging to plaintiffs LUTORCO and FATCO. According to the plaintiffs, defendant CDF also failed to produce the commercial documents involving the export sales made by the latter from the parties' joint account operation in 1991 and 1992; the correct weighing sheets of leaf tobacco deliveries made in 1993; and the explanation for the expenses that CDF charged as expenses for the joint account.

Plaintiffs likewise claimed that the defendants CDF and MTTI are the ones indebted to them and not the other way around since the advances made by defendants to plaintiffs LUTORCO and FATCO only totaled Two Hundred Nine Million Nine Hundred Thousand Pesos (P209,900,000.00) while plaintiff LUTORCO paid Value Added Tax on tobacco deliveries in the amount of Thirty-Six Million Two Hundred Fifty-Six Thousand Eight

Hundred Seventy-Eight Pesos and Ninety-Nine Centavos (P36,256,878.99) and plaintiff FATCO made leaf tobacco deliveries to defendants valued at Two Hundred Fifteen Million Three Hundred Thirty-One Thousand Four Hundred Two Pesos (P215,331,402.00) for a grand total of Two Hundred Fifty-One Million Five Hundred Eighty-Eight Thousand Two Hundred Eighty Pesos and Ninety Centavos (P251,588,280.90). Hence, the outstanding balance of Forty-One Million Six Hundred Eighty-Eight Thousand Two Hundred Eighty Pesos and Ninety-Nine Centavos (P41,688,280.99) payable by defendants to plaintiffs LUTORCO and FATCO. In addition to the said amount, defendants are also indebted to plaintiffs LUTORCO and FATCO for the cost of leaf tobacco delivered on December 1, 2, 3, 9, 10, and 20, 1993.

The complaint also alleged that defendants made cash advances in the amount of Twenty Million Pesos (P20,000,000.00) to plaintiffs for the purchase of tobacco. The same amount was allegedly secured by a chattel mortgage over Twenty-Three (23) trucks and a real estate mortgage. However, plaintiffs aver that it was the parties' mutual agreement that the said loan shall be paid from the deliveries of leaf tobacco made by plaintiffs to defendant CDF.[6]

Plaintiffs thus pray for specific performance, accounting, production of documents with damages, as well as the issuance of a writ of preliminary injunction to enjoin CDF and MTTI from foreclosing the chattel mortgage for allegedly being void and defective.

On February 16, 1994, respondent Judge Leo M. Rapatalo, Presiding Judge of Branch 32 of the RTC of Agoo, La Union, issued a temporary restraining order enjoining the defendants from proceeding with the foreclosure of the chattel mortgage securing the Twenty Million Pesos (P20,000,000.00) loan in favor of the plaintiffs until such time as the latter's application for the issuance of a writ of preliminary injunction shall have been resolved with finality.[7]

On February 21, 1994, defendants moved to dismiss Civil Case No. A-1567 on the grounds of pendency of another action between the same parties and for the same cause referring to Civil Case No. 94-69342 pending with Branch 9 of the RTC of Manila, and of failure of the complaint to state a cause of action on the alleged nullity of the chattel mortgage.[8]

During the hearing of the defendants' motion to dismiss and the plaintiffs' petition for the issuance of a writ of preliminary mandatory injunction on March 1, 1994, Judge Rapatalo issued an Order enjoining both parties to maintain the status quo on the twenty-three (23) trucks subject of the chattel mortgage until the Motion to Dismiss is resolved.[9]

On March 4, 1994, MTTI filed a Complaint with Petition for Appointment of a Receiver against LUTORCO and FATCO, which case was docketed as Civil Case No. 94-69608 in Branch 42 of the RTC of Manila. The said complaint sought the foreclosure of the real estate mortgage securing a loan of Ten Million Pesos (P10,000,000.00) obtained by FATCO and LUTORCO from MTTI.[10]

Plaintiffs then amended their complaint in Civil Case No. A-1567 to include the real estate mortgage subject matter of Civil Case No. 94-69608.[11] The Amended Complaint which was filed by plaintiffs on March 7, 1994 was admitted by Judge Rapatalo on July 27, 1994.[12]

On March 1, 8, 9, and April 7 and 26, 1994, Tessie C. Tio extensively but partially testified on direct examination in support of plaintiffs' petition for the issuance of a writ of preliminary injunction in Civil Case No. A-1567. However, on September 14, 1994, plaintiffs filed a Manifestation to the effect that instead of continuing with the oral testimony of Tessie C. Tio, they were submitting her affidavit in support of their petition for the issuance of a writ of preliminary injunction.[13]

On September 29, 1994, defendants filed a Motion to Strike Out Affidavit of Tessie C. Tio[14] which was denied by the RTC on October 24, 1994.[15]

On March 21, 1995, Judge Rapatalo issued the writ of preliminary injunction prayed for by the plaintiffs in a Resolution, the pertinent portion of which reads:

The grounds for the granting of a writ of preliminary injunction is more of fact than of law. All that the Court is asked to do is to "determine if the plaintiff is entitled to the relief demanded and the whole or part of such relief consists in restraining the commission or continuance of the acts complained of, or in the performance of an act or acts, either for a limited period or perpetually." (Sec. 3 (a) Rule 58 Rules of Court)

From the evidence on record, the Honorable Court has reach (sic) the conclusion that plaintiff was able to present sufficient evidence to prove that they are entitled to the writ of preliminary injunction during the pendency of the case. These evidence are:

- The joint account operation embodied in Agreement dated February 15, 1991 which was continued for another year as evidenced by Agreement dated January 1, 1992. By this agreement plaintiffs were able to prove that they have invested in the joint account operation (condition no. 4 of agreement) and that they are entitled to a share to the profit (or loss) which is fifty percent (50%) share and share alike.

- That the defendants to who (sic) millions of pesos worth of tobacco was delivered by plaintiff has not render (sic) an accounting and liquidation of the joint venture which if rendered may result in a situation where the defendants would turn out to be the one indebted to the plaintiffs. This is proven by Exhibits "C", "D", "D-1", "D-2", "D-3", "E", "F", "F-1", "F-1-A", "G", "H", "H-1", AND "H-2", "TT", AND "UU" of plaintiffs. This is also proven by the testimony of Mrs. Tessie C. Tio.

xxx It is necessary that the status quo between the parties be maintained during the trial of the case otherwise a grave injustice would be done on the plaintiff who if proven correct would not only be adjudge (sic) to have paid all their obligations to defendant but in addition thereto would stand to be paid a sizable amount over and above their acknowledged debt to the defendants.

Furthermore there is still the undisputed fact that defendants are still pursuing the action for foreclosure (of a mortgage) which has already been commenced and is still a continuing act. The granting of the writ of preliminary injunction would not in effect dispose "of the main case without trial." The granting of the writ would only enjoin the foreclosure of the mortgage constituted as a collateral for an obligation the validity of which is the subject of the instant case. If defendant would be adjudge (sic) the winning litigant, the mortgage would be foreclosed for sure. What is being enjoined is the foreclosure pending a decision in the case to prevent a situation where after a decision is rendered favorable to the plaintiff the decision is rendered useless because in the meantime the properties of the plaintiffs are already foreclosed. Thus the writ should be granted to maintain the status quo.[16]

In the same Resolution, Judge Rapatalo denied defendants' Motion to Dismiss, explaining thus:

Defendants' Motion to Dismiss in brief is anchored on their claim that defendants have filed Civil Case No. 94-69342 with the RTC of Manila 6 hours ahead of the filing by plaintiff of the instant case (Civil Case No. A-1567). That plaintiff (sic) cause of action in the instant case is their defense in Civil Case No. 94-69342 while defendants (sic) cause of action in Civil Case No. 94-69342 is their defense in Civil Case No. A. 1567. That any judgment which maybe (sic) obtained in Civil Case No. 94-69342 regardless of who the successful party may be will amount to res judicata on the other.

x x x x x x x x

After careful (sic) considering the records of the case and the arguments of the opposing sides, this Honorable Court believes that Civil Case No. 94-69342 of the RTC of Manila be (sic) the case to be dismissed. That the

Motion to Dismiss in the above-entitled case be denied and dismissed for lack of legal and factual merit.

The Honorable Court agrees with plaintiff (sic) contention that the above-entitled case should prevail over the Manila case because it is in the above-entitled case wherein all the issues between the parties are presented and therefore had a wider effect upon the relationship between the parties. Clearly, Civil Case No. 94-69342 is merely the collection of the amount of P21,826,890.62, representing the unsecured portion of P46,826,890.62 which defendant claims plaintiff owes them plus a Petition for Issuance of Preliminary Attachment. Whereas, the instant case in the allegations in the pleadings, more issues are presented and the issues are of wider effect. Since the instant case has a far reaching effect the Manila case should be dismissed. A perusal of the allegations in both complaints will clearly show that in the complaint in the above-entitled case, all the issues between the parties are presented and thus there will be a wider effect upon the relationship between the contending parties.[17]

The dispositive portion of the above mentioned Resolution reads:

WHEREFORE, in view of all the foregoing considerations, the petition for the issuance of a Writ of Preliminary Injunction is hereby granted. Defendant Manila Tobacco Trading, Inc. is hereby enjoined and restrained from foreclosing the Chattel Mortgage (Annex "B") and the Real Estate Mortgage (Annex "C") during the pendency of the instant case.

Furthermore, the Motion to Dismiss is hereby DENIED for lack of legal and factual merit.

SO ORDERED.[18]

Defendants moved for a reconsideration[19] of the above-mentioned Resolution but to no avail. Judge Rapatalo denied their Motion for Reconsideration and fixed the bond for the issuance of the writ of preliminary injunction at One Million Pesos (P1,000,000.00) in a Resolution dated July 31, 1995.[20]

On August 24, 1995, defendants filed with the Court of Appeals a Petition for Certiorari and Prohibition with Prayer for Issuance of a Writ of Preliminary Injunction and/or Temporary Restraining Order[21] seeking to set aside the said Resolutions of Judge Rapatalo dated March 21 and July 31, 1995 for having been issued with grave abuse of discretion amounting to excess or lack of jurisdiction. The petition was docketed as CA-G.R. SP No. 38229 and assigned to the Special Fourth Division of the Court of Appeals.

Finding no merit in the aforementioned petition, the Court of Appeals dismissed the same in a Decision[22] rendered on January 23, 1997. A Motion for Reconsideration of the said Decision was denied by the Court of Appeals on August 27, 1997.[23] Hence, the Petition for Review on Certiorari[24] filed before this Court and docketed as G.R. No. 130326.

In their petition, CDF and MTTI assign the following errors to the Court of Appeals:

- The Court of Appeals manifestly overlooked, and so failed to address and pass upon, the jurisdictional and constitutional issues raised by the petitioners.
- The Court of Appeals manifestly overlooked, and so failed to address and pass upon, the issue of grave abuse of discretion of Branch 32, RTC, Agoo, La Union when it issued a writ of preliminary injunction without sufficient and competent evidence.
- The Court of Appeals manifestly overlooked, and so failed to address and pass upon, the issue of grave abuse of discretion of RTC, Branch 32, La Union in fixing, in an arbitrary and whimsical manner, the injunction bond in the negligible amount of P1M when the damage that may be caused to petitioners by the injunction is P20M.
- The Court of Appeals has probably departed from established law and jurisprudence when it held it is in Civil

Case No. A-1567 that the rights and obligation of both parties can be fully ventilated and determined.[25]

Civil Case No. 94-69608: On March 4, 1994, MTTI (referred to as plaintiff) filed with the RTC of Manila a Complaint for Foreclosure of Real Estate Mortgage with Petition for Appointment of a Receiver against FATCO and LUTORCO[26] (referred to as defendants). The said complaint was docketed as Civil Case No. 94-69608 and assigned to Branch 42 of the RTC of Manila.

Plaintiff alleged in the said complaint that on March 24, 1993, defendant FATCO as principal, and defendant LUTORCO as guarantor, obtained from MTTI a loan in the sum of Ten Million Pesos (P10,000,000.00) with interest thereon at the rate of Twenty-Four percent (24%) per annum payable on or before June 22, 1993. As security for the said loan, the respondent LUTORCO executed a deed of real estate mortgage over four (4) parcels of land together with all the buildings and improvements existing thereon covered and described in Transfer Certificates of Title Nos. T-11079, T-11080, T-17055 and T-10414 of the Registry of Deeds of the Province of La Union in favor of petitioner MTTI.

Plaintiff claimed that when the obligation fell due on June 22, 1993, defendants failed and refused to pay the same despite repeated demands, thus, the complaint praying for the appointment of a receiver to take possession of the mortgaged real properties pending trial. MTTI likewise prays for a favorable judgment ordering defendants to pay their outstanding obligation, and in default thereof, foreclosing the real estate mortgage.

On March 12, 1994, FATCO and LUTORCO filed a Motion to Dismiss[27] Civil Case No. 94-69608 on the ground that there is already another action pending between the same parties and for the same cause of action referring to Civil Case No. A-1567 before Branch 32 of the RTC of Agoo, La Union.

Judge Felipe S. Tongco of Branch 42 of the RTC of Manila, denied the said Motion to Dismiss in an Order dated April 13, 1994, to wit:

xxx xxx xxx

A mere reading of the title of the two (2) cases (Civil Case No. A-1567 filed in Agoo, La Union and Civil Case No. 94-69608 filed with the Court) will readily show that there is no identity of the parties. Also, the reliefs prayed for in Civil Case No. A-1567 are entirely different from the reliefs prayed for in this case. x x x.

xxx xxx xxx

Clearly, the reliefs sought in the two (2) cases are entirely different. The ground, therefore, of pendency of another action between the same parties for the same cause is not correct.

WHEREFORE, the motion to dismiss should be, as it is hereby DENIED for lack of merit.

SO ORDERED.[28]

The Motion for Reconsideration[29] filed by defendants was also denied by Judge Tongco in an Order[30] issued on September 9, 1994.

Alleging grave abuse of discretion on the part of Judge Tongco in issuing the above-mentioned Orders, defendants filed a Petition for Certiorari and Prohibition[31] with the Court of Appeals. In a Decision[32] promulgated on December 22, 1998, the Court of Appeals dismissed the said petition. Defendants' Motion for Reconsideration of the said Decision was denied by the Court of Appeals in a Resolution[33] dated March 9, 1999. Hence the Petition for Review on Certiorari[34] filed before this Court and docketed as G.R. No. 137868.

FATCO and LUTORCO pose a singular question of law in their petition, that is,

AFTER A COURT HAS ACQUIRED JURISDICTION OVER A CASE WHEREIN IT IS ALLEGED THAT

A CERTAIN LOAN IS DEEMED TO HAVE BEEN ALREADY PAID AND, CONSEQUENTLY, IT IS PRAYED THAT THE REAL ESTATE MORTGAGE CONSTITUTED TO SECURE THAT LOAN BE ORDERED RELEASED OR DISCHARGED, SHOULD ANOTHER COURT BE ALLOWED TO ENTERTAIN AN ACTION FOR THE FORECLOSURE OF THE VERY SAME REAL ESTATE MORTGAGE SOUGHT TO BE NULLIFIED IN THE FIRST CASE?[35]

The grounds relied upon for the allowance of the petitions in both G.R. No. 130326 and G.R. No. 137868 may be categorized into those that question the propriety of the issuance of the writ of preliminary injunction in Civil Case No. A-1567; and those that raise the issue of *litis pendentia* - first, between Civil Case No. A-1567 pending in Branch 32 of the RTC of Agoo, La Union and Civil Case No. 94-69342 pending in Branch 9 of the RTC of Manila; and second, between Civil Case No. A-1567 and Civil Case No. 94-69608 pending before Branch 42 of the RTC of Manila.

I. Propriety of the Issuance of the Writ of Preliminary Injunction

CDF and MTTI, petitioners in G.R. No. 130326, assail the issuance of the writ of preliminary injunction in Civil Case No. A-1567 by Judge Rapatalo of Branch 32 of the RTC of Agoo, La Union on the following grounds: (1) The issuance of the writ of preliminary injunction in Civil Case No. A-1567 enjoins petitioner MTTI from prosecuting its Complaint for Judicial Foreclosure of Mortgage/Civil Case No. 94-69342 over which Branch 9 of the RTC of Manila already exercises jurisdiction, thereby depriving petitioners of their constitutional rights to free access to courts and due process of law;[36] (2) The writ of preliminary injunction was issued without sufficient and competent evidence since the receipts and other documentary evidence of the deliveries of tobacco by FATCO and LUTORCO to petitioners, as testified to by Tessie C. Tio and relied upon by Judge Rapatalo in issuing the said writ, were not formally offered in evidence;[37] and (3) Judge Rapatalo fixed, in an arbitrary and whimsical manner, the amount of the injunction bond in the negligible amount of One Million Pesos (P1,000,000.00) considering that the damage that may be caused to the petitioners amounts to at least Twenty Million Pesos (P20,000,000.00).[38]

In declaring that Judge Rapatalo did not act with grave abuse of discretion in issuing the questioned writ of injunction in Civil Case No. A-1567, the Court of Appeals alluded to the nature and offices of the remedy of preliminary injunction, and invoked the doctrine that when a court acquires jurisdiction over the principal action, it may perforce grant the relief of injunction. Also finding the posture taken by CDF and MTTI in seeking the foreclosure of the real estate mortgage as premature, the Court of Appeals held that the ancillary remedy of injunction was correctly resorted to by FATCO, LUTORCO, et al., private respondents in G.R. No. 130326, to preserve the status quo between the parties until the real issues in controversy are determined. The Court of Appeals further ruled that the requisites of Section 1, Rule 58 of the Revised Rules of Court have been sufficiently complied with, and the RTC properly issued the writ of preliminary injunction on the basis of documentary evidence and the testimony of Tessie C. Tio.[39]

We disagree with the aforementioned ruling of the Court of Appeals for the simple reason that when Judge Rapatalo issued the writ of preliminary injunction in Civil Case No. A-1567 against CDF and MTTI to enjoin the subject foreclosure of the real estate mortgage, a co-equal court namely, Branch 9 of the RTC of Manila, was already exercising jurisdiction over the same subject matter in Civil Case No. 94-69342.

It is true that the plaintiffs in Civil Case No. A-1567, FATCO, LUTORCO, et al., amended their original complaint to include the real estate mortgage subject of Civil Case No. 94-69342. However, the amended complaint was filed only on March 7, 1994 and admitted by Judge Rapatalo only on July 27, 1994. On the other hand, MTTI filed its complaint for foreclosure of real estate mortgage against FATCO and LUTORCO on March 4, 1994 or more than two (2) months before the amended complaint of FATCO, LUTORCO, et al. was admitted.

Thus, notwithstanding said amended complaint, Branch 42 of the RTC of Manila already acquired and exercised jurisdiction over the subject foreclosure of real estate mortgage when Judge Rapatalo of RTC of Agoo, La Union, Branch 32 issued the assailed writ on March 21, 1995.

Hence, nothing can be clearer than that Judge Rapatalo had indeed issued the questioned writ of preliminary injunction with grave abuse of discretion amounting to excess or lack of jurisdiction for the blatant disregard of the basic precept that no court has the power to interfere by injunction with the judgments or orders of a co-equal and coordinate court of concurrent jurisdiction having the power to grant the relief sought by injunction.[40]

This Court explained in *Parco vs. Court of Appeals* that:

"xxx, jurisdiction is vested in the court not in any particular branch or judge, and as a corollary rule, the various branches of the Court of First Instance of a judicial district are a coordinate and co-equal courts one branch stands on the same level as the other. Undue interference by one on the proceedings and processes of another is prohibited by law. In the language of this Court, the various branches of the Court of First Instance of a province or city, having as they have the same or equal authority and exercising as they do concurrent and coordinate jurisdiction should not, cannot, and are not permitted to interfere with their respective cases, much less with their orders or judgments. xxx"[41]

Needless to say, adherence to a different rule would sow confusion and wreak havoc on the orderly administration of justice, and in the ensuing melee, hapless litigants will be at a loss as to where to appear and plead their cause.

Insisting on the propriety of the issuance of the questioned writ of preliminary injunction, private respondents in G.R. No. 130326 contend that the writ does not enjoin the proceedings of a co-equal court but is addressed to the petitioners and enjoins them from foreclosing the real estate mortgage.

This argument is flimsy and draws a distinction where there clearly is none. When MTTI brought the matter of foreclosure of the real estate mortgage to court via Civil Case No. 94-69342, it ceased to have any authority to pursue the foreclosure of the real estate mortgage without judicial sanction. MTTI's complaint is in fact one for judicial foreclosure of the real estate mortgage, thereby precluding it from proceeding against the properties subject of the real estate mortgage by any means other than pursuant to the lower court's orders. To say therefore that the assailed writ enjoins not the lower court but only the petitioners from foreclosing the mortgage is illogical. There is no need to enjoin petitioners for they have already submitted the controversy to the jurisdiction of the court. On the other hand, it is more plausible that the writ of preliminary injunction was issued to prevent Branch 9 of the RTC of Manila from further proceeding with Civil Case No. 94-69342. FATCO and LUTORCO could have very well sought the relief of injunction from Branch 9 of the RTC of Manila, the court already exercising jurisdiction over the subject foreclosure of real estate mortgage, but they did not. Instead, they went through the circuitous route of amending their complaint in Civil Case No. A-1567 to include the subject foreclosure of real estate mortgage and then prayed therein for the issuance of a writ of preliminary injunction which was erroneously granted by Branch 32 of the RTC of Agoo, La Union. Thus, the issuance of the said writ by the RTC of Agoo, La Union not only seeks to enjoin Branch 9 of the RTC of Manila from proceeding with the foreclosure case but also has the effect of pre-empting the latter's orders. This we cannot countenance.

Finding that the writ of preliminary injunction of RTC Agoo, La Union enjoining the foreclosure of the real estate mortgage was issued with grave abuse of discretion amounting to excess or lack of jurisdiction for the reasons above-stated, we see no need to delve further into the merits of the other arguments propounded by the petitioners in assailing the said writ.

II. Litis Pendentia

Once again, the three (3) civil cases involved in these consolidated petitions are:

1.)

Civil Case No. 94-69342, an action for collection of Forty-Six Million Eight Hundred Twenty-Six Thousand Eight Hundred Ninety Pesos and Sixty-Two Centavos (P46,826,890.62) with prayer for foreclosure of pledges of shares of stocks pending before Branch 9 of the RTC of Manila;

2.)

Civil Case No. A-1567, an action for specific performance and accounting with prayer for injunction pending before Branch 32 of the RTC of Agoo, La Union; and

3.)

Civil Case No. 94-69608, an action for foreclosure of real estate mortgage and appointment of a receiver pending before Branch 42 of the RTC of Manila.

In G.R. No. 130326, the petitioners, MTTI and CDF, contend that although they agree with both the RTC, Branch 32 of Agoo, La Union and the Court of Appeals that there is *litis pendentia* between Civil Cases Nos. 94-69342 and A-1567, it is not Civil Case No. 94-69342 that should be dismissed but Civil Case No. A-1567.

In G.R. No. 137868, the petitioners therein, FATCO and LUTORCO, posit that contrary to the ruling of both the RTC, Branch 9 of Manila and the Court of Appeals, *litis pendentia* exists between Civil Cases Nos. 94-69342 and A-1567, and on this ground, the former should be dismissed.

An action is dismissable on the ground that there is another action pending between the same parties for the same cause or *litis pendentia*, if the following requisites concur:

a)

identity of parties; or at least such as representing the same interests in both actions;

b)

identity of rights asserted and relief prayed for, the relief being founded on the same facts; and

c)

the identity in the two cases should be such that the judgment that may be rendered in one would, regardless of which party is successful, amount to *res judicata* in the other.[42]

The presence of all the foregoing requisites with respect to Civil Cases Nos. A-1567 and 94-69342 is not controverted by both parties in G.R. No. 130326.

As to the first requirement, it is evident that the petitioners are involved in both cases. In Civil Case No. 94-69342, petitioners CDF and MTTI are the plaintiffs while in Civil Case No. A-1567, they are the defendants. The private respondents, on the other hand, are also parties in both civil cases. Private respondents FATCO, LUTORCO, See Lin Chan, Kam Biak Y. Chan, Jr., and Tita C. Yabut are defendants in Civil Case 94-69342 while in Civil Case No. A-1567, the same parties together with private respondents Fieldman Trucking Corporation and Tessie C. Tio are the plaintiffs. The slight variation in the parties' identities is immaterial as it is undisputed that they represent the same interests.

As regards the second element, a careful reading of the allegations in the parties' respective complaints in Civil Cases Nos. 94-69342 and A-1567 reveals that they both assert rights founded on basically the same facts giving rise to the issue of who owes whom. On one hand, Civil Case No. 94-69342 is principally a collection suit brought by the petitioners to collect a sum of money representing what is allegedly owed to them by private

respondents after the latter failed to comply with an agreement for the delivery of tobacco or cash at or about the end of the year 1993. On the other hand, Civil Case No. A-1567 is primarily a complaint for specific performance, accounting and production of documents where private respondents also make reference to the same agreement but claim that an accounting shall show that the petitioners are the ones who failed to comply therewith and owe them a substantial amount of money. Thus, the identity of rights asserted.

It is also beyond cavil that regardless of the decision that would be promulgated in Civil Case No. 94-69342, the same would constitute *res judicata* on Civil Case No. A-1567 and vice versa. The only question really is which case should be abated.

The petitioners argue that Civil Case No. 94-69342 should prevail over Civil Case No. A-1567 on the ground that the causes of action set forth in the latter are but anticipatory defenses which private respondents had already raised in their answer to the complaint in Civil Case No. 94-69342. They further contend that contrary to the ruling of both the RTC and the Court of Appeals, Civil Case No. 94-69342 is of a broader legal scope than Civil Case No. A-1567, and that it is the former which will fully determine the issues in controversy.

We find merit in petitioners' contentions.

There is no hard and fast rule in determining which of the actions should be abated on the ground of *litis pendentia*, but through time, the Supreme Court has endeavored to lay down certain criteria to guide lower courts faced with this legal dilemma. As a rule, preference is given to the first action filed to be retained.[43] This is in accordance with the maxim *Qui prior est tempore, potior est jure*. [44] There are, however, limitations to this rule. Hence, the first action may be abated if it was filed merely to pre-empt the later action or to anticipate its filing and lay the basis for its dismissal.[45] Thus, the *bona fides* or good faith of the parties is a crucial element. A later case shall not be abated if not brought to harass or vex; and the first case can be abated if it is merely an anticipatory action or, more appropriately, an anticipatory defense against an expected suit- a clever move to steal the march from the aggrieved party.[46]

Another exception to the priority in time rule is the criterion of the more appropriate action. Thus, an action, although filed later, shall not be dismissed if it is the more appropriate vehicle for litigating the issues between the parties.[47]

However, notwithstanding the aforementioned exceptions, we hold in this case at bar, that it is the general rule that should apply. Civil Case No. 94-69342 should subsist as it is the first action filed, and the more appropriate one for resolving all the issues in controversy.

As succinctly put by the petitioners:

In simple terms, petitioners complain that respondents are indebted to them because of unpaid cash advances (Civil Case No. 94-69342) and loan (Civil Case No. 94-69608). Respondents, on the other hand, complain that there must first be an accounting (Civil Case No. A-1567) that may show that petitioners are the ones indebted to them.

Simplified further, petitioners are asking respondents: "Pay us what you owe us." And respondents simply say: "Let us compute first."

Respondents' demand for accounting is an admission by them that their claim is still unliquidated.

Their action (Civil Case No. A-1567), therefore, will take three basic steps: a. Determination of the need for accounting; b. the accounting itself which may turn out either in favor of petitioners or respondents; and c. The setting-off or compensation of the debts and credits.

This reveals that private respondents' action is basically a claim for set-off or compensation, a mode of extinguishing an obligation under Article 1278 of the Civil Code x x x:

xxx xxx xxx.

Private respondents' attempt at claiming set-off or compensation via accounting in Civil Case No. A-1567 at that point in time when petitioners are already suing for payment of definite sums in Civil Cases Nos. 94-69342 and 94-69608 clearly demonstrate that their Civil Case No. A-1567 is not really an action but a defense-a mere anticipatory defense.

That a claim for set-off or compensation is a defense is supported by the provisions of the Civil Code that it is a mode of extinguishing an obligation and by the provisions of Rule 16, Rules of Court on motion to dismiss, that it is one of the grounds to dismiss an action. What respondents are actually saying in Civil Case No. A-1567 is that petitioners' claim or demand has been "paid, waived, abandoned, or otherwise extinguished." x x x It is, therefore, really a defense-not an action.[48]

A comparison of private respondents' answer in Civil Case No. 94-69342 with their complaint in Civil Case No. A-1567 indeed shows that they both raise the extinguishment of the obligation involved in Civil Case No. 94-69342. Hence, the pertinent portion of the private respondents' answer reads:

SPECIAL AND AFFIRMATIVE DEFENSES

- That there is already pending before the Regional Trial Court in Agoo, La Union, a suit (Civil Case No. A-1567) filed by herein defendants wherein it is alleged, and the allegation is herein reiterated, that herein defendants-corporations have delivered tobacco leaves to the plaintiffs worth much more than the latter's advances and that, consequently, the end-result of the parties' joint business venture is that the plaintiffs are the ones indebted to the defendants-corporations;
- That during the entire period of three years from 1991 to 1993, the difference between the value of the tobacco leaves plus other services rendered by the defendants-corporations for the plaintiffs and the advances given, in turn, by the plaintiffs to the defendants-corporations is at least ONE HUNDRED THIRTY ONE MILLION THREE HUNDRED NINETY ONE THOUSAND SIX HUNDRED THIRTY ONE PESOS AND EIGHTY SIX CENTAVOS (P131,391,631.86) which amount is due and owing from the plaintiffs in favor of the defendants-corporations;
- That there being no principal obligation due from the defendants-corporations to the plaintiffs, all contracts of guaranty, including the contracts of pledge sought to be foreclosed in the complaint, are automatically extinguished.
- That under the joint venture agreement of the parties, plaintiff CDF was the one in charge of the books of accounts and all entries therein were dictated by said plaintiff but, despite repeated demands and the termination of the joint venture, plaintiff CDF has failed and refused, as it still fails and refuses, to render a full accounting of the accounts of the joint venture:[49]

The complaint in Civil Case No. A-1567 also mainly avers that:

xxx xxx xxx

- That sometime on February 15, 1991, the plaintiffs LUTORCO and FATCO on one hand and the Defendant TABACALERA had entered into an agreement of joint account operation in accordance with their mutual agreement and under terms and conditions stated in said agreement, a xerox copy of said agreement is hereto attached as Annex "A", and made an integral part of this complaint.
- That contrary to their mutual agreement and in violation of the conditions of Annex "A", the defendant TABACALERA, despite its obligation to furnish to the plaintiffs the Liquidation Statement of 1991 and 1992,

the said Defendant had deliberately and in bad faith refused and failed to furnish the Plaintiff a copy of the Liquidation Statement which must be certified by the Defendant TABACALERA, to be ratified and confirmed by the Plaintiffs, thereby forcing the Plaintiffs from not being able to comply and fulfill their mutual obligations and in the exercise of their rights within the dates specified in their Agreements;

- That, although under the joint account operations, Annex "A", the agreement is between Plaintiff LUTORCO and FATCO and Defendant TABACALERA, both the Defendants were giving cash advances for tobacco purchases with the agreement that defendant TABACALERA principally deals with the Plaintiff;

xxx xxx xxx

- That because of their mutual agreement and on the joint account operation, the Plaintiff LUTORCO had paid the Value Added Tax computed on the basis of the leaf tobacco delivered to the Defendant TABACALERA for export sales, the amount of which was withheld from Plaintiff, and, without complying with the terms and conditions of the joint account agreement (Annex "A") and after withholding from the Plaintiffs the fact that the Defendant TABACALERA had received a tax credit in the amount not known or revealed to the Plaintiff, and, despite repeated demands from the Plaintiffs, the Defendant TABACALERA, deliberately and with intention to keep the Plaintiff in the dark, refused to reimburse the Plaintiffs LUTORCO and FATCO the aforesaid amount of P36,256,878.99 for Value Added Tax (VAT) because Plaintiff LUTORCO and FATCO had made leaf tobacco deliveries in the amount of P215,331,402.00, the Plaintiff have a total collectible in the amount of P251,588,280.00 and reducing therefrom the cash advances for the purchase of tobacco given by the Defendant, which is P209,900,000.00, therefore, leaving the balance of P41,688,280.99 in favor of the Plaintiffs LUTORCO and FATCO, as collectible from the Defendant TABACALERA, in addition to the cost price of leaf tobacco which were delivered on December 01, 02, 03, 09, 10 and 20, 1993.[50]

Furthermore, it is clear from the foregoing that the cause of action for accounting raised in Civil Case No. A-1567 is in reality merely a means to the end that private respondents would be able to prove that their obligation to petitioners had in fact already been extinguished, and that the latter are the ones indebted to them. Our ruling in *Allied Banking Corporation vs. Court of Appeals* is squarely applicable to the cases at bar, to wit:

"In the case at bar, not only was petitioner's action in Civil Case No. 649 brought ahead of private respondent's action, it is also the appropriate case for determining the parties' rights. Petitioner's action (Civil Case No. 649) is for collection of a sum of money, whereas private respondent's action (Civil Case No. 7500) is simply for a statement of account x x x. Private respondent's claim is more in the nature of a defense to the action for collection. As such it should be asserted in Civil Case No. 649 rather than in a separate action."[51] (Underscoring supplied)

Why private respondents felt a need to file a separate action in the form of Civil Case No. A-1567 when they could very well raise their causes of action as defenses and/or counterclaims in Civil Case No. 94-69342, as in fact they did in their Answer with Compulsory Counterclaim, is incomprehensible. There is no question in our minds that the filing of Civil Case No. A-1567 falls in the category of an action brought to harass or vex the opposite party in another forum. Strictly speaking, Civil Case No. A-1567 is not even a mere anticipatory action raising defenses against an anticipated suit for there is nothing to anticipate as Civil Case No. 94-69342 was filed earlier than Civil Case No. A-1567. Civil Case No. A-1567 is purely and simply an answer to a pending case and purports to be a separate action. Although the difference in time consists only in a few hours, Civil Case No. 94-69342 was nevertheless already in existence when Civil Case No. A-1567 was filed.

We therefore hold that private respondents were motivated only by their desire to litigate before Branch 32 of the RTC of Agoo, La Union without regard for the correct rules of procedure as further evidenced by the fact that they not only sought the dismissal of Civil Case No. 94-69342 but also of Civil Case No. 94-69608 pending in Branch 42 of the RTC of Manila after they belatedly amended their complaint in Civil Case No. A-1567 to

accommodate the subject matter of Civil Case No. 94-69608.

In view of the foregoing, we hold that the sole issue raised in G.R. No. 137868 has been rendered moot. As explained above, Civil Case No. A-1567 shall be dismissed on the ground of the pendency of Civil Case No. 94-69342. Thus, we need not belabor the issue of whether or not there exists *litis pendencia* between Civil Case No. A-1567 and Civil Case No. 94-69608 for the obvious reason that the former shall hereafter cease to exist. Suffice it to state that as Civil Case No. 94-69608 involves the foreclosure of real mortgage pursuant to a transaction separate and independent from that involved in Civil Case No. 94-69342, and not made a subject of the latter, it may perforce subsist with and proceed independently of Civil Case No. 94-69342.

WHEREFORE, the petition in G.R. No. 130326 is hereby GRANTED. The Decision dated January 23, 1997 of the Court of Appeals in CA-G.R. SP. No. 38229 is REVERSED, and the Writ of Preliminary Injunction issued on March 21, 1995 by the RTC of Agoo, La Union, Branch 32 in Civil Case No. A-1567 and its Resolution of the same date dismissing Civil Case No. 94-69342 are hereby SET ASIDE; and a new order is hereby entered DISMISSING Civil Case No. A-1567 on the ground of *litis pendencia*.

The petition in G.R. No. 137868 is hereby DENIED, and the Decision of the Court of Appeals dated December 22, 1998 in CA-G.R. SP No. 35438 is AFFIRMED. No pronouncement as to costs.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, and Quisumbing, JJ., concur.
Buena, J., on official leave.

[1] Penned by Associate Justice Gloria C. Paras and concurred in by Associate Justices Conrado M. Vasquez, Jr. and Romeo J. Callejo, Jr. of the Special Fourth Division of the Court of Appeals.

[2] Penned by Associate Justice Eloy R. Bello, Jr. and concurred in by Associate Justices Salome A. Montoya and Ruben T. Reyes of the Seventh Division of the Court of Appeals.

[3] Rollo in G.R. No. 137868, p. 170.

[4] Rollo in G.R. No. 130326, p. 56.

[5] Rollo in G.R. No. 130326, p.62.

[6] Rollo in G.R. No. 130326, pp. 63-66.

[7] Rollo in G.R. No. 130326, p. 74.

[8] Rollo in G.R. No. 130326, p. 76.

[9] Rollo in G.R. No. 130326, p. 96.

[10] Rollo in G.R. No. 130326, p. 97.

[11] Rollo in G.R. No. 130326, p. 110.

[12] Rollo in G.R. No. 130326, p. 126.

[13] Rollo in G.R. No. 130326, p. 130.

[14] Rollo in G.R. No. 130326, p. 145.

- [15] Rollo in G.R. No. 130326, p. 188.
- [16] Rollo in G.R. No. 130326, pp. 210-212.
- [17] Rollo in G.R. No. 130326, pp. 212-216.
- [18] Rollo in G.R. No. 130326, p. 216.
- [19] Rollo in G.R. No. 130326, p. 217.
- [20] Rollo in G.R. No. 130326, p. 236.
- [21] Rollo in G.R. No. 130326, p. 241.
- [22] Rollo in G.R. No. 130326, p. 45.
- [23] Rollo in G.R. No. 130326, p. 55.
- [24] Rollo in G.R. No. 130326, p. 8.
- [25] Rollo in G.R. No. 130326, pp. 29-30.
- [26] Rollo in G.R. No. 130326, p. 97.
- [27] Rollo in G.R. No. 137868, p. 45.
- [28] Rollo in G.R. No. 137868, pp. 51-53.
- [29] Rollo in G.R. No. 137868, p. 54.
- [30] Rollo in G.R. No. 137868, p. 64.
- [31] Rollo in G.R. No. 137868, p. 65.
- [32] Rollo in G.R. No. 137868, p. 170.
- [33] Rollo in G.R. No. 137868, p. 197.
- [34] Rollo in G.R. No. 137868, p. 8.
- [35] Rollo in G.R. No. 137868, p. 8.
- [36] Rollo in G.R. No. 130326, p. 30.
- [37] Rollo in G.R. No. 130326, p. 35.
- [38] Rollo in G. R. No. 130326, p. 37.
- [39] Rollo in G.R. No. 130326, p. 52.
- [40] PDCC Development Bank v. Vestil, 264 SCRA 467, 470 (1996); Prudential Bank v. Gapultos, 181 SCRA 159, 171 (1990); Investors' Finance Corporation v. Ebarle, 163 SCRA 60, 70 (1988); PNB v. Javellana, 92 Phil. 525, 527 (1953); Cabigao and Izquierdo v. Del Rosario and Lim 44 Phil. 182, 184 (1922).
- [41] Parco v. Court of Appeals, 111 SCRA 262, 277-278 (1982). See also De Leon v. Salvador, 36 SCRA 567, 573 (1970).
- [42] Ayala Land, Inc. v. Valisno, 324 SCRA 522, 531 (2000); Philippine Woman's Christian Temperance Union, Inc. v. Abiertas House of Friendship, Inc., 292 SCRA 785, 791 (1998); Investors' Finance Corporation v. Ebarle,

163 SCRA 60, 66-67 (1988).

[43] Casil v. Court of Appeals, 285 SCRA 264, 281 (1998); Vicronics Computers, Inc. v. RTC, Br. 63, Makati, 217 SCRA 517, 531 (1993).

[44] He who is before in time is the better in right. Priority in time gives preference in law; Black's Law Dictionary, Fifth ed., p. 1126.

[45] Casil v. Court of Appeals, supra.

[46] Vicronics Computers, Inc. v. RTC, Br. 63, Makati, supra, p. 534.

[47] Allied Banking Corporation v. Court of Appeals, 259 SCRA 371, 377 (1996).

[48] Rollo in G.R. No. 130326, pp. 367-369.

[49] Rollo in CA-G.R. No. 38229, pp. 304-305.

[50] Rollo in G.R. No. 130326, pp. 63-65.

[51] Supra, p. 378.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.