

ALFREDO PUA, PLAINTIFF AND APPELLANT, VS. EULOGIO LAPITAN, DEFENDANT AND APPELLEE.

G.R. No. 14148. February 25, 1960

Ponente: BAUTISTA ANGELO, J.

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BAUTISTA ANGELO, J.:

This is an appeal from an order of the Court of First Instance of Laguna dismissing the complaint filed by plaintiff against defendant for damages in Civil Case No. B-132. The dismissal is predicated on the ground that the complaint is barred by a prior judgment between the same parties.

The facts which gave rise to the present case are: On December 15, 1953, Eulogio Lapitan, now defendant filed an action against Alfredo Pua, now plaintiff, before the Court of First Instance of Laguna for specific performance and for damages. In the complaint, it was alleged that Pua, taking advantage of the ignorance and confidence of Lapitan, and by the use of fraud, deceit and misrepresentation, caused Lapitan and his wife to sign a document which purported to be a lease agreement when their true understanding was that they would enter into a partnership contract whereby they would share alike the profits that may be derived therefrom, and that because of said fraud, deceit and misrepresentation, Lapitan and his family "suffered mental anguish, wounded their feelings, besmirched their reputation in the community, and consequently the plaintiff suffered moral damages in the amount of P5,000.00" (Case No. 9739).

Pua answered the complaint denying the imputation of fraud, deceit and misrepresentation contained therein and, as a counterclaim, alleged that "as a result of the unjustified and, unwarranted filing of the complaint by the plaintiff, the defendant who has never been involved on any court litigation and who was quietly and lawfully pursuing a legal and decent business activity, and who has lived up to the terms of the lease agreement, suffered mental torture and anguish, his reputation having been adversely affected, thereby suffering in the form of moral damages to the tune of P10,000.00." He also prayed for attorney's fees in the amount of P1,000.00.

After trial, the court rendered judgment in favor of Lapitan declaring that the contract entered into between the parties was one of partnership and, therefore, it ordered defendant to make a liquidation of the income derived from the business within 30 days from the date the judgment becomes final and to pay P500.00 as attorneys' fees. But on appeal to the Court of Appeals, the appellate court reversed the judgment and dismissed the complaint with costs against Lapitan. The court, however, did not make any mention of the counterclaim of Pua.

It is as a result of the decision of the Court of Appeals justifying the claim of Alfredo Pua to the effect that the contract entered into between him and Eulogio Lapitan is one of lease and not of partnership which implies that the imputations of fraud, deceit and misrepresentation hurled against him by Lapitan were not true, that Pua commenced the present action before the same court of first instance for actual and moral damages and attorneys' fees in the total sum of P49,500.00.

The main basis of the complaint is that "by reason of defendant's malicious imputations and false accusations, that plaintiff exercised fraud, misrepresentation and deceit in obtaining defendant and his wife to sign a lease

agreement in Civil Case No. 9739, plaintiff being then a successful businessman or merchant suffered embarrassment, loss of prestige towards his patrons and the public thereby regarding his business; standing; goodwill; trust, confidence and commercial credit." Against this complaint defendant filed a motion to dismiss on the ground that its cause of action is barred by a prior judgment, to which plaintiff filed a written opposition, and after proper hearing, the court found the motion well taken, and dismissed the complaint. Hence this appeal. There is no merit in the appeal. It should be noted that when appellee filed before the same court an action for specific performance and damages against appellant (Civil Case No. 979), wherein the former imputed to the latter certain acts of fraud, deceit and misrepresentation in connection with the execution of an alleged contract entered into between them, the latter, not only set up specific defenses, but a counterclaim wherein he claimed the sum of P10,000.00 as moral damages and P1,000.00 as attorneys' fees, the basis of his counterclaim being that because of the imputation of fraud, deceit and misrepresentation made against him by appellee, he suffered mental torture and anguish, while his reputation has been adversely affected, for which reason he asked that he be awarded moral damages in the amount above stated. The trial court in that case rendered judgment against appellant, whereupon he appealed to the Court of Appeals, who reversed the judgment appealed from. The Court of Appeals, however, did not mention anything about the counterclaim of appellant for it merely dismissed the case. It can therefore be said that appellant won in that case in the sense that he succeeded in having the case of appellee thrown out of court though not to the extent of obtaining a judgment on his counterclaim. Why he failed in his counterclaim the record does not show, but it cannot be denied that such counterclaim was then in issue and could have been passed upon by the court had he pressed action thereon. Apparently, he waived his right to such counterclaim, or the court found no evidence to support it, and for that reason the same was passed up sub silentio by the court. If such counterclaim, which in substance is the basis of the present action of appellant, was already in issue in the former case, it is logical that the decision rendered therein has now the effect of a prior judgment in the present under the principle of res judicata. Such being the case, we cannot but hold that the trial court acted correctly in dismissing the complaint on that ground.

In *Bingham vs. Kearney*, 136 Cal, 175, cited in *Palanca vs. Quiros*, 10 Phil., 360, the Court said:

"It is a rule, long recognized in this country, that a judgment between the same parties is conclusive, not only as to the subject-matter in controversy in the action upon which it is based but also in all other actions involving the same question, and upon all matters involved in the issues which might have been litigated and decided in the case, the presumption being that all such issues were met and decided. It is the policy of the law to put an end to litigation, and to aid the vigilant and not those who sleep upon their rights. It is not the policy of the law to allow a new and different suit between the same parties, concerning the same subject-matter, that has already been litigated; neither will the law allow the parties to trifle with the courts by piecemeal litigation."

On the strength of the above ruling, it is clear that "an adjudication is finally conclusive not only as to the matter actually determined, but as to every other matter which the parties might have litigated and have had decided incident to or essentially connected with the subject-matter of litigation, and every matter coming within the legitimate purview of the original action, both with respect to matter of claim and of defense" (2 *Freeman on Judgments*, Section 574).[1] The purpose of this ruling is to avoid multiplicity of actions.

Wherefore, the order appealed from is affirmed, with costs against appellant.

Paras, C. J., Bengzon, Padilla, Montemayor, Labrador, Concepcion, Reyes, J. B. L., Endencia, Barrera, and Gutierrez David, JJ., concur.

[1] *Miranda vs. Tiangco, et al.*, 66 Phil., 526; 61 Off. Gaz., (3) 1866; *NAMARCO vs. Judge Macadaeg*, 98 Phil.,

185; 52. Off. Gaz., 182.

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