

**NATIONAL HOUSING AUTHORITY, PETITIONER, VS. PEDRO BAELO,
AND HIS HEIRS ERNESTO, WILHELMA, CORAZON, LETICIA,
CONRADO, ALBERTO, FEDERICO, OFELIA, EDGARDO, JASMINE,
ALEJANDRO, JOS...**

G.R. No. 143230. August 20, 2004

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

This is a petition for review of the Decision[1] of the Court of Appeals in CA-G.R. CV No. 51592 dismissing the appeal of the National Housing Authority (NHA) from the Resolution of the Regional Trial Court of Caloocan City, Branch 128, dismissing the complaint in Civil Case No. 16399, as well as the Resolution denying its motion for reconsideration.

The Antecedents

Way back in October 23, 1911, a parcel of land with an area of 147,972 square meters located in Sitio Talisay, Municipality of Caloocan was surveyed for Esperanza Baello. The technical description thereof was shown in Plan Psu-2130, to wit:

A parcel of land (as shown on plan Psu-2130, G.L.R.O. Record No.), situated in the Sitio of Talisay, Municipality of Caloocan, Province of Rizal. Bounded on the N., by Estero Palopalo and property of Martin Esguerra; on the NE., by property of Francisco Baello y Hermanos; on the E., by Canal and property of Francisco Baello y Hermanos; on the SE., by Dagat-dagatan; on the SW., by property of Esperanza Baello; and on the W., by Estero Palopalo. Beginning at a point marked "1" on plan, being N. 3 deg. 56'W., 5029.7 m. from Tondo Church ...

thence N. 53 deg. 09' W., 292.8 m. to point 2;
thence N. 6 deg. 47' W., 155.0 m. to point 3;
thence N. 79 deg. 53' E., 37.0 m. to point 4;
thence N. 83 deg. 01' E., 247.5 m. to point 5;
thence N. 65 deg. 43' E., 51.6 m. to point 6;
thence S. 33 deg. 19' E., 263.2 m. to point 7;
thence S 49 deg. 42' N., 29.7 m. to point 8;
thence S. 11 deg. 12' E., 22.1 m. to point 9;
thence S. 39 deg. 55' W., 3.6 m. to point 10;
thence S. 23 deg. 56' E., 137.5 m. to point 11;
thence S. 58 deg. 39' W., 231.9 m. to point 12;
thence N. 33 deg. 49' W' 131.9 m. to the point of

beginning; containing an area of ONE HUNDRED FORTY-SEVEN THOUSAND NINE HUNDRED SEVENTY-TWO (147,972) Square Meters, more or less. All points referred to are indicated on the plan and are marked on the ground as follows: points 1 and 2, by corner of wall; points 4, 5, 6 and 11, by Stones; point 12, by

Stone Mon.; and the rest, by Old Corners; bearings true; declination 0 deg. 55' E.; date of survey, Oct. 23, 1911 and that of the approval, Nov. 14, 1911.[2]

The plan was approved on November 14, 1911. Esperanza Baello died intestate on March 22, 1929 and was survived by her heirs Pedro Baello and Nicanora Baello. Subsequently, the plan was verified anew and approved by the Director of Bureau of Lands on April 24, 1951.[3]

On September 21, 1951, Pedro and Nicanora filed an application with the then Court of First Instance of Rizal for the registration of the property under Chapter VIII of Administrative Order No. 141. The case was docketed as LRC Case No. 520. They alleged, inter alia, that the property was developed and used for fishpond purposes. Appended to the application was the original plan covering the property, duly approved by the Director of the Bureau of Lands. The latter filed its Opposition to the application, while the Director of the Bureau of Forestry did not oppose it. However, during the hearing on such application, the Assistant Provincial Fiscal appeared for and in behalf of the Director of Bureau of Lands, and manifested that the latter was withdrawing his opposition thereto. In due course, the CFI issued an Order of General Default, and since the application was no longer opposed, the court authorized the applicants to present their evidence ex parte before the branch clerk of court. The applicants presented their evidence and on November 2, 1953, the court, thereafter, rendered a decision granting the application. The fallo of the decision reads:

IN VIEW OF ALL THE FOREGOING, the Court hereby confirms the title of the applicants to the land subject of this proceedings, and orders its registration in the names of the applicants in the following proportion, pro indiviso:

Two-Thirds (2/3) to PEDRO T. BAELO, 68 years, married to Josefa Caiña, Filipino citizen, Doctor, and a resident of 350 A. Mabini, Caloocan, Rizal; and

One-Third (1/3) to NICANORA T. BAELO, 62 years, married to Manuel J. Rodriguez, proprietress. Filipino citizen, and a resident of 427 Requesens, Sta. Cruz, Manila.

Upon this decision becoming final and executory, let the corresponding decree and title be issued in favor of the applicants with the above personal circumstances.

IT IS SO ORDERED.[4]

The Republic of the Philippines, through the Director of Bureau of Lands, did not appeal the decision. After the decision became final and executory, the CFI ordered the Land Registration Commission to issue the appropriate decree. Pursuant to such order, Decree No. 13400 was issued on October 27, 1954 in favor of "Pedro T. Baello, married to Josefa Caiña," over the two-thirds (2/3) portion of the property, and "Nicanora T. Baello, married to Manuel J. Rodriguez," over the remaining one-third (1/3) undivided portion thereof.[5] The Register of Deeds thereafter issued Original Certificate of Title (OCT) No. (804) 53839 in favor of Pedro and Nicanora. The property was then subdivided into two (2) parcels: Lot A, with an area of 98,648 square meters covered by TCT No. 181493 in the name of Pedro T. Baello; and Lot B, with an area of 49,324 square meters in the name of Nicanora T. Baello. The subdivision plan was approved by the court on July 27, 1971.[6]

Pedro T. Baello died intestate on December 3, 1971, leaving thirty-two (32) surviving heirs. Nicanora, now surnamed Rodriguez, died intestate on August 22, 1975, and her husband Manuel Rodriguez followed on August 30, 1975.

In the meantime, martial law was declared by then President Ferdinand E. Marcos. On October 30, 1974, President Marcos issued Presidential Decree No. 569 creating a committee to expropriate the Dagat-Dagatan Lagoon and its adjacent areas, including the property of the Baello and Rodriguez heirs. The property had been

identified as a permanent relocation site for families affected by the Tondo Foreshore Urban Renewal Project Team, and the government planned to develop it into a residential area and an industrial/commercial complex. The committee was headed by the Office of the Solicitor General as chairman and by General Gaudencio V. Tobias of the National Housing Corporation (NHC) as its Vice-Chairman. Among the tasks of the committee was to conduct negotiations with the Dagat-Dagatan property owners, secure offers to sell their properties to the NHC, deliberate upon such offers, and to refer to the Executive Secretary the manner of payment to landowners who were willing to negotiate. The committee was also tasked “to initiate and institute necessary steps to expropriate certain private properties in the Dagat-Dagatan Lagoon not amenable to negotiation, according to the approved plans as defined by the Tondo Foreshore Urban Renewal Project Team.”

Sometime in 1976, former First Lady Imelda R. Marcos launched a project dubbed as the Dagat-Dagatan Project, a showcase program for the homeless. Among the vast areas covered by the project were the properties of the Baello and Rodriguez heirs. The NHA was tasked to develop the property into a residential area, subdivide the same, and award the lots to chosen beneficiaries. A truckload of fully armed military personnel entered the Baello property, and, at gunpoint, forcibly ejected the caretaker of the Baello family. The soldiers then demolished the two-storey residential structure and destroyed all the fishpond improvements thereon.[7] The NHA took possession of the property of the respondents.[8] The Baello and Rodriguez heirs were completely powerless as the country was then under martial law. They opted not to complain; they chose to remain silent rather than offend the First Lady and President Marcos, and risk losing their lives and those of their families.

The NHA, thereafter, acquired the properties adjacent to the lagoon, either by purchase or by expropriation. These properties, including that of the respondents’ were developed and subdivided into residential, industrial and commercial lands. The NHA later executed separate conditional contracts to sell over the subdivision lots in favor of beneficiaries selected by it.[9] The beneficiaries were awarded 620 lots found in Lot A, the Baello property, while 275 lots found in Lot B of the Rodriguez property were awarded to other grantees.[10] The community of beneficiaries was called the Kaunlaran Village.

On January 26, 1979, the Republic of the Philippines signed a Loan Agreement with the International Bank for Reconstruction and Development Corporation (IBRDC) in the amount of \$32,000,000 to finance the development, improvement and resettlement project of then First Lady Imelda R. Marcos in the Metropolitan Manila, including the Dagat-Dagatan area and the properties of the Baello and Rodriguez heirs. On April 13, 1983, then President Marcos issued Proclamation No. 2284 declaring Metropolitan Manila, including the Dagat-Dagatan, as “areas for priority development” and Urban Land Reform Zones. The properties of the Baello and the Rodriguez heirs were also included therein.

On January 17, 1986, then Minister of Natural Resources, Rodolfo P. Del Rosario issued BFD Administrative Order No. 4-1766 declaring and certifying forestlands in Caloocan City, Malabon and Navotas with an aggregate area of 6,762 hectares, as alienable or disposable for cropland and other purposes, to be administered by the Bureau of Lands:

Pursuant to Section 13 of PD 705 otherwise known as the Revised Forestry Code of the Philippines, as amended, I hereby declare the portion of the forestlands containing an aggregate area of 44 hectares for permanent forest purposes, as available for fishpond development with an area of 332 hectares under the control and management of the Bureau of Fisheries and Aquatic Resources and further declare and certify an aggregate area of 6,762 hectares as alienable or disposable for cropland and other purposes under the administration and control of the Bureau of Lands for disposition under the Public Land Act, located in Caloocan City, Malabon and Navotas, Metro Manila shown and described in BFD Map LC-3111 which is attached hereto and forms an integral part of this order, subject however to the following conditions: ...[11]

After the Marcos regime was cut short by the EDSA I upheaval, the Baello heirs executed on February 23, 1987 an extrajudicial partition of his estate, including the property covered by TCT No. 181493.

On August 18, 1987, the NHA, herein petitioner, filed a complaint for the expropriation of the property of the respondents Baello and Rodriguez heirs in the RTC of Caloocan City, Branch 120, docketed as Civil Case No. C-169. The NHA secured a writ of possession over the property.

Sometime in February and May 1988, the respondents demanded the return of their properties. They proposed to settle the matter amicably by offering to sell their properties to the petitioner, under the following terms:

- A) P300.00 per square meter, with all expenses for taxes and transfer taxes chargeable to the settlers; or
- B) P270.00 per square meter, with all expenses and taxes for the account of the NHA.[12]

The petitioner had the property appraised and learned that the fair market value of the developed residential area was P400.00 to P480.00 per square meter, while the value of the commercial area ranged from P1,000.00 to P1,200.00 per square meter.[13] The Legal Counsel of the respondents pointed out to the NHA Board of Directors that the properties of the respondents had been part of the Dagat-Dagatan project of Imelda Marcos, but had not been expropriated by petitioner. The petitioner then rejected the respondents' offer.

On July 26, 1989, the Rodriguez heirs executed an Extrajudicial Settlement of the estate of the Rodriguez Spouses. On August 7, 1989, the following titles were issued to their heirs:

- Transfer Certificate of Title No. 191062, containing 1,222 square meters (Exhibit "2");
- Transfer Certificate of Title No. 191063, containing 4,559 square meters (Exhibit "3");
- Transfer Certificate of Title No. 191064, containing 24,019 square meters (Exhibit "4");
- Transfer Certificate of Title No. 191065, containing 12,495 square meters (Exhibit "5");
- Transfer Certificate of Title No. 191066, containing 1,205 square meters (Exhibit "6");
- Transfer Certificate of Title No. 191067, containing 2,518 square meters (Exhibit "7");
- Transfer Certificate of Title No. 191068, containing 3,306 square meters (Exhibits "E" to "K").[14]

Six (6) titles were issued in favor of the Baello heirs on August 7, 1989, viz:

- Transfer Certificate of Title No. 191069, issued on August 7, 1989, containing an area of 4,756 square meters;
- Transfer Certificate of Title No. 191070, issued on August 7, 1989, containing an area of 7,090 square meters;
- Transfer Certificate of Title No. 191071, issued on August 7, 1989, containing an area of 11,361 square meters;
- Transfer Certificate of Title No. 191072, issued on August 7, 1989, containing an area of 39,227 square meters;
- Transfer Certificate of Title No. 191073, issued on August 7, 1989, containing an area of 22,188 square meters;
- Transfer Certificate of Title No. 191074, issued on August 7, 1989, containing an area of 14,029 square meters.[15]

On November 17, 1989, the petitioner filed an Amended Complaint in Civil Case No. C-169 praying that, after due proceedings, judgment be rendered, as follows:

- a) After defendants shall have been duly served with summons, to immediately set the case for hearing to ascertain and fix the provisional value of the parcel of land sought to be expropriated herein, and after the deposit requirement of Rule 67 of the Rules of Court had been duly complied with, a writ of possession, control and disposition be promptly issued in favor of the plaintiff to enable it to enter and take immediate possession, control and disposition of the aforementioned parcels of land;
- b) After hearing the objections and defenses interposed by the defendants in their respective responsive pleading/motion to dismiss, an order of condemnation of the aforementioned parcels of land be issued in favor of the plaintiff;
- c) After hearing the case on the merits, the just compensation of the parcels of land sought to be expropriated be determined and fixed in accordance with Rule 67 of the Rules of Court;
- d) Upon transfer and conveyance of the ownership and titles of the said parcels of land and improvements thereon from the defendants to the plaintiff, free from liens and encumbrances whatsoever, an Order be issued directing the plaintiff to pay the just compensation of the aforementioned parcels of land to defendants.

Plaintiff further prays for such other relief and remedies which may be just and equitable under the premises.[16]

Meanwhile, the respondent heirs filed separate motions to dismiss the complaint in Civil Case No. C-169 on the following grounds:

- That the expropriation runs counter to the provisions of Article XIII, Section 9 of the 1987 Constitution, which provide, among others, that: "x x x the State shall respect the rights of small property owners;"
- That plaintiff took possession of the property in question in 1976, WITHOUT FIRST filing a complaint of eminent domain and WITHOUT order of condemnation and WITHOUT paying just compensation to the registered owners since 1976 up to the present;
- Plaintiff is barred by estoppel and laches;
- Plaintiff has no cause of action;
- Plaintiff violated the equal protection clause;
- Res judicata;
- Plaintiff, in assessing the market value of the land at P2,000.00 per square meter, seeks to confiscate, not expropriate, the property;
- The purpose for which the property in question is being conducted is not for public use in that it does not inure the welfare of the community at large but is intended to benefit a mere handful of people who could acquire the lots by direct purchase.[17]

On September 5, 1990, the trial court issued an Order granting the motion and dismissed the complaint on the ground of res judicata and lack of cause of action.[18] The petitioner appealed to the Court of Appeals, docketed as CA-G.R. CV No. 29042. On August 21, 1992, the appellate court rendered a Decision[19] affirming the Order of the RTC.

The petitioner then filed a petition for review on certiorari in the Supreme Court, docketed as G.R. No. 107582. The Court issued a Resolution on May 3, 1993, denying due course to the petition on the ground that the CA committed no reversible error. The petitioner filed a motion for reconsideration, which was, likewise, denied by

the Court per its Resolution dated June 16, 1993. Entry of Judgment was, thereafter, made by the Clerk of Court.[20]

But the petitioner was undaunted. On November 5, 1993, it filed a complaint against the respondent heirs in the RTC of Caloocan City, this time, for declaration of nullity of OCT No. (804) 53839 which was issued to Pedro T. Baello and his sister Nicanora Baello-Rodriguez, based on the decision of the CFI in LRC Case No. 520. The case was docketed as Civil Case No. C-16399 and raffled to Branch 128 of the court.

The petitioner alleged the following therein:

- Recently, however, plaintiff discovered that the titles of defendants are null and void, OCT No. (804) 53839 which is the source of all their claims being false and fraudulent. For one, subject property was declared alienable and disposable by the government only lately, i.e., on 17 January 1986, and thus the said OCT could not have been validly issued in 1954. A copy of BFD Administrative Order No. 4-1766 declaring on 17 January 1986 certain tracts of land which include subject property as alienable and disposable is hereto attached as Annex "A." A certification from the National Mapping and Resource Information Authority identifying subject property to be within the area declared alienable and disposable only on 17 January 1986 is also hereto attached as Annex "B;"[21]

The NHA prayed that, after due trial, judgment be rendered in its favor:

ON THE FIRST CAUSE OF ACTION

Declaring Original Certificate of Title No. (804) 53839 and its derivative Transfer Certificate of Title Nos. 181493/T-903; 191069; 191070; 191071; 191072; 191073; 191074; 191062; 191063; 191064; 191065; 191066; 191067 and 191068, including any and all other titles subsequently issued or derived therefrom and covering subject property or any portions thereof, null and void;

ON THE SECOND CAUSE OF ACTION

Permanently enjoining defendants from taking possession of, or otherwise occupying, the subject property or any portion thereof; if any portion/s of the property has in fact come into possession of defendants, ordering defendants to vacate the same or to otherwise return possession thereof to plaintiff;

ON THE THIRD CAUSE OF ACTION

In the event that defendants are adjudged entitled to the ownership and/or possession of subject property, ordering defendants to refund and pay plaintiff the sum of P45.237 Million representing the necessary and useful expenses on the property which payment has to be made before defendants may get actual possession of the property.

ON THE FOURTH CAUSE OF ACTION

Ordering defendants to pay plaintiff:

- Exemplary damages in the sum of P5 Million;
- Attorney's fees in the sum of P5 Million and litigation expenses in the sum of P1 Million; and
- The cost of suit.

Other or further relief or remedy just and equitable in the premises is likewise prayed for. [22]

The respondent heirs filed separate motions to dismiss the complaint on the following grounds:

A.

THE CAUSE OF ACTION IS BARRED BY A PRIOR JUDGMENT.

B.

THE CLAIM OR DEMAND SET FORTH IN THE PLAINTIFF'S COMPLAINT HAS PRESCRIBED AND THAT THE PLAINTIFF IS ESTOPPED TO QUESTION THE TITLE HEREIN INVOLVED.

C.

THE PLAINTIFF HAS ENGAGED IN FORUM SHOPPING.[23]

...

- PLAINTIFF'S CAUSE OF ACTION IS BARRED BY PRIOR JUDGMENT AND THE STATUTE OF LIMITATION.

- PLAINTIFF IS BARRED BY RES JUDICATA OR BY ESTOPPEL BY JUDGMENT.

- PLAINTIFF HAS NO LEGAL CAPACITY TO SUE.

- THE COMPLAINT STATES NO CAUSE OF ACTION.

- COMPLAINT MUST BE DISMISSED FOR FAILURE OF PLAINTIFF TO PAY THE CORRECT DOCKET FEES.[24]

The respondents alleged that the complaint was barred by the decision of the trial court in LRC Case No. 520. They also alleged that the petitioner was estopped from assailing their respective titles, as they were based on the CFI Decision in Civil Case No. C-169, the CA decision in CA-G.R. CV No. 29042 and the resolution of the Court in G.R. No. 107582.

On October 17, 1995, the trial court issued a Resolution dismissing the complaint on the grounds of estoppel and res judicata.

The petitioner appealed the decision to the CA, docketed as CA-G.R. CV No. 51592. The appellate court rendered a Decision on January 26, 2000, affirming the assailed resolution of the RTC, ruling that the petitioner's complaint was barred by res judicata. It also held that the Republic of the Philippines and the petitioner, by their own acts, had admitted that the properties titled to the respondents were private lands, even long before Administrative Order No. 4-1766 was issued by then Minister of Agriculture Rodolfo del Rosario during Martial Law. The motion for reconsideration thereon was likewise denied by the appellate court.

The Present Petition

The petitioner forthwith filed its petition for review on certiorari, contending as follows:

- THE HONORABLE COURT OF APPEALS ERRED IN UPHOLDING THE VALIDITY OF LAND TITLES OF RESPONDENTS DESPITE POSITIVE PROOF OF THEIR NULLITY.

- THE HONORABLE COURT OF APPEALS ERRED IN APPLYING THE PRINCIPLE OF LAW THAT: "FOR JUDGMENT TO BE ANNULLED OR, A DECREE OF REGISTRATION (TITLE) TO BE RE-OPENED AND REVIEWED, THERE MUST BE ACTUAL OR EXTRINSIC FRAUD COMMITTED BY THE APPLICANT THERETO" IN AFFIRMING THE DECISION OF THE COURT A QUO.

- THE HONORABLE COURT OF APPEALS ERRED IN AFFIRMING THE DISMISSAL OF THE INSTANT CASE ON [THE] GROUND OF RES JUDICATA.

- THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN RULING THAT PETITIONER NHA

WAS A BUILDER IN BAD FAITH AND THEREFORE NOT ENTITLED TO REIMBURSEMENT OF THE IMPROVEMENTS IT INTRODUCED ON [THE] SUBJECT PROPERTY.

- THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT PETITIONER NHA IS GUILTY OF FORUM SHOPPING IN THE FILING OF THE INSTANT CASE (DECLARATION OF NULLITY OF TITLES).[25]

The issues for the Court's resolution are as follows: (1) whether the action of the petitioner was barred by res judicata; (2) whether the petitioner is guilty of forum shopping; (3) whether the decision of the then Court of First Instance in LRC Case No. 520, G.R.L.O. No. 4815 and the consequent issuance of OCT No. (804) 53839 is valid; (4) whether the petitioner is estopped from assailing OCT No. (804) 53839; and (5) whether the petitioner is a builder in good faith.

Inextricably interwoven with the foregoing issues is the threshold issue of whether or not the trial court had jurisdiction over the petitioner's action, based on the material allegations of the complaint and the reliefs prayed for therein. It is settled that courts have ample authority to rule on matters not raised by the parties in their pleadings, if such issues are indispensable or necessary to the just and final resolution of pleaded issues.[26]

The Trial Court Had No
Jurisdiction Over the Action
of the Petitioner To Nullify
OCT No. (804) 53839 And
the Decision of the CFI In
LRC Case No. 520

It is axiomatic that the nature of an action is determined by the material allegations thereof and the reliefs prayed for therein, whether or not the plaintiff is entitled to such reliefs or only to some of them.[27] The caption of the complaint is not determinative of the nature of an action.

After a careful review of the material averments of the complaint in this case, it is clear that it is one for the nullification of the Decision of the CFI in LRC Case No. 520 and the nullification of OCT No. (804) 53839, which was issued on the basis of the said decision. The ground relied upon by the petitioner in its complaint was the lack of jurisdiction over the subject, on its claim that the said properties were forestland; hence, inalienable and not disposable. Indeed, the petitioner did not expressly assail or pray for the nullification of the CFI Decision, as it prayed for the nullification of OCT No. (804) 53839 on the ground that the property was inalienable when such title was issued. However, for all intents and purposes, the petitioner sought the nullification of such decision. This is so because the issuance of OCT No. (804) 53839 was based on the decision of the CFI, and such title cannot be nullified unless and until such decision is first declared null and void. Such complaint should have been filed in the CA which had exclusive jurisdiction over the action, not in the trial court. This is conformably to Section 9(2) of Batas Pambansa Blg. 129 (otherwise known as the Judiciary Reorganization Act of 1980), which provides that:

Sec. 9. Jurisdiction. - The Court of Appeals shall exercise:

...

(2) Exclusive original jurisdiction over actions for annulment of judgments of Regional Trial Courts;

Consequently, the trial court should have dismissed outright the petitioner's complaint on the ground of lack of jurisdiction.

The Petitioner's Action

Is Barred by the Decision
of the CFI in LRC
Case No. 520

Even if we assume, for the nonce, that the trial court had jurisdiction over the action of the petitioner, nonetheless, we agree with the ruling of the trial and appellate courts that the petitioner's action to annul OCT No. (804) 53839 was barred by the decision in LRC Case No. 520. It must be stressed that the issue of the legal nature of the property subject of the application and the ownership thereof was litigated and resolved by the court in such case. A former judgment would bar a subsequent action when the following requirements concur: (a) the first judgment must be a final one; (b) the court rendering judgment on the same must have jurisdiction over the subject matter and over the parties; (c) it must be a judgment or order on the merits; and (d) there must be between the two cases, identity of parties, identity of subject matter and identity of action.

In *Lopez vs. Reyes*,^[28] we held that the doctrine of *res judicata* has two aspects. The first, known as "bar by prior judgment," is the effect of a judgment as a bar to the prosecution of a second action upon the same claim, demand or cause of action. The second, known as "conclusiveness of judgment," precludes the relitigation of a particular fact or issue in another action between the same parties on a different claim or cause of action. Elucidating on the second aspect of the doctrine, we stated in the said case:

The general rule precluding the relitigation of material facts or questions which were in issue and adjudicated in former action are commonly applied to all matters essentially connected with the subject matter of the litigation. Thus, it extends to questions "necessarily involved in an issue, and necessarily adjudicated, or necessarily implied in the final judgment, although no specific finding may have been made in reference thereto, and although such matters were directly referred to in the pleadings and were not actually or formally presented. Under this rule, if the record of the former trial shows that the judgment could not have been rendered without deciding the particular matter, it will be considered as having settled that matter as to all future actions between the parties, and if a judgment necessarily presupposes certain premises, they are as conclusive as the judgment itself. Reasons for the rule are that a judgment is an adjudication on all the matters which are essential to support it, and that every proposition assumed or decided by the court leading up to the final conclusion and upon which such conclusion is based is as effectually passed upon as the ultimate question which is finally solved.^[29]

In the earlier case of *Kidpalos vs. Baguio Gold Mining Co.*,^[30] we reiterated the ruling of the State Supreme Court of Massachusetts in *Burlen vs. Shannon*,^[31] that when a fact has been once determined in the course of a judicial proceeding, and a final judgment has been rendered in accordance therewith, it cannot be again litigated between the same parties without virtually impeaching the correctness of the former decision, which, from motives of public policy, the law does not permit to be done. Explaining further, the Court stated:

The estoppel is not confined to the judgment, but extends to all facts involved in it as necessary steps, or the groundwork upon which it must have been founded. It is allowable to reason back from a judgment to the basis on which it stands, upon the obvious principle that where a conclusion is indisputable, and could have been drawn only from certain premises, the premises are equally indisputable with the conclusion.^[32]

In this case, there is no identity of causes of action between LRC Case No. 520, on the one hand, and the complaint and the amended complaint in the court a quo, as well as Civil Case No. C-169, on the other. However, the issues in the action of the petitioner in the court a quo had long been resolved with finality in LRC Case No. 520 and Civil Case No. C-169 by the Court of Appeals and this Court.

In its Decision in LRC Case No. 520, the CFI resolved the issue of whether the property subject of the application of the respondent Baello siblings was alienable, and the issue of the lawful ownership of the same. The trial court

declared that, on the basis of the evidence of the applicants therein, the property subject matter thereof was alienable, and that the latter had acquired ownership of the said property; consequently, the property was decreed in their favor. Such decision has long since become final and executory. The proceeding being in rem, the decision of the CFI is binding on the whole world, including the petitioner. Conformably to the principle of conclusiveness of judgment, the issues resolved by the CFI can no longer be relitigated by the Republic of the Philippines and by the petitioner.

It bears stressing that the Republic of the Philippines, through the Director of Bureau of Lands or the Director of the Bureau of Forestry, did not oppose the application in LRC Case No. 520. Neither did they appeal the decision. Even when OCT No. (804) 53839 was issued by the Register of Deeds in 1959, the Republic of the Philippines did not file any action to nullify the CFI decision. It was only on February 17, 1994, or after the lapse of almost forty (40) years that the petitioner, claiming to be the administrator/owner of the respondents' land, filed a complaint in the RTC to nullify the CFI decision and OCT No. (804) 53839, on the sole ground that the property subject of the application therein filed was, contrary to the findings of the CFI, inalienable land of the public domain. Patently then, the petitioner, which merely stepped into the shoes of the Republic of the Philippines, is estopped from asserting that the properties were inalienable forestland. As the District Court of Alabama ruled:

In accordance with law, the equities involved, and with justice, the government and the State of Alabama are both now estopped from asserting a claim of title and ownership to the area involved, the claim of ownership of at least a part of the original southern end of the island, and the fill thereon made after 1906, having been regarded as the claimant's property by both sovereigns for so many years.[33]

Petitioner is Barred From
Assailing OCT No. (804)
53839 and its Derivative
Titles Based on Judicial
Estoppel[34]

First. The petitioner admitted in its complaint in Civil Case No. C-169 that the respondents were the lawful owners of the properties therein sought to be expropriated, and that it was ready to pay just compensation, but that the respondents refused its offer:

- The Defendants are the heirs of deceased Spouses Pedro T. Baello and Josefa Caiña and Spouses Nicanora T. Baello and Manuel J. Rodriguez, and are the owners of that certain parcel of land located in Caloocan City and registered in the names of their deceased parents under "Original Certificate of Title No. (804) 53839." The defendant heirs are all of legal age, with capacity to sue and be sued, are now the parties in interest/claimants of the aforesaid property.[35]

...

- Plaintiff is authorized by its charter, PD 757 to exercise the right of eminent domain or to acquire by purchase private lands for housing development and related services and facilities, including provision for and development of settlement and resettlement site.

- Plaintiff seeks to expropriate the aforementioned parcels of land for the purpose of developing the aforesaid sites and services project, and which purpose is for public use as defined in PD 1259.

- Plaintiff has no knowledge of any person or persons claiming ownership of the afore-mentioned parcels of land other than the defendants herein.

- Plaintiff is willing and ready to pay the defendants the just compensation of the said parcel of land sought to be expropriated.

CONDITIONS PRECEDENT

- The subject parcels of land sought to be hereby expropriated have not heretofore been condemned nor reserved for any public use or purpose.
- While plaintiff has offered to purchase from the defendants the said parcels of land on a voluntary basis, no settlement has been concluded between plaintiff and defendants, as the latter demanded exorbitant price for the lands.[36]

In its Order dated September 5, 1990, the trial court declared that the respondents were the owners of the property. The Court of Appeals affirmed the findings of the RTC in its Decision in CA-G.R. CV No. 29042. This Court, in its Resolution in G.R. No. 107582 dated May 3, 1993, denied due course to the petition for the petitioner's failure to sufficiently show that the CA committed any substantial error in its decision. The resolution of the Court has long since become final and executory. The admissions made by the petitioner in its complaint are judicial admissions and cannot be contradicted by it.[37] Moreover, the theory of the petitioner's action in Civil Case No. C-169, which was acted upon by this Court in G.R. No 107582, cannot now be repudiated.[38] An election of a specific theory for relief operates as bar to the subsequent adoption of a different and wholly inconsistent theory.[39]

Under the principle of judicial estoppel, a party is bound by his judicial declarations and may not contradict them in a subsequent action or proceeding involving the same properties.[40] The *raison d'être* of the principle is to suppress or prohibit fraud and the deliberate shifting of position to suit the exigencies of each particular case that may arise concerning the subject matter of the controversy.[41] That the petitioner is a government agency tasked to administer the property does not bar the application of the principle.[42] This is so because when a sovereignty submits itself to the jurisdiction of the court and participates therein, its claims and rights are justiceable by every other principle and rule applicable to the claims and rights of the private parties under similar circumstances. The government, when it comes to the Court to litigate with one of its citizens, must submit to the rules of procedure and its rights and privileges at every stage of the proceedings are substantially in every respect the same as those of its citizens; it cannot have a superior advantage.[43]

Second. No less than former President Marcos declared in P.D. No. 569 that a large percentage of the areas adjacent to the Dagat-Dagatan Lagoon are owned by private individuals, and tasked the Tondo Foreshore Development Committee to conduct negotiations with the landowners who were willing to sell their properties, including the respondents. The decree of the former President is a confirmation of the validity of the respondents' titles, which were based on the CFI decision decreeing the properties in favor of their predecessors. The petitioner cannot feign ignorance of the legal nature of the property subject of this case only because the Vice-Chairman of the committee created under the decree was General Gaudencio V. Tobias, then NHC President. It must be stressed that the Bureau of Lands, which withdrew its opposition to the application of the Baello siblings in LRC Case No. 520, was represented in the same committee. Furthermore, the records fail to show that the petitioner and the Bureau of Lands sought the reconsideration of the issuance of the decree from the President. The Bureau of Lands did not likewise claim that a large percentage of the adjacent areas of the lagoon, including that portion owned by the respondents, was classified as inalienable forest land.

Third. The petitioner cannot rely on BFD Administrative Order No. 61-1766 issued by the Minister of Agriculture, because even before the said Order was issued on July 17, 1986, the petitioner had caused the subdivision of the properties adjacent to the Dagat-Dagatan project and awarded the same to the beneficiaries chosen by it. The petitioner could not have caused the subdivision of the property if it was still inalienable forest land. Moreover, the petitioner, nine (9) years after the issuance of the aforesaid decree in LRC Case No. 520, and one (1) year after the said order of the Minister were issued, filed its complaint and amended complaint for

eminent domain against the respondents, wherein it expressly admitted that the latter were the lawful owners of the properties. Such administrative order of the Minister of Agriculture could not nullify the CFI Decision in LRC Case No. 520, which had long become final and executory, and OCT No. (804) 53839 and its derivative titles, nor override P.D. No. 569 issued by the former President of the Philippines who had supervision and control over the Ministry of Agriculture, nor reverse the Order of the RTC in Civil Case No. C-169, affirmed by the Court of Appeals and this Court, no less.

The respondents had long suffered during Martial Law when the government confiscated their properties. Armed soldiers destroyed the houses of the Baello heirs. For years, the respondents were deprived of the possession and enjoyment of their properties. Even as the petitioner had the properties of the respondents subdivided and awarded to beneficiaries chosen by it, the respondents were not paid a single centavo therefor, although the IBRDC granted a loan of \$320,000,000.00 to the Philippines for the development of the project. In the wake of the EDSA upheaval, the respondent heirs were even willing to settle the matter amicably with the petitioner by offering the property for sale, but the latter rebuffed the respondents and opted to expropriate the property. Even after this Court declared illegal the expropriation made by the petitioner of the respondents' properties, the petitioner yet again filed its complaint with the trial court to nullify the respondents' respective titles. For decades, the respondents sought justice, only to be blocked by the successive suits instituted by the petitioner.

We are convinced that the action in the court a quo was but a device and a technique resorted to by the petitioner to afford it a fresh opportunity to acquire the respondents' properties after failing in its complaint for eminent domain; yet again, prolonging the agony of the respondents on their long and arduous quest for justice. The petitioner played "fast-and-loose" with the trial and appellate courts, and even this Court. This scheme of the petitioner is a blatant misuse of judicial processes which merits condemnation. It trifled with the settled rule in case law that –

... [A] judgment properly rendered by a court vested with jurisdiction, like the RTC, and which has acquired finality becomes immutable and unalterable, hence, may no longer be modified in any respect except only to correct clerical errors or mistakes. Judgments of courts become final at some definite time fixed by law and that parties, like the petitioners, should not be permitted to litigate the same issue/s over again.[44]

We echo the pronouncement of the appellate court in *Massaglia v. Commissioner of Internal Audit*:^[45] "[W]e will not allow the government to deal dishonorably or capriciously with its citizens. It must not play an ignoble part or do a shabby thing." The Court cannot allow the petitioner to continually deprive the respondents of their property for decades without due process of law.

On the last issue, the petitioner avers that the trial and appellate courts erred in not holding that it was a builder in good faith and the respondents as having acted in bad faith. The petitioner avers that it believed in good faith that respondents' property was part and parcel of the Dagat-Dagatan Lagoon owned by the government, and acting on that belief, it took possession of the property in 1976, caused the subdivision of the property and awarded the same to its beneficiaries, in the process spending P45,237,000.00. It was only in 1988 when it learned, for the first time, that the respondents owned the property and forthwith petitioner filed its complaint for eminent domain against them. The petitioner further avers that even assuming that it was a builder in bad faith, since the respondents likewise acted in bad faith, the rights of the parties shall be determined in accordance with Article 448 of the New Civil Code, and they shall be considered as both being in good faith. The petitioner, however, posits that any award in its favor as builder in good faith would be premature because its complaint was dismissed by the court a quo, and its consequent failure to present evidence to prove the improvements it had made on the property and the value thereof.

The petitioner's arguments do not persuade. In light of our foregoing disquisitions, it is evident that the petitioner

acted in gross bad faith when it took possession of the property in 1976, introduced improvements thereon and disposed of said property despite knowledge that the ownership thereof pertained to the respondents.

In determining whether a builder acted in good faith, the rule stated in Article 526 of the New Civil Code shall apply.[46]

ART. 526. He is deemed a possessor in good faith who is not aware that there exists in his title or mode of acquisition any flaw which invalidates it.

He is deemed a possessor in bad faith who possesses in any case contrary to the foregoing.

In this case, no less than the trial court in Civil Case No. C-169 declared that the petitioner not only acted in bad faith, but also violated the Constitution:

And the Court cannot disregard the fact that despite persistent urging by the defendants for a negotiated settlement of the properties taken by plaintiff before the present action was filed, plaintiff failed to give even the remaining UNAWARDED lots for the benefit of herein defendants who are still the registered owners. Instead, plaintiff opted to expropriate them after having taken possession of said properties for almost fourteen (14) years.

The callous disregard of the Rules and the Constitutional mandate that private property shall not be taken without just compensation and unless it is for public use, is UNSURPRISING, considering the catenna (sic) of repressive acts and wanton assaults committed by the Marcos Regime against human rights and the Constitutional rights of the people which have become a legendary part of history and mankind.

True it is, that the plaintiff may have a laudable purpose in the expropriation of the land in question, as set forth in the plaintiff's cause of action that – "The parcel of land as described in the paragraph immediately preceding, together with the adjoining areas encompassed within plaintiff's Dagat-Dagatan Development Project, are designed to be developed pursuant to the Zonal Improvement Program (ZIP) of the Government, as a site and services project, a vital component of the Urban III loan package of the International Bank for Rehabilitation and Development (World Bank), which is envisioned to provide affordable solution to the urban problems of shelter, environmental sanitation and poverty and to absorb and ease the impact of immigration from rural areas to over-crowded population centers of Metro Manila and resident middle income families who do not have homelots of their own with the Metro Manila area. x x x."

But the reprehensible and scary manner of the taking of defendants' property in 1976, which, in a manner of speaking, was seizure by the barrel of the gun, is more aptly described by the defendants in the following scenario of 1976, to wit:

1.01. Sometime in the mid-seventies, a truckload of fully-armed military personnel entered the Baello property in Caloocan City [then covered by OCT No. (804) 55839] (sic) and, at gunpoint, forcibly ejected the family's caretaker. The soldiers, thereafter, demolished a two-storey residence and destroyed all fishpond improvements found inside the property.

1.02. From this period up till the end of the Marcos misrule, no decree, no court order, no ordinance was shown or made known to the defendants to justify the invasion, assault, and occupation of their property. Worse, defendants were not even granted the courtesy of a letter or memorandum that would explain the government's intention on the subject property.

1.03. The military's action, coming as it does at the height of martial law, elicited the expected response from the defendants. Prudence dictated silence. From government news reports, defendants gathered that their land was seized to complement the erstwhile First Lady's Dagat-Dagatan project. Being a pet program of the dictator's wife, defendants realized that a legal battle was both dangerous and pointless.

1.04. Defendants' property thus came under the control and possession of the plaintiff. The NHA went on to

award portions of the subject property to dubious beneficiaries who quickly fenced their designated lots and/or erected permanent structures therein. During all this time, no formal communication from the NHA was received by the defendants. The plaintiff acted as if the registered owners or their heirs did not exist at all.

1.05. The celebrated departure of the conjugal dictators in February 1986 kindled hopes that justice may at least come to the Baellos. Verbal inquiries were made on how just compensation can be obtained from the NHA considering its confiscation of the subject property. The representations proved fruitless.

...

Evidently, plaintiff's seizure of defendants' property is an audacious infringement of their rights to DUE PROCESS.

The immediate taking of possession, control and disposition of property without due notice and hearing is violative of due process (*Sumulong vs. Guerrero*, 154 SCRA 461).

On the matter of issuance of writ of possession, the ruling in the *Ignacio* case as reiterated in *Sumulong vs. Guerrero* states:

"[I]t is imperative that before a writ of possession is issued by the Court in expropriation proceedings, the following requisites must be met: (1) There must be a Complaint for expropriation sufficient in form and in substance; (2) A provisional determination of just compensation for the properties sought to be expropriated must be made by the trial court on the basis of judicial (not legislative or executive) discretion; and (3) The deposit requirement under Section 2, Rule 67 must be complied with."

...

Here, it is even pointless to take up the matter of said requisites for the issuance of writ of possession considering that, as stated, NO complaint was ever filed in Court AT THE TIME of the seizure of defendants' properties.

Recapitulating – that the plaintiff's unlawful taking of defendants' properties is irretrievably characterized by BAD FAITH, patent ARBITRARINESS and grave abuse of discretion, is non-arguable. [47]

The aforequoted findings of the trial court were affirmed by the Court of Appeals and by this Court in G.R. No. 107582.

IN LIGHT OF THE FOREGOING, the petition is DENIED for lack of merit. Costs against the petitioner.

SO ORDERED.

Puno, (Chairman), Austria-Martinez, Tinga, and Chico-Nazario, JJ., concur.

[1] Penned by Associate Justice Mercedes Gozo-Dadole with Associate Justices Ramon Mabutas, Jr. and Artemio G. Tuquero, concurring.

[2] Records, p. 49.

[3] Ibid.

[4] Id. at 76.

[5] Id. at 81-82.

[6] Id. at 113.

[7] Id. at 110.

[8] Id. at 346.

[9] Id. at 256-296.

[10] Id. at 373.

[11] Id. at 394.

[12] Id. at 110.

[13] Id. at 111.

[14] Id. at 98.

[15] Id. at 97-98.

[16] Id. at 344.

[17] Id. at 95-96.

[18] Id. at 95-108.

[19] Penned by Associate Justice Consuelo Ynares-Santiago (now an Associate Justice of the Supreme Court), with Associate Justices Arturo B. Buena and Minerva P. Gonzaga-Reyes (both retired), concurring.

[20] Records, p. 126.

[21] Id. at 5.

[22] Id. at 9-10.

[23] Id. at 35-36.

[24] Id. at 197.

[25] Rollo, p. 17.

[26] Logronio v. Talesco, et al., 312 SCRA 52 (1999).

[27] International Flavors and Fragrances (Phils.), Inc. v. Argos, 364 SCRA 792 (2001).

[28] 76 SCRA 179 (1977).

[29] Id. at 186-187.

[30] 14 SCRA 913 (1965).

[31] 99 Mass. 200, 96 (1868).

[32] Supra note 30 at 918.

[33] U.S. v. Property on Pinto Island, 74 F. Supp. 92, 102 (1947).

[34] The principle states that a party, during the course of the judicial proceedings who has deliberately and knowingly assumed a particular position, is estopped to assume a position in the same proceeding or in a subsequent proceeding between the same parties and questions (31 C. J. S. Estoppel, §119, p. 381).

[35] Records, pp. 88-89.

[36] Id. at 91-92.

[37] Rule 129, Section 4, Rules of Court.

[38] Admiral Hillcrest Corporation v. Paramount Films Corporation, 140 Federal Reporter 686 (1955).

[39] Emporia Wholesale Coffee Co. v. Rehrig, 252 P.2d 590 (1953).

[40] Martin v. Wood, 229 P. 2d 710 (1951).

[41] 31 CJS 2d, Estoppel, p. 650.

[42] Iowa v. Carr, 191 Federal Reporter 257.

[43] Carr v. United States, 98 U.S. 433 (1878).

[44] Ybañez v. Court of Appeals, 253 SCRA 540 (1996).

[45] 286 Federal Reporter 2d 259 (1961).

[46] Tolentino, New Civil Code of the Philippines, Volume II, 1987 ed., p. 103.

[47] Records, pp. 105-107.

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