R & M GENERAL MERCHANDISE, INC., PETITIONER, VS. COURT OF APPEALS AND LA PERLA INDUSTRIES, INC., RESPONDENTS.

G.R. No. 144189. October 05, 2001

Ponente: MENDOZA, J.

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MENDOZA, J.:

This is an appeal from the decision[1] of the Court of Appeals affirming the decision of the Regional Trial Court, Branch 136, Makati City, which in turn affirmed the decision of the Metropolitan Trial Court, Branch 67, Makati City, ordering the ejectment of petitioner R & M General Merchandise, Inc. from the property of private respondent La Perla Industries, Inc.

On August 14, 1975, petitioner, as lessee, entered into a contract with Pioneer Realty & General Enterprise Corporation, as lessor, for the lease of a parcel of land and a building at 984 Pasay Road (now Arnaiz Avenue), San Lorenzo Village, Makati City. The lease was for a period of five years, from November 16, 1975 to November 16, 1980, renewable for another five years at the option of petitioner, unless the latter gave a written notice of non-renewal six months before the expiration of the contract. The contract fixed the rent at P12,000.00 per month, or P144,000.00 per year, for the first five years and P14,000.00 per month, or P168,000.00 per year, for the next five years. It was stipulated that petitioner would construct on the lot a concrete building worth at least P300,000.00 which would automatically become the property of Pioneer upon the termination of the lease without any obligation on the part of private respondent to reimburse petitioner for its cost.[2]

On January 19, 1984, Pioneer was merged with private respondent La Perla Industries, Inc., with the latter absorbing the entire assets and liabilities of the former.[3] On October 24, 1985, petitioner, through its vice-president, Monina Raz, entered into another contract of lease over the same property subject of the first lease contract with private respondent, represented by its president, Jesus D. Chuaunsu. The lease was for three years from November 16, 1985 to November 15, 1988, renewable for another three years, at an agreed rent of P28,500.00 per month. The agreement provided that either party may elect not to renew the contract after three years by giving a written notice to that effect 45 days before the contract expired.[4]

On October 10, 1988, petitioner and private respondent entered into another lease contract over the same property for a period of three years from November 16, 1988 to November 15, 1991, renewable for another three years. Except for the amount of the rent, the contract provided for the same stipulations and had the same signatories as the second contract.[5]

Later on, petitioner, represented by its president, Eufronio Raz, Jr., and private respondent, through its president, Johnson Cheng, executed another lease contract over the same property for a period of five years from November 16, 1991 to November 15, 1996, renewable for another five years. The contract provided for the 45-day written notice of non-renewal in case either party did not wish to renew the contract. The parties agreed on a monthly rental of P70,000.00 from November 16, 1991 to November 15, 1992, P75,000.00 from November 16, 1992 to November 15, 1993, P80,000.00 from November 16, 1993 to November 15, 1994, P90,000.00 from November

16, 1994 to November 15, 1995, and P100,000.00 from November 16, 1995 to November 15, 1996.[6]

On February 27, 1996, private respondent, through its general manager, Johnny Cheng, Jr., sent notice to petitioner of its intention not to renew the lease contract after its expiration on November 15, 1996. The notice was received by petitioner on February 29, 1996.[7]

In reply, petitioner, through its counsel, sent a letter, dated March 25, 1996, to private respondent claiming that it had the option to renew the lease contract for another period of five years, from November 16, 1996 to November 16, 2001. According to petitioner, it had been renewing the contract with the late Johnny Cheng, Sr. and that it had been agreed upon that private respondent should notify petitioner on the immediately preceding renewal contract that the contract would be renewed for the last time.[8] In its letter dated August 30, 1996, private respondent denied the alleged agreement. It stated that it had the right under the contract to terminate the lease upon its expiration and that it had complied with its obligation by giving notice to petitioner of its desire to terminate the lease more than 45 days before November 15, 1996.[9]

As petitioner failed to vacate the leased property, private respondent sent a final notice and demand to vacate dated December 9, 1996.[10] Private respondent reiterated to petitioner its final notice and demand to vacate in its letter dated October 30, 1997.[11] In addition, private respondent sent occupants of the commercial apartments, petitioner's lessees, letters of the same import as that of its last letter to petitioner.[12]

As petitioner refused to vacate the premises, private respondent filed this case for unlawful detainer before the Metropolitan Trial Court, Branch 67, Makati City. Aside from its prayer that petitioner surrender possession of the property, private respondent prayed for the payment of back rentals in the amount of P975,000.00 per month with legal interest from November 16, 1996 up to the time when petitioner vacates the premises, P100,000.00 as moral damages, P100,000.00 as attorney's fees, and the costs and expenses of the suit.[13] In its answer with compulsory counterclaim, petitioner alleged that: (1) there was an oral agreement between Eufronio Raz, Jr. and Johnny Cheng, Sr. for a lease of 30 years with the last five-year lease contract containing a provision that the same would be the last renewal of the contract; (2) the alleged supplemental agreement was made with the knowledge of Johnny Cheng, Jr.; (3) the notice for a last five-year contract was for the purpose of enabling petitioner to prepare for the final termination of the contract and to recover what it had spent for the construction and renovation on the building, which would become the property of private respondent, at petitioner's cost; (4) the complaint stated no cause of action against petitioner; (5) the Metropolitan Trial Court, Branch 67, Makati City had no jurisdiction over the case as the real issue was not merely of possession of real property but one of interpretation of the lease contract; (6) the complaint should be dismissed on the ground of litis pendentia and forum-shopping; (7) the complaint for recovery of possession should have been filed before the Regional Trial Court, Branch 84, Quezon City, where the complaint filed by petitioner for specific performance and damages was pending; (8) for its failure to do so, private respondent was barred from claiming possession of the property as the claim would be considered extinguished, waived, or abandoned; (9) private respondent was guilty of bad faith, fraud, malice, and deceit and it was in estoppel; (10) the complaint for unlawful detainer should at least be suspended, if not dismissed, as the issues raised in the case for specific performance constituted a prejudicial question to the unlawful detainer case; and (11) the issue of non-payment of rentals was the subject matter of petitioner's motion for consignation before the Regional Trial Court, Branch 84, Quezon City. By way of counterclaim, petitioner prayed for the award of P1,500,000.00 as moral damages, P1,000,000.00 as exemplary damages, P50,000.00 as attorney's fees, and P3,000.00 as appearance fees.[14]

After the submission of the parties' position papers, the Metropolitan Trial Court, Branch 67, Makati City rendered a decision,[15] the dispositive portion of which reads:

> WHEREFORE, in view of the foregoing, the court finds that plaintiff had fully substantiated its causes of

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action and therefore hereby renders judgment in its favor and against the defendant as follows:

1. Ordering the defendant and all persons deriving rights from it to vacate the premises located at 984 Pasay Road (now Arnaiz Avenue), Makati City and to peacefully surrender the premises to the plaintiff;

2. Ordering defendant to pay plaintiff as reasonable compensation for the use and occupancy of the premises the amounts of P110,400.00 per month from November 17, 1996 to November 16, 1997 or P1,324,800.00 per annum; P121,881.60 per month from November 17, 1997 to November 16, 1998 or P1,462,579.20 per annum and P134,557.28 per month from November 17, 1998 until defendant vacates the premises; and

3. Ordering defendant to pay plaintiff the amount of P20,000.00 as attorney's fees.

SO ORDERED.[16]

The foregoing decision was affirmed on appeal by the Regional Trial Court, Branch 136, Makati City,[17] whose decision was in turn affirmed by the Court of Appeals.[18] Hence, this petition for review on certiorari.

Petitioner contends that the Court of Appeals erred:

1. In concluding that the herein parties had no intention of entering and did not enter into a thirty-year lease of [the] subject property;

2. In failing to consider the proffered reason for and import of the renewal provision contained in the lease contracts executed by the parties over the years from 1975 to 1991-1996;

3. In failing to accord consideration to the unrebutted testimony [that] the real agreement between the parties was with the "knowledge of [respondent] Johnny Cheng, Jr. and accordingly apply the doctrine of estoppel against private respondent;

4. In concluding that petitioner is not exempted from the application of the Statute of Frauds;

5. In not resolving the legal issues raised in respect of jurisdiction, litis pendentia, forum-shopping, and others, which were raised on appeal; [and]

6. In affirming the decisions of the lower courts.[19]

The appeal is without merit.

First. The four lease contracts entered into by the parties provided in relevant parts as follows:

1975 contract

1. Term: This Contract of lease shall be for a period of five (5) years effective November 16, 1975, renewable for another period of five (5) years. In case the LESSEE elects not to renew the lease contract after five (5) years, the LESSEE shall inform the LESSOR by written notice six (6) months prior to the expiration of this lease contract.[20]

1985 contract

1. Term: This Contract of Lease shall be for a period of three (3) years starting November 16, 1985 to November 15, 1988 renewable for another period of three (3) years subject to terms and conditions to be mutually agreed upon between parties. In case either party elects not to renew the lease contract after three (3) years, a written notice shall be made within forty-five (45) days prior to the expiration of the lease contract.[21]

1988 contract

> 1. Term: This Contract of Lease shall be for a period of three (3) years starting November 16, 1988 to November 15, 1991 renewable for another period of three (3) years subject to the terms and conditions to be mutually agreed upon between parties. In case either party elects not to renew the lease contract after three (3) years, a written notice shall be made within forty-five (45) days prior to the expiration of the lease contract.[22]
>
> 1991 contract
>
> 1. Term: This Contract of Lease shall be for a period of five (5) years starting November 16, 1991 to November 15, 1996 renewable for another period of five (5) years subject to terms and conditions to be mutually agreed upon between the parties. In case either party elects not to renew the lease contract after five (5) years, a written notice shall be made within forty-five (45) days prior to the expiration of the lease contract.[23]

It is a time-honored rule that a contract constitutes the law between the parties and they are, therefore, bound by its stipulations. If the terms of a contract are clear and leave no doubt as to the intention of the contracting parties, the literal meaning of its stipulations shall control.[24]

The above-quoted stipulations clearly show that the parties entered into the four lease contracts for definite periods of five, three, three, and five years, respectively. The 1975 contract provided for its automatic renewal for five years and gave the option not to renew the contract only to petitioner, to be exercised by it within six months prior to the expiration of the contract. However, the succeeding three contracts granted the option not to renew the lease to both parties, to be exercised by any of them within a shortened period of 45 days before the expiration of the contract. The evidence shows that private respondent exercised its option not to renew the lease contract by serving notice to that effect way in advance of the agreed 45-day period. Hence, the lease contract expired on November 16, 1996 and private respondent was justified in seeking the ejectment of petitioner based on Article 1673 (1) of the Civil Code.

Second. Petitioner claims that the four lease contracts did not reflect the true intention of the contracting parties with regard to the period of the lease. It maintains that it had an oral agreement with Johnny Cheng, Sr., representing private respondent, for the lease of the property for 30 years from November 16, 1975 and that the penultimate five-year lease contract should contain a provision that the lease shall be renewed only for another five years if the lessor did not want the lease to extend until 30 years. According to petitioner, the last renewal notice was intended to prepare it for the final termination of the contract and to give it the opportunity to recoup its expenses for the construction, improvement, and renovation of the new building on the leased property. Petitioner further claims that such agreements were made with the knowledge of Johnny Cheng, Jr., now president and general manager of private respondent.

The contention has no merit. The stipulations concerning the period of the lease contracts were couched in plain, simple, and unambiguous terms. Consequently, there is no need to resort to evidence beyond the import of the written contract to determine the period of the effectivity of the contract. There is nothing in the four contracts, especially the last contract made in 1991, from which it may be inferred that the parties intended to continue with the lease for a total period of 30 years or that it must be renewed for the last time for another five years should private respondent opt not to extend the contract until the year 2005. Had petitioner and private respondent really intended a lease agreement for 30 years, they should have incorporated an express provision to that effect in the four contracts they have entered into.

The evidence presented by petitioner failed to convince the Metropolitan Trial Court, the Regional Trial Court, and the Court of Appeals that it is entitled to further renew the lease contract until the supposed 30-year period has been completed. The findings of fact of these courts are final and conclusive and cannot be reviewed on

appeal by this Court. The existence of the alleged 30-year oral lease agreement is a question of fact which may not be raised in a petition for review under Rule 45 of the Revised Rules on Civil Procedure.[25]

Indeed, the alleged oral agreement cannot be proved without violating the parol evidence rule which provides that when the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement.[26]

Moreover, the purported oral lease agreement, if there was indeed one, is unenforceable under the Statute of Frauds, which requires that an agreement for the lease of real property for a longer period than one year should be in writing and subscribed to by the parties or their agents.[27]

Petitioner's assertion that this case is not governed by the parol evidence rule or the Statute of Frauds cannot be sustained. It is true that petitioner alleged in its answer that the agreement did not reflect the true intention of the parties thereto. The evidence, however, does not sustain its allegation. In order that the alleged intention of the contracting parties may prevail against the express terms of the contract, such intention should be proved by competent evidence.[28]

Petitioner's claim that the alleged 30-year lease was partially executed and is thus excepted from the operation of the Statute of Frauds has no leg to stand on since such purported partial execution must also be duly proved by competent evidence. The renewal of the lease agreement for a total of 16 years from the original five-year period of the 1975 contract does not prove the existence of the alleged 30-year verbal lease contract. As the records show, the 1975 contract was renewed because of the automatic renewal clause in favor of petitioner, while the 1985 and the 1988 contracts were renewed because they were mutually agreed upon by the contracting parties.

Third. On the issue regarding the jurisdiction of the Metropolitan Trial Court, it is axiomatic that what determines the nature of an action are the allegations in the complaint and the character of the relief sought.[29] Since the complaint alleged unlawful detainer, then the Metropolitan Trial Court properly acquired jurisdiction on the subject matter of the suit.[30]

Nor is there any basis for petitioner's claim based on litis pendentia and forum-shopping. For litis pendentia to be a ground for the dismissal of an action there must be: (a) identity of the parties or at least such as to represent the same interest in both actions; (b) identity of rights asserted and relief prayed for, the relief being founded on the same acts; and (c) the identity in the two cases should be such that the judgment which may be rendered in one would, regardless of which party is successful, amount to res judicata in the other.[31] On the other hand, forum shopping exists where the elements of litis pendentia are present, and where a final judgment in one case will amount to res judicata in the other.[32]

In this case, the relief sought before the Regional Trial Court, Branch 84, Quezon City, where the complaint for specific performance was filed by petitioner, was the renewal of the 1991 lease contract for another five-year period, whereas, in the Metropolitan Trial Court, Branch 67, Makati City, the relief sought was the recovery of possession of the leased property. There is no basis, therefore, for petitioner's contention that private respondent is guilty of forum-shopping.

As to whether the suit for specific performance bars, or at least constitutes a prejudicial question to, the unlawful detainer suit, the ruling of this Court in Rosales v. CFI of Lanao del Norte, Br. III[33] is squarely in point, thus ¾

> It has been settled in a number of cases that the right of a lessee to occupy the land leased as against the demand of the lessor should be decided under Rule 70 (formerly Rule 72) of the Rules of Court.
>
> There is no merit to the contention that the lessee's supposed right to a renewal of the lease contract can not be

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> decided in the ejectment suit. In the case of Teodoro v. Mirasol, supra, this Court held that "if the plaintiff has any right to the extension of the lease at all, such right is a proper and legitimate issue that could be raised in the unlawful detainer case because it may be used as a defense to the action." In other words, the matter raised in the Court of First Instance of Cavite may be threshed out in the ejectment suit, in consonance with the principle prohibiting multiplicity of suits. And the mere fact that the unlawful detainer-ejectment case was filed later would not change the situation to depart from the application of the foregoing ruling.

WHEREFORE, petition for review on certiorari is DENIED and the decision of the Court of Appeals is AFFIRMED.

SO ORDERED.

Bellosillo, (Chairman), Quisumbing,Buena, and De Leon, Jr., JJ., concur.

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[1] Per Associate Justice Portia Aliño-Hormachuelos and concurred in by Associate Justices Corona Ibay-Somera and Elvi John Asuncion.

[2] Rollo, pp. 69-71.

[3] Id., p. 72.

[4] Id., pp. 73-77.

[5] Id., pp. 78-82.

[6] Id., pp. 83-86.

[7] Id., p. 87.

[8] Id., p. 126.

[9] Id., pp. 88-89.

[10] Id., p. 90.

[11] Id., p. 91.

[12] Id., pp. 92-105.

[13] Id., pp. 59-65.

[14] Id., pp. 110-124.

[15] Per Judge Leticia Querubin Ulibari.

[16] Rollo, pp. 155-156.

[17] Per Judge Jose R. Bautista. Rollo, pp. 157-159.

[18] Rollo, pp. 33-39.

[19] Id., pp. 11-12.

[20] Contract of Lease dated Aug. 14, 1975; id., p. 69.

[21] Contract of Lease dated Oct. 24, 1985; id., p. 74.

[22] Contract of Lease dated Oct. 10, 1988; id., p. 79.

[23] 1991 Contract of Lease; id., p. 84.

[24] CIVIL CODE, Art. 1370; Baylon v. Court of Appeals, 312 SCRA 502 (1999).

[25] Baylon v. Court of Appeals, 312 SCRA 502 (1999); Lagandaon v. Court of Appeals, 290 SCRA 330 (1998).

[26] RULES ON EVIDENCE, Rule 130, §9; De Mesa v. Court of Appeals, 317 SCRA 92 (1999); Fernandez v. Court of Appeals, 166 SCRA 577 (1988).

[27] CIVIL CODE, Art. 1403 (2)(e).

[28] National Bank v. Agudelo, 58 Phil 655 (1933).

[29] Morta, Sr. v. Occidental, 308 SCRA 167 (1999).

[30] Huibonhoa v. Court of Appeals, 320 SCRA 625 (1999).

[31] Cebu International Finance Corp. v. Court of Appeals, 316 SCRA 488 (1999).

[32] Prubankers Association v. Prudential Bank & Trust Company, 302 SCRA 74 (1999).

[33] 154 SCRA 153, 158-159 (1987) citing Teodoro v. Mirasol, 99 Phil. 150 (1956).

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