

**SPOUSES RODOLFO A. NOCEDA AND ERNA T. NOCEDA,
PETITIONERS, VS. AURORA ARBIZO-DIRECTO, RESPONDENT.**

G.R. No. 178495. July 26, 2010

Ponente: NACHURA, J.

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NACHURA, J.:

Assailed in the instant petition is the Decision[1] of the Court of Appeals (CA), dismissing the appeal on the ground of *res judicata*.

On September 16, 1986, respondent Aurora Arbizo-Directo filed a complaint against her nephew, herein petitioner Rodolfo Noceda, for "Recovery of Possession and Ownership and Rescission/Annulment of Donation" with the Regional Trial Court (RTC) of Iba, Zambales, Branch 71, docketed as Civil Case No. RTC-354-I. Respondent alleged that she and her co-heirs have extra-judicially settled the property they inherited from their late father on August 19, 1981, consisting of a parcel of land, described as Lot No. 1121, situated in Bitoong, San Isidro, Cabangan, Zambales. She donated a portion of her hereditary share to her nephew, but the latter occupied a bigger area, claiming ownership thereof since September 1985.

Judgment was rendered in favor of respondent on November 6, 1991, where the RTC (a) declared the Extra-Judicial Settlement-Partition dated August 19, 1981 valid; (b) declared the Deed of Donation dated June 1, 1981 revoked; (c) ordered defendant to vacate and reconvey that donated portion of Lot 2, Lot 1121 subject of the Deed of Donation dated June 1, 1981 to the plaintiff or her heirs or assigns; (d) ordered the defendant to remove the house built inside the donated portion at the defendant's expense or pay a monthly rental of P300.00 Philippine Currency; and (e) ordered the defendant to pay attorney's fees in the amount of P5,000.00.[2] The decision was appealed to the CA, docketed as CA-G.R. CV No. 38126.

On January 5, 1995, spouses Rodolfo Dahipon and Cecilia Obispo- Dahipon filed a complaint for recovery of ownership and possession, and annulment of sale and damages against spouses Antonio and Dominga Arbizo, spouses Rodolfo and Erna Noceda, and Aurora Arbizo-Directo with the RTC, Iba, Zambales, Branch 70. This was docketed as Civil Case No. RTC-1106-I. In the complaint, spouses Dahipon alleged that they were the registered owners of a parcel of land, consisting of 127,298 square meters, situated in Barangay San Isidro, Cabangan, Zambales, designated as Lot 1121-A. The Original Certificate of Title No. P-9036 over the land was issued in the name of Cecilia Obispo-Dahipon, pursuant to Free Patent No. 548781. Spouses Dahipon claimed that the defendants therein purchased portions of the land from them without paying the full amount. Except for Aurora, a compromise agreement was entered into by the parties, as a result of which, a deed of absolute sale was executed, and TCT No. T-50730 was issued in the name of spouses Noceda for their portion of the land. For her part, Aurora questioned Dahipon's alleged ownership over the same parcel of land by filing an adverse claim.

In the meantime, a decision was rendered in CA-G.R. CV No. 38126 on March 31, 1995 with the following fallo:

WHEREFORE, judgment is hereby rendered, ORDERING defendant Rodolfo Noceda to VACATE the portion known as Lot "C" of Lot 1121 per Exhibit E, which was allotted to plaintiff Aurora Arbizo-Directo.

Except for this modification, the Decision dated November 6, 1991 of the RTC, Iba, Zambales, Branch 71, in Civil Case No. RTC-354-I, is hereby AFFIRMED in all other respects. Costs against defendant Rodolfo Noceda.[3]

Undaunted, petitioners filed a petition for review with this Court, which was docketed as G.R. No. 119730. The Court found no reversible error, much less grave abuse of discretion, with the factual findings of the two courts below, and thus denied the petition on September 2, 1999.[4] The decision became final and executory, and a writ of execution was duly issued by the RTC on March 6, 2001 in Civil Case No. RTC-354-I.

On December 4, 2003, petitioners instituted an action for quieting of title against respondent, docketed as Civil Case No. 2108-I. In the complaint, petitioners admitted that Civil Case No. RTC-354-I was decided in favor of respondent and a writ of execution had been issued, ordering them to vacate the property. However, petitioners claimed that the land, which was the subject matter of Civil Case No. RTC-354-I, was the same parcel of land owned by spouses Dahipon from whom they purchased a portion; and that a title (TCT No. T-37468) was, in fact, issued in their name. Petitioners prayed for the issuance of a writ of preliminary injunction to enjoin the implementation of the Writ of Execution dated March 6, 2001 in Civil Case No. RTC-354-I, and that "a declaration be made that the property bought, occupied and now titled in the name of [petitioners] was formerly part and subdivision of Lot No. 1121 Pls-468-D, covered by OCT No. P-9036 in the name of Cecilia Obispo-Dahipon." [5]

Respondent filed a Motion to Dismiss on the ground of res judicata. Respondent averred that petitioners, aware of their defeat in Civil Case No. RTC-354-I, surreptitiously negotiated with Cecilia Obispo-Dahipon for the sale of the land and filed the present suit in order to subvert the execution thereof.

The trial court denied the motion, holding that there was no identity of causes of action.

Trial thereafter ensued. On January 25, 2006, after petitioners presented their evidence, respondent filed a Demurrer to Evidence, stating that the claim of ownership and possession of petitioners on the basis of the title emanating from that of Cecilia Obispo-Dahipon was already raised in the previous case (Civil Case No. RTC-354-I).

On February 22, 2006, the trial court issued a resolution granting the demurrer to evidence.

The CA affirmed. Hence, petitioners now come to this Court, raising the following issues:

WHETHER OR NOT THE PRINCIPLE OF RES JUDICATA OR DOCTRINE OF CONCLUSIVENESS OF JUDGMENT IS APPLICABLE UNDER THE FACTS OBTAINING IN THE PRESENT CASE[;]

WHETHER OR NOT THE RESPONDENT HAS A BETTER TITLE THAN THE PETITIONERS[; and]

WHETHER OR NOT THE RULING ON PURCHASERS IN BAD FAITH IS APPLICABLE IN THE PRESENT CASE[.][6]

Petitioners assert that res judicata[7] does not apply, considering that the essential requisites as to the identity of parties, subject matter, and causes of action are not present.

The petition is bereft of merit.

The doctrine of res judicata is set forth in Section 47 of Rule 39 of the Rules of Court, as follows:

Sec. 47. Effect of judgments or final orders. - The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:

x x x x

(b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been raised in relation thereto, conclusive between the parties and their successors in interest by title subsequent to the commencement of the action or special proceeding, litigating for the same thing and under the same title and in the same capacity; and

(c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which actually and necessarily included therein or necessary thereto.

The principle of *res judicata* lays down two main rules, namely: (1) the judgment or decree of a court of competent jurisdiction on the merits concludes the litigation between the parties and their privies and constitutes a bar to a new action or suit involving the same cause of action either before the same or any other tribunal; and (2) any right, fact, or matter in issue directly adjudicated or necessarily involved in the determination of an action before a competent court in which a judgment or decree is rendered on the merits is conclusively settled by the judgment therein and cannot again be litigated between the parties and their privies whether or not the claims or demands, purposes, or subject matters of the two suits are the same. These two main rules mark the distinction between the principles governing the two typical cases in which a judgment may operate as evidence.[8] The first general rule above stated, and which corresponds to the afore-quoted paragraph (b) of Section 47, Rule 39 of the Rules of Court, is referred to as "bar by former judgment"; while the second general rule, which is embodied in paragraph (c) of the same section and rule, is known as "conclusiveness of judgment." [9]

The Court in *Calalang v. Register of Deeds of Quezon City*[10] explained the second concept which we reiterate herein, to wit:

The second concept -- conclusiveness of judgment -- states that a fact or question which was in issue in a former suit and was there judicially passed upon and determined by a court of competent jurisdiction, is conclusively settled by the judgment therein as far as the parties to that action and persons in privity with them are concerned and cannot be again litigated in any future action between such parties or their privies, in the same court or any other court of concurrent jurisdiction on either the same or different cause of action, while the judgment remains unreversed by proper authority. It has been held that in order that a judgment in one action can be conclusive as to a particular matter in another action between the same parties or their privies, it is essential that the issue be identical. If a particular point or question is in issue in the second action, and the judgment will depend on the determination of that particular point or question, a former judgment between the same parties or their privies will be final and conclusive in the second if that same point or question was in issue and adjudicated in the first suit (*Nabus v. Court of Appeals*, 193 SCRA 732 [1991]). Identity of cause of action is not required but merely identity of issue.

Justice Feliciano, in *Smith Bell & Company (Phils.), Inc. v. Court of Appeals* (197 SCRA 201, 210 [1991]), reiterated *Lopez v. Reyes* (76 SCRA 179 [1977]) in regard to the distinction between bar by former judgment which bars the prosecution of a second action upon the same claim, demand, or cause of action, and conclusiveness of judgment which bars the relitigation of particular facts or issues in another litigation between the same parties on a different claim or cause of action.

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 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.[11]

The foregoing disquisition finds application in the case at bar. Undeniably, the present case is closely related to the previous case (Civil Case No. RTC-354-I), where petitioners raised the issue of ownership and possession of Lot No. 1121 and the annulment of the donation of said lot to them. The RTC found for respondent, declaring the deed of donation she executed in favor of petitioners revoked; and ordered petitioners to vacate and reconvey the donated portion to respondent. The decision of the RTC was affirmed by the CA, and became final with the denial of the petition for review by this Court in G.R. No. 119730. In that case, the Court noted the established fact "that petitioner Noceda occupied not only the portion donated to him by respondent Aurora Arbizo-Directo, but he also fenced the whole area of Lot C which belongs to private respondent Directo, thus, petitioner's act of occupying the portion pertaining to private respondent Directo without the latter's knowledge and consent is an act of usurpation which is an offense against the property of the donor and considered as an act of ingratitude of a donee against the donor." [12] Clearly, therefore, petitioners have no right of ownership or possession over the land in question.

Under the principle of conclusiveness of judgment, such material fact becomes binding and conclusive on the parties. When a right or fact has been judicially tried and determined by a court of competent jurisdiction, or when an opportunity for such trial has been given, the judgment of the court, as long as it remains unreversed, should be conclusive upon the parties and those in privity with them. [13] Thus, petitioners can no longer question respondent's ownership over Lot No. 1121 in the instant suit for quieting of title. Simply put, conclusiveness of judgment bars the relitigation of particular facts or issues in another litigation between the same parties on a different claim or cause of action. [14]

Furthermore, we agree that petitioners instituted the instant action with unclean hands. Aware of their defeat in the previous case, they attempted to thwart execution and assert their alleged ownership over the land through their purported purchase of a lot from Cecilia Obispo-Dahipon. This later transaction appears to be suspect. A perusal of G.R. No. 119730 reveals that the Court was not unaware of Dahipon's alleged claim over the same parcel of land. It noted that Dahipon did not even bother to appear in court to present her free patent upon respondent's request, or to intervene in the case, if she really had any legitimate interest over the land in question. [15] In any event, petitioners' assertion of alleged good title over the land cannot stand considering that they purchased the piece of land from Dahipon knowing fully well that the same was in the adverse possession of another.

Thus, we find no reversible error in the appellate court's ruling that petitioners are in fact buyers in bad faith. We quote:

With appellants' actual knowledge of facts that would impel a reasonable man to inquire further on [a] possible defect in the title of Obispo, considering that she was found not to have been in actual occupation of the land in CA-G.R. CV No. 38126, they cannot simply invoke protection of the law as purchasers in good faith and for value. In a suit to quiet title, defendant may set up equitable as well as legal defenses, including acquisition of title by adverse possession and a prior adjudication on the question under the rule on res judicata. Appellants' status as holders in bad faith of a certificate of title, taken together with the preclusive effect of the right of possession and ownership over the disputed portion, which was adjudged in favor of appellee in Civil Case No. RTC-354-I, thus provide ample justification for the court a quo to grant the demurrer to evidence and dismiss their suit for quieting of title filed against the said appellee. [16]

WHEREFORE, the Decision of the Court of Appeals in CA-G.R. CV No. 87026 is AFFIRMED in toto.

SO ORDERED.

Carpio, (Chairperson), Peralta, Abad, and Mendoza, JJ., concur.

[1] Docketed as CA-G.R. CV No. 87026, penned by Associate Justice Martin S. Villarama, Jr. (now a member of this Court), with Associate Justices Hakim S. Abdulwahid and Arturo G. Tayag, concurring; rollo, pp. 29-44.

[2] Id. at 30.

[3] Id. at 31.

[4] Decision was penned by Justice Minerva Gonzaga-Reyes (ret.).

[5] Rollo, p. 32

[6] Id. at 16.

[7] The requisites essential for the application of the principle of res judicata are as follows: (1) there must be a final judgment or order; (2) said judgment or order must be on the merits; (3) the Court rendering the same must have jurisdiction on the subject matter and the parties; and (4) there must be between the two cases identity of parties, subject matter and causes of action. (Cruz v. Court of Appeals, G.R. No. 164797, Feb. 13, 2006, 482 SCRA 379.)

8 Vda. de Cruz v. Carriaga, Jr., G.R. Nos. 75109-10, June 28, 1989, 174 SCRA 330, 338.

[9] Alamayri v. Pabale, G.R. No. 151243, April 30, 2008, 553 SCRA 146.

[10] G.R. Nos. 76265 and 83280, March 11, 1994, 231 SCRA 88.

[11] Id. at 99-100.

[12] Noceda v. Court of Appeals, G.R. No. 119730, Sept. 2, 1999, 313 SCRA 504, 518-519.

[13] Cruz v. Court of Appeals, supra note 7.

[14] Tan v. Court of Appeals, 415 Phil. 675 (2001).

[15] Noceda v. Court of Appeals, supra note 12, at 519.

[16] Supra note 1, at 43.

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