

JOSE L. LOPEZ, AS JUDICIAL ADMINISTRATOR OF INTESTATE ESTATE OF THE LATE MAGDALENA JIMENEA AND HIS OWN BEHALF AND LOLITA V. LOPEZ, PLAINTIFFS-APPELLANTS, VS. ENRIQUE L. S. VILLA...

G.R. No. 54323. August 19, 1988

Ponente: MELENCIO-HERRERA, J.

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MELENCIO-HERRERA, J.:

The Court upholds the Order[*] of the then Court of First Instance of Negros Occidental, dated 5 May 1971, dismissing Civil Case NO. 9651 for Specific Performance and Damages, which case, on appeal to the Court of Appeals, was elevated to us by that Court on pure questions of law.

The controversy revolves around a contract of lease of three (3) subdivision lots entered into in 1955 between the spouses Domingo Lopez and Magdalena Jimenea (now deceased), as Lessees (plaintiff-appellants herein), and Enrique L. S. Villaruel, Javier L. S. Villaruel and Maria Luisa Villaruel de Luzuriaga, as Lessors (defendants-appellees in this case).

Paragraph 4 of the Lease Contract provided:

"That the term of this lease shall be for a period of TEN (10) years, counted from the date LESSEES commence business upon the building which, under the terms of Par. 'Second' hereof, they will construct on the lots herein described and leased.

"Provided, however, that after said ten-year period above provided, the LESSEES shall continue in possession and lease of the said lots and building, subject to whatever terms regarding the rate of rental and other conditions which the parties hereto shall then agree upon. Provided further that at the end of this period of extension, the LESSORS shall have the right to buy the building from the LESSEES at a price which shall be fixed and computed on the basis of the LESSEES' original expenditure in putting up the said building deducting reasonable depreciation. The extension will be for another period of ten years." (Brief for Plaintiffs-Appellants, pp. 2-3).

The Lessees paid rentals of P600.00 a month for a period of ten (10) years until September 1965. After that date, the Lessors made several requests, oral and written, upon the Lessees for a conference to fix the rate of rentals if the lease was to be extended for another ten (10) years. The Lessees offered to pay P1,000.00 monthly but the Lessors demanded P1,500.00 per lot, per month, so nothing came out of the conference. The Lessees made payment of P1,800.00 for the months of October, November and December, 1965, at the old rate of P600.00 a month. A temporary receipt therefor (Exhibit "6") was issued by an employee of the Lessors.

Notices to vacate were sent by the Lessors to the Lessees in January and February 1966 but the latter refused to vacate.

On 31 March 1966, the Lessors filed an Ejectment case (Civil Case No. 4946) against the Lessees before the

Municipal Court of Bacolod City (Ejectment Suit). Judgment was rendered in favor of the Lessors, and the Lessees were ordered to vacate.

On appeal to the former Court of First Instance (CFI) of Negros Occidental (Civil Case No. 8319), and after trial de novo, that Court, on 12 July 1968, affirmed the Municipal Court judgment and also ordered the Lessees to vacate. Concluded the CFI:

"It is clear that no extension of the contract x x x was perfected, expressly or impliedly x x x.

"It is not right for the defendants (the Lessees) to assume that the Contract of Lease x x x was extended for ten years from October, 1965, to September, 1975 simply because the plaintiffs received the P1,800.00 paid by them on December 24, 1965. The testimony of Maria Lourdes Luzuriaga that Exh. '6' is merely a temporary receipt, as it was so designated in Exh. '6', stands undenied, and she explained that it was subject to whatever was to be agreed upon between plaintiffs and defendants on a subsequent date regarding the rate of rental inasmuch as no contract has yet been perfected between them at the time the receipt was issued. That testimony is not challenged nor denied by the defendants, hence it must be accorded due faith and credibility in the absence of any evidence to the contrary." (Decision, p. 29, Record on Appeal)

In due course, that Decision was also affirmed by the Court of Appeals (in CA-G.R. No. 43880-R), with judgment having become final and executory on 29 March 1972.

In the meantime, on 26 November 1970, the Lessees instituted Civil Case No. 9651 for Specific Performance and Damages (the Specific Performance Case) against the Lessors before the Court of First Instance of Negros Occidental. The Lessees prayed for judgment condemning the Lessors:

"1. To comply with their obligations under the Contract of Lease particularly:

'A. To grant plaintiffs an extension of another ten years to expire on September 30, 1975 for the lease of the three subdivisions of the Lot No. 23 of the Bacolod Cadastre covered by TCT No. 1-303 (95-A) R;

'B. In event the lease is terminated compel defendants jointly and severally to buy buildings otherwise known as Floredith Theatre in the amount of P500,000.00 minus only P50,000.00 for depreciation.

"2. Granting plaintiffs the right after termination of the lease to use the lot on which the building stands without rental for the use of the lot until the full price of the building is paid (Grand v. Court of Appeals, L-12486);

"3. Condemning the defendants jointly and solidarily to pay plaintiffs the amount of P75,000.00 as damages, P50,000.00 as moral and exemplary damages and P5,000.00 for attorney's fees and to pay the cost of this suit;" (Record on Appeal, pp. 6-7)

The Lessors filed a Motion to Dismiss founded on the pendency of another action, the Ejectment Suit. The Trial Court overruled the Opposition to the Motion and, on 22 March 1971, ordered the dismissal of the Specific Performance Case, finding the Motion "to be well founded." (ibid., p. 43)

The Order of dismissal was challenged before the Court of Appeals, which, as heretofore stated, certified the case to us.

The Assignments of Error read:

"I

The lower Court erred in not finding that the cause of action in Civil Case No. 8319, which is an Ejectment Case, being for the vacating of the premises and the payment of unpaid rentals, is different from the cause of action in Civil Case No. 9651, which is for specific performance of the obligation of defendants-appellees under the Contract of Lease to pay for the value of the building constructed by the plaintiffs-appellants in the event the lease of the land is terminated.

"II

The lower Court erred in not finding that the subject matter of Civil Case No. 9651 could not have been included in Civil Case No. 8319 as the latter was an Ejectment Case originally filed in an inferior Court which could not have had jurisdiction over the subject matter of Civil Case No. 9651 which is for specific performance and for a claim in the amount of P450,000.00 as value of the building plus P75,000.00 as damages and P50,000.00 as moral and exemplary damages and P5,000.00 for attorney's fees.

"III

The lower Court erred in finding as well-founded the only ground raised by defendants-appellees in their motion to dismiss Civil Case No. 9651, which is that said case is barred by another action pending between the same parties for the same cause.

"IV

The lower Court erred in dismissing the complaint in Civil Case No. 9651." (Brief for Plaintiffs-Appellants, pp. A-C

The basic issue for resolution is whether or not the Ejectment Case is a bar to the subsequent case for Specific Performance and Damages.

We rule in the affirmative and sustain the dismissal of the Specific Performance Case.

The pendency of another action between the same parties for the same cause is a ground for dismissal of an action (Section 1[e], Rule 16, Rules of Court). In order that the ground may be invoked there must be between the action under consideration and the other action, (1) identity of parties, or at least such as representing the same interest in both actions; (2) identity of rights asserted and relief prayed for, the relief being founded on the same facts; and (3) the identity on the two preceding particulars should be such that any judgment which may be rendered on the other action will, regardless of which party is successful, amount to *res adjudicata* in the action under consideration (*Municipality of Hagonoy vs. Sec. of Agriculture and Natural Resources*, L-27595, October 26, 1976, 73 SCRA 507).

All the foregoing criteria are present in the case under consideration. The pivotal issue between the parties is whether or not the Lessees should be allowed to continue occupying the leased premises under the terms of the lease contract. This is the subject matter of the action for Ejectment filed by the Lessors in the Municipal Court. It is also the main or principal purpose of the action for Specific Performance and Damages subsequently filed by the Lessees before the Court of First Instance. The cause of action for damages of approximately P125,000.00, which the Lessees claim is beyond the jurisdiction of the Municipal Court, is merely an incident to the main question of whether or not the Lessees should be allowed to continue the lease for another period of ten (10) years. Incidental as well is the issue of the purchase by the Lessors of the building constructed on the leased premises insisted on by the Lessees.

The judgment in the Ejectment Suit amounted to an adjudication of the Specific Performance Case, which prayed essentially for an extension of another ten (10) years, but which issue had been resolved by the then Court of First

Instance, acting as an appellate Court, when it held "it is clear that no extension of the contract was perfected, expressly or impliedly" and that "the defendants (the Lessees) have been occupying the three (3) lots in question without benefit of contract whatsoever from October, 1965 up to the present time, and no rental was paid by the defendants for the use thereof." (Decision, pp. 34-35, Record on Appeal). And, contrary to the Lessees' contention, the Lease Contract did not obligate, but merely gave, the Lessors the right to purchase the building constructed on the leased premises after the termination of the contract which the Lessors opted not to exercise. In other words, the Decision in the Ejectment Suit settled the issue in the Specific Performance Case, thereby bringing the latter case squarely within the ambit of the res judicata doctrine.

We find, therefore, that the Trial Court acted correctly in dismissing the Specific Performance Case. In fact, in filing the same, the Lessees had violated the principle prohibiting multiplicity of suits.

"The issue of whether the lessee has a right to occupy the land leased as against the demand of the lessor should be properly threshed out in an ejectment suit, not in an action for specific performance and damages filed by the lessee. A party cannot, by varying the form of actions, or adopting a different method of presenting his case, escape the operation of the principle that the same cause of action shall not be twice litigated between the same parties or their privies (Penalosa vs. Tuason, 22 Phil. 303, 1912).

WHEREFORE, the Order appealed from is hereby **AFFIRMED**. With costs against plaintiffs-appellants.

SO ORDERED.

Paras, Padilla, and Sarmiento, JJ., concur.

Regalado, J., no part in the deliberations.

[*] Penned by Judge Jose F. Fernandez.

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