

SECOND DIVISION

[G.R. No. 108015, May 20, 1998]

CRISTINA DE KNECHT AND RENE KNECHT, PETITIONERS, VS. HON. COURT OF APPEALS; HON. MANUEL DUMATOL, AS JUDGE, REGIONAL TRIAL COURT, BRANCH 112, PASAY CITY; HON. CONCHITA C. MORALES, AS JUDGE, REGIONAL TRIAL COURT, BRANCH 110, PASAY CITY; HON. AURORA NAVARETTE-RECINA, AS JUDGE, REGIONAL TRIAL COURT, BRANCH 119, PASAY CITY; HON. SOFRONIO G. SAYO, AS JUDGE, REGIONAL TRIAL COURT, BRANCH 111, PASAY CITY; REPUBLIC OF THE PHILIPPINES; SPS. MARIANO & ANACORETA NOCOM; SALEM INVESTMENT CORPORATION; SPS. ANASTACIO & FELISA BABIERA; AND SPS. ALEJANDRO & FLOR SANGALANG, RESPONDENTS.

[G.R. NO. 109234. MAY 20, 1998]

CRISTINA DE KNECHT AND RENE KNECHT, PETITIONERS, VS. REGIONAL TRIAL COURT, BRANCH 111, PASAY CITY; REPUBLIC OF THE PHILIPPINES; PHILIPPINE NATIONAL BANK; AND MARIANO NOCOM, RESPONDENTS.

D E C I S I O N

PUNO, J.:

In **G.R. No. 108015**, petitioners Cristina de Knecht and Rene Knecht seek to annul and set aside the decision of the Court of Appeals^[1] in **CA-G.R. SP No. 28089** dismissing an action to annul (1) the decision and order of the Regional Trial Court, Branch 112, Pasay City,^[2] in LRC Case No. 2636-P; (2) the order of the Regional Trial Court, Branch 110, Pasay City^[3] in **LRC Case No. 2652-P**; and (3) the orders of dismissal by Regional Trial Court, Branch 119, Pasay City in **Civil Case No. 2961-P**;^[4] and (4) the orders and the writ of possession issued by the Regional Trial Court, Branch 111, Pasay City,^[5] in **Civil Case No. 7327**.

In **G.R. No. 109234**, petitioners Cristina de Knecht and Rene Knecht seek to annul the decision of the Court of Appeals^[6] in **CA-G.R. SP No. 27817** which dismissed the petition for certiorari questioning the order of the Regional Trial Court, Branch 111, Pasay City^[7] denying its "Motion for Intervention and to Implead Additional Parties" in Civil Case No. 7327.

The instant case is an unending sequel to several suits commenced almost twenty years ago over the same subject matter. This involves a parcel of land with an area of 8,102.68 square meters, more or less, located at the corner of the south end of the E. de los Santos Avenue (EDSA)^[8] and F.B. Harrison in Pasay City. The land was owned by petitioners Cristina de Knecht and her son, Rene Knecht, under Transfer

Certificate of Title (TCT) No. 9032 issued in their names by the Register of Deeds of Pasay City. On the land, the Knechts constructed eight (8) houses of strong materials, leased out the seven and occupied one of them as their residence.

In 1979, the Republic of the Philippines initiated Civil Case No. 7001-P for expropriation against the Knechts' property before the then Court of First Instance of Rizal, Branch 111, Pasay City.^[9] The government sought to utilize the land for the completion of the Manila Flood Control and Drainage Project and the extension of the EDSA towards Roxas Boulevard.

The CFI issued a writ of possession. On petition of the Knechts, however, this Court, in G.R. No. L-51078, held that the choice of area for the extension of EDSA was arbitrary. We annulled the writ of possession and enjoined the trial court from taking further action in Civil Case No. 7001-P.^[10]

In 1982, the City Treasurer of Pasay discovered that the Knechts failed to pay real estate taxes on the property from 1980 to 1982.^[11] As a consequence of this deficiency, the City Treasurer sold the property at public auction on May 27, 1982 for the sum of P63,000.00, the amount of the deficiency taxes.^[12] The highest bidders were respondent Spouses Anastacio and Felisa Babiera (the Babieras) and respondent Spouses Alejandro and Flor Sangalang (the Sangalangs).

Petitioners failed to redeem the property within one year from the date of sale. In August 1983, Anastacio Babiera filed with respondent Regional Trial Court, Branch 112, Pasay City, a petition for registration of his name as co-owner pro-indiviso of the subject land. This case was docketed as LRC Case No. 2636-P^[13] and was filed allegedly without notice to the Knechts. On September 15, 1983, the trial court ordered the Register of Deeds to register Babiera's name and the Knechts to surrender to the Register of Deeds the owner's duplicate of the title.

In October 1983, Alejandro Sangalang filed **LRC Case No. 2652-P** before the Regional Trial Court, Branch 110, Pasay City.^[14] Sangalang also sought to register his name as co-owner pro-indiviso of the subject property. The proceedings were also conducted allegedly without notice to the Knechts. The trial court granted the petition and ordered the Register of Deeds, Pasay City to cancel TCT No. 9032 in the name of the Knechts and issue a new one in the names of Babiera and Sangalang.

Pursuant to said orders, the Register of Deeds cancelled TCT No. 9032 and issued TCT No. 86670 in the names of Sangalang and Babiera. The Knechts, who were in possession of the property, allegedly learned of the auction sale only by the time they received the orders of the land registration courts.

On March 12, 1985, Sangalang and Babiera sold the land to respondent Salem Investment Corporation (Salem) for P400,000.00. TCT No. 86670 was cancelled and TCT No. 94059 was issued in the name of Salem.

Meanwhile, on February 17, 1983, the Batasang Pambansa passed B.P. Blg. 340 authorizing the national government to expropriate certain properties in Pasay City for the EDSA Extension, the EDSA Outfall of the Manila Flood Control and Drainage Project, and the "Cut-Off" of the Estero Tripa de Gallina which were all projects of the National Government.^[15] The property of the Knechts was part of those expropriated under B.P. Blg. 340.

In view of this Court's previous ruling in G.R. No. L-51078^[16] annulling the expropriation proceedings in Civil Case No. 7001-P, the government apprised this Court of the subsequent enactment of B.P. Blg. 340. On February 12, 1990, we rendered a decision upholding the validity of B.P. Blg. 340 in G.R. No. 87335.^[17]

While G.R. No. 87335 was pending in court, on June 24, 1985, the Knechts filed **Civil Case No. 2961-P** before the Regional Trial Court, Branch 119, Pasay City.^[18] They prayed for reconveyance, annulment of the tax sale and the titles of the Babieras and Sangalangs. The Knechts based their action on lack of the required notices to the tax sale.

In the same case, Salem filed on September 26, 1985 a petition for appointment of a receiver. The court granted the petition and on November 7, 1985, appointed Metropolitan Bank and Trust Company as receiver. The Knechts questioned this appointment on a petition for certiorari before the Court of Appeals in CA-G.R. SP No. 08178. The Court of Appeals dismissed the petition which this Court affirmed in G.R. No. 75609 on January 28, 1987.

Meanwhile, Civil Case No. 2961-P proceeded before Branch 119. The Knechts presented their evidence. They, however, repeatedly requested for postponements.^[19] At the hearing of September 13, 1988, they and their counsel failed to appear. Accordingly, the trial court dismissed the case for "apparent lack of interest of plaintiffs" x x x "considering that the case had been pending for an unreasonable length of time."^[20]

The Knechts moved to set aside the order of dismissal. The motion was denied for late filing and failure to furnish a copy to the other parties.^[21] The Knechts questioned the order of dismissal before the Court of Appeals. The appellate court sustained the trial court. They elevated the case to this Court in G.R. No. 89862. The petition was denied for late payment of filing fees and for failure to sufficiently show any reversible error.^[22] On January 17, 1990, the petition was denied with finality^[23] and entry of judgment was made on February 19, 1990.^[24]

Three (3) months later, on May 15, 1990, the Republic of the Philippines, through the Solicitor General, filed before the Regional Trial Court, Branch 111, Pasay City **Civil Case No. 7327** "[f]or determination of just compensation of lands expropriated under B.P. Blg. 340."^[25] In its amended petition, the National Government named as defendants Salem, Maria del Carmen Roxas de Elizalde, Concepcion Cabarrus Vda. de Santos, Mila de la Rama and Inocentes de la Rama, the heirs of Eduardo Lesaca and Carmen Padilla.^[26] As prayed for, the trial court issued a writ of possession on August 29, 1990.^[27] The following day, August 30, seven of the eight houses of the Knechts were demolished and the government took possession of the portion of land on which the houses stood.^[28]

Meanwhile, Salem conveyed 5,611.92 square meters of the subject property to respondent spouses Mariano and Anacoreta Nocom for which TCT No. 130323 was issued in their names. Salem remained the owner of 2,490.69 square meters under TCT Nos. 130434 and 130435.

Since the Knechts refused to vacate their one remaining house, Salem instituted against them **Civil Case No. 85-263** for unlawful detainer before the Municipal Trial

Court, Branch 46, Pasay City. As defense, the Knechts claimed ownership of the land and building.^[29] The Municipal Trial Court, however, granted the complaint and ordered the Knechts' ejectment. Pursuant to a writ of execution, the last house of the Knechts was demolished on April 6, 1991.^[30]

The proceedings in Civil Case No. 7327 continued. As prayed for by Salem, the trial court issued an order on September 13, 1990 for the release of P5,763,650.00 to Salem by the Philippine National Bank (PNB) as partial payment of just compensation.^[31] On June 7, 1991, the trial court issued another order to the PNB for the release of P15,000,000.00 as another partial payment to Salem.^[32]

On September 9, 1991, the trial court issued an order fixing the compensation of all the lands sought to be expropriated by the government. The value of the subject land was set at P28,961.00 per square meter.^[33] This valuation did not include the improvements.^[34]

It was after these orders that the Knechts, on September 25, 1991, filed a "Motion for Intervention and to Implead Additional Parties" in Civil Case No. 7327. They followed this with a "Motion to Inhibit Respondent Judge Sayo and to Consolidate Civil Case No. 7327 with Civil Case No. 8423."

Earlier, prior to the "Motion to Inhibit Respondent Judge Sayo and to Consolidate Civil Case No. 7327 with Civil Case No. 8423," the Knechts instituted **Civil Case No. 8423** before the Regional Trial Court, Branch 117, Pasay City for recovery of ownership and possession of the property. On January 2, 1992, the trial court dismissed Civil Case No. 8423 on the ground of res judicata. The Knechts challenged the order of dismissal in G.R. No. 103448 before this Court. On February 5, 1992, we dismissed the Knechts' "Motion for Extension of Time to File Petition for Certiorari" for non-compliance with Circular No. 1-88^[35] and for late filing of the Petition.^[36] Entry of judgment was made on May 21, 1992.^[37]

In Civil Case No. 7327, the trial court issued an order on April 14, 1992 denying the Knechts' "Motion for Intervention and to Implead Additional Parties." The court did not rule on the "Motion to Inhibit Respondent Judge Sayo and to Consolidate Civil Case No. 7327 with Civil Case No. 8423," declaring it moot and academic.

On April 23, 1992, as prayed for by Mariano Nocom, the trial court ordered the release of P11,526,000.00 as third installment for his 5,611.92 square meters of the subject land. The Knechts questioned the release of this amount before the Court of Appeals in **CA-G.R. SP No. 27817**. The Knechts later amended their petition to limit their cause of action to a review of the order of April 14, 1992 which denied their "Motion for Intervention and to Implead Additional Parties."

On March 5, 1993, the Court of Appeals dismissed the petition in CA-G.R. SP No. 27817 and denied the Knechts' intervention in Civil Case No. 7327 after finding that the Knechts had no legal interest on the subject property after the dismissal of Civil Case No. 2961-P. Hence the petition in G.R. No. 109234.

On June 9, 1992, while CA-G.R. SP No. 27817 was pending, the Knechts instituted also before the Court of Appeals an original action for annulment of judgment of the trial courts. This case was docketed as **CA-G.R. SP No. 28089**. Therein, the Knechts challenged the validity of the orders of the land registration courts in the

two petitions of the Sangalangs and Babieras for registration of their names,^[38] the reconveyance case^[39] and the just compensation proceedings.^[40] The Knechts questioned the validity of the titles of the Babieras and Sangalangs, and those of Salem and the Nocoms, and prayed for the issuance of new titles in their names. They also sought to restrain further releases of payment of just compensation to Salem and the Nocoms in Civil Case No. 7327.

The Court of Appeals dismissed the petition for lack of merit on November 24, 1992. Hence the filing of G.R. No. 108015. In a Resolution dated February 1, 1993, we denied the petition finding "no reversible error" committed by the Court of Appeals. The Knechts moved for reconsideration.

Pending a resolution of this Court on the Knechts' motion for reconsideration, respondents Nocom moved for consolidation of the two actions.^[41] We granted the motion.

In their petition in G.R. No. 109234, the Knechts alleged that:

"I THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR OF LAW IN HOLDING THAT CIVIL CASE NO. 7327 IS NOT AN EMINENT DOMAIN PROCEEDING;

II THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR OF LAW IN HOLDING THAT RES JUDICATA HAS SET IN TO BAR THE MOTION FOR INTERVENTION;

III THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR OF LAW IN NOT ORDERING RESPONDENT JUDGE TO RULE ON THE MOTION FOR INHIBITION."^[42]

In their Motion for Reconsideration in G.R. No. 108015, the Knechts reiterate that:

"I THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR OF LAW IN HOLDING THAT THE PETITION FOR ANNULMENT OF JUDGMENT IS BARRED BY RES JUDICATA;

II THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR OF LAW IN UPHOLDING THE DEFENSE OF RES JUDICATA EVEN AS ITS APPLICATION INVOLVES THE SACRIFICE OF JUSTICE TO TECHNICALITY."^[43]

We rule against the petitioners.

In its decision, the Court of Appeals held that the Knechts had no right to intervene in Civil Case No. 7327 for lack of any legal right or interest in the property subject of expropriation. The appellate court declared that Civil Case No. 7327 was not an expropriation proceeding under Rule 67 of the Revised Rules of Court but merely a case for the fixing of just compensation.^[44] The Knechts' right to the land had been foreclosed after they failed to redeem it one year after the sale at public auction. Whatever right remained on the property vanished after Civil Case No. 2961-P, the reconveyance case, was dismissed by the trial court. Since the petitions questioning the order of dismissal were likewise dismissed by the Court of Appeals and this Court, the order of dismissal became final and res judicata on the issue of ownership of the land.^[45]