

THIRD DIVISION

[G.R. No. 225896, July 23, 2018]

CARMEN ALEDRO-RUÑA, PETITIONER, V. LEAD EXPORT AND AGRO-DEVELOPMENT CORPORATION, RESPONDENT.

DECISION

GESMUNDO, J.:

This is an appeal by *certiorari* filed by Carmen Aledro-Ruña (*petitioner*) against Lead Export and Agro-Development Corporation (*respondent*), assailing the Decision^[1] dated February 15, 2016 and Resolution^[2] dated July 21, 2016 of the Court of Appeals (CA) in CA-G.R. CV No. 03735 which denied petitioner's appeal for lack of merit. She prays that the assailed decision be reversed and set aside, and that a new judgment be rendered declaring her to have a better right to possess the parcels of land subject of the instant case.

The Antecedents

This case originated from three (3) different civil cases involving two (2) parcels of land, Lots 3014 and 5722, covered by Original Certificate of Title No. (P-6303) P-1781 and Original Certificate of Title No. (P-6224) P-1712, respectively. The two parcels of land were registered under the name of Segundo Aledro (*Segundo*).

Segundo allegedly executed two (2) contracts covering the subject parcels of land on separate dates: 1) Contract of Lease executed on August 4, 1972 between him and Alfredo A. Rivera (*Rivera*) for a period of fifteen (15) years; and 2) Deed of Absolute Sale involving the same lands executed by Segundo and Mario D. Advento (*Advento*) on March 24, 1981.

On October 8, 1982, Advento sold the subject properties to Andres M. Ringor (*Ringor*).

On April 25, 1988, Farmingtown Agro-Developers, Inc. (*FADI*), a corporation engaged in the growing and selling of Cavendish bananas, leased the two (2) parcels of land from Ringor for a period of twenty-five (25) years.

First Case: Civil Case No. 95-13

On January 31, 1995, a complaint was filed by the heirs of Segundo, namely: petitioner, Antero, Basilisa, Nilo, Romeo, Edilberto and Expedito, all surnamed Aledro and represented by Sofia Aledro (*Sofia*) against Advento and FADI before the Regional Trial Court of Panabo City, Branch 34 (*RTC Br. 34*), for Real Action over an Immovable, Declaration of Nullity of Deed, and Damages.^[3]

On March 31, 1997, the RTC Br. 34 dismissed the complaint. The heirs of Segundo then appealed before the CA.

Meanwhile, in December 2000, FADI merged with respondent, the latter as the surviving corporation. In March 2001, respondent's former corporate name, Lead Export Corporation, was changed to Lead Export & Agro-Development Corporation. Consequently, respondent absorbed FADI's occupational and possessory rights pertaining to Lots 3014 and 5722.^[4]

On October 12, 2001, the CA reversed and set aside the decision of the RTC Br. 34 and remanded the case thereto for further reception of evidence.

Allegedly, on September 18, 2003, the heirs of Segundo (including petitioner), then represented by their attorney-in-fact, Nilo Aledro (*Nilo*), and assisted by their counsel, filed a motion to dismiss with prejudice on the ground of lack of interest to prosecute the case and to protect Advento and FADI from further prosecution respecting the subject matter of the case.^[5]

On September 30, 2003, the RTC Br. 34 issued an Order^[6] dismissing the case with prejudice. No appeal was filed, thus, the order became final and executory.

Second Case: Civil Case No. 41-2005

Another complaint was filed by Sofia, widow of Segundo, in 2005 before the RTC of Panabo City, Br. 4 (*RTC Br. 4*) against Advento for Declaration of Nullity of Deed of Sale and Quieting of Title, alleging that through fraud, she and Segundo were made to believe that they were signing a contract of lease on March 24, 1981 and not a deed of absolute sale.

Summons was issued against Advento, but it was returned unserved. Summons by publication was effected, but Advento still failed to file an answer. Hence, he was declared in default.^[7]

On May 30, 2007, the RTC Br. 4 rendered a decision in favor of Sofia. It ordered the removal of cloud cast upon the OCTs of the subject parcels of land. It also declared the agreements of lease as having expired and terminated. Lastly, the deed of absolute sale executed by Segundo in favor of Advento on March 24, 1981 was declared as null and void.^[8]

On April 17, 2009, the RTC Br. 4 issued a Certificate of Finality^[9] of its decision.

Present Case: Civil Case No. 218-10

On September 30, 2010, petitioner filed a case for unlawful detainer, damages and attorney's fees against respondent before the 1st Municipal Circuit Trial Court of Carmen-Sto. Tomas-Braulio E. Dujali, Davao (*MCTC*).

Respondent countered that it had a right of possession over the subject properties based on the contract of lease executed on April 25, 1988 between Ringor and FADI. It further argued that its possessory rights were based on the deeds of absolute sale between Segundo and Advento, and later between Advento and Ringor.

Respondent also argued that the case should be dismissed based on *res judicata* because a previous complaint had already been filed by petitioner as one of the heirs of Segundo against Advento and FADI for real action over an immovable, declaration of nullity of deeds and damages which was dismissed with prejudice.^[10]

On May 10, 2011, the MCTC rendered judgment in favor of petitioner and ordered respondent, among others, to vacate the two (2) parcels of land.

Respondent appealed before the RTC Br. 34.

Meanwhile, Ringor sold the subject properties to Wilfredo Gonzales (*Gonzales*) and Oscar Q. Cabuñas, Jr. (*Cabuñas*) on January 7, 2012. They entered into a contract of lease with Lapanday Foods Corporation (*Lapanday*), an affiliate of respondent, which provided for a lease contract period commencing on January 1, 2013, after the expiration of the lease between respondent and Ringor.

Meanwhile, this case was referred to a judicial dispute resolution (*JDR*), but the same failed. Thus, it was re-raffled to the RTC Br. 4.

On October 1, 2012, the RTC Br. 4 reversed and set aside the MCTC decision for lack of jurisdiction, ruling that the action should have been one for recovery of the right to possess or *accion publiciana* because the alleged dispossession had exceeded the mandatory requirement of effecting the last demand to vacate within the year of dispossession.^[11]

Thus, pursuant to Section 8, Rule 40 of the Rules of Court, the RTC Br. 4 took cognizance of the case and referred it for court-annexed mediation (*CAM*) and *JDR* proceedings.^[12]

Respondent moved for reconsideration, but it was denied. Pre-trial was conducted. Trial then ensued.

After the parties' respective memoranda were filed, the RTC Br. 4 rendered a decision^[13] on May 20, 2014 dismissing the case for lack of merit. It ruled that the case was barred by *res judicata* and thus, upheld the validity of the deeds of sale covering the series of transaction involving the subject properties and the contract of lease between Ringor and respondent.^[14] Further, the trial court sustained respondent's assertion of being the lawful lessee of the subject properties, having the right to occupy and possess the same by virtue of contract of lease with Ringor.^[15]

Aggrieved, petitioner sought relief from the CA.

The CA, however, denied the appeal and affirmed *in toto* the decision of the RTC Br. 4. In so ruling, the CA found that the principle of *res judicata* applied in the case and that petitioner's action had already prescribed.

As regards the issue of *res judicata*, the CA explained that all the requisites for the application of the principle exist. One, the first case had already attained finality. The petitioner did not take any step to have the dismissal order set aside within the reglementary period to appeal.^[16] Two, the RTC Br. 4 had jurisdiction over the first case.^[17] Three, the case was dismissed with prejudice.^[18] Four, between the first and second actions, there was identity of parties, subject matter and causes of action.^[19] Hence, the ruling dismissing Civil Case No. 95-13 operated as a bar to a subsequent re-filing.^[20]

With regard to the issue of prescription, the CA ruled that:

In Civil Case No. 95-13, plaintiff, as one of the co-heirs of Segundo Aledro, filed the complaint for nullification of both the contract of lease and the deed of sale before the RTC Branch 34 on January 31, 1995, or almost twenty-three (23) years from the execution of the lease contract and fourteen (14) years from the execution of the deed of sale in 1981, which is clearly beyond the ten-year prescriptive period provided under Article 1144 of the New Civil Code to institute an action upon a written contract. Moreover, it is beyond the four-year prescriptive period provided under Article 1391 of the New Civil Code to annul a contract where the consent of a contracting party is vitiated by fraud.^[21]

The CA also observed that during Segundo's lifetime, he did not take any act to impugn the validity of the sale or the lease. In the absence of any contrary evidence, the deed of sale and the contract of lease were deemed perfectly valid.^[22]

Aggrieved, petitioner moved for reconsideration, but her motion was denied.

Hence, the present petition raising the following:

ISSUES

A.

THAT THE HONORABLE COURT OF APPEALS ERRED WHEN IT UPHELD THE RULING OF THE REGIONAL TRIAL COURT DISMISSING PETITIONER'S COMPLAINT ON THE GROUND THAT IT IS BARRED BY RES JUDICATA, DESPITE THE FACT THAT THERE IS A DECISION, ALREADY FINAL AND EXECUTORY, DECLARING THAT THE SUBJECT PARCELS OF LAND AS CLEARED FROM DOUBT AND THAT THE DEEDS OF ABSOLUTE SALE RELIED BY RESPONDENT WAS ALREADY NULL AND VOID[.]

B.

THAT THE HONORABLE COURT OF APPEALS ERRED WHEN IT DID NOT RULE THAT PETITIONER HAS THE BETTER RIGHT TO POSSESS THE SUBJECT PARCELS OF LAND[.]

C.

THAT THE HONORABLE COURT OF APPEALS ERRED WHEN IT RULED THAT THE PLAINTIFF'S ACTION HAS ALREADY PRESCRIBED[.]^[23]

Prescinding therefrom, the pivotal issues for resolution are: 1) whether or not the case is already barred by *res judicata*; and 2) whether or not petitioner has the better right of possession.

The Court's Ruling

Ordinarily, when findings of the trial court are affirmed by the appellate court, such findings are deemed conclusive and binding upon this Court. This is in consonance with the settled rule that the Court is not a trier of facts. Its authority under Rule 45 of the Rules of Court is limited only to questions of law. However, when the inference made is manifestly mistaken, absurd or impossible, or when the judgment

is based on misapprehension of facts,^[24] the Court is cloaked with the authority to review factual findings made by the lower courts.

The time-honored principle is that litigation has to end and terminate sometime and somewhere, and it is essential to an effective administration of justice that once a judgment has become final, the issue or cause therein should be laid to rest.^[25]

Corollarily, once a judgment has become final and executory, the issues resolved therein cannot be re-litigated in a subsequent action under the principle of *res judicata*.

Petitioner argues that *res judicata* by prior judgment is not applicable in this case because its essential requisites do not exist. She maintains that the order^[26] dismissing Civil Case No. 95-13 is not a judgment on the merits;^[27] that there was no actual determination of the substantive issues therein;^[28] that there was no determination of the parties' rights and liabilities; no pronouncement that the possession of the subject parcels of land was granted to respondent; and there was no order cancelling the titles of the subject parcels of land registered in the name of Segundo.^[29]

On the other hand, respondent maintains that petitioner's action is already barred by *res judicata* because: 1) the dismissal of Civil Case No. 95-13 was an order on the merits^[30] as it was a dismissal with prejudice;^[31] and 2) there is, between the first and present cases, identity of parties, identity of subject matter and identity of causes of action.^[32] It further argues that the dismissal was upon motion of the plaintiffs, through one of the heirs of Segundo, Nilo Aledro, who was assisted by the plaintiffs' counsel. That pursuant to Sec. 2, Rule 17^[33] of the Rules of Court, a complaint shall not be dismissed at the plaintiff's instance save upon approval of the court and upon such terms and conditions as the court deems proper.^[34] Specifically, respondent explains that:

The dismissal of Civil Case No. 95-13 was an order on the merits. Precisely, the plaintiffs in Civil Case No. 95-13 specified its dismissal to be WITH PREJUDICE because having settled with Mario V. Advento and respondent's predecessor, they considered the case as having been adjudicated on the merits and they wanted the defendants in the case to be protected against further suits involving the same subject matter.^[35]

Thus, respondent strongly maintains that the dismissal is equivalent to an adjudication on the merits and has the effect of *res judicata*.^[36]

No determination of the parties' rights and liabilities

There is *res judicata* where the following four (4) essential conditions concur, viz.: (1) there must be a final judgment or order; (2) the court rendering it must have jurisdiction over the subject matter and the parties; (3) it must be a judgment or order on the merits; and (4) there must be, between the two cases, identity of parties, subject matter and causes of action.^[37]

On its face, the present case should have been barred by *res judicata* because: 1) there is a final order rendered in the first case; 2) the court that rendered the final