838 Phil. 344; 115 OG No. 18, 4471 (May 6, 2019)

# SECOND DIVISION

# [ G.R. No. 235258, August 06, 2018 ]

## FENIX (CEZA) INTERNATIONAL, INC., PETITIONER, VS. HON. EXECUTIVE SECRETARY, HON. SECRETARY OF FINANCE, THE COMMISSIONER OF CUSTOMS, THE DISTRICT COLLECTOR OF CUSTOMS, HON. HEAD OF THE LAND TRANSPORTATION OFFICE, AND THE CAGAYAN SPECIAL ECONOMIC ZONE AUTHORITY, RESPONDENTS.

## D E C I S I O N

**PERLAS-BERNABE, J.:**

Assailed in this petition for review on certiorari[1] are the Decision[2] dated November 29, 2016 and the Resolution[3] dated September 28, 2017 of the Court of Appeals (CA) in CA-G.R. CR No. 36899, which upheld the Resolutions dated May 7, 2014[4] and July 23, 2014[5] of the Regional Trial Court of Aparri, Cagayan, Branch 8 (RTC Br. 8) dismissing the petition for indirect contempt filed by petitioner Fenix (CEZA) International, Inc. (petitioner) on the ground of *res judicata* and forum shopping.

### The Facts

On December 12, 2002, then President Gloria Macapagal Arroyo (PGMA) issued Executive Order No. (EO) 156,[6] which provided, among others, for the ban on importation of all types of used motor vehicles, except those that may be allowed under its provisions. The constitutionality of the said issuance was then questioned before the Court in *Hon. Executive Secretary v. Southwing Heavy Industries, Inc.*[7] (Southwing) where the Court held that Section 3.1 of EO 156- which provided for the aforesaid ban was "declared VALID insofar as it applies to the Philippine territory outside the presently fenced-in former Subic Naval Base area and VOID with respect to its application to the secured fenced-in former Subic Naval Base area."[8]

Meanwhile, on April 4, 2005, PGMA issued EO 418,[9] Section 2 of which provides a specific duty in the amount of P500,000.00 in addition to the regular rates of import duty imposed on the list of articles listed in Annex A of the EO, as classified under Section 104 of the Tariff and Customs Code,[10] as amended. This prompted petitioner a domestic corporation engaged in, *inter alia*, the conversion, rebuilding, reconditioning, and maintenance of imported used motor vehicles - to file a petition for declaratory relief[11] against respondents the Hon. Executive Secretary, *et al.* (respondents) before the RTC Br. 8 (*Fenix Case*). Essentially, the *Fenix Case* sought for the nullity of EO 418 for being an invalid exercise of delegated legislative authority and for violating the due process and equal protection clauses in the

Constitution. After due proceedings, the RTC Br. 8 promulgated a Decision[12] dated March 13, 2009 declaring EO 418 void and unconstitutional. On reconsideration, however, the RTC Br. 8 issued a Resolution[13] dated April 21, 2009 limiting its earlier declaration of nullity and unconstitutionality to Section 2 of EO 418 only. Respondents elevated the matter before the Court, which in turn, issued a Minute Resolution[14] dated November 15, 2010 affirming the RTC Br. 8 ruling. As the Court pronouncement became final and executory, the RTC Br. 8 issued a Writ of Execution[15] dated June 14, 2011 against respondents, resulting in the Bureau of Customs (BOC) allowing the importations made by petitioner.

In the meantime, another case questioning the validity of EO 156 was filed before the Regional Trial Court of Aparri, Cagayan, Branch 6 by Forerunner Multi Resources, Inc. (Forerunner). The issue of the propriety of the issuance of injunctive relief in that case was elevated all the way to the Court in *Executive Secretary v. Forerunner Multi Resources, Inc.*[16] (*Forerunner*). In ruling against the injunctive relief, the Court ruled that Forerunner did not have any legal right which .entitles it to such relief, considering that EO 156 is a valid exercise of police power, as already declared with finality in *Southwing*. The ruling in *Forerunner* likewise mentioned that: (*a*) EO 418 did not repeal EO 156, as EO 156 is very explicit in prohibiting the importation of used motor vehicles, while EO 418 merely modified the tariff and nomenclature rates of import duty on used motor vehicles, without expressly revoking the importation ban; and (*b*) the ruling in the *Fenix Case* did not have any effect, much less reverse the pronouncements in *Southwing*, which upheld the ban on importations of used motor vehicles into the Philippines outside the fenced-in freeport export zones.[17]

Alarmed by the seemingly clashing rulings of the Court, the Automotive Rebuilding Industry of Cagayan Valley sought for a dialogue with the BOC, which resulted in the enforcement of the provisions of EO 156 by the latter. According to petitioner, the BOC consequently disallowed its importations of used motor vehicles, over its vehement objections. Claiming that such disallowance is directly contradictory to the Writ of Execution issued in the *Fenix Case*, petitioner filed the instant petition for indirect contempt[18] against respondents before the RTC Br. 8, docketed as S.C.A. No. II-5557 (*Contempt Case*).[19]

For respondents' part,[20] they contend that: (*a*) the *Contempt Case* is already barred by prior judgment in *Southwing* and *Forerunner* which upheld the validity of EO 156 and further decreed that the same was not repealed by EO 418; (*b*) petitioner is guilty of forum shopping as it attempts tore-litigate an issue already settled in *Southwing* and *Forerunner*; and (*c*) there is nothing in the rulings of the RTC Br. 8 that EO 418 impliedly repealed EO 156.[21]

**The RTC Ruling**

In a Resolution[22] dated May 7, 2014, the RTC Br. 8 granted respondents' motion to dismiss. The RTC found that while *Southwing*, *Forerunner*, and the *Fenix Case* differ with respect to the parties involved, causes of action, and subject matter, they nevertheless involve the same issue, *i.e.*, the validity and applicability of EOs 156 and 418, as all cases refer to the importation of used motor vehicles. Thus, *res judicata* applies in the *Contempt Case*. Relatedly, the RTC Br. 8 concluded that since

*res judicata* is applicable to the *Contempt Case*, then petitioner is guilty of forum shopping.[23]

Further, the RTC Br. 8 pointed out that the *Fenix Case* did not rule on the repeal of EO 156 by EO 418 and that the Writ of Execution issued in connection therewith only enjoined respondents from implementing Section 2 of EO 418, and not EO 156.[24]

Petitioner moved for reconsideration[25] but the same was denied in a Resolution[26] dated July 23, 2014. Aggrieved, petitioner appealed[27] to the CA.

**The CA Ruling**

In a Decision[28] dated November 29, 2016, the CA affirmed the RTC ruling. It held that *res judicata* applies to this case since the validity and propriety of the prohibition against the importation of used motor vehicles were already settled in *Southwing* and *Forerunner*. As such, petitioner can no longer re-litigate the same issue in this *Contempt Case*, and petitioner is consequently guilty of forum shopping. Further, the CA held that respondents' act of prohibiting the importation of used motor vehicles is not contemptuous as they were only enforcing EO 156, which had already been sustained in *Southwing* and *Forerunner*.[29]

Undaunted, petitioner filed a motion for reconsideration,[30] which was, however, denied in a Resolution[31] dated September 28, 2017; hence, this petition.

**The Issue Before the Court**

The. issue for the Court's resolution is whether or not the CA correctly upheld the RTC Br. 8's dismissal of the *Contempt Case* on the ground of *res judicata* and forum shopping.

**The Court's Ruling**

The petition is meritorious.

*Res judicata* literally means "a matter adjudged; a thing judicially acted upon or decided; a thing or matter settled by judgment." It also refers to the rule that a final judgment or decree on the merits by a court of competent jurisdiction is conclusive of the rights of the parties or their privies in all later suits on points and matters determined in the former suit. It rests on the principle that parties should not to be permitted to litigate the same issue more than once; that, when a right or fact has been judicially tried and determined by a court of competent jurisdiction, or an opportunity for such trial has been given, the judgment of the court, so long as it remains unreversed, should be conclusive upon the parties and those in privity with them in law or estate.[32]

This judicially created doctrine exists as an obvious rule of reason, justice, fairness, expediency, practical necessity, and public tranquility. Moreover, public policy, judicial orderliness, economy of judicial time, and the interest of litigants, as well as the peace and order of society, all require that stability should be accorded

judgments, that controversies once decided on their merits shall remain in repose, that inconsistent judicial decision shall not be made on the same set of facts, and that there be an end to litigation which, without the doctrine of *res judicata*, would be endless.[33]

The doctrine of *res judicata* is encapsulated in Section 47 (b) and (c), Rule 39 of the Rules of Court, which reads:

> Section 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:
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> x x x x
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> (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
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> (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 was actually and necessarily included therein or necessary thereto.

Under the afore-quoted provision, there are two (2) distinct concepts of *res judicata*, namely: (*a*) bar by former judgment; and (*b*) conclusiveness of judgment. In *Spouses Ocampo v. Heirs of Dionisio*,[34] the Court eloquently discussed these concepts as follows:

> There is "bar by prior judgment" when, as between the first case where the judgment was rendered and the second case that is sought to be barred, there is identity of parties, subject matter, and causes of action. In this instance, the judgment in the first case constitutes an absolute bar to the second action. Otherwise put, the judgment or decree of the court of competent jurisdiction on the merits concludes the litigation between the parties, as well as their privies, and constitutes a bar to a new action or suit involving the same cause of action before the same or other tribunal.
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> But where there is identity of parties in the first and second cases, but no identity of causes of action, the first judgment is conclusive only as to those matters actually and directly controverted and determined and not as to matters merely involved therein. This is the concept of *res judicata* known as "conclusiveness of judgment." Stated differently, any right, fact or matter in issue directly adjudicated or necessarily involved in the determination of an action before a competent court in which judgment is rendered on the merits is conclusively settled by the judgment therein and cannot again be litigated between the parties and their privies