

SECOND DIVISION

[G.R. No. 173783, June 17, 2015]

RIVIERA GOLF CLUB, INC., PETITIONER, VS. CCA HOLDINGS, B.V., RESPONDENT.

DECISION

BRION, J.:

Before the Court is the petition for review on *certiorari*^[1] filed by Riviera Golf Club, Inc. (*Riviera Golf*) assailing the January 11, 2006 decision^[2] and the July 5, 2006 resolution^[3] of the Court of Appeals (*CA*) in CA-G.R.CV No. 83824.

Background Facts

Riviera Golf, a domestic corporation, is the owner of Riviera Golf Club (*Club*), a 36-hole golf course and recreational facility in Silang, Cavite. On October 11, 1996, Riviera Golf entered into a **Management Agreement** with CCA Holdings, B.V. (*CCA Holdings*), a foreign corporation, for the management and operation of the Club.

The Management Agreement was for a period of five (5) years. Under this agreement, Riviera Golf would pay CCA Holdings a monthly Base Management Fee of 5.5% of the Adjusted Gross Revenue equivalent to US\$16,500.00 per month, adjusted to 4.5% per month from the opening date, plus an incentive Management Fee of 10% of the Gross Operating Profit.

The parties also entered into a co-terminous **Royalty Agreement** that would allow Riviera Golf and the Club's developer, Armed Forces of the Philippines' Retirement and Separation Benefits System (*AFP-RSBS*), to use CCA Holdings' name and facilities to market the Club's shares. In consideration of the license to use CCA Holdings' name, Riviera Golf and AFP-RSBS will pay CCA Holdings a gross licensing fee of 1% on all membership fees paid in the sale of shares, an additional gross licensing fee of 4% on all club shares, and 7% on non-golf memberships sold.

Riviera Golf initially paid the agreed fees, but defaulted in its payment of the licensing fees and the reimbursement claims in September 1997. Riviera Golf likewise failed to pay the monthly management and incentive fees in June 1999, prompting CCA Holdings to demand the amounts due under both agreements.

On October 29, 1999, Riviera Golf sent CCA Holdings a letter informing the latter that it was pre-terminating the Management Agreement purportedly to alleviate the financial crisis that the AFP-RSBS was experiencing. The Royalty Agreement was also deemed pre-terminated.

CCA Holdings protested the termination of the agreement and demanded that Riviera Golf settle its unpaid management and royalty fees. Riviera Golf however

refused on the ground that CCA Holdings violated the terms of the agreement.

In April 2001, CCA Holdings filed before the Regional Trial Court (RTC), Branch 146, Makati City, a complaint for sum of money with damages docketed as Civil Case No. 01-611 (*first complaint*) against Riviera Golf. During the pendency of the case, the parties tried to extrajudicially settle their differences and executed a Compromise Agreement.

On April 25, 2002, the RTC rendered a decision^[4] approving the parties' Compromise Agreement. Paragraph 4 of the agreement reads:

4) It is understood that the execution of this compromise agreement or the payment of the aforementioned sum of money **shall not be construed as a waiver of or with prejudice to plaintiffs rights/cause of action, if any, arising from or relative to the pre-termination of the parties' Management and Royalty Agreements** by the defendant subject to whatever claims and defenses may have relative thereto; (Emphasis supplied.)

Subsequently, or on November 22, 2002, CCA Holdings again sent a letter to Riviera Golf, this time, demanding the sum of US\$390,768.00 representing the projected net income or expected business profits it was supposed to derive for the unexpired two-year term of the Management Agreement. As its demands went unheeded, CCA Holdings filed another complaint for sum of money and damages docketed as Civil Case No. 03-399 (*second complaint*) before Branch 57 of the RTC of Makati City.

Noting that the first and second complaints involve the same parties, the same subject matter, and the same causes of action, Riviera Golf filed on August 6, 2003, a Motion to Dismiss on the grounds of *res judicata* and violation of the rule against splitting of causes of action. CCA Holdings opposed the motion contending that there is no splitting of causes of action since the two cases are entirely independent of each other. CCA Holdings also justified its belated filing of the second complaint, arguing that the needed financial records were in Riviera Golfs possession.

The RTC Ruling

The RTC, Branch 57, Makati City granted the motion to dismiss, holding that the first and second complaints have identical causes of action and subject matter. Since the claims in Civil Case No. 01-611 and Civil Case No. 03-399 arose from alleged violations of the terms and conditions of the Management and Royalty Agreements, the rules on *res judicata* and splitting of causes of action apply.

The RTC also noted that CCA Holdings had every opportunity to raise the issue of pre-termination when it filed Civil Case No. 01-611. That CCA Holdings did not do so and opted instead to reserve it for future litigation only show that it was speculating on the results of the litigation.

The RTC likewise pointed out that the reservation clause or the "nonwaiver clause" that the parties inserted in the Compromise Agreement was qualified by the phrase *subject to whatever claims and defenses the defendant may have relative thereto*. The RTC held that the defenses that Riviera Golf could raise are not limited only to those relating to the legality of the pre-termination of the agreements, but could

also include all other claims and defenses such as *res judicata* and splitting of a single cause of action.

CCA Holdings appealed the dismissal of its complaint to the CA.

The CA Ruling

In its decision dated January 11, 2006, the CA **set aside** the order granting the motion to dismiss, and **remanded** the case to the RTC for adjudication on the merits. The CA held that *res judicata* and splitting of a single cause of action were not committed based on the following reasons:

First, there is no identity of causes of action in the two civil cases.

The test to determine the identity of causes of action is to ascertain whether the same evidence is necessary to sustain the two suits. In this case, the sets of evidence in the two complaints were different.

Second, there is no splitting of a single cause of action because Riviera Golf violated *separate primary rights* of CCA Holdings under the management contract.

Third, Riviera Golf recognized CCA Holdings' right to seek damages arising from or relative to the premature termination of the Management Agreement. This view is evident from the literal interpretation of Paragraph 4 (or the "non waiver clause") of the parties' compromise agreement.

Riviera Golf moved for the reconsideration of the decision, but the CA denied its motion in its resolution of July 5, 2006; hence, the present recourse to us pursuant to Rule 45 of the Rules of Court.

The Petition

Riviera Golf asks the Court to set aside the CA decision, contending that the appellate court committed a grave error in not holding that the filing of the second complaint amounted to *res judicata* and splitting of a single cause of action. Riviera Golf submits that based on the allegations in the two complaints, the facts that are necessary to support the second case (Civil Case No. 03-399) would have been sufficient to authorize recovery in the first case (Civil Case No. 01-611).

Moreover, the documentary evidence that CCA Holdings submitted to support both complaints are also the same. Thus, both civil cases involve not only the same facts and the same subject matter, but also the same cause of action, i.e., *breach of the Management and Royalty Agreements*.

Riviera Golf also argued that although there seems to be several rights violated, there is only one delict or wrong committed and consequently, only one cause of action that should have been alleged in a single complaint. Since the alleged **breach of contract in this case was already total at the time of the filing of Civil Case No. 01-611**, the filing of the second complaint for the recovery of damages for the pre-termination of the Management and Royalty Agreements constitutes splitting a single cause of action that is expressly prohibited by the Rules of Court.

Riviera Golf likewise disagrees with the CA's interpretation of the non-waiver clause. It argues that the phrase if any and the condition that the causes of action are *subject to whatever claims and defenses the defendant may have relative thereto* in the non-waiver clause limited its recognition of CCA Holdings' rights and causes of action. It also maintains that the filing of the motion to dismiss based on *res judicata* and splitting of causes of action clearly falls within the non-waiver clause's limitation.

The Case for the Respondent

CCA Holdings reiterates that there was absolutely no identity of subject matter and causes of action because the first case sought the payment for the services it already rendered, while the second case sought the recovery of damages representing the projected net income that it failed to realize by reason of the unilateral and premature termination of the Management and Royalty Agreements. Thus, the principles of *res judicata* and splitting of a single cause of action do not apply.

Even assuming that the prohibition against *res judicata* operates in this case, CCA Holdings contends that Riviera Golf is already estopped from questioning the filing of the second complaint in view of the non-waiver clause inserted in the compromise agreement.

The Issues

As defined by the parties, the issues before us are limited to:

1. Whether the CCA Holdings violated the prohibitions against *res judicata* and splitting a single cause of action when it filed the claim for damages for unrealized profits; and
2. Whether the CA's interpretation of paragraph 4 of the compromise agreement is correct. *If in the affirmative*, whether the parties may stipulate on an agreement violating the prohibitions against *res judicata* and splitting a single cause of action.

Our Ruling

We find the petition meritorious.

The Second Complaint is Barred by Res Judicata

Res judicata is defined as a matter adjudged; a thing judicially acted upon or decided; or a thing or matter settled by judgment. Under this rule, a final judgment or decree on the merits by a court of competent jurisdiction is conclusive as to the rights of the parties or their privies in all later suits, and on all points and matters determined in the former suit.^[5]

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

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:

(a) In case of a judgment or final order against a specific thing or in respect to the probate of a will, or the administration of the estate of a deceased person, or in respect to the personal, political, or legal condition or status of a particular person or his relationship to another, the judgment or final order is conclusive upon the title to the thing, the will or administration, or the condition, status or relationship of the person; however, the probate of a will or granting of letters of administration shall only be *prima facie* evidence of the death of the testator or intestate;

(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 was actually and necessarily included therein or necessary thereto.

Res judicata requires the concurrence of the following requisites: (1) the former judgment must be final; (2) it must have been rendered by a court having jurisdiction of the subject matter and the parties; (3) it must be a judgment on the merits; and (4) there must be, between the first and second actions (a) identity of parties, (b) identity of subject matter, and (c) identity of causes of action.^[6]

All the Elements of Res Judicata are Present

There is no dispute as to the presence of the first three elements in the present case. The decision in Civil Case No. 01-611 is a final judgment on the merits rendered by a court which had jurisdiction over the subject matter and over the parties. Since a judicial compromise operates as an adjudication on the merits, it has the force of law and the effect of *res judicata*.^[7]

With respect to the fourth element, a careful examination of the allegations in the two complaints shows that the cases involve the same parties and the same subject matter. While Civil Case No. 01-611 is for the collection of unpaid management and royalty fees, and Civil Case No. 03-399 on the other hand, is for recovery of damages for the premature termination of the parties' agreements, both cases were nevertheless filed on the basis of the same Management and Royalty Agreements. Thus, we agree that these two cases refer to the same subject matter.

The Court is also convinced that there is identity of causes of action between the first and the second complaints.

A cause of action may give rise to several reliefs, but only one action can be filed.^[8]