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THIRD DIVISION

[G.R. NO. 151339, January 31, 2006]

EDITHA M. FRANCISCO,PETITIONER, VS. ROQUE CO AND/OR MARIANO CO, RESPONDENTS.

D E C I S I O N

TINGA, J.:

The parcel of land that lies at the center of this case is covered by Transfer Certificate of Title (TCT) No. 44546, issued by the Quezon City Register of Deeds registered in the name of Pastora Baetiong.[1] It has spawned at least three (3) different cases involving the parties, spanning the course of three (3) decades. Before this Court is the third of the cases, the resolution of which ultimately hearkens back to the pronouncements made in the first two (2) cases. Appropriately, the main issue before us is the applicability of *res judicata.*

The legal controversy was first sparked after the death of Pastora Baetiong in 1975 by a complaint for accion publiciana filed against the heirs of Baetiong, including petitioner, by respondents Roque Co and Mariano Co, involving the above-mentioned parcel of land, and another property, covered by TCT No. 63531 issued by the Caloocan City Register of Deeds. The case was docketed as Civil Case No. Q-38464 and assigned to the Quezon City Regional Trial Court (RTC), Branch 101.

The said complaint was settled when the parties entered into a Compromise Agreement dated 10 November 1983, which was duly approved by the Branch 101. [2] In the Compromise Agreement, the parties acknowledged the heirs of Baetiong as the owner of the subject properties. Further, it was agreed upon that the heirs of Baetiong would lease to respondents a portion of the properties, totaling between 25,000 square meters to 30,000 square meters, covering land then already occupied by respondents. The lease agreement, which was contained in a Contract of Lease, was to subsist for 15 years commencing retroactively from 1 October 1983.

Five (5) years after the execution of the Compromise Agreement and Contract of Lease, the heirs of Baetiong filed a Motion with the Quezon City, RTC, Branch 101, wherein they alleged that respondents were actually occupying a larger portion of their land than the 30,000 square meter limit agreed upon in the Compromise Agreement. They prayed that a commission be constituted for the proper enforcement of the Compromise Agreement.

The RTC granted the motion, but this action was challenged by respondents by way of a Petition for Certiorari and Prohibition which was docketed as CA-G.R. SP. No. 18032. This is the second of the three (3) cases earlier referred to. In a Decision rendered on 12 July 1990, the Court of Appeals reversed the RTC and declared that the judgment by compromise rendered in Civil Case No. Q-38464 "was finally

terminated and executed".[3] The appellate court concluded that the constitution of a commission for the purpose of delineating the bounds of the leased portion of the property would serve no purpose, considering that the Compromise Agreement itself mandated that the parties immediately conduct a delineation of the subject property for proper inclusion in the Contract of Lease. According to the Court of Appeals, when the Contract of Lease was executed on the same day, the Compromise Agreement was already deemed to have been fully implemented and duly enforced.[4]

The Court of Appeals made several other conclusions which are worthy of note. It ruled that since the Contract of Lease specified that the leased portion had an area of "approximately" three (3) hectares (or 30,000 sq.m.), the area occupied by respondents was the same property agreed upon for lease by the parties in the Compromise Agreement. On the claim that the area leased was actually in excess of 7,659 sq. meters, the Court of Appeals held that the heirs of Baetiong were precluded by laches and negligence from asserting such claim, as they had remained silent for almost five years in contesting the subject area.

In sum, the Court of Appeals set aside the RTC order constituting a commission, and declared "the judgment by compromise rendered in Civil Case No. Q-38464 as finally terminated and executed." This Decision attained finality after the Supreme Court declined to give due course to a petition for review filed by the heirs of Baetiong, through a Resolution dated 10 June 1991.

Four (4) years later, or on 24 July 1995, petitioner filed a complaint for forcible entry against respondents before the Metropolitan Trial Court (MeTC) of Quezon City, docketed as Civil Case No. 13158. This is the instant case and the third of the cases earlier adverted to. Petitioner alleged therein that she was the owner in fee simple of a parcel of land, denominated as Lot No. 2-F-4, with an area of 5,679 square meters, encompassed under TCT No. 44546, which she inherited from her mother per a 1978 Extra-Judicial Settlement of Estate which caused the subdivision of the property into several lots.

Petitioner maintained that on 19 July 1995, respondents, through agents, entered Lot No. 2-F-4 and started fencing the said property. In their answer, respondents alleged that the property over which petitioner was asserting her rights was covered under the Contract of Lease which had been executed pursuant to the earlier Compromise Agreement. Respondents also cast doubt on the validity of the 1978 Extra-Judicial Settlement of Estate.[5] Respondents also pointed out that assuming petitioner had a cause of action against them, the same was barred by res judicata, particularly the 12 July 1990 Decision of the Court of Appeals which had since attained finality.

The MeTC ruled in favor of petitioner in a Decision[6] dated 13 November 1996, such disposition being subsequently affirmed by the RTC on 31 March 1999.[7] The MeTC ruled that petitioner was indeed the owner and prior possessor of Lot No. 2-F-4, as evidenced by the Extra-Judicial Settlement. The MeTC also concluded that the *Contract of Lease* expressly delineated the coverage of the lease agreement as totaling only three (3) hectares, which according to the MeTC, excluded Lot No. 2-F-4 of the subdivision plan.[8] On the issue of *res judicata,* the MeTC and RTC found that *res judicata* did not apply, owing to the absence of the requisite of identity of

causes of action. Both courts noted that the instant action concerned a complaint for forcible entry, while the earlier case pertained to the execution of a contract of lease.

The MeTC ordered the respondents to pay petitioner the amount of P500.00 per day beginning 21 July 1995 as reasonable compensation until the vacation of the property. The RTC likewise ordered that the case be remanded to the MeTC for immediate execution, and it appears that the judgment was executed while the case was litigated before the Court of Appeals.

On 17 August 2000, the Court of Appeals Thirteenth Division issued its Decision[9] reversing the rulings of the lower courts. The Court of Appeals ruled that the complaint for forcible entry was indeed barred by *res judicata*. It was held that while there was a difference in the forms of the two actions, there was nonetheless a similarity of causes of action in the two cases, as the same evidence would support and establish both the former and present causes of action. It was observed that the evidence to be presented by the contending parties in both actions was that which would support their allegation of having a better right to the possession of the subject property.

The appellate court expounded that that matter of preference of right of petitioners over the property by virtue of the lease contract was already settled by the Court of Appeals in CA-G.R. SP No. 18032. As the Contract of Lease was still in effect at the time of the supposed forcible entry, petitioner was declared as having no basis in alleging such infraction. Moreover, the Court of Appeals ruled that the contention that Lot No. 2-F-4 was not included in the Contract of Lease had also been resolved in CA-G.R. SP. No 18032, particularly the declarations therein that:

> It is very clear that the area now occupied by the lessee petitioners is the property that was actually agreed upon by the lessees-petitioners and private respondents-lessors as stipulated in said contract of lease.[10]

The Court of Appeals also concluded that due to malicious prosecution, respondents were liable for moral damages of P30,000.00, exemplary damages of P20,000.00, and attorney's fees of P20,000.00.

Hence the present petition.

Petitioner insists that *res judicata* does not apply in this case, owing to the difference between the two causes of actions. Petitioner also claims that Lot No. 2-F-4 stands outside the lots covered by the lease contract. Petitioner also argues that *res judicata* could apply only to facts and circumstances as they existed at the time the judgment was rendered. On this point, petitioner points out that four (4) years had elapsed between the final judgment in CA-G.R. SP No. 18032 and the filing of the instant complaint, which was governed by new facts and conditions due to the intrusion by respondents into Lot No. 2-F-4.

The central issue obviously concerns the binding force of the decision in CA-G.R. SP No. 18032, which respondents claim bars the present complaint due to *res judicata*. On this score, the matter would be best illuminated by pointing out that there are two aspects to the doctrine of *res judicata.* The first, known as "bar by prior judgment," is the effect of a judgment as a bar to the prosecution of a second action

upon the same claim, demand or cause of action. The second, known as "conclusiveness of judgment," issues actually and directly resolved in a former suit cannot again be raised in any future case between the same parties involving a different cause of action.[11]

The lower courts, in considering the question of *res judicata,* seem to have taken into account only the first kind of *res judicata,* "bar by prior judgment," which involves identity of parties, subject matter, and causes of action.[12] Indeed, the arguments of the parties, and the ratiocinations of the lower courts center on whether there was identity in the causes of action in the case for execution of the lease contract and that of forcible entry. If the case hinges on that point alone, it is easy to force a simplistic reading that a complaint for forcible entry involves a different cause of action or right-duty correlative from that concerning the enforcement of a lease contract, as well as for different reliefs.

However, the Court of Appeals, in reversing the lower courts, invoked *Mendiola v. Court of Appeals,*[13] which involved the application of the first kind of *res judicata* or "bar by prior judgment."[14] In particular, the appellate court cited the rule from *Mendiola* that "[t]he test of identity of causes of action lies not in the form of an action but on whether the same evidence would support and establish the former and present causes of action."[15] Applying this test, it does appear that the present ejectment case could be barred by the prior judgment in CA-G.R. SP No. 18032. The earlier case attempted to establish that respondents were entitled to lease not more than three (3) hectares of TCT No. 44546. In the present case, petitioner is obliged to establish that respondent has no legal right to occupy the portion of TCT No. 44546 denominated as Lot No. 2-F-4. It is possible that the same evidence may be used to establish that petitioners could occupy in excess of three (3) hectares of TCT No. 44546 and they could also occupy Lot No. 2-F-4.

Still, the Court considers the second facet of *res judicata*, "conclusiveness of judgment" as controlling in this case. Conclusiveness of judgment operates as a bar even if there is no identity as between the first and second causes of judgment. Under the doctrine, 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 whether or not the claim, demand, purpose, or subject matter of the two actions is the same. [16]

Evidently, "conclusiveness of judgment" may operate to bar the second case even if there is no identity of causes of action. The judgment is conclusive in the second case, only as to those matters actually and directly controverted and determined, and not as to matters merely involved therein.[17]

In that regard, we now consider the effect of the declarations on several questions of fact and law earlier made by the Court of Appeals in its Decision in CA-G.R. SP No. 18032, a judgment that has since lapsed into finality. The relevant portion of the ruling stated:

> In the case at bar, the parties in pursuance of the judgment by compromise, the substantive portion of which reads:

" . . . d. Area to be leased is that portion actually occupied with building constructions thereon in possession of defendants, more specifically bounded by the road with fence. This may be the subject of an ocular inspection by the parties'./p. 1, Supplemental Pre-Trial Brief of Defendants/ which area be duly delineated by a geodetic survey immediately to be conducted by a geodetic engineer chosen mutually by the parties, and in case of disagreement, by a team composed of three geodetic surveyors/engineers, 1 chosen by plaintiffs, 1 chosen by defendants, and the third to be chosen/commissioned by the Court, whose findings shall be final and binding between the parties, without right of any appeal, the costs of which shall be defrayed by the parties on a 50-50 basis". (Underscoring supplied.)

executed simultaneously a lease contract, incorporating therein the terms and conditions agreed upon.

The Compromise Agreement speaks for itself. The delineation of the subject property was immediately to be conducted by both parties for proper inclusion in the Contract of Lease. Thus, when the Contract of Lease was executed, the Compromise Agreement have (sic) already been fully implemented and duly enforced. Hence, the constitution of a commission for the purpose of delineating the bounds of the property will serve no other purpose.

As regards the contention of the private respondent that the inclusion of the land in the Contract of Lease is in excess of what was really agreed upon deserves no scant consideration. The fact remains that the contract of lease specifically stipulates, thus:

" . . . certain portions of the above-mentioned parcels of land now actually occupied by the LESSEES with the warehouses/buildings constructed and owned by said LESSEESS, with a road and fences constructed by them, with an approximate area of Three (3) hectares more or less which is hereby delineated as per plan," (Underscoring supplied).

It is very clear that the area now occupied by the lessees-petitioners is the property that was actually agreed upon by the lessees-petitioners and private respondents-lessors as stipulated in said Contract of Lease.

Granting that the area leased is really in excess of 7,659.84 sq. meters as claimed by respondents, the same is already precluded from asserting such contention. Records of the case show that respondents-lessors by their silence and inaction for almost five years in contesting the area subject of the lease constitutes laches that places them in estoppel to assert their alleged right under the compromise agreement. The Motion for Constitution of Commission to delineate the boundaries of the area subject matter of the lease should have been brought earlier before the execution of the contract of lease. Failure to assert this fact within a reasonable time