

## FIRST DIVISION

[ G.R. NO. 149489, June 30, 2006 ]

**PRIVATE ENTERPRISE CORPORATION, PETITIONER, VS.  
REYNALDO MAGADA, RESPONDENT.**

### D E C I S I O N

**AUSTRIA-MARTINEZ, J.:**

Before the Court is a petition for review on *certiorari* filed by Private Enterprise Corporation (petitioner) assailing the Decision<sup>[1]</sup> dated November 29, 2000 of the Court of Appeals (CA) in CA-G.R. CV No. 56897, which affirmed the Order<sup>[2]</sup> dated December 9, 1996 of the Regional Trial Court (RTC) of Cagayan de Oro City, Branch 19, in Civil Case No. 92-099, dismissing the complaint for damages which petitioner filed against Reynaldo Magada (respondent) on ground of *res judicata*. Also assailed is the CA Resolution<sup>[3]</sup> dated July 13, 2001 denying petitioner's motion for reconsideration.

The antecedent facts are as follows:

Petitioner represented by its Manager, Dominador A. Rañises and Valentina Magada (Valentina), represented by her attorney-in-fact, herein respondent, entered into a contract of lease<sup>[4]</sup> dated July 15, 1990 over a parcel of land located at Poblacion, Cagayan de Oro City, covered by Tax Declaration No. 01816. The lease contract provided that the term of the lease was one year from the date of execution; that the monthly rental was P3,000.00; that lessor Valentina allowed petitioner to introduce and/or construct any structure of light materials on the leased premises provided the lessee shall remove the same not later than 30 days after the expiration of the contract; that in the event that the lessee failed to remove the structure within the stipulated period, the removal may be done by the lessor at the expense of the lessee with the former not being answerable for the material damages that may be caused to the structure in the course of demolition.

Petitioner utilized the leased premises as a parking area for its hotel and restaurant and established a bunkhouse as sleeping quarters of some of its employees and also as storage.

On July 22, 1991, after the expiration of the lease contract, respondent through counsel, wrote a letter to petitioner's manager demanding compliance with the agreement to remove the improvements. Petitioner, through counsel, wrote respondent a letter<sup>[5]</sup> dated August 12, 1991 stating that the heirs of Maria Bacud, who exhibited to them a certificate of title on the land, were claiming the premises in question; and that it recognized the ownership of the Bacuds and entered into a contract of lease with them.

On August 22, 1991, respondent and his hired men demolished the bunkhouse which petitioner introduced on the leased premises.

On the same day, petitioner filed with the RTC of Cagayan de Oro City, a complaint<sup>[6]</sup> for injunction with damages against its lessor, Valentina, docketed as Civil Case No. 91-340, and raffled off to Branch 24. Petitioner prayed that defendant Valentina be (1) enjoined from committing any act to dispossess petitioner of the subject property or any act in violation of petitioner's rights; and (2) ordered to indemnify petitioner the amount of P20,000.00 as attorney's fees, litigation expenses as may be proved during trial and to pay the cost of the suit. Valentina filed her Answer with counterclaim.

In an Order<sup>[7]</sup> dated September 11, 1991, the RTC denied petitioner's application for a writ of preliminary injunction on the ground that per return of sheriff and per the testimony of respondent, the act sought to be enjoined had already been consummated, that is, the improvements were already demolished.

The RTC issued another Order dated October 11, 1991 stating that in addition to its September 11, 1991 Order, there was another ground to deny the injunction, *i.e.*, petitioner had no more right on the subject premises since their lease contract had already expired.

Aggrieved, petitioner filed a petition for review on *certiorari* with the Court assailing the RTC Orders denying the injunction prayed for by petitioner. The petition was docketed as G.R. No. 102269.

In the meantime, on November 30, 1991, petitioner had filed a motion to dismiss Civil Case No. 91-340 citing as reason the fact that the judgment by compromise in Civil Case No. 6790<sup>[8]</sup> had not been set aside or annulled, thus it has no more reason to pursue its complaint. Petitioner prayed for the dismissal of the complaint provided that Valentina's counterclaim be likewise dismissed. Valentina filed her comment thereto indicating her non-objection to the dismissal of the case provided her counterclaim shall remain pending. The RTC denied petitioner's motion to dismiss because Valentina did not agree with the dismissal of her counterclaim.<sup>[9]</sup>

In a Resolution<sup>[10]</sup> dated February 3, 1992, the Court in G.R. No. 102269 denied petitioner's petition for review on *certiorari* and affirmed the RTC's denial of petitioner's application for injunction. The Court ruled that petitioner was not entitled to the issuance of the writ of preliminary injunction since at the time the complaint was filed, the contract of lease had long expired; that even the grace period of thirty (30) days within which to remove the improvements had also expired; that the second contract of lease entered into between petitioner and the heirs of Maria Bacud cannot confer on the former the right to extend its lease since Valentina was not a party to said agreement and the heirs of Maria Bacud were not parties in Civil Case No. 91-340; that petitioner had impliedly admitted in its motion to dismiss that it had no legal basis to pursue the complaint because of the previous judgment of compromise where the share of the heirs of Maria Bacud was reduced from 725 square meters to 241 square meters; that no legal right of petitioner had been violated with the demolition of its bunkhouse since it had no more right to occupy the premises and that the act sought to be restrained had already been consummated.

Subsequently, the RTC in Civil Case No. 91-340 rendered its Decision<sup>[11]</sup> dated October 9, 1992 on Valentina's counterclaim and ordered petitioner to pay Valentina P30,000.00 for demolishing the bunkhouse as petitioner failed to remove the same per their contract of lease; P50,000.00 for her car hire and food from Butuan City to Cagayan de Oro City; P50,000.00 for loss of income of Valentina's son, herein respondent, while attending the court hearing as well as exemplary and moral damages and attorney's fees. Petitioner appealed the decision to the CA, docketed as CA- G.R. CV No. 43003.

Petitioner had also filed on October 10, 1991, a complaint for malicious mischief against respondent for causing the demolition of petitioner's bunkhouse in the leased premises. An Information for malicious mischief was subsequently filed with the Municipal Trial Court in Cities (MTCC) of Cagayan de Oro City, Branch 3, docketed as Criminal Case No. 61127. However, upon motion to dismiss filed by respondent, the MTCC dismissed the case in an Order<sup>[12]</sup> dated May 6, 1992, finding that respondent was not prompted with revenge, hatred or other evil motive in demolishing the bunkhouse but on the basis of the agreement in the lease contract.

On February 20, 1992, petitioner, who had reserved the right to file a separate civil action from the criminal case, filed another complaint for damages<sup>[13]</sup> against respondent with the RTC of Cagayan de Oro City, docketed as Civil Case No. 92-099 and raffled to Branch 19 (the origin of the instant petition for review). Petitioner anchored his claim for damages on respondent's act of demolishing the bunkhouse and prayed for the following damages: P209,440.60 for actual damages, P50,000.00 attorney's fees and P50,000.00 exemplary damages and cost of suit.

Respondent filed a motion to dismiss Civil Case No. 92-099 with reservation to substantiate his counterclaim for damages<sup>[14]</sup> on the ground that the complaint states no cause of action and if there is any cause of action, the same was barred by prior judgment as decided in G.R. No. 102269.

The RTC denied the motion to dismiss in an Order<sup>[15]</sup> dated September 13, 1993. Respondent filed his motion for reconsideration which was also denied in an Order dated October 14, 1994.<sup>[16]</sup>

Respondent then filed with the CA a petition<sup>[17]</sup> for *certiorari* with prayer for the issuance of a temporary restraining order and prohibitory injunction, docketed as CA-G.R. SP No. 35751, praying for the annulment of the abovementioned Orders.

While CA-G.R. SP No. 35751 assailing the trial court's denial of his motion to dismiss on ground of *res judicata* was pending in the CA, the RTC in Civil Case No. 92-099 issued its Order dated December 9, 1996 dismissing the case on ground of *res judicata*. It found that Civil Case No. 91-340 filed by petitioner against Valentina which was a case for injunction with damages, involved the same subject matter as in Civil Case No. 92-099, *i.e.*, damages due to the demolition of petitioner's bunkhouse in respondent's leased premises; that Civil Case No. 91-340 had been decided finally against petitioner by this Court on petition for *certiorari*, docketed as G.R. No. 102269; that clear from the lease contract was the fact that Valentina was

the principal and respondent was the agent of Valentina, thus the instant case was also filed against the same defendant; and that since there were identity of parties, subject matter and causes of action, *res judicata* has set in.

Petitioner filed its appeal with the CA, docketed as CA-G. R. CV No. 56897.

In the meantime, the Former Second Division of the CA rendered its Decision<sup>[18]</sup> dated December 17, 1997 in CA-G.R. SP No. 35751, granting respondent's petition for *certiorari* he earlier filed which assailed the RTC's denial of his motion to dismiss Civil Case No. 92-099 on ground of *res judicata*; and ordering the dismissal of the complaint.

Subsequently, on November 29, 2000, the CA rendered the herein assailed decision affirming the RTC's Order dated December 9, 1996 on the ground that Civil Case No. 92-099 is barred by prior judgment in Civil Case No. 91-340. The CA ruled that the rights alleged to have been violated and the claim for damages were spawned by the same act of the alleged illegal destruction of structures in the leased premises; that in both cases, petitioner asserted a right to the possession of the controversial lot by reason of a new lease contract from another person claiming ownership thereof; that except for petitioner's lame excuse that the extent of damage at the time the first case was filed could not be determined as yet, it had not advanced any reason why it did not claim damages in Civil Case No. 91-340; that petitioner's failure to include a claim for damages in Civil Case No. 91-340 and the subsequent filing of Civil Case No. 92-099 with a claim for damages, constituted a splitting of a single cause of action prohibited under Section 4, Rule 2 of the Rules of Court; and that petitioner had also violated the rule against forum-shopping.

The CA found that while Civil Case No. 91-340 was for injunction, the prayer for preliminary injunction therein was a preservative remedy for the protection of some substantive right or interest and was but an adjunct to the main suit which was whether or not petitioner was entitled to damages; that the Supreme Court's conclusion in G.R. No. 102269 that no legal right was violated when respondent demolished petitioner's bunkhouse formed the basis for the RTC's decision in Civil Case No. 91-340 denying petitioner's claim for damages and, at the same time, awarding damages in defendant Valentina's favor.

The CA further held that were this appeal be given due course, the same evidence or set of facts which were considered by the RTC in Civil Case No. 91-340 (first case) will also be considered in Civil Case No. 92-099 (second case), thus the causes of action in the subject two cases are the same as to warrant the application of the doctrine of *res judicata*.

Petitioner filed a motion for reconsideration which was denied in a Resolution dated July 13, 2001.

Hence, the instant petition for review on *certiorari*. Petitioner raises the following arguments:

1. The principle of *res judicata* cannot apply when the complaint in the civil case (which was filed ahead) had been dismissed at the instance of petitioner, although respondent's compulsory counterclaim therein proceeded.

2. The principle of *res judicata* cannot also apply when the second case was filed as a result of the reservation to file a separate civil action in the criminal case against the accused therein (who is not a defendant in the first case), considering also that the first case had been dismissed at the instance of petitioner.
3. The principle of *res judicata* is not also applicable when the judgment on the counterclaim in the first case had been appealed to the Court of Appeals, as the same has not attained finality.
4. The rule against splitting a single cause of action is not violated when the first case was filed for injunction and the second case was filed principally for damages, considering also that the first case had been dismissed at the instance of petitioner.
5. The respondent had no right to demolish petitioner's bunkhouse on the leased premises without a special court order.<sup>[19]</sup>

Petitioner argues that when the second case was filed solely against respondent, the complaint in the first case had already been dismissed on November 30, 1991 at the instance of petitioner, although the compulsory counterclaim of Valentina proceeded; that the first case could not be made the basis for the application of the principle of *res judicata* as to bar the filing of the second case since the latter was filed by petitioner as a civil action arising from Criminal Case No. 61127 for malicious mischief and allowed under Section 1, Rule 11 of the Rules of Court.

Petitioner insists that there is no identity of parties and reliefs sought since the defendant in the first case was Valentina while in the second case, it was respondent, being the sole accused in the criminal case and the one who ordered the demolition of petitioner's bunkhouse without a court order; that the reliefs sought were not the same, *i.e.*, the first case was for injunction while the second case was filed principally for damages; that the judgment on respondent's counterclaim in the first case had been appealed to the CA, docketed as CA G.R. CV No. 43003, and is still pending decision thereat; that the said judgment had not attained finality and cannot be made the basis for the application of *res judicata*.

Petitioner also claims that it did not violate the rule against splitting a cause of action as the instant case arose from a criminal offense; that respondent in taking back possession of the leased property took the law into his hands.

The principal issue for resolution is whether or not petitioner's filing of Civil Case No. 92-099 for damages is barred by the rule on *res judicata*.

We answer in the positive.

We find that the issue of *res judicata* had been squarely raised by respondent when he earlier filed his petition for *certiorari* with the CA, docketed as CA-G.R. SP No. 35751, principally ascribing grave abuse of discretion committed by Judge Anthony R. Santos when he denied respondent's motion to dismiss the second case on ground of *res judicata*. The CA Former Second Division granted the petition in its Decision dated December 17, 1997 with the following disquisitions: