

SECOND DIVISION

[G.R. No. 135101, May 31, 2000]

ALADIN CRUZ, PETITIONER, VS. COURT OF APPEALS AND SPOUSES LAZARO AND ENRIQUETA VIDAL, RESPONDENTS.

D E C I S I O N

BELLOSILLO, J.:

Res judicata is a ground for dismissal of an action when as between the action sought to be dismissed and the other action these elements are present; (a) identity of parties or at least such as representing the same interest in both actions; (b) identity of rights asserted and relief prayed for, the relief being founded on the same facts; and, (c) identity in the two particulars is such that any judgment which may be rendered in the other action will, regardless of which party is successful, amount to *res judicata* in the action under consideration.^[1]

Will the principle of *res judicata* apply in this case to warrant the dismissal of the subsequent action, as the one at bar?

On 14 July 1971 in the City of Manila Aladin Cruz and Enriqueta Vidal, a real estate developer, entered into a *Joint Venture Agreement* whereby Cruz agreed to secure the original certificate of title of his 10,158 square-meter unregistered land situated in Bagumbayan, Taguig, Metro Manila, while Vidal undertook to develop the property into a subdivision to be known as "*Domini Village*," sell the subdivision lots and divide the profits equally with Cruz.^[2] But the relationship of the parties did not last long. Soon enough it turned sour and each accused the other of not complying with the terms and conditions of their *Joint Venture Agreement*.

On 19 November 1974 Cruz wrote Vidal rescinding their *Agreement* extrajudicially. On 15 March 1975 Vidal joined by her husband Lazaro, in a countermove, sued Cruz and his wife in the then Court of First Instance of Rizal for *Specific Performance plus Damages with Prayer for Preliminary Injunction*.^[3] The Vidals alleged that under the *Joint Venture Agreement* the Cruzes undertook to secure the title over the subject property; allow Enriqueta Vidal to enter the property for the purpose of developing it into a subdivision; accompany the buyers into the subdivision; and, share the proceeds from the sale of the lots with her on a 50-50 basis. The Vidals further alleged that Enriqueta had complied with all her undertakings under their *Agreement* and her only obligation left was the completion of the drainage system which had been hampered because the house of the Cruzes stood on its path and the latter unreasonably refused to remove that part of the house or provide an alternative site for it.^[4]

In their answer the Cruz spouses raised the defenses *inter alia* that the Vidals committed anomalies, frauds, deceits and misrepresentations in breach of their *Joint Venture Agreement*; that they failed to develop and complete the subdivision project

within the stipulated period; and, that their *Agreement* was lawfully and validly terminated as a consequence of the above violations.^[5]

On 28 November 1989 the trial court rendered its decision in favor of the Cruzes. On motion of the Vidals for reconsideration, the lower court issued its order of 31 July 1991 declaring the extrajudicial rescission of the *Joint Venture Agreement* by the Cruzes as improper, invalid and illegal. It enjoined both parties to comply strictly with the terms of their *Agreement* and to make the "*Domini Village*" a habitable subdivision. It ordered the Cruzes to pay the Vidals compensating damages in the form of interest at 6% per annum based on the amount of P45,000.00 already expended for the development of the subdivision to be computed from November 1974 to the time the 31 July 1991 order became final, as well as exemplary damages in the amount of P10,000.00 and attorney's fees of P20,000.00.^[6]

The Cruzes appealed to the Court of Appeals which on 13 August 1993 sustained the order of the trial court.^[7] The Cruzes sought recourse with us. However, on 7 September 1994 we denied their petition for review, "the issues raised being essentially factual and there being no sufficient showing that the findings of the Court of Appeals (were) not supported by substantial evidence or that said court had committed any reversible error in the questioned judgment."^[8] On 21 October 1994 our denial became final and executory.^[9]

On 26 August 1996, undeterred by this setback, the Cruzes instituted another civil action before the Regional Trial Court of Manila.^[10] This time they sought the judicial rescission of their *Joint Venture Agreement* with the Vidals arguing that while Aladin Cruz had complied with his obligations under their *Agreement*, the Vidal spouses, as developers of "*Domini Village*," had not executed nor even attempted to perform theirs.^[11]

In lieu of an answer, the Vidal spouses filed an *Omnibus Motion to Dismiss* citing *res judicata* and forum shopping as grounds therefor.^[12] On 26 December 1996 the trial court ruled that there was no identity of causes of action and denied the motion. On 7 March 1998 the Vidals were declared in default.^[13]

The Vidals went to the Court of Appeals. On 27 February 1998 the appellate court set aside the two (2) orders of the trial court issued on 26 December 1996 and 7 March 1998, and directed the dismissal of Civil Case No. 96-80021 pending before the Manila trial court.^[14] Hence this petition by Aladin Cruz.

The antecedents clearly spell out a case for the proper application of *res judicata*. The following elements earlier enumerated are present in the instant case: (a) identity of parties or at least such as representing the same interest in both actions; (b) identity of rights asserted and relief prayed for, the relief being founded on the same facts; and, (c) the identity in the two (2) particulars is such that any judgment which may be rendered in the other action will, regardless of which party is successful, amount to *res judicata* in the action under consideration.^[15]

There is no doubt that Civil Case No. 20945 filed in the Court of First Instance of Rizal, now Pasig, was a final judgment on the merits by a competent court acting within its jurisdiction. Petitioner could not dispute the similarity of the parties and

the interests they represent in the two (2) civil actions. Petitioner was sued and is suing as the owner of the property to be developed into a subdivision while private respondents sued and are now being sued as its developers, all these being due to their *Joint Venture Agreement*. It matters not that Aladin's wife was sued in the first case but excluded in the second. It must be stressed that absolute identity of parties is not a condition *sine qua non* for *res judicata* to apply. A shared identity of interest is sufficient to invoke the coverage of this principle.^[16] There is no dispute either as to identity of subject matter since the focal point of the controversy in both cases is the determination of compliance by the parties of the terms and conditions of their contract.

Petitioner contends that the issues raised in the subject cases are separate and distinct from each other. It is his position that the cause of action in the Pasig case encompassed only his acts of prohibiting the Vidals from entering "*Domini Village*," taking the books and documents relating thereto and of excluding the Vidals from the management and operation of the subdivision as well as from their share of the profits. He differentiates this Pasig case from the subsequent Manila case^[17] by citing the Vidals' lack of action in having the property surveyed, the subdivision plan approved, the relocation and monumenting of the lots and the filing of applications for water and electricity.

Petitioner is simply indulging in hair-splitting. The test often used in determining whether causes of action are identical is to ascertain whether the same evidence which is necessary to sustain the second action would have been sufficient to authorize a recovery in the first, even if the forms or nature of the two (2) actions be different. If the same facts or evidence would sustain both, the two (2) actions are considered the same within the rule that the judgment in the former is a bar to the subsequent action; otherwise it is not.^[18]

The Manila case for rescission is premised on the claim of petitioner that private respondents did not fulfill their part of the *Joint Venture Agreement*. Thus petitioner itemizes all the obligations that the Vidals were mandated to do as proof of his claim. However this alleged nonperformance on the part of the Vidals had already been passed upon in the Pasig case wherein the trial court categorically stated that Enriqueta Vidal had substantially complied with her undertaking in good faith. Thus -

However, no concrete and convincing evidence was adduced by Aladin to substantiate such claims. On the other hand, evidence on record, both testimonial and documentary, reveal that Enriqueta has substantially complied in good faith with her undertaking to develop the property subject of the joint venture agreement into a subdivision x x x costing her the aggregate amount of P41,397.74 covering the period from July 1972 to October 1974, exclusive of other expenses incidental to the preparation of the pertinent government requirements relative thereto. Given the foregoing factual milieu, the relief prayed for by Aladin to declare the extrajudicial rescission of the joint venture agreement as valid and proper cannot be granted for want of factual and legal basis. Moreover, Aladin is the guilty party and, therefore, he has no right to rescind. In addition, Enriqueta has substantially complied in good faith with what is incumbent upon her to perform in the joint venture agreement.^[19]