

TWELFTH DIVISION

[CA-G.R. SP. No. 123137, June 23, 2014]

**SPOUSES LEONIDES DE CASTRO AND MERLIN DE CASTRO,
PETITIONERS, VS. MAXIMA TINOCO DE CRUZ, INC.,
RESPONDENT.**

DECISION

ELBINIAS, J.:

Addressed here is a Petition for Review^[1] filed under Rule 42 of the Rules of Court. The Petition assails the Decision^[2] dated June 30, 2011 of the Regional Trial Court ("RTC" for brevity) of Manila, Branch 52, which affirmed the Decision^[3] dated October 15, 2010 of the Metropolitan Trial Court ("MeTC" for brevity) of Manila in Civil Case No. 186980 - CV for "Illegal Detainer".^[4] The Petition also questions the RTC's Order^[5] dated December 21, 2011, which denied petitioners' eventual Motion for Reconsideration.^[6]

The salient facts are those as stated in the RTC's Decision^[7] dated June 30, 2011, to wit:

"Plaintiff-appellee corporation (*respondent here*) filed a complaint for illegal detainer against spouses Leonides and Merlin De Castro (*petitioners here*) on the ground of the latter's refusal to vacate the second floor of the two-storey house located at Unit 716-1 Ludovico Street, Bilibid Viejo, Quiapo, Manila (*subject property here*) which was the subject of an oral contract of lease on a monthly basis for a monthly rental of Php1,500.00. Said contract of lease expired on January 31, 2010.

Defendants-appellants (*petitioners*) opposed the said complaint mainly on the ground that as stockholders of the plaintiff-appellee corporation (*respondent*) and as heirs of Maxima Tinoco De Cruz, their possession of the subject property is not by virtue of a contract of lease but in their capacity as stockholders and co-owners thereof. Thus, the issue in this case is an intra-corporate dispute and therefore the Court has no jurisdiction over it."^[8]

On October 15, 2010, the MeTC rendered a Decision^[9] ordering petitioners Spouses Leonides de Castro and Merlin de Castro ("petitioners" for brevity) and all persons claiming rights under them to vacate and to surrender the possession of the subject property to respondent Maxima Tinoco de Cruz, Inc. ("respondent" for brevity). The Decision^[10] also ordered petitioners to pay respondent Actual Damages, Attorney's Fees, appearance fee, litigation expenses, and costs of the proceedings. The dispositive portion of the MeTC's Decision^[11] read:

"WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiff and against the defendants:

1. Ordering defendants and all persons claiming rights under them to vacate UNIT NO. 716-I (Up) Ludovico Street, Bilibid Viejo, Quiapo, Manila, and surrender possession thereof to plaintiff;
2. Ordering defendants jointly and severally to pay plaintiff actual damages in the sum of P1,500.00 per month computed from February 1, 2010 until defendants have vacated the leased premises and restored possession to plaintiff;
3. Ordering defendants jointly and severally to pay plaintiff Attorney's fees in the reduced amount of P20,000.00 and appearance fee of [P]3,500.00 per hearing plus litigation expenses at P10,000.00; and
4. Costs of suit.

SO ORDERED."^[12]

Upon petitioners' appeal, the RTC, in its assailed Decision^[13] dated June 30, 2011 affirmed *in toto* the MeTC's Decision^[14] of October 15, 2010.^[15]

After petitioners' Motion for Reconsideration^[16] was denied in the RTC's assailed Order^[17] dated December 21, 2011, petitioners filed the Petition for Review^[18] at bench praying for the following:

"**WHEREFORE**, PREMISES CONSIDERED, it is respectfully prayed of this Honorable Court that **UPON FILING**, to issue a temporary restraining order to prevent, restrain and enjoin the respondent corporation, its assigns, agents and all persons under their stead and control from disturbing the peaceful possession of the subject premises by petitioner.

THEREAFTER, a PRELIMINARY INJUNCTION BE ISSUED.

AFTER TRIAL, a JUDGMENT be RENDERED, in petitioner's favor, by **REVERSING** and **SETTING ASIDE** the **Decision** and **Order** [dated 30th June 2011 and 21st December 2011 respectively of Manila RTC-52] based on the grounds above discussed.

Other equitable reliefs are likewise prayed for."^[19] (*Emphasis was made in the original*)

Petitioners raised the following assignment of errors:

"-A-

THE MANILA **MTC-16** HAS NO JURISDICTION TO TAKE COGNIZANCE OF THE SECOND EJECTMENT CASE WHEN THE SAME HAS ALREADY BEEN **BARRED BY RES JUDICATA** SINCE A **COMPROMISE** WAS ENTERED IN

THE FIRST EJECTMENT CASE.

-B-

THE MANILA **MTC-16** HAS NO JURISDICTION TO TRY THE SECOND EJECTMENT CASE DUE TO THE **INTRA-CORPORATE RELATION** OF THE PARTIES.

-C-

IN FILING THE SECOND EJECTMENT CASE, THE RESPONDENT CORPORATION VIOLATED SECTION 5, RULE 7 AND FOR **LACK OF JURISDICTION** AND **PREMATURITY**."^[20] (*Emphasis and Underlings were made in the original*)

Contrary to petitioners' *assignment of errors -A-, -B-, and -C-*, the MeTC exercised jurisdiction over the instant case for Illegal Detainer ("instant Illegal Detainer case" for brevity) which was filed by respondent against petitioners.

Petitioners had argued as follows:

"In affirming the assailed Decision of the Manila **MTC-16**, the Manila **RTC-52** held that the petitioner's reliance on the principle of res judicata is allegedly 'misplaced' supposedly because the **date and rate of rental** of the ejectment cases filed by the respondent corporation are **'different'**. xxx

With due respect, the date of rental is immaterial since the ground for ejectment in the two [2] lease expiration. In other words, both cases involve the same cause of action – **lease expiration**.

Moreover, there is already a **compromise** in the first case, as the respondent corporation did **not** cause the execution of ejectment decision due to **compromise** and **novation** – the parties **agreed** – petitioner shall vacate **only** after full payment of purchase price, execution of sale and demand by new owner. This is clear in the **Certification** [compromise] that the respondent corporation submitted in court on **25th July 1997** xxx

xxx

In its assailed Decision, the Manila **MTC-16** expressly took cognizance of the first ejectment case. As a matter of fact, it mentioned the 1993 Civil Case No. 142265-CV in the penultimate paragraph of page 8 of its appealed Decision xxx

Undeniably, the **Civil Case No. 142265-CV** is ejectment case between the same parties involving the same property xxx. Its basis for the first ejectment case is the same cause of action in the second ejectment case – termination of a verbal month-to-month lease xxx

Very clearly, the **Civil Case No. 186980-CV** – second ejectment case –

is also based on termination of a verbal month-to-month lease. xxx

xxx

However, the respondent corporation did **not** pursue the execution [of the first ejectment case it lost at MeTC, but won on appeal at RTC] despite the lapse of three [3] years xxx because the parties **freely** and voluntarily executed **a compromise**, which necessarily and effectively **novated** the Manila RTC-26 Decision on appeal.

As a matter of fact, due to **compromise** and **novation** – the respondent corporation did not pursue the ejectment because of a settlement, as it allowed petitioner to stay. xxx

xxx

Very clearly, the respondent corporation cannot file a second ejectment complaint since a judicial compromise has the effect of *res judicata*. xxx

xxx

Based on the foregoing, the appealed Decision of the Manila **MTC-16** should have been set aside rather than affirmed by the Manila **RTC-52** since the former, clearly, has no jurisdiction to entertain the second ejectment case, as it is deemed barred by **res judicata**.

xxx

To reiterate, there is an intra-corporate [relation] between plaintiff-appellee corporation, its authorized officer Reynaldo C. De Castro and inter-se to his brother Leonides C. De Castro, who was a stockholder-director and property administrator.

On its face, it appears to be an ordinary ejectment case. But, going deeper and behind its face, it affects and involves the determination of petitioners' corporate rights.

Notably and as discussed above, it was judicially admitted that the respondent corporation issued a Resolution to sell the subject property. As a minority stockholder, the late **Leonides C. De Castro** has **corporate rights** to [1] notice, [2] oppose any sale [3] right of first refusal and [3] **appraisal** right.

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Since the ejectment case also involves the determination of the rights of the **stockholder** and **corporation**, jurisdiction is with the **intra-corporate court** [not with MeTC].

As there is **intra-corporate relation** between the parties, the jurisdiction is with the special commercial courts. xxx^[21] (*Emphasis, italics and underlinings were made in the original*)

Defeating petitioners' arguments however, is that in ejectment cases, such as the instant "Illegal Detainer" case, the jurisdiction of the court is determined by the allegations in the Complaint, and can not be made to depend upon the allegations made in the Answer or in a Motion to Dismiss^[22], which in turn had instead been insisted on by petitioners.^[23]

Here, the allegations in respondent's Complaint^[24] sufficed for an Unlawful Detainer Case under Section 1, Rule 70 of the Rules of Court^[25]. This is because respondent was able to show the following: (1) that respondent was the owner of the subject property which it leased to petitioners under an oral month-to-month contract of lease; (2) that petitioners, after the expiration of the contract of lease, failed to vacate the subject property; (3) that despite notice of expiration of the contract of lease and demand by respondent for petitioners to vacate, petitioners still failed to vacate the subject property, and; (4) that the Complaint^[26] was filed within one (1) year from the time the last demand to vacate was made by respondent to petitioners. Specifically, respondent's Complaint^[27] stated that, among others:

"3. Plaintiff is the owner of a 1,428-square meter lot with a two-storey house and several apartment units situated at 716 Ludovico Street, Bilibid Viejo, Quiapo, Manila. The second floor of the house, hereinafter referred to as UNIT 716-I (up), was subject to an oral month-to-month contract of lease between plaintiff and defendants at a monthly rent of P1,500.00.

4. On January 27, 2010, plaintiff's corporate secretary sent a formal written notice to defendant informing them that the month-to-month lease covering UNIT 716-I (Up) would no longer be renewed when the lease expires on January 31, 2010 and demanding that defendants vacate said unit and deliver possession thereof to plaintiff within thirty (30) days from January 31, 2010 xxx. A photocopy of the LETTER DATED JANUARY 20, 2010 of MTC's corporate secretary addressed to defendant Leonides de Castro is hereto attached and marked xxx.

5. The said letter dated January 20, 2010 was sent to defendants by domestic express mail service posted on January 21, 2010 as evidenced by the corresponding receipt xxx.

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10. As shown in paragraphs 4 to 9 above, despite defendants' receipt of the letter dated January 20, 2010 xxx terminating the lease and giving them thirty (30) days from January 31, 2010 within which to vacate UNIT 716-I (Up), said defendants failed and refused and still fail and refuses to vacate and turn over said unit.

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12. Upon the termination of the lease on January 31, 2010, plaintiff demanded that defendants vacate UNIT 716-I (Up) within thirty (30) days from said date or up to March 2, 2010, but