

FIRST DIVISION

[G.R. No. 168139, January 20, 2009]

FERDINAND S. AGUSTIN, PETITIONER, VS. SPS. MARIANO AND PRESENTACION DELOS SANTOS, RESPONDENTS.

DECISION

PUNO, C.J.:

Before us is a petition for review on *certiorari* under Rule 45 seeking a review of the Decision^[1] and Resolution^[2] of the Court of Appeals (CA) in CA G.R. SP No. 80586 partly reversing the decision^[3] of the Regional Trial Court (RTC), Branch 33, Manila.

As borne by the records, respondent spouses Mariano delos Santos and Presentacion delos Santos are the lawful owners of apartment units located at 230 Manrique Street, Sampaloc, Manila.^[4] On the other hand, petitioner Ferdinand Agustin has continuously occupied one of respondents' apartment units since 1990 for a monthly rent of two thousand pesos (P2,000.00). The monthly rental was increased to two thousand three hundred pesos (P2,300.00) in May 1999.^[5]

On May 10, 2000, respondents filed a complaint for ejectment against petitioner before Branch 22 of the Metropolitan Trial Court (MeTC) of Manila docketed as Civil Case No. 167142-CV. Respondents alleged that they needed to repossess the apartment unit occupied by the petitioner because their daughter's children would be studying at the University of Sto. Tomas in Manila.^[6]

In a decision dated January 9, 2002, the MeTC, Branch 22 held:

Based on the evidence adduced by both parties, this Court is of the opinion, and so holds that the instant complaint for ejectment lodged by the plaintiffs against the defendants, **MUST BE DISMISSED** for lack of cause of action, it appearing that plaintiffs failed to comply with the requirements when the ground for ejectment is personal need of the premises.

WHEREFORE, premises considered, the instant complaint is hereby **DISMISSED** without prejudice to the right of the plaintiffs to collect the monthly rental of two thousand three hundred pesos (P2,300.00) agreed upon in the Lease Contract and the corresponding fifteen percent (15%) increase thereof, in accordance with the new rent control law with costs against the plaintiff.

The counterclaim is likewise dismissed.

SO ORDERED.^[7]

The decision lapsed into finality and was enforced by the respondents through the imposition and collection of the monthly rent and the corresponding fifteen percent (15%) increase thereon. A few months thereafter, respondents, in a Notice of Termination dated October 10, 2002, informed petitioner of the termination of the verbal month-to-month contract of lease and gave him thirty (30) days within which to vacate and peacefully surrender the premises.^[8]

The petitioner failed to vacate the premises despite notice. Thus, respondents again filed a complaint for ejectment against petitioner on the ground of termination of the contract of lease. The second ejectment case, which is the subject of the instant petition, was docketed as Civil Case No. 174168 in Branch 15 of the MeTC of Manila.

In a decision dated June 12, 2003, the MeTC, Branch 15 ruled that petitioner's reliance on *res judicata* was misplaced because the cause of action in Civil Case No. 174168 is anchored on a different ground.^[9] According to the MeTC, the verbal lease contract that existed between the parties on a month-to-month basis pursuant to Article 1687 of the Civil Code is one with a fixed term, and terminates at the end of each month, if notice to vacate is properly given. Accordingly, the lease period had already expired. Hence:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiffs and against defendant, ordering the latter and all persons claiming right under him, to vacate the subject premises and surrender peaceful possession thereof to the plaintiffs, and for defendant to pay plaintiffs:

a) the fair rental value or reasonable compensation for the continued use and occupation of the premises at the rate of P5,000.00 per month effective upon the date of filing of the complaint on November 19, 2002 and until the premises shall have been totally vacated; and

b) attorney's fees in the amount of Ten Thousand (P10,000.00) Pesos, plus the costs of suit.

SO ORDERED.^[10]

On appeal, the RTC of Manila reversed the MeTC decision, thus:

The Court agrees with the first error cited by the defendant-appellant.

Indeed, the Court a quo cannot require the defendant-appellant to pay the plaintiffs-appellees the amount of Php5,000.00 per month as the fair rental value or a reasonable compensation for the continued use and occupation of the premises because before the termination of the month to month verbal contract of lease, the rental being paid was P2,530.00 per month.

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The court a quo was in error when it ruled that *res judicata* does not apply in this case.

The court a quo ruled that there is no *res judicata* because there is no identity of cause of action. The Court stated that in the first ejectment case decided by Hon. Hipolito dela Vega the ground for ejectment was based on the need by the lessor of the leased premises, while the case at bar is based on the expiration or termination. This is erroneous because there is only one cause of action-unlawful detainer-although this cause of action may give the plaintiffs several reliefs. They may eject the defendant on the ground of 'need of premises by owner' or 'expiration of the period of verbal lease agreement'. And when the plaintiffs-appellees filed two separate complaints for these reliefs against the defendant-appellant, such acts constitute splitting up of the cause of action. Thus, under Section 4, Rule 2 of the Revised Rules of Civil Procedure, 'If two or more suits are instituted on the basis of the same cause of action, the filing of one or a judgment upon the merits in any one is available as a ground for the dismissal of the others.

Consequently, since the ejectment case based on 'the use of the premises by the owner' filed by the plaintiffs-appellees was dismissed on the merits by the Honorable Judge Hipolito dela Vega, the filing of the case at bar against the defendant-appellant may be dismissed on the ground of *res judicata*.

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WHEREFORE, the judgment appealed from is REVERSED on the ground of *res judicata*. The Clerks of Court of the Regional Trial Court and the Metropolitan Trial Court of Manila are ordered to return to the appellant the excess of P5,000.00 a month or the sum of P2,217 a month beginning August 2003. The supersedeas bond put up by the appellant is ordered cancelled and the appellees are ordered to pay the cost of the supersedeas bond; and to pay the cost of suit.

SO ORDERED.^[11]

Respondents repaired to the CA, which partially reversed the findings of the RTC. In its decision, the CA found that the acts and omissions complained of and involved in the two civil cases were not the same.^[12] Likewise, the appellate court applied the "same evidence" test and decided that there was no identity of causes of action between the first and second cases of ejectment as different facts and evidence were needed for the resolution of each case, and consequently, the principle of *res judicata* as a bar by prior judgment was inapplicable.^[13] It was also found that *res judicata* in the concept of "conclusiveness of judgment" will not apply since the "personal need" issue decided upon in the first case is different from and does not encompass any element of the "expiration of lease contract" at issue in the second case.^[14] Lastly, the CA declared that the lease contract between the parties was on a month-to-month basis and that petitioner should vacate the subject premises because his lease had already expired.^[15] Thus, the dispositive portion of the decision reads:

WHEREFORE, premises considered, the Decision dated October 14, 2003 of the Regional Trial Court, Branch 33, Manila is PARTLY REVERSED as

follows:

- a) Appellees-petitioners' complaint for Ejectment is GRANTED;
- b) Appellant-respondent and all persons claiming right under him are hereby ORDERED TO VACATE the subject premises and to surrender peaceful possession thereof to appellees-petitioners; and
- c) The appellees-petitioners must reimburse the appellant-respondent the amount in excess of the monthly rental of P2,530.00 that the appellees-petitioners can charge until the appellant-respondent surrenders peaceful possession of the premises to them.

SO ORDERED.^[16]

Petitioner filed a motion for reconsideration of said Decision, which was also denied by the appellate court.

Persisting in his position that the principle of *res judicata* in its concept of bar by prior judgment should apply in the instant case and that therefore, the first suit for ejectment should operate as a bar to the present action for ejectment, petitioner is now before us questioning the order of the CA for him to vacate the leased premises.

Res judicata is defined as "a matter adjudged; a thing judicially acted upon or decided; a thing or matter settled by judgment."^[17] According to the doctrine of *res judicata*, an existing final judgment or decree rendered on the merits, and without fraud or collusion, by a court of competent jurisdiction, upon any matter within its jurisdiction, is conclusive of the rights of the parties or their privies, in all other actions or suits in the same or any other judicial tribunal of concurrent jurisdiction on the points and matters in issue in the first suit.^[18] To state simply, a final judgment or decree on the merits by a court of competent jurisdiction is conclusive of the rights of the parties or their privies in all later suits on all points and matters determined in the former suit.^[19]

The principle of *res judicata* is applicable by way of: 1) "bar by prior judgment" and 2) "conclusiveness of judgment." We have had occasion to explain the difference between these two aspects of *res judicata* as follows:

There is "bar by prior judgment" when, as between the first case where the judgment was rendered and the second case that is sought to be barred, there is identity of parties, subject matter, and causes of action. In this instance, the judgment in the first case constitutes an absolute bar to the second action. Otherwise put, the judgment or decree of the court of competent jurisdiction on the merits concludes the litigation between the parties, as well as their privies, and constitutes a bar to a new action or suit involving the same cause of action before the same or other tribunal.

But where there is identity of parties in the first and second cases, but no identity of causes of action, the first judgment is conclusive only as to those matters actually and directly controverted and determined and not

as to matters merely involved therein. This is the concept of *res judicata* known as "conclusiveness of judgment." Stated differently, 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.^[20]

In the case at bar, petitioner seeks to apply the principle of *res judicata* in its concept of "bar by prior judgment" by pointing out that the final decision rendered in the first case for ejectment, Civil Case No. 167142-CV, constitutes a bar to the litigation of the second ejectment suit, the subject of the instant petition.^[21]

We find no merit in the argument of the petitioner.

Res judicata applies in the concept of "bar by prior judgment" if the following requisites concur: (1) the former judgment or order must be final; (2) the judgment or order must be on the merits; (3) the decision must have been rendered by a court having jurisdiction over the subject matter and the parties; and (4) there must be, between the first and the second action, identity of parties, of subject matter and of causes of action.^[22]

In the case before us, the existence of and compliance with the first three elements is undisputed. Likewise, there is no issue as to the identity of the parties in the two actions for ejectment. Hence, the identity of subject matter and the identity of causes of action between the first and second ejectment cases are the only remaining bones of contention in need of our final determination concerning the issue of *res judicata*.

As to the subject matter, we find that there is no identity. The subject matter of an action is "the matter or thing with respect to which the controversy has arisen, concerning which the wrong has been done, and this ordinarily is the property, or the contract and its subject matter, or the thing in dispute."^[23] In an unlawful detainer case, the subject matter is the contract of lease between the parties while the breach thereof constitutes the suit's cause of action.^[24] In the present case, the lease contract subject of the controversy is verbal and on a monthly basis. In these instances, it is well settled that the lease is one with a definite period which expires after the last day of any given thirty-day period.^[25] Following this reasoning, it becomes apparent that what exists between the parties is not just one continuous contract of lease, but a succession of lease contracts, each spanning a period of one month. Hence, to be accurate, each action for ejectment--each referring to a unique thirty-day period of occupation of respondents' property by the petitioner--deals with a separate and distinct lease contract corresponding to a separate and distinct juridical relation between the parties. Considering, therefore, that the subject matter of Civil Case No. 167142-CV is a different contract of lease from the subject matter of the instant case, it is obvious that there is no identity of subject matter between the first ejectment suit and the ejectment suit subject of the present action.

Since there is no identity of subject matter between the two cases, it is but logical