

THIRD DIVISION

[G.R. No. 154554, November 09, 2005]

**GOODYEAR PHILIPPINES, INC., PETITIONER, VS. ANTHONY SY
AND JOSE L. LEE, RESPONDENTS.**

DECISION

PANGANIBAN, J.:

A complaint must contain a concise statement of the ultimate facts constituting the plaintiff's cause of action. To determine whether a cause of action is stated, the test is as follows: admitting *arguendo* the truth of the facts alleged, can the court render a valid judgment in accordance with the prayer? If the answer is "no," the complaint does not state a cause of action and should be dismissed forthwith. If "yes," then it does and must be given due course.

The Case

Before us is a Petition for Review^[1] under Rule 45 of the Rules of Court, assailing the June 5, 2002 Decision^[2] and the August 8, 2002 Resolution^[3] of the Court of Appeals (CA) in CA-GR CV No. 61229. The dispositive portion of the challenged Decision reads as follows:

"WHEREFORE, the instant appeal is GRANTED. The Order dated May 27, 1998 of the Regional Trial Court of Legazpi City, Branch 9, is hereby REVERSED and the case is remanded to the court *a quo* for the appropriate further proceedings."^[4]

The assailed Resolution denied petitioner's Motion for Reconsideration.

The Antecedents

The CA narrated the antecedents of the case as follows:

"The subject of this case involves a motor vehicle, particularly described as:

MAKE: 1984 Isuzu JCR 6-Wheeler
PLATE NUMBER: PEL 685
MOTOR NO.: 6BD1-371305
SERIAL NO.: JCR500BOF-21184

"The vehicle was originally owned by Goodyear Philippines, Inc. ([Goodyear]) which it purchased from Industrial and Transport Equipment, Inc. in 1983. It had since been in the service of [Goodyear] until April 30, 1986 when it was hijacked. This hijacking was reported to the Philippine National Police (PNP) which issued out an alert alarm on

the said vehicle as a stolen one. It was later on recovered also in 1986.

"The vehicle was used by [Goodyear] until 1996, when it sold it to Anthony Sy on September 12, 1996.

"Sy, in turn, sold it to Jose L. Lee on January 29, 1997. But the latter on December 4, 1997, filed an action for rescission of contract with damages against Sy[,] because he could not register the vehicle in his name due to the certification from the PNP Regional Traffic Management Office in Legazpi City that it was a stolen vehicle and the alarm covering the same was not lifted. Instead, the PNP in Legazpi City impounded the vehicle and charged Lee criminally.

"Upon being informed by Sy of the denial of the registration of the vehicle in Lee's name, [Goodyear] requested on July 10, 1997 the PNP to lift the stolen vehicle alarm status. This notwithstanding, [Goodyear] was impleaded as third-party defendant in the third-party complaint filed by Sy on January 9, 1998.

"A motion to dismiss was filed by [Goodyear] on March 24, 1998 on the twin grounds that the third-party complaint failed to state a cause of action and even if it did, such cause of action was already extinguished. An opposition thereto was interposed by Sy on April 17, 1998.

"The Regional Trial Court [(RTC)] resolved to dismiss the third-party complaint on the basis of the first proffered ground in its challenged Order dated May 27, 1998. It ratiocinated:

'A perusal of the third party complaint does not expressly show any act or omission committed by the third party defendant which violates a right of the third party complainant. The third party complaint failed to show that the vehicle in question belongs to a person other than the third party defendant at the time the said motor vehicle was sold by the third party defendant to the third party plaintiff. On the contrary[,] the third party defendant has not denied having sold to the third party plaintiff the said motor vehicle which had been in its possession as owner from 1986 to 1996. The fact that the said motor vehicle was included by the PNP in its alert status as stolen vehicle[,] resulted only following the report by the third party defendant that it was hijacked in 1986. But when the said motor vehicle was recovered, the third party defendant informed the PNP about the said recovery and requested the lifting of the alert status on it as stolen vehicle.

'If the PNP has not removed the said vehicle from its alert status as a stolen vehicle, [then] that does not make [Goodyear] not the owner thereof. Hence, [Goodyear], the third party defendant, is not guilty of any breach resulting from any flaw in the title over the said vehicle. This is confirmed by the allegation of the third party plaintiff as

answering defendant in paragraph 6 of its Answer with Counterclaim and Affirmative Defenses dated January 9, 1998, hereunder quoted as follows:

'6. Defendant specifically denies the allegations contained in paragraph 9 of [p]laintiff's complaint, the truth of the matter is that [d]efendant help[ed] plaintiff in removing the impediments in the registration and transfer of ownership and that defendant ha[d] no knowledge of any flaw [in] the title of Goodyear Philippines, Inc."

'Under Rules 16, a motion to dismiss may be made on any of the following grounds:

"g) That the pleading asserting the claim states no cause of action."

'WHEREFORE, for failure of the third party complaint to state a cause of action, the same is hereby ordered DISMISSED.'"^[5]

Ruling of the Court of Appeals

In granting the appeal, the CA reasoned that the Third-Party Complaint had stated a cause of action. *First*, petitioner did not make good its warranty in the Deed of Sale: to convey the vehicle to Respondent Anthony Sy free from all liens, encumbrances and legal impediments. The reported hijacking of the vehicle was a legal impediment that prevented its subsequent sale.

Second, Respondent Sy had a right to protect and a warranty to enforce, while petitioner had the corresponding obligation to honor that warranty. The latter caused the impairment of that right, though, when the vehicle it had sold to him was refused registration, because of the non-lifting of the alert status issued at its instance. That petitioner had to execute all documents necessary to confer a perfect title to him before he could seek recourse to the courts was deemed a ludicrous condition precedent, because it could easily refuse to fulfill that condition in order to obviate the filing of a case against it.

Hence, this Petition.^[6]

The Issues

Petitioner raises the following issues for the Court's consideration:

"I.

Whether or not the Court of Appeals erred in reversing and setting aside the decision of the Regional Trial Court, dismissing the complaint against petitioner for lack of a cause of action.

"II.

Whether or not the Court of Appeals erred in failing to find that petitioner did not breach any warranty in the absence of proof that at the time it sold the subject vehicle to Sy, petitioner was not the owner thereof.

"III.

Whether or not the Court of Appeals erred in failing to find that the cause of action, if ever it existed, was already extinguished."^[7]

The foregoing issues actually point to one main question: did the Third-Party Complaint state a cause of action against petitioner?

The court's ruling

The Petition has merit.

Main Issue: **Whether a Cause of Action** **Was Stated in the Third-Party Complaint**

A cause of action is a formal statement of the operative facts that give rise to a remedial right.^[8] The question of whether the complaint states a cause of action is determined by its averments regarding the acts committed by the defendant.^[9] Thus, it "must contain a concise statement of the ultimate or essential facts constituting the plaintiff's cause of action."^[10] Failure to make a sufficient allegation of a cause of action in the complaint "warrants its dismissal."^[11]

Elements of a **Cause of Action**

A cause of action, which is an act or omission by which a party violates the right of another,^[12] has these elements:

"1) the legal right of the plaintiff;

"2) the correlative obligation of the defendant to respect that legal right;
and

"3) an act or omission of the defendant that violates such right."^[13]

In determining whether an initiatory pleading states a cause of action, "the test is as follows: admitting the truth of the facts alleged, can the court render a valid judgment in accordance with the prayer?"^[14] To be taken into account are only the material allegations in the complaint; extraneous facts and circumstances or other matters *aliunde* are not considered.^[15] The court may consider -- in addition to the complaint -- the appended annexes or documents, other pleadings of the plaintiff, or admissions in the records.^[16]

No Cause of Action **Against Petitioner**