Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

RIVIERA GOLF CLUB, INC., Petitioner,	**G.R. No. 173783**
	Present:
- versus -	CARPIO, *J., Chairperson,* BRION, PERALTA,* MENDOZA, and JARDELEZA,** *JJ.*
CCA HOLDINGS, B.V., Respondent.	Promulgated:
	17 JUN 2015

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DECISION

BRION, *J.*:

Before the Court is the petition for review on *certiorari*[1] filed by Riviera Golf Club, Inc. (*Riviera Golf*) assailing the January 11, 2006 decision[2] and the July 5, 2006 resolution[3] of the Court of Appeals (*CA*) in CA-G.R. CV No. 83824.

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* Designated as Additional Member in lieu of Associate Justice Mariano C. Del Castillo, per raffle dated May 11, 2015.

** Designated as Acting Member in lieu of Associate Justice Marvic M.V.F. Leonen, per Special Order No. 2056 dated June 10, 2015.

1 Under Rule 45 of the Rules of Court; *rollo*, pp. 26-78.

2 Id. at 12-19; penned by Associate Justice Conrado M. Vasquez, Jr., with Associate Justices Mariano C. Del Castillo and Magdangal M. de Leon, concurring.

3 Id. at 22.

Background Facts

Riviera Golf, a domestic corporation, is the owner of Riviera Golf Club (*Club*), a 36-hole golf course and recreational facility in Silang, Cavite. On October 11, 1996, Riviera Golf entered into a **Management Agreement** with CCA Holdings, B.V. (*CCA Holdings*), a foreign corporation, for the management and operation of the Club.

The Management Agreement was for a period of five (5) years. Under this agreement, Riviera Golf would pay CCA Holdings a monthly Base Management Fee of 5.5% of the Adjusted Gross Revenue equivalent to US$16,500.00 per month, adjusted to 4.5% per month from the opening date, plus an incentive Management Fee of 10% of the Gross Operating Profit.

The parties also entered into a co-terminous **Royalty Agreement** that would allow Riviera Golf and the Club's developer, Armed Forces of the Philippines' Retirement and Separation Benefits System (*AFP-RSBS*), to use CCA Holdings' name and facilities to market the Club's shares. In consideration of the license to use CCA Holdings' name, Riviera Golf and AFP-RSBS will pay CCA Holdings a gross licensing fee of 1% on all membership fees paid in the sale of shares, an additional gross licensing fee of 4% on all club shares, and 7% on non-golf memberships sold.

Riviera Golf initially paid the agreed fees, but defaulted in its payment of the licensing fees and the reimbursement claims in September 1997. Riviera Golf likewise failed to pay the monthly management and incentive fees in June 1999, prompting CCA Holdings to demand the amounts due under both agreements.

On October 29, 1999, Riviera Golf sent CCA Holdings a letter informing the latter that it was pre-terminating the Management Agreement purportedly to alleviate the financial crisis that the AFP-RSBS was experiencing. The Royalty Agreement was also deemed pre-terminated.

CCA Holdings protested the termination of the agreement and demanded that Riviera Golf settle its unpaid management and royalty fees. Riviera Golf however refused on the ground that CCA Holdings violated the terms of the agreement.

In April 2001, CCA Holdings filed before the Regional Trial Court (*RTC*), Branch 146, Makati City, a complaint for sum of money with damages docketed as Civil Case No. 01-611 (*first complaint*) against Riviera Golf. During the pendency of the case, the parties tried to extrajudicially settle their differences and executed a Compromise Agreement.

On April 25, 2002, the RTC rendered a decision[4] approving the parties' Compromise Agreement. Paragraph 4 of the agreement reads:

> 4) It is understood that the execution of this compromise agreement or the payment of the aforementioned sum of money **shall not be construed as a waiver of or with prejudice to plaintiff's rights/cause of action, if any, arising from or relative to the pre-termination of the parties' Management and Royalty Agreements** by the defendant subject to whatever claims and defenses may have relative thereto; (Emphasis supplied.)

Subsequently, or on November 22, 2002, CCA Holdings again sent a letter to Riviera Golf, this time, demanding the sum of US$390,768.00 representing the projected net income or expected business profits it was supposed to derive for the unexpired two-year term of the Management Agreement. As its demands went unheeded, CCA Holdings filed another complaint for sum of money and damages docketed as Civil Case No. 03-399 (*second complaint*) before Branch 57 of the RTC of Makati City.

Noting that the first and second complaints involve the same parties, the same subject matter, and the same causes of action, Riviera Golf filed on August 6, 2003, a Motion to Dismiss on the grounds of *res judicata* and violation of the rule against splitting of causes of action. CCA Holdings opposed the motion contending that there is no splitting of causes of action since the two cases are entirely independent of each other. CCA Holdings also justified its belated filing of the second complaint, arguing that the needed financial records were in Riviera Golf's possession.

The RTC Ruling

The RTC, Branch 57, Makati City granted the motion to dismiss, holding that the first and second complaints have identical causes of action and subject matter. Since the claims in Civil Case No. 01-611 and Civil Case No. 03-399 arose from alleged violations of the terms and conditions of the Management and Royalty Agreements, the rules on *res judicata* and splitting of causes of action apply.

The RTC also noted that CCA Holdings had every opportunity to raise the issue of pre-termination when it filed Civil Case No. 01-611. That CCA Holdings did not do so and opted instead to reserve it for future litigation only show that it was speculating on the results of the litigation.

The RTC likewise pointed out that the reservation clause or the "non-waiver clause" that the parties inserted in the Compromise Agreement was qualified by the phrase *subject to whatever claims and defenses the defendant may have relative thereto.* The RTC held that the defenses that Riviera Golf could raise are not limited only to those relating to the legality of the pre-termination of the agreements, but could also include all other

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[4] Id. at 169-170.

claims and defenses such as *res judicata* and splitting of a single cause of action.

CCA Holdings appealed the dismissal of its complaint to the CA.

The CA Ruling

In its decision dated January 11, 2006, the CA **set aside** the order granting the motion to dismiss, and **remanded** the case to the RTC for adjudication on the merits. The CA held that *res judicata* and splitting of a single cause of action were not committed based on the following reasons:

First, **there is no identity of causes of action in the two civil cases**. The test to determine the identity of causes of action is to ascertain whether the same evidence is necessary to sustain the two suits. In this case, the sets of evidence in the two complaints were different.

Second, **there is no splitting of a single cause of action** because Riviera Golf violated *separate primary rights* of CCA Holdings under the management contract.

Third, **Riviera Golf recognized CCA Holdings' right to seek damages** arising from or relative to the premature termination of the Management Agreement. This view is evident from the literal interpretation of Paragraph 4 (or the "non waiver clause") of the parties' compromise agreement.

Riviera Golf moved for the reconsideration of the decision, but the CA denied its motion in its resolution of July 5, 2006; hence, the present recourse to us pursuant to Rule 45 of the Rules of Court.

The Petition

Riviera Golf asks the Court to set aside the CA decision, contending that the appellate court committed a grave error in not holding that the filing of the second complaint amounted to *res judicata* and splitting of a single cause of action. Riviera Golf submits that based on the allegations in the two complaints, the facts that are necessary to support the second case (Civil Case No. 03-399) would have been sufficient to authorize recovery in the first case (Civil Case No. 01-611).

Moreover, the documentary evidence that CCA Holdings submitted to support both complaints are also the same. Thus, both civil cases involve not only the same facts and the same subject matter, but also the same cause of action, i.e., *breach of the Management and Royalty Agreements*.

Riviera Golf also argued that although there seems to be several rights violated, there is only one delict or wrong committed and

consequently, only one cause of action that should have been alleged in a single complaint. Since the alleged **breach of contract in this case was already total at the time of the filing of Civil Case No. 01-611**, the filing of the second complaint for the recovery of damages for the pre-termination of the Management and Royalty Agreements constitutes splitting a single cause of action that is expressly prohibited by the Rules of Court.

Riviera Golf likewise disagrees with the CA's interpretation of the non-waiver clause. It argues that the phrase *if any* and the condition that the causes of action are *subject to whatever claims and defenses the defendant may have relative thereto* in the non-waiver clause limited its recognition of CCA Holdings' rights and causes of action. It also maintains that the filing of the motion to dismiss based on *res judicata* and splitting of causes of action clearly falls within the non-waiver clause's limitation.

The Case for the Respondent

CCA Holdings reiterates that there was absolutely no identity of subject matter and causes of action because the first case sought the payment for the services it already rendered, while the second case sought the recovery of damages representing the projected net income that it failed to realize by reason of the unilateral and premature termination of the Management and Royalty Agreements. Thus, the principles of *res judicata* and splitting of a single cause of action do not apply.

Even assuming that the prohibition against *res judicata* operates in this case, CCA Holdings contends that Riviera Golf is already estopped from questioning the filing of the second complaint in view of the non-waiver clause inserted in the compromise agreement.

The Issues

As defined by the parties, the issues before us are limited to:

1. Whether the CCA Holdings violated the prohibitions against *res judicata* and splitting a single cause of action when it filed the claim for damages for unrealized profits; and

2. Whether the CA's interpretation of paragraph 4 of the compromise agreement is correct. *If in the affirmative*, whether the parties may stipulate on an agreement violating the prohibitions against *res judicata* and splitting a single cause of action.

Our Ruling

We find the petition meritorious.

The Second Complaint is Barred by Res Judicata

Res judicata is defined as a matter adjudged; a thing judicially acted upon or decided; or a thing or matter settled by judgment. Under this rule, a final judgment or decree on the merits by a court of competent jurisdiction is conclusive as to the rights of the parties or their privies in all later suits, and on all points and matters determined in the former suit.[5]

The concept of *res judicata* is embodied in Section 47(b) and (c) of Rule 39 of the Rules of Court, which reads:

> SEC. 47. Effect of judgments or final orders. — The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:
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> (a) In case of a judgment or final order against a specific thing or in respect to the probate of a will, or the administration of the estate of a deceased person, or in respect to the personal, political, or legal condition or status of a particular person or his relationship to another, the judgment or final order is conclusive upon the title to the thing, the will or administration, or the condition, status or relationship of the person; however, the probate of a will or granting of letters of administration shall only be *prima facie* evidence of the death of the testator or intestate;
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> (b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been raised in relation thereto, conclusive between the parties and their successors in interest by title subsequent to the commencement of the action or special proceeding, litigating for the same thing and under the same title and in the same capacity; and,
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> (c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto.

Res judicata requires the concurrence of the following requisites: (1) the former judgment must be final; (2) it must have been rendered by a court having jurisdiction of the subject matter and the parties; (3) it must be a judgment on the merits; and (4) there must be, between the first and second actions (a) identity of parties, (b) identity of subject matter, and (c) identity of causes of action.[6]

All the Elements of Res Judicata are Present

There is no dispute as to the presence of the first three elements in the present case. The decision in Civil Case No. 01-611 is a final judgment on

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5 *Chu v. Cunanan*, G.R. No. 156185, September 12, 2011, 657 SCRA 379, 390.

6 *Allied Banking Corporation v. Court of Appeals*, G.R. No. 108089, January 10, 1994, 229 SCRA 253.

the merits rendered by a court which had jurisdiction over the subject matter and over the parties. Since a judicial compromise operates as an adjudication on the merits, it has the force of law and the effect of *res judicata*.[7]

With respect to the fourth element, a careful examination of the allegations in the two complaints shows that the cases involve the same parties and the same subject matter. While Civil Case No. 01-611 is for the collection of unpaid management and royalty fees, and Civil Case No. 03-399 on the other hand, is for recovery of damages for the premature termination of the parties' agreements, both cases were nevertheless filed on the basis of the same Management and Royalty Agreements. Thus, we agree that these two cases refer to the same subject matter.

The Court is also convinced that there is identity of causes of action between the first and the second complaints.

A cause of action may give rise to several reliefs, but only one action can be filed.[8] A single cause of action or entire claim or demand cannot be split up or divided into two or more different actions. The rule on prohibiting the splitting of a single cause of action is clear. Section 4, Rule 2 of the Rules of Court expressly states:

> Section 4. Splitting a single cause of action; effect of. – 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.

In both Civil Case No. 01-611 and Civil Case No. 03-399, CCA Holdings imputed the same wrongful act – **the alleged violations of the terms and conditions of the Management and Royalty Agreements.** In Civil Case No. 01-611, CCA Holdings' cause of action rests on Riviera Golf's failure to pay the licensing fees, reimbursement claims, and monthly management and incentive fees. In Civil Case No. 03-399 on the other hand, CCA Holdings' cause of action hinges on the damages it allegedly incurred as a result of Riviera Golf's premature termination of the Management and Royalty Agreements (*i.e., the expected business profits it was supposed to derive for the unexpired two-year term of the Management Agreement*). Although differing in form, these two cases are ultimately anchored on Riviera Golf's breach of the Management and Royalty Agreements. Thus, we conclude that they have identical causes of action.

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7 *Sps. Martir v. Sps. Verano*, 529 Phil. 120, 125 (2006).

8 Rules of Court, Rule 2, Section 3. See *The City of Bacolod v. San Miguel Brewery, Inc.*, 140 Phil. 363 (1969).

Same Evidence Support and Establish Both the Present and the Former Cause of Action

It is a settled rule that the application of the doctrine of *res judicata* to identical causes of action does not depend on the similarity or differences in the forms of the two actions. A party cannot, by varying the form of the action or by adopting a different method of presenting his case, escape the operation of the doctrine of *res judicata.*[9] The test of identity of causes of action rests on whether the same evidence would support and establish the former and the present causes of action.[10]

We held in *Esperas v. The Court of Appeals*[11] that the ***ultimate test*** in determining the presence of identity of cause of action is to consider whether the same evidence would support the cause of action in both the first and the second cases. Under the **same evidence test**, when the same evidence support and establish both the present and the former causes of action, there is likely an identity of causes of action.[12]

The pleadings and record of the present case show that **there is a glaring similarity in the documentary evidence submitted to prove the claims under the two complaints.** The pieces of evidence both in the collection of unpaid management and royalty fees, and the recovery of damages for the expected business profits aim at establishing the breach of the Management and Royalty Agreements.

Furthermore, the evidence in the first complaint will have to be reexamined to support the cause of action in the second complaint. We specifically note that at least four (4) documents were presented in <u>both</u> actions, namely:

(1) the Management Agreement between Riviera Golf and CCA Holdings;

(2) the Royalty Agreement between Riviera Golf and CCA Holdings;

(3) the Fees Receivable Report of CCA Holdings as of October 1999, amounting to USD 97,122.00; and

(4) the letter dated October 29, 1999, stating the termination of the Management Agreement.

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9 *Francisco v. de Blas, et al.*, 93 Phil. 1 (1953).

10 *Spouses Torres v. Medina*, G.R. No. 166730, March 10, 2010, 615 SCRA 100, 104.

11 G.R. No. 121182, October 2, 2000, 341 SCRA 583, citing *Bachrach Corporation v. The Honorable Court of Appeals*, 357 Phil. 483 (1998).

12 *Spouses Antonio v. Sayman*, G.R. No. 149624, September 29, 2010, 631 SCRA 471, 482.

Based on the allegations in the two complaints, the facts that are necessary to support the second complaint would have been sufficient to allow CCA Holdings to recover in the first complaint. The similarity in the pieces of evidence in these two cases therefore strongly suggests the identity of their causes of action.

We held in this regard in *Stilianopulos v. The City of Legaspi*:[13]

> The underlying objectives or reliefs sought in both the quieting-of-title and the annulment-of-title cases are essentially the same -- adjudication of the ownership of the disputed lot and nullification of one of the two certificates of title. Thus, it becomes readily apparent that the same evidence or set of facts as those considered in the quieting-of-title case would also be used in this Petition.
>
> The difference in form and nature of the two actions is immaterial and is not a reason to exempt petitioner from the effects of *res judicata.* The philosophy behind this rule prohibits the parties from litigating the same issue more than once. When a right or fact has been judicially tried and determined by a court of competent jurisdiction or an opportunity for such trial has been given, the judgment of the court, as long as it remains unreversed, should be conclusive upon the parties and those in privity with them. Verily, there should be an end to litigation by the same parties and their privies over a subject, once it is fully and fairly adjudicated. (Citations omitted.)

At the Time the First Complaint was Filed
The Breach of the Agreements was Already Total

We likewise note that the non-payment of fees and the premature termination of the contract occurred as early as 1999. In other words, the violation of both the Management and Royalty Agreements preceded the filing of the first complaint. Consequently, when CCA Holdings filed its first complaint in 2001, the breach of the agreements was already **complete and total**; and the ground for the recovery of damages was available and in existence. Thus, allowing CCA Holdings now to file two separate and independent claims anchored on the same breach of contract (*i.e., breach of the Management and Royalty Agreements*), constitutes a blatant disregard of our prohibition against *res judicata* and splitting of a single cause of action.

In contracts providing several obligations, each obligation may give rise to a single and independent cause of action. **But if several obligations have matured, or if the entire contract is breached at the time of the filing of the complaint, all obligations are integrated into one cause of action.** Hence, the claim arising from such cause of action that is not included in the complaint is barred forever. The Court's explanation in *Blossom and Company, Inc. v. Manila Gas Corporation,*[14] citing US jurisprudence on the matter, is instructive, *viz*:

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13 G.R. No. 133913, 374 Phil. 879, 897 (1999).
14 55 Phil. 226 (1930).

34 Corpus Juris, p. 839, it is said:

> As a general rule[,] a contract to do several things at several times in its nature, so as to authorize successive actions; and a judgment recovered for a single breach of a continuing contract or covenant is no bar to a suit for a subsequent breach thereof. But where the covenant or contract is entire, and the breach total, there can be only one action, and [the] plaintiff must therein recover all his damages.

In the case of *Rhoelm v. Horst*, 178 U. U., 1; 44 Law. ed., 953, that court said:

> An unqualified and positive refusal to perform a contract, though the performance thereof is not yet due, may, if the renunciation goes to the whole contract, be treated as a complete breach which will entitle the injured party to bring his action at once.

In the present case, CCA Holdings' claim for the unpaid management and royalty fees as well as the damages for its expected business profits constituted an indivisible demand. Verily, CCA Holdings should have included and alleged the recovery of damages for its expected business profits as a second cause of action in Civil Case No. 01-611. CCA Holdings cannot be permitted to split up a single cause of action and make that single cause of action the basis of several suits.

All told, the Court finds that the filing of the second complaint is barred by *res judicata*.

The "Non-Waiver Clause" Stipulated in the Compromise Agreement is Null and Void

CCA Holdings contends that Riviera Golf is already estopped from questioning the filing of the second complaint because the non-waiver clause of the Compromise Agreement recognized CCA Holdings' prerogative to seek damages arising from the premature termination of the Management Agreement.

We do not see any merit in this contention.

A compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.[15] Like any other contract, a compromise agreement must be consistent with the requisites and principles of contracts. While it is true that the agreement is binding between the parties and becomes the law between them, it is also a rule that to be valid, a compromise agreement must not be contrary to law, morals, good customs, and public policy.[16]

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15 Civil Code of the Philippines, Article 2028.

16 *Wenphil Corporation v. Abing*, G.R. No. 207983, April 7, 2014.

In the present case, a reading of paragraph 4 of the Compromise Agreement shows that it allows the filing of complaints **based on the same cause of action** (*i.e., breach of the Management and Royalty Agreements*), to wit:

> 4) It is understood that the execution of this compromise agreement or the payment of the aforementioned sum of money **shall not be construed as a waiver of or with prejudice to plaintiff's rights/cause of action, if any, arising from or relative to the pre-termination of the parties' Management and Royalty Agreements** by the defendant subject to whatever claims and defenses may have relative thereto; (Emphasis supplied.)

Since paragraph 4 allows the splitting of causes of action and *res judicata*, this provision of the Compromise Agreement should be invalidated for being repugnant to our public policy.

The well-settled rule is that the principle or rule of *res judicata* is primarily one of public policy. It is based on the policy against multiplicity of suits,[17] whose primary objective is to avoid unduly burdening the dockets of the courts.

Speaking through Justice J.B.L. Reyes, the Court in *Aguila v. J.M. Tuason & Co., Inc.*[18] held that:

> **Public policy is firmly set against unnecessary multiplicity of suits; the rule of *res judicata*, like that against splitting causes of action, are all applications of the same policy**, that matters once settled by a Court's final judgment should not thereafter be invoked against. Relitigation of issues already settled merely burdens the Courts and the taxpayers, creates uneasiness and confusion, and wastes valuable time and energy that could be devoted to worthier cases. As the Roman maxim goes, *Non bis in idem*.[19] (Emphasis supplied.)

Because it is contrary to our policy against multiplicity of suits, we cannot uphold paragraph 4 of the Compromise Agreement to be valid, for we would then render legitimate the splitting of causes of action and negate the prohibition against *res judicata*. Under Article 1409 of the Civil Code, contracts which are contrary to public policy and those expressly prohibited or declared void by law are considered inexistent and void from the beginning.

In sum, we declare paragraph 4 of the Compromise Agreement null and void for being contrary to public policy.

WHEREFORE, premises considered, we **GRANT** the petition. The decision dated January 11, 2006, of the Court of Appeals in CA-G.R. CV

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17 *Cruz v. Court of Appeals*, 369 Phil. 161, 170-171 (1999).
18 130 Phil. 715, 720 (1968).
19 Id. at 720.

No. 83824 is hereby **REVERSED** and **SET ASIDE**. Accordingly, the decision dated September 29, 2004, of the Regional Trial Court, Branch 57, Makati City, in Civil Case No. 03-399 is **REINSTATED**.

SO ORDERED.

ARTURO D. BRION
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

DIOSDADO M. PERALTA
Associate Justice

JOSE CATRAL MENDOZA
Associate Justice

FRANCIS H. JARDELEZA
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice