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SECOND DIVISION

[G.R. No. L-49261. September 26, 1986]

ANGELA ESTATE, INC., *petitioner, vs.* **BACOLOD-MURCIA MILLING CO., INC. and COURT OF APPEALS,** *respondents.*

SYLLABUS

1. **REMEDIAL LAW; CIVIL PROCEDURE; JUDGMENT; *RES JUDICATA;* WHEN APPLICABLE.** — As provided for in Rule 39, Section 49 of the Rules of Court, the principle of res judicata applies when there is, between two cases, identity of parties, of subject matter and of cause of action (*Aquino vs. Director of Lands*, 39 Phil. 850; *Ocampo vs. Jenkins*, 14 Phil. 681).

2. **ID.; ID.; ID.; RULING IN *MONTELIBANO VS. BACOLOD-MURCIA* (115 PHIL. 18) DISTINGUISHED FROM THE CASE AT BAR.** — We have to concede that, if not for minor differences, the *Montelibano* case and the instant case have identity of parties and subject matter. But the two cases differ with regard to causes of action. It is true that both cases are aimed at achieving the same relief, that is, the granting of additional milling shares to the planters. However, that end was arrived at in the *Montelibano* case through the resolution of the issue of the validity of paragraph 9 of Acta No. 11. Moreover, while the payment of additional milling shares was allowed therein, this Court reserved the right of the plaintiffs-appellants "to sue for such additional increases as they may be entitled to for the crop years subsequent" to crop years 1951 to 1956. As petitioner itself admits, the present case "centers on the interpretation and ultimate application" of paragraphs 9 and 11 of Acta No. 11 "as would entitle it to the increased production therein provided, for its 1963-64 and 1964-65 crop years" (Petition, pp. 8-9; *Rollo,* pp. 14-15). On the other hand, as aforestated, the *Montelibano* case dealt with the validity of said paragraph 9.

3. **ID.; ID.; ID.; ID.; TEST APPLIED TO DETERMINE IDENTITY OR SIMILARITY OF ACTION.** — The test generally applied to determine the identity or similarity of cause of action, is to consider the identity of facts essential to their maintenance, or whether the same evidence would sustain both causes of action (*Pagsisihan vs. Court of Appeals,* L-34885, January 28, 1980, 95 SCRA 540; *Aroc*

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vs. People's Homesite and Housing Corporation, L-39674, January 31, 1938, SCRA 350). The evidence presented in the *Montelibano* case is not sufficient to sustain the cause of action in this case. Necessarily, there being no identity of causes of action between the two cases, the principle of *res judicata* cannot be applied.

4. **CIVIL LAW; CONTRACTS; SUGAR MILLING AGREEMENT; INTERPRETATION OF PARAGRAPH 9 BY THE COURT OF APPEALS, UPHELD; CASE AT BAR.** — We agree with the petitioner that paragraph 9 is so "literally clear" that it leaves no room for interpretation. However, We do not subscribe to its interpretation that the production of several centrals which give better concessions to planters must be considered together to reach one-third of the total production of centrifugal sugar in the province. We fully agree with the interpretation given by respondent Court of Appeals. Its interpretation is more logical and appropriate than the submissions of petitioner, especially when it is considered that: "(1) The pertinent clause of the subject provision does not say "the sugar centrals whose combined or aggregate annual production be more than one-third" etc. but simply "the sugar centrals whose annual production be more than one-third," etc.; "(2) Although in the clause the term "sugar centrals" is in the plural form, its context makes it obvious that it is intended to convey the singular term "any sugar central" whose annual production ... be more than one-third" etc. The plural was used evidently [only] because there might be more than one sugar central whose individual annual production was more than one-third."

5. **ID.; ID.; ID.; INTERPRETATION OF PARAGRAPH 11 BY THE COURT OF APPEALS, UPHELD; CASE AT BAR.**— Paragraph 11, which sets forth the prerequisites before a planter can enjoy increased participation, was incorporated in Acta No. 11 for a definite purpose. By requiring that all lands on which the milling company's railway lines traverse, whether planted to sugar or not, must sign the milling contract and cause its registration in the Registry of Deeds, the milling company is assured of a continuous right of way and a steady supply of canes during the milling season (Exh. 7, Folder of Exhibits, pp. 124 & 131). We share the Court of Appeals' view that the condition imposed in paragraph 11 should be considered as "joint and collective" obligations of all the owners of haciendas or lands on which the principal railroad tracks or respondent are located. The necessity for such collective obligation cannot be overemphasized considering that a continuous supply of sugarcane

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is the very lifeline not only of the milling company but also of the planters.

6. **REMEDIAL LAW; EVIDENCE; FINDINGS OF FACT OF COURT OF APPEALS BINDING; CASE AT BAR.**— We are bound by the Court of Appeals' finding that petitioner did not register its amended milling contract and that not all the lands on which respondent's railway lines traverse had adhered to the milling contract and registered the same. Said appellate court also found that certain landowners prevented respondent's locomotives from passing through their lands by putting up barricades, and that one landowner even went to the extent of questioning respondent's right of way by filing Civil Case No. 5658 in the Court of First Instance of Negros Occidental.

APPEARANCES OF COUNSEL

San Juan Africa Gonzales & San Agustin Law Office for petitioner.

Pelaez Jalandoni & Adriano Law Office for private respondents.

DECISION

ALAMPAY, *J.*:

This petition for review on *certiorari* of the decision of the Court of Appeals is focused on the interpretation and application of a milling contract.

Petitioner Angela Estate, Inc., owner of sugarcane plantation No. 3-228, otherwise known as "Hacienda Helvetia," adhered to respondent Bacolod-Murcia Milling Co., Incorporated's sugar milling contract covering the period from August 20, 1936 to the end of crop year 1964-65.

The contract, as amended, pursuant to a sugar milling agreement (contrato de molienda enrecudado) by a resolution entitled Acta No. 11 and adopted by the Board of Directors of respondent company, increased the planters' share from 55% to 60% of the sugar and molasses produced. It further provides thus:

"9. A Que si durante la vigencia de este Contrato de Molienda Enmendado, las centrales azucareras de Negros Occidental, cuya

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produccion anual de azucar centrifugado sea mas de una tercera parte de la produccion total anual de todas las centrales azucareras de Negros Occidental, concedieran a sus plantadores mejores condiciones que las estipuladas en el gresente contrato, entonces esas mejores condiciones se concederan y por el presente se entenderan concedidas a los plantadores que hayan otorgado este Contrato de Molienda Enmendado.

"x x x x x x x x x

"11. A Estas enmiendas surtiran todos sus efectos desde que todos los duenos de haciendas o terrenos en los que estan colocadas las vias ferreas principales del Molino, hayan otorgado e inscrito en el Registro de Titulos de esta Provincia el Contrato de Molienda Enmendado, y entonces, estas enmiendas, beneficiaran tambien a aquellos plantadores que habian otorgado el Contrato de Molienda Enmendado con anteriodad a la vigencia de estas enmiendas.

"Entendiendose que despues de que se hayan complido ciertas condiciones convenidad entre el Sr. R. Nolan, uno de los abogadoes de la campania, y el Sr. Alfredo Montelibano, Presidente de la Asociacion, se suprimiran el parrafo 11 arriba transcrito las palabras siquientes: 'Estas enmiendas surtiran todos sus efectos desde que todos los duenos de hacienda o terrenos en lost que estan colocadas las vias ferreas principales del Molino, hayan otorgado e inscrito en el Registro de Titulos de esta Provincia, el Contrato del Molienda Enmendado, y entonces, en la palabra estas que siga a la palabra entonces se cambiara la letra 'E' minuscula por una letra "E' mayuscula." (Exh. 1-A).

Thirty years later or on September 24, 1966, petitioner filed in the Court of First Instance of Negros Occidental a complaint against Bacolod-Murcia Milling Co., Inc. to recover additional milling shares for crop years 1963-64 and 1964-65 (Civil Case No. 7985).

As plaintiff therein, petitioner alleged in its complaint that it never deprived the defendant of the use of its principal railroad lines; that the defendant was duty-bound to grant to it whatever better concessions, in the form of bigger milling shares or participations over and above the basic 60% share because the defendant was one of the sugar centrals which produced more than one-third of the centrifugal sugar in the province; that in G.R. No. 15092 entitled "*Alfredo Montelibano, et al. vs. Bacolod-Murcia Milling Co., Inc.*" and promulgated on May 18, 1962 (115 Phil. 18), this Court upheld the validity of *Acta No. 11* and ordered the

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defendant therein to pay additional milling shares for crop year 1951-52 and subsequent crop years; that in crop year 1963-64, the Binalbagan-Isabela and the Victorias sugar centrals and in crop year 1964-65, the Binalbagan-Isabela and the La Carlota sugar centrals granted their planters 64% to 65% shares as they produced more than one-third of the centrifugal sugar produced by all the sugar centrals in the province; and that, as it was given only 60% share for crop years 1963-64 and 1964-65, the defendant must grant it 64% and 65% shares respectively, for the said two crop years.

Plaintiff prayed that defendant be ordered to pay the unpaid balance of its share consisting of the amounts of P29,644.72 and P26,546.98 for crop years 1963-64 and 1964-65 respectively, with interests plus attorney's fees at P5,000 and costs.

In its amended answer, the defendant alleged that the milling contract it entered into with plaintiff had not been registered in the Registry of Deeds; that plaintiff could not invoke *Acta No. 11* as it did not comply with the mandatory requirements therein regarding the registration of the milling contract and the fulfillment of the secret conditions between Atty. Nolan and Mr. Montelibano; that plaintiff based its conclusions in its complaint on an erroneous construction of paragraph 9 of *Acta No. 11*; that said paragraph provided for and required that sugar centrals "should each have produced *individually* in a single year more than one-third of the total production of centrifugal sugar" in Negros Occidental; and that, as the *Montelibano* case was decided by this Court only on the issue of the validity of paragraph 9 of *Acta No. 11*, the plaintiff was not exempt from compliance with the mandatory requirements of paragraph 11 of said *acta*.

As counterclaim, defendant averred that the complaint was meant to vex, harass and molest it as plaintiff did not wait for the final decision in Civil Case No. 4650 in the Court of First Instance of Negros Occidental which involved both of them, before filing Civil Case No. 7985. It claimed P50,000 as damages and P5,000 as attorney's fees.

In its decision of September 23, 1974, the trial court settled the issues of whether the decision in the *Montelibano* case barred the defense put up by the defendant as to the enforceability of *Acta*

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No. 11, and whether the plaintiff was entitled to the increased sharing provided for in said *acta*.

On the first issue, the trial court noted that the plaintiff was the immediate successor-in-interest of Gonzaga & Co., one of the plaintiffs in the *Montelibano* case. It ruled that under the principle of *res judicata*, this Court's decision in the *Montelibano* case barred the defense that *Acta No. 11* never acquired force and effect because not all the lands traversed by defendant's principal railroad lines were covered by the amended milling contract.

On the second issue, the trial court found that the plaintiff allowed the defendant uninterrupted use of its principal railroad lines; that plaintiff could not have possibly complied with the mandatory requirements of *Acta No. 11* because it had no hand in the actuation of owners of lands where part of defendant's railroad lines would pass; and that the "secret" conditions between Ricardo Nolan and Alfredo Montelibano were private affairs of those two of which plaintiff could do nothing about.

The trial court ordered the defendant to pay the plaintiff P85,919.75, the money value of plaintiff's additional milling shares for 1963-64 and 1964-65, with legal interest from June 27, 1974 until that amount is completely paid, and P3,000 as attorney's fees plus costs.

The defendant appealed. In its decision of September 6, 1978, the Court of Appeals reversed the trial court's decision and dismissed the complaint with costs against the appellee, Angela Estate, Inc.

Its motion for reconsideration having been denied, petitioner interposed the instant petition for review on *certiorari*.

Petitioner contends that the Court of Appeals erred when it held that: (1) the conditions set forth in paragraph 11 of *Acta No. 11* have not been complied with; (2) the condition embodied in paragraph 9 of said acta requires one or more centrals, giving better sharing participation to the planters, whose individual annual production is more than one-third (1/3) of the total annual production of all the sugar centrals in Negros Occidental; and (3) the principle of *res judicata* is inapplicable.

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Petitioner's contention is without merit.

We shall first address ourselves to the issue of the applicability of the principle of *res judicata* in this case before touching on the interpretation of paragraphs 9 and 11 of *Acta No. 11*.

As provided for in Rule 39, Section 49 of the Rules of Court, the principle of *res judicata*, applies when there is, between two cases, identity of parties, of subject matter and of cause of action (*Aquino vs. Director of Lands*, 39 Phil. 850; *Ocampo vs. Jenkins*, 14 Phil. 681).

We have to concede that, if not for minor differences, the Montelibano case and the instant case have identity of parties and subject matter.

As claimed by the petitioner, it is the successor-in-interest of Gonzaga & Co., one of the plaintiffs-appellants in the former case, by title subsequent to the commencement of the action in the *Montelibano* case. Bacolod-Murcia Milling Co., Inc., defendant herein, was also the defendant in the *Montelibano* case. In both cases, the demand is for additional sharing in the produced sugar and molasses although the claims are for different crop years.

But the two cases differ with regard to causes of action. It is true that both cases are aimed at achieving the same relief, that is, the granting of additional milling shares to the planters. However, that end was arrived at in the *Montelibano* case through the resolution of the issue of the validity of paragraph 9 of *Acta No. 11*. Moreover, while the payment of additional milling shares was allowed therein, this Court reserved the right of the plaintiffs-appellants "to sue for such additional increases as they may be entitled to for the crop years subsequent" to crop years 1951 to 1956.

That this Court resolved only the issue of the validity of paragraph 9 is discussed in the resolution of the motion for reconsideration of the decision in the *Montelibano* case (115 Phil. 27), where we stated that:

"We can not see our way clear to granting the motions taking into account that the court of first instance, in its appealed decision dismissing the complaint, limited itself exclusively to the questions of law posited by the defendant Company, now appellee, and ignored all its other defenses based

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on questions of fact. The appellee Company, in turn, even when made aware of the intention of the plaintiffs to appeal to this Court, did not ask the court below to make any findings on the issues of fact raised by its other defenses. Neither has it called our attention, during the period of more than two years that the appeal has been pending in this Court, to the necessity of considering such factual defenses. Indeed, appellee's brief has been limited to argue the issue of law that was raised by it and which was upheld by the court of origin.

"During the pendency of the appeal, the appellee had more than ample opportunity to point out to the Court that the resolution of the issues of law would not bar its other defenses. Even more, as appellee, it could have discussed, under the Court's doctrines, its other defenses in its brief, by way of support of the dismissal made by the court of first instance. As pointed out in several decisions, an appellee, who is not an appellant, may even assign errors in his brief where his purpose is only to maintain the judgment modified or reversed. In fact, appellee could have asked this Court to refer the case to the Court of Appeals for resolution of the issues of fact.

"Appellee has taken none of these various options. Instead, it submitted the case for decision exclusively on the issue of law, and has called attention to the issues of fact only when the decision went against it x x x."

Ironically, said appellee's opportunity to present its factual defenses resurfaced when plaintiff filed the instant case. All its factual defenses, including those which this Court considered as waived in the *Montelibano* case, may now be considered because of the variance of the issues presented in the two cases.

As petitioner itself admits, the present case "centers on the *interpretation* and *ultimate application*" of paragraphs 9 and 11 of *Acta No. 11* "as would entitled it to the increased production therein provided, for its 1963-64 and 1964-65 crop years" (Petition, pp. 8-9; *Rollo*, pp. 14-15). On the other hand, as aforestated, the Montelibano case dealt with the validity of said paragraph 9.

The test generally applied to determine the identity or similarity of causes of action, is to consider the identity of facts essential to their maintenance, or whether the same evidence would sustain both causes of action (*Pagsisihan vs. Court of Appeals*, L-34885, January 28, 1980, 95 SCRA 540; *Aroc vs. People's Homesite and Housing Corporation,* L-39674, January 31, 1938, SCRA 350).

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The evidence presented in the *Montelibano* case is not sufficient to sustain the cause of action in this case. Necessarily, there being no identity of causes of action between the two cases, the principle of *res judicata* cannot be applied.

Petitioner contends that under paragraph 9, sugar centrals which give better concessions or conditions than those stipulated in the milling contract and whose production exceeds one-third (1/3) of the total production of all sugar centrals in Negros Occidental, are obliged to give planters increased participation in the sugar and molasses produced in any one crop year (Petition, p. 21). According to the petitioner, the basis for determining whether one-third of the total sugar production of the province has been attained, is the "produccion anual" of the "centrales" and not the individual or "each" central's production that would be the basis of determination, because the description phrase "cuya produccion anual de azucarera centrifugada sea mas de una tercera parte de la produccion total anual de todas las centrales azucareras de Negros Occidental" which is in its plural form (Petition, p. 15).

We agree with the petitioner that paragraph 9 is so "literally clear" that it leaves no room for interpretation. However, We do not subscribe to its interpretation that the production of several centrals which give better concessions to planters must be considered together to reach one-third of the total production of centrifugal sugar in the province.

The use of the phrase "las centrales azucareras" indicates that each of the sugar mills was bound to grant better terms to the planters should the stipulated conditions be met. Those individual sugar mills taken together had to be referred to as a plurality. The word "centrales" was used primarily to express the intention of the contracting parties to cover all the sugar centrals in the province. Hence, "las centrales azucareras" should be understood in its distributive sense, that is any or every or each sugar central. This interpretation is clearly explained by the Court of Appeals when it said that:

"What the provision obviously intends is to impose it as an obligation on appellant to give increased participation to its planters only when any one or more sugar central(s) would extend additional share in the

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consideration of their *individual and separate production*, each extended to the planters, more in a spirit of generosity, but *conditioned* very reasonably on one or more sugar centrals, *each* producing individually more than 1/3 of the total production of centrifugal sugar of all sugar centrals in the province, conceding the increased participation of their planters. Then, and only then, regardless of its rate of production in any given year, appellant bound itself also to extend the same increased participations to its planters." (Italics supplied)

We fully agree with the interpretation given by respondent Court of Appeals. Its interpretation is more logical and appropriate than the submissions of petitioner, especially when it is considered that:

"(1) The pertinent clause of the subject provision does not say "the sugar centrals whose *combined or aggregate* annual production be more than one-third" etc. but simply "the sugar centrals whose annual production be more than one-third," etc.

"(2) Although in the clause the term 'sugar centrals' is in the plural form, its context makes it obvious that it is intended to convey the singular term "any sugar central" whose annual production . . . be more than one-third" etc. The plural was used evidently [only] because there might be more than one sugar central whose individual annual production was more than one third." (Case Records, p. 168)

The Court is not prepared to accept petitioner's assertion that no one central in the province then could possibly produce more than one-third of the total production of all centrals in the province. Petitioner has not cited any specific official declaration or figures nor date to support such allegation.

Furthermore, as it is the contemplated increase in the production of a sugar central to more than one-third (1/3) of the total production of all sugar centrals in the province which would justify the grant of increased participation to their planters, when this condition is not met by other less productive sugar mills in the province, the latter sugar centrals should not be compelled to be placed in the same footing as those better situated. It will not be proper to require the less productive sugar centrals to assume equal obligations as those that better sugar centrals can afford to accept.

It is unfortunate that no evidence was presented regarding the "secret conditions" referred to in subparagraph 2 of paragraph 11

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and Ricardo Nolan, with whom Alfredo Montelibano negotiated said conditions, died in 1957 (Exh. 7, Folder of Exhibits, p. 156). Hence, that requirement should be dispensed with.

Paragraph 11, which sets forth the prerequisites before a planter can enjoy increased participation, was incorporated in *Acta No. 11* for a definite purpose. By requiring that all lands on which the milling company's railway lines traverse, whether planted to sugar or not, must sign the milling contract and cause its registration in the Registry of Deeds, the milling company is assured of a continuous right of way and a steady supply of canes during the milling season (Exh. 7, Folder of Exhibits, pp. 124 & 131).

We share the Court of Appeals' view that the condition imposed in paragraph 11 should be considered as "joint and collective" obligations of all the owners of haciendas or lands on which the principal railroad tracks of respondent are located. The necessity for such collective obligation cannot be overemphasized considering that a continuous supply of sugarcane is the very lifeline not only of the milling company but also of the planters. As aptly stated by the respondent court, —

"In the first place, as earlier adverted to, there is no proof, against the denial of appellant that appellee's milling contract has been registered. The purpose of this requirement goes into the essence of the contract or agreement in that registration is the best assurance of the continued enjoyment of the right of way even against third persons to whom the land may be sold or transferred, as explained by appellant's witness, Atty. Juan B. Solidum. The Resolution which was passed on the appellant's Board of Directors sole benevolent initiative, would require, in consideration of the increased share conceded to all its planters, not just one or some of them, but all the said planters collectively to see to it that all of them execute and register their milling contracts. *The obligation* imposed on the planters is, therefore, intended to be a joint and collective one, if the purpose of the concession is to be truly achieved which was the very consideration for the concession or grant of additional shares to the *planters*. The condition that all the owners of *all* the haciendas or lands on which are located, constructed or maintained the principal railroad tracks of appellant must (1) adhere *all* such haciendas or lands under the "Contrato de Molienda" and (2) register such contract with the Register Deeds was accepted by appellee was imposed under paragraph 11 of the Resolution, in its Answer to Defendant's Request for Admission." It was, therefore,

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improper, for lack of legal warrant, for the court a quo to consider the compliance by appellee alone, even without that of the rest of the planters of appellant, as "substantial performance," sufficient to place appellant under obligation to grant the additional shares to appellee." (*Ibid,* pp. 108-109)

We are bound by the Court of Appeals' finding that petitioner did not register its amended milling contract and that not all the lands on which respondent's railway lines traverse had adhered to the milling contract and registered the same. Said appellate court also found that certain landowners prevented respondent's locomotives from passing through their lands by putting up barricades, and that one landowner even went to extent of questioning respondent's right of way by filing Civil Case No. 5658 in the Court of First Instance of Negros Occidental.

Hence, petitioner's claim for additional milling shares for crop years 1963-64 and 1964-65 cannot be granted because of its erroneous interpretation of paragraph 9 and its failure to present proof of its individual as well as the collective compliance with paragraph 11 of all the owners of the haciendas and the lands on which respondent's railway tracks are located.

WHEREFORE, the decision of the Court of Appeals is affirmed *in toto*.

SO ORDERED.

Feria (Chairman), Gutierrez, Jr., Paras, and *Feliciano, JJ.,* concur.

Fernan, J., took no part.