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THIRD DIVISION

[G.R. No. 150470. August 6, 2008]

SPOUSES FELIPE and VICTORIA LAYOS, *petitioners, vs.* **FIL-ESTATE GOLF AND DEVELOPMENT, INC., LA PAZ HOUSING AND DEVELOPMENT CORPORATION, REPUBLIC OF THE PHILIPPINES, AND THE SPOUSES MARINA AND GENEROSO OTIC,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; CIVIL PROCEDURE; DOCTRINE OF *RES JUDICATA;* ELUCIDATED. — *Res judicata* literally means "a matter adjudged; a thing judicially acted upon or decided; a thing or matter settled by judgment." *Res judicata* lays the rule that 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. It is espoused in the Rules of Court, under paragraphs (b) and (c) of Section 47, Rule 39, which provide: 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: x x x (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 the same thing and under the same title and in the same capacity; and (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. The doctrine of *res judicata* lays down two main rules which may be stated as follows: (1) The judgment

or decree of a court of competent jurisdiction on the merits concludes the litigation between the parties and their privies and constitutes a bar to a new action or suit involving the same cause of action either before the same or any other tribunal; and (2) any right, fact, or matter in issue directly adjudicated or necessarily involved in the determination of an action before a competent court in which a judgment or decree 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 claims or demands, purposes, or subject matters of the two suits are the same. These two main rules mark the distinction between the principles governing the two typical cases in which a judgment may operate as evidence. In speaking of these cases, the first general rule above stated, and which corresponds to the afore-quoted paragraph (b) of Section 47, Rule 39 of the Rules of Court, is referred to as "bar by former judgment"; while the second general rule, which is embodied in paragraph (c) of the same section and rule, is known as "conclusiveness of judgment."

2. ID.; ID.; ID.; CONCLUSIVENESS OF JUDGMENT; ELUCIDATED. — The Resolution of this Court in *Calalang v. Register of Deeds of Quezon City*, provides the following enlightening discourse on conclusiveness of judgment: The doctrine *res judicata* actually embraces two different concepts: (1) bar by former judgment and (b) conclusiveness of judgment. The second concept — conclusiveness of judgment — states that a fact or question which was in issue in a former suit and was there judicially passed upon and determined by a court of competent jurisdiction, is conclusively settled by the judgment therein as far as the parties to that action and persons in privity with them are concerned and cannot be again litigated in any future action between such parties or their privies, in the same court or any other court of concurrent jurisdiction on either the same or different cause of action, while the judgment remains unreversed by proper authority. It has been held that in order that a judgment in one action can be conclusive as to a particular matter in another action between the same parties or their privies, it is essential that the issue be identical. If a particular point or question is in issue in the second action, and the judgment will depend on the determination of that particular point or question, a former judgment between the

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same parties or their privies will be final and conclusive in the second if that same point or question was in issue and adjudicated in the first suit (*Nabus vs. Court of Appeals*, 193 SCRA 732 [1991]). Identity of cause of action is not required but merely identity of issue. Justice Feliciano, in *Smith Bell & Company (Phils.), Inc. vs. Court of Appeals* (197 SCRA 201, 210 [1991]), reiterated *Lopez vs. Reyes* (76 SCRA 179 [1977]) in regard to the distinction between bar by former judgment which bars the prosecution of a second action upon the same claim, demand, or cause of action, and conclusiveness of judgment which bars the relitigation of particular facts or issues in another litigation between the same parties on a different claim or cause of action. The general rule precluding the relitigation of material facts or questions which were in issue and adjudicated in former action are commonly applied to all matters essentially connected with the subject matter of the litigation. Thus, it extends to questions necessarily implied in the final judgment, although no specific finding may have been made in reference thereto and although such matters were directly referred to in the pleadings and were not actually or formally presented. Under this rule, if the record of the former trial shows that the judgment could not have been rendered without deciding the particular matter, it will be considered as having settled that matter as to all future actions between the parties and if a judgment necessarily presupposes certain premises, they are as conclusive as the judgment itself. Another case, *Oropeza Marketing Corporation v. Allied Banking Corporation*, further differentiated between the two rules 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. In sum, conclusiveness of judgment bars the re-litigation in a second case of a fact or question already settled in a previous case. The second case, however, may still proceed provided that it will no longer touch on the same fact or question adjudged in the first case. Conclusiveness of judgment requires only the identity of issues and parties, but not of causes of action.

3. ID.; ID.; ID.; ID.; IDENTITY OF PARTIES AND ISSUES; PRESENT IN SUBJECT CASES AT BAR. — Contrary to the position of the Spouses Layos, there is identity of parties and issues between G.R. No. 120958 (the injunction cases) and LRC Case No. B-1784 (the reconstitution case). The principal parties in both cases are the Spouses Layos, on one hand, and La Paz and FEGDI, on the other. The Spouses Layos and La Paz both claim title to the subject property, while FEGDI is the partner of La Paz in a joint venture to develop the said property. There may be other parties named in both cases, but these parties only derive their rights from the principal parties. The Court has previously held that for purposes of *res judicata*, only substantial identity of parties is required and not absolute identity. There is substantial identity of parties when there is community of interest between a party in the first case and a party in the second case even if the latter was not impleaded in the first case. In other words, privity or a shared identity of interest is sufficient to invoke application of the principle of *res judicata*. It is fundamental that the application of *res judicata* may not be evaded by simply including additional parties in a subsequent litigation. For conclusiveness of judgment, identity of causes of action and subject matter is not required; it is the identity of issues that is material. The issue of the validity of the Spouses Layos' title to the subject property is integral to both G.R. No. 120958 and LRC Case No. B-1784.

4. CIVIL LAW; LAND TITLES; RECONSTITUTION OF CERTIFICATE OF TITLE; NOT PROPER FOR SPURIOUS

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TITLES. — Reconstitution or reconstruction of a certificate of title literally and within the meaning of Republic Act No. 26 denotes restoration of the instrument which is supposed to have been lost or destroyed in its original form and condition. For an order of reconstitution to issue, the following elements must be present: 1) the certificate of title has been lost or destroyed; 2) the petitioner is the registered owner or has an interest therein; and 3) the certificate of title is in force at the time it was lost or destroyed. Since the Court already settled in G.R. No. 120958 that OCT No. 239 is fake and a forgery, it would have been a senseless and futile endeavor for the San Pedro RTC to continue with the reconstitution proceedings in LRC Case No. B-1758, for there is actually no valid certificate to reconstitute. The court cannot, and should not, reconstitute a spurious certificate of title and allow the continuous illegal proliferation and perpetuation thereof. Republic Act No. 26 provides for a special procedure for the reconstitution of Torrens certificates of title that are missing but not **fictitious titles or titles, which are existing**.

5. REMEDIAL LAW; CIVIL PROCEDURE; JUDGMENTS; FINALITY OF JUDGMENT; EFFECT. — Nothing is more settled in law than that when a final judgment is executory; it thereby becomes immutable and unalterable. The judgment may no longer be modified in any respect, even if the modification is meant to correct what is perceived to be an erroneous conclusion of fact or law, and regardless of whether the modification is attempted to be made by the court rendering it or by the highest Court of the land. The doctrine is founded on considerations of public policy and sound practice that, at the risk of occasional errors, judgments must become final at some definite point in time. What cannot be directly done by motion for reconsideration or appeal, given the finality of the Decisions in G.R. No. 120985 and CA-G.R. CV No. 50962, likewise, cannot be indirectly done through a separate proceeding. Under the doctrine of conclusiveness of judgment which is also known as "preclusion of issues" or "collateral estoppel", issues actually and directly resolved in a former suit cannot again be raised in any future case between the same parties involving a different cause of action. Once a judgment attains finality it becomes immutable and unalterable. It may no longer be modified in any respect, even if the modification

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is meant to correct what is perceived to be an erroneous conclusion of fact or law, and regardless of whether the modification is attempted to be made by the court rendering it or by the highest court of the land.

6. POLITICAL LAW; CONSTITUTIONAL LAW; BILL OF RIGHTS; RIGHT TO DUE PROCESS; NOT DENIED IN CASE AT BAR. — The Spouses Layos contend that the Order dated 19 January 1998 of the San Pedro RTC dismissing their Petition for Reconstitution without a full blown trial deprived them of their property without due process. Holding a trial in the reconstitution case would be an exercise in futility, because given the conclusiveness of the judgment of this Court in G.R. No. 120958 and the Court of Appeals in CA-G.R. CV No. 50962 that OCT No. 239 is fake, forged, and spurious, then the San Pedro RTC in LRC Case No. B-1758 is, thus, barred from re-litigating the issue and accepting evidence thereon. Furthermore, due process does not require that a trial be held in all circumstances. The Spouses Layos cannot claim deprivation of property without due process when they were never denied the opportunity to be heard by the courts. The Spouses Layos repeatedly and persistently sought recourse from the courts, at the risk of forum shopping (of which it was actually found guilty at one point in G.R. No. 120958). That the cases of the Spouses Layos were dismissed by the RTCs even before they reach trial stage is not denial of due process. The dismissals were due to the lack of merit of their complaints and/or petitions, already apparent in the pleadings and evidence on record, and pointed out in their opponents' Motions for Dismissal (in the injunction cases) and Motion for Summary Judgment (in the quieting of title case).

7. CIVIL LAW; LAND TITLES; RECONSTITUTION OF CERTIFICATE OF TITLE; LANDS ALREADY COVERED BY VALID TITLES IN THE NAME OF REGISTERED OWNERS OTHER THAN PETITIONERS, CANNOT BE A PROPER SUBJECT OF RECONSTITUTION PROCEEDINGS. — The RTC, acting on a petition for reconstitution, is of limited jurisdiction. Lands already covered by valid titles in the name of registered owners other than the petitioners cannot be a proper subject of reconstitution proceedings, thus: The Court stresses once more that lands

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already covered by duly issued existing Torrens Titles (which become incontrovertible upon the expiration of one year from their issuance under Section 38 of the Land Registration Act) cannot be the subject of petitions for reconstitution of allegedly lost or destroyed titles filed by third parties without first securing by final judgment the cancellation of such existing titles. (And as the Court reiterated in the recent case of *Silvestre vs. Court of Appeals*, "in cases of annulment and/or reconveyance of title, a party seeking it should establish not merely by a preponderance of evidence but by clear and convincing evidence that the land sought to be reconveyed is his"). **The courts simply have no jurisdiction over petitions by such third parties for reconstitution of allegedly lost or destroyed titles over lands that are already covered by duly issued subsisting titles in the names of their duly registered owners. The very concept of stability and indefeasibility of titles covered under the Torrens System of registration rules out as anathema the issuance of two certificates of title over the same land to two different holders thereof.** The prayer of the Spouses Layos to have LRC Case No. B-1784 remanded to the San Pedro RTC for trial, if granted, would only be farcical. Should the San Pedro RTC subsequently grant the reconstitution of OCT No. 239 after the trial, it would only be an empty victory for the Spouses Layos, for a reconstituted certificate of title, like the original certificate, by itself does not vest ownership of the land or estate covered thereby. The valid title to the subject property would still be that of La Paz, as determined by the Court of Appeals in CA-G.R. CV No. 50962, over which the reconstituted certificate of title of the Spouses Layos cannot prevail. The reconstituted OCT No. 239 would be a mere piece of paper with actually no title to evidence ownership.

APPEARANCES OF COUNSEL

Nelson Clemente for petitioners.

Ramon Casanova for La Paz Housing Dev't. Corp.

Poblador Bautista and Reyes for Fil-Estate Golf Dev't., Inc.

Gerardo Wilfredo L. Alberto for Intervenor N. Saavedra.

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D E C I S I O N

CHICO-NAZARIO, *J.*:

Before this Court is a Petition for Review on *Certiorari*[1] under Rule 45 of the Rules of Court filed by petitioner-spouses Felipe and Victoria Layos (Spouses Layos) seeking the reversal and setting aside of the Decision[2] dated 26 April 2001 of the Court of Appeals in CA-G.R. CV No. 61759, which affirmed the Order[3] dated 19 January 1998 of the Regional Trial Court (RTC), Branch 93 of San Pedro, Laguna, summarily dismissing the spouses Layos' Petition for Reconstitution of Original Certificate of Title (OCT) No. 239 in LRC Case No. B-1784. Likewise being assailed in the Petition at bar is the Resolution[4] dated 18 October 2001 of the appellate court denying the Spouses Layos' Motion for Reconsideration of its earlier Decision.

The factual and procedural antecedents of the case presently before this Court, by themselves, appear deceptively simple. However, they are so intimately linked with other cases the factual backgrounds and judicial resolutions of which the Court must also necessarily present herein.

I

FACTUAL BACKGROUND

G.R. No. 120958:
The Injunction Cases

The Court begins with *Fil-Estate Golf and Development, Inc. v. Court of Appeals*,[5] a case which it decided more

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[1] *Rollo*, pp. 11-31.

[2] Penned by Associate Justice Rodrigo V. Cosico with Associate Justices Ramon A. Barcelona and Alicia L. Santos, concurring; *rollo*, pp. 32-38.

[3] Penned by Judge Francisco Dizon Paro, *rollo*, pp. 41-43.

[4] Penned by Associate Justice Martin S. Villarama, Jr. with Associate Justices Conrado M. Vasquez, Jr. and Eliezer R. de los Santos, concurring; *rollo*, pp. 39-40.

[5] 333 Phil. 465 (1996).

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than a decade ago. The said case arose from the following facts:

Petitioner Fil-Estate Golf & Development, Inc. (FEGDI) is the developer of the Manila Southwoods golf course and residential subdivision project which partly covers lands located in Biñan, Laguna. Its partner in the joint venture, La Paz Housing and Development Corporation (La Paz), provided the aforementioned properties which are registered in its name. The project involves the "construction and development of, among others, a highway interchange linking nearby communities to the South Expressway and world class tourism-generating cultural theme and water parks."

On 29 December 1992, a certain Felipe Layos filed a complaint for Injunction and Damages with Application for Preliminary Injunction against Fil-Estate Realty Corporation, (FERC) *et al*. with the Regional Trial Court of Biñan, Laguna and docketed as Civil Case No. B-3973.

It was alleged in the said complaint that Felipe Layos is the legal owner and possessor of two (2) parcels of land having a total area of 837,695 square meters located at Barrio Tubigan, Biñan, Laguna, known as Lots 1 & 2 of Plan Psu-201 of the Bureau of Lands having acquired the same from his father, Mauricio Layos, who in turn inherited said properties from his own father, Natalio Layos, allegedly the original owner thereof. Layos claimed that the Southwoods project encroached upon the aforecited lands and thus contended that his rights of ownership and possession were violated when FERC brought in men and equipment to begin development of the said properties.

On 2 February 1993, FERC filed an Opposition to Application for Writ of Preliminary Injunction and explicitly stated therein that the developer of the Southwoods project is its sister company, FEGDI.

On 5 March 1993, FEGDI filed an Answer to the abovementioned complaint and reiterated that it is the developer of the Southwoods project and not FERC and that the land covered by the project is covered by Transfer Certificates of Title in the name of La Paz, copies of which were attached to said answer as annexes.

On 29 March 1993, Presiding Judge Justo M. Sultan of the Regional Trial Court of Biñan, Laguna issued an order denying the prayer for preliminary injunction in Civil Case No. B-3973 in view of the inability of Layos to substantiate his right. Neither he nor his counsel appeared on the scheduled hearings. x x x

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x x x x x x x x x

On 25 June 1993, Felipe Layos along with his wife and other individuals filed another case for Injunction and Damages with Prayer for Preliminary Injunction with the Regional Trial Court of San Pedro, Laguna docketed as Civil Case No. B-4133, this time against the correct party, FEGDI.

The complaint in the San Pedro case (Civil Case No. B-4133) is basically identical to that filed in the Biñan case (Civil Case No. B3973), except for changes in the number of party-plaintiffs and party-defendants and in the area size of the claimed landholdings. Further, in the San Pedro case there is reference to a title (OCT No. 239), a specific date of intrusion and an increase in the damages prayed for.

On 1 July 1993, FEGDI moved to dismiss the San Pedro case on grounds of *litis pendentia*, forum-shopping, lack of cause of action and lack of jurisdiction. FEGDI argued that a similar complaint was previously filed with the Regional Trial Court of Biñan, Laguna and is currently pending therein. It, likewise, accused the private respondents of forum-shopping, stating that the latter instituted the San Pedro case after their application for preliminary injunction was denied by the Biñan court. Anent the third and fourth grounds, FEGDl averred that the documents relied upon by the private respondents are of doubtful veracity and that they failed to pay the correct filing fees considering that the San Pedro case is a real action as allegedly revealed in the body of the complaint. The Layoses filed their opposition on 5 July 1993 arguing in the main that there is no *litis pendentia* because there is no identity of parties. Felipe Layos claimed that he never authorized the filing of the Biñan case and that the defendant therein is the Fil-Estate Realty Corporation not the Fil-Estate Golf & Development, Inc. Consequently, the two cases being dissimilar, there can be no forum-shopping. Private respondents contended, likewise, that they have satisfied all the requirements of a valid cause of action and insisted that the suit is not for recovery of possession but is a personal action for injunction and damages. On 12 July 1993, Judge Stella Cabuco-Andres of the San Pedro Regional Trial Court issued an order denying FEGDI's motion to dismiss. The Motion for Reconsideration filed by FEGDI on 13 July 1993 was similarly denied by the aforesaid court in an order dated 14 July 1993.

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On 15 July 1993, FEGDI filed a Petition for *Certiorari* and Prohibition with Application for Preliminary Injunction with the Court of Appeals (docketed as CA-G.R. SP No. 31507) assailing the denial of its motion to dismiss the San Pedro case. The arguments and issues raised by petitioner to support its motion to dismiss were the same issues raised in the aforestated petition.

On 20 July 1993, the Court of Appeals issued a temporary restraining order enjoining Judge Andres from proceeding with the San Pedro case.

Meanwhile, the Regional Trial Court of Biñan, Laguna, in an order dated 25 January 1994, dismissed the Biñan case without prejudice on grounds of forum-shopping. FEGDI moved for a partial reconsideration of the said order praying that the dismissal be with prejudice. Hence, on 25 April 1994, the aforestated court dismissed the Biñan case with prejudice to forestall the plaintiffs therein from forum-shopping. x x x.

x x x x x x x x x

On 10 March 1995, the Court of Appeals, dismissed FEGDI's petition for lack of merit. x x x.

FEGDI's motion for reconsideration was subsequently denied in the Court of Appeals' resolution dated 13 July 1995. Hence, this petition for review.[6]

FEGDI came to this Court via a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, docketed as G.R. No. 120958. The Court granted the Petition and ruled in favor of FEGDI.

The Court found that therein private respondents, which included the Spouses Layos, did commit forum shopping by instituting similar proceedings for injunction before the RTCs of Biñan and San Pedro, Laguna:

Private respondents have indeed resorted to forum-shopping in order to obtain a favorable decision. The familiar pattern (of one party's practice of deliberately seeking out a " sympathetic" court) is undisputedly revealed by the fact that after Felipe Layos instituted

[6] *Id.* at 468-474.

in 1992 a case for injunction and damages with application for preliminary injunction in the Regional Trial Court of Biñan, Laguna and after his prayer for a preliminary injunction was denied in March 1993, he and his wife, together with four (4) alleged buyers of portions of the land claimed by him, filed an identical complaint for injunction and damages with preliminary injunction a few months later, or in June 1993, this time with the Regional Trial Court of San Pedro, Laguna.

Having been denied their temporary restraining order in one court, private respondents immediately instituted the same action in another tribunal — a deliberate tactic to seek out a different court which may grant their application for preliminary injunction, or at least give them another chance to obtain one.

Private respondents parry petitioner's allegation of forum shopping by adamantly contending that Felipe Layos did not, in any manner, authorize the filing of the Biñan case. Moreover, they insist that Felipe Layos' signature in the Biñan complaint is a forgery and that he neither appeared nor participated in the proceedings before the Biñan court.

We find no merit in private respondents' assertions. The almost word-for-word similarity of the complaints in both the Biñan and San Pedro cases totally refutes such a theory, as can readily be observed from a comparative view of the two aforementioned complaints x x x.

x x x x x x x x x

Even the affidavits attached to the two complaints are virtually identical x x x

x x x x x x x x x

Examining the two complaints one can easily discern that the San Pedro complaint is simply an "improved" version of the Biñan complaint and the similarity does not end there. The residence certificates (of Felipe Layos) used in the verification of both complaints are practically identical — same number, date of issue and place of issue.

If indeed there is a "ghost Mr. Layos," as claimed by the private respondents, the genuine Felipe Layos and the rest of the private respondents should have, on their own volition, denounced the

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allegedly bogus case filed with the Biñan court or at the very least, informed the San Pedro court about it. It cannot be denied that private respondents were aware of the Biñan case considering that Annex C (Affidavit of Self-Adjudication with Sale) of the San Pedro complaint was a mere photocopy of Annex B of the Biñan complaint.

Private respondents likewise aver that there is no identity of party-defendants in view of the fact that the defendant in the Biñan case is the Fil-Estate Realty Corporation (FERC) and in the San Pedro case the Fil-Estate Golf and Development, Inc. (FEGDI), two completely separate and distinct entities.

Private respondents' contention is unmeritorious. In the Biñan case, FEGDI voluntarily submitted to the court's jurisdiction by filing its answer and expressly stating therein that it is the developer of Southwoods, and not its sister company, FERC. Moreover, the Biñan court in its orders dated 25 January 1994 and 20 October 1994 expressly recognized FEGDI as the defendant in the said case. There can be no question then that in both cases FEGDI is the true party-defendant.

As clearly demonstrated above, the willful attempt by private respondents to obtain a preliminary injunction in another court after it failed to acquire the same from the original court constitutes grave abuse of the judicial process. Such disrespect is penalized by the summary dismissal of both actions as mandated by paragraph 17 of the Interim Rules and Guidelines issued by this Court on 11 January 1983 and Supreme Court Circular No. 28-91. x x x

x x x x x x x x x

The rule against forum-shopping is further strengthened by the issuance of Supreme Court Administrative Circular No. 04-94. Said circular formally established the rule that the deliberate filing of multiple complaints to obtain favorable action constitutes forum-shopping and shall be a ground for summary dismissal thereof x x x.[7]

The Court further pronounced that the Complaint in the San Pedro case did not state a cause of action. Taking into consideration the Complaint itself and its attached annexes, as well as the other pleadings submitted by the parties, the Court found that:

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[7] *Id.* at 475-487.

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In the San Pedro complaint, private respondents anchored their claim of ownership on an OCT No. 239 and on a survey plan Psu-201 in the name of Natalio Layos, copies of which were attached to the complaint. His son and sole heir Mauricio Layos inherited the properties covered by the said plan. In turn, Felipe Layos became the owner thereof through an Affidavit of Self-Adjudication with Sale executed by Mauricio Layos, his father. This is where the inconsistency materializes. In the said Affidavit of Self-Adjudication with Sale which was also attached to the San Pedro complaint as Annex "C", Mauricio Layos categorically stated that the subject properties (Lots No. 1 and 2 of Plan PSU-201) were not registered under the *Spanish Mortgage Law or under the Property Registration Decree*. If the properties in question were not registered, where did the OCT No. 239 come from? Mauricio Layos' express admission not only contradicts but indubitably strikes down the purported OCT No. 239 and exposes private respondents' claim as a sham. This inconsistency is patent in the documents attached to the complaint which form part and parcel of the complaint. The Affidavit of Self-Adjudication with Sale attached to the complaint is the crucial and indispensable basis for private respondents' claim of ownership and interest in the subject properties, without which they have no right of action or personality in the case. Necessarily, the Affidavit of Self-Adjudication is a vital part of the complaint that should be considered in the determination of whether or not a cause of action exists.

Private respondents' inconsistency is further manifested by the 1992 application for original registration filed by Mauricio Layos with the Regional Trial Court of Biñan, Laguna (docketed as Civil Case No. B-542) for the lots under Plan Psu-201. Why would Mauricio Layos file an application for the registration of the land claimed by him if it is already covered by OCT No. 239? The conclusion is inescapable that the document is fake or a forgery.

Finally, private respondents' cause of action against petitioner is defeated by the findings of Mr. Privadi Dalire, Chief of the Geodetic Surveys Division of the Bureau of Lands, contained in his letters to the Regional Technical Director of the Department of Environment and Natural Resources (DENR), Region IV dated 12 November 1992 and 15 December 1992, respectively:

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12 November 1992

The Regional Technical Director of Lands
DENR, Region IV, 1515 L & S Building
Roxas Boulevard. Manila

ATTN.: Engr. ROBERT C. PANGYARIHAN
OIC, Surveys Division

Sir:

In connection with your request to validate the white print copy of an alleged plan Psu-201 which you had issued and certified that it is a copy of the tracing cloth of Psu-201 which is on file in that Office, please forward to us the tracing cloth plan to be examined instead of the white print copy that you have issued in accordance with the procedure stated in DENR Administrative Order regarding validation of plans other than the original copies being sent to the region office.

It may be worthwhile to state for your information that the plan Psu-201 is not among those officially enrolled into the file of this Bureau. What is more confusing is that the inventory book of all plans that were recovered after the war shows that Psu-201 is a survey for J. Reed covering a piece of land in Malate, Manila but the plan that was salvaged was heavily damaged and therefore it was not also microfilmed. This would require therefore a more exhaustive research regarding the authenticity of the tracing cloth that is in your file. (Italics ours.)

Very truly yours,

For the Director of Lands:
(SGD.) PRIVADI J.G. DALIRE
Chief, Geodetic Surveys Division

x x x x x x x x x

MEMORANDUM:

15 December 1992

FOR: The Regional Technical Director of Lands
The Chief, Regional Surveys Division
DENR, Region IV
L & S Building, Roxas Boulevard
Manila

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FROM: L M B
SUBJECT: Psu-201

Records show that the region furnished us a white print copy certified by Engr. Robert Pangyarihan to have been "prepared from a tracing cloth plan on file in the NCR" for validation. We returned the white print plan prepared by Engr. Pangyarihan because we should examine the "tracing cloth plan" and it is the tracing cloth plan, white prints and photographic copies sent by the Central Records Division to be returned to LMB for validation by this Division.

In the letter dated 27 November 1992, Engr. Pangyarihan explained that he prepared the copy which he certified from a white print plan on file in the region as the applicant claims to have lost the tracing cloth. While the explanation may be considered, yet the preparation of the plan is not yet in accordance with Section 1.3 and 4.3 of DENR Administrative Order No. 49, s-1991 which requires that the white prints or photographic print of the plan other than the original plan which have been decentralized must first be authenticated by this Bureau before a certified true copy is issued by the region. It is evident therefore that the issuance of a certified true copy of Psu-201 from a white print is premature, and considered void *ab initio*.

Consider also that if the record of the Bureau is different from the print copy is subjected to field ocular inspection of the land and on the basis of the findings, the region may reconstruct the plan to be approved as usual. Certified copies may now be issued based on the reconstructed and approved plan. The white print of Psu-201 should therefore be subjected to ocular inspection.

Our records of inventory of approved plans show Psu-201 as a survey of J. Reed covering a piece of land in Malate, Manila. That plan was heavily damaged and its reconstruction was not finalized. This should be included in the investigation. (Italics ours.)

For the Director of Lands:

(SGD.) PRIVADI J.G. DALIRE
Chief, Geodetic Surveys Division.

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Consequently, Mr. Sidicious F. Panoy, the Regional Technical Director of DENR, Region IV, issued an order dated 5 May 1994 cancelling all copies of plans pertaining to Psu-201. The order states that:

IN RE:	CANCELLATION ORDER:
	Plan Si-14769
True copy of Plan	Claimant-Sofronio Olano
Si- 14779 and Psu-201	Brgy Bukal ng Tala & Hasaan
	Municipality of Ternate, Cavite
	Area: 13,321,977 sq. m.
	Plan Psu-201
	Claimant - Natalio Layos
	Brgy. Tubigan, Biñan, Laguna
	Area: 837,695 sq. m.

ORDER

By way of reaction to a number of inquiries as to the status of plans Si-14769 and Psu-201, verification was made at the Technical Reference Section of the Land Management Bureau, Escolta, Manila as to the authenticity thereof on the basis of still recoverable records and the following facts were established, to wit:

1. That Psu-201 is an original survey for J Reed located in Malate, Manila; and

2. That Si-14769 is a survey number for the plan of a land parcel situated in Bo. Bessang, Municipality of Allacapang, Province of Cagayan in the name of Gregorio Blanco.

The purported blue print plan of Psu-201 indicating the land covered thereby to be situated in Bo. Tubigan, Biñan, Laguna and claimed by Natalio Layos and comprising 837,695 sq. meters is, therefore, a spurious plan and, probably the result of a manipulative act by scheming individuals who surreptitiously got it inserted in the records. The same can be said as to the blue print of Si-14769 which is a plan purportedly covering a parcel of land situated in Bo. Bukal ng Tala and Hasaan, Ternate, Cavite comprising 13,321,977 sq. meters. (Italics ours.)

WHEREFORE, in view of the foregoing, all plans pertaining to the above and indicated as true copies and bearing the signature of Engr. Robert C. Pangyarihan are as hereby IT IS CANCELLED including

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any document attached thereto and, as such, declared null and void and of no force and effect.

SO ORDERED.

5 May 1994.

(SGD.) SIDICIOUS F. PANOY
Regional Technical Director

It is quite evident from the foregoing findings on record that private respondents' claim of ownership is totally baseless. Plan Psu-201 pertains to land located in Malate, Manila and said survey plan was made for a certain J. Reed.

In the case at bar, the technical rules of procedure regarding motions to dismiss must be applied liberally lest these very same rules be used not to achieve but to thwart justice.[8]

Consequently, on the grounds of forum shopping and lack of cause of action, the Court decreed in G.R. No. 120958 as follows:

WHEREFORE, premises considered, the petition for review on *certiorari* is hereby GRANTED. Private respondents' complaint docketed as Civil Case No. B-4133 is hereby DISMISSED.[9]

In a Resolution dated 19 February 1997, the Court refused to reconsider its afore-quoted Decision and dismissed with finality G.R. No. 120958.

CA-G.R. CV No. 50962:
The Quieting of Title Case

On 12 August 1993, only months after instituting the injunction cases before the RTCs of Biñan and San Pedro, Laguna, and during the pendency of said cases, the Spouses Layos filed with the Biñan RTC a Complaint[10] for Quieting of Title and/or Declaration of Nullity/Annulment of Title with Damages, against

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[8] *Id*. at 494-499.

[9] *Id*. at 499.

[10] *Rollo*, pp. 452-460.

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La Paz and the Register of Deeds of the Province of Laguna, docketed as Civil Case No. B-4194.

According to the Complaint, Felipe Layos' grandfather, Natalio Layos, was the original owner and lawful possessor of two parcels of land (subject property) with a total land area of 1,068,725 square meters, more or less, situated in Barrio Tubigan, Biñan, Laguna, known as Lots 1 and 2 of Plan Psu-201 of the Bureau of Lands. The subject property is covered by OCT No. 239 in the name of Natalio Layos. Upon the death of Natalio Layos, his son, Mauricio Layos, inherited the subject property. On 15 April 1992, Mauricio Layos executed an Affidavit of Self-Adjudication with Sale by which he sold the subject property to his son, Felipe Layos, and the latter's wife, Victoria Layos. The Spouses Layos and their predecessors-in-interest had exercised their right of ownership by being in open, continuous, adverse, and peaceful possession of the subject property for more than 80 years, even before Plan Psu-201 was approved by the Bureau of Lands. The subject property had also been declared for taxation purposes with an assessed value of ₱555,737.00.

The Complaint further alleged that in 1992 and 1993, La Paz, in conspiracy with other persons, entered the subject property and started developing the same without the consent of the Spouses Layos. The Spouses Layos then discovered that La Paz had in its name 19 Transfer Certificates of Title (TCTs) which encroached upon portions of the subject property. The TCTs of La Paz were derived from OCT No. 242, which was issued on 9 August 1913, or 14 days after OCT No. 239 was issued on 30 July 1913 in the name of Natalio Layos. Since OCT No. 239 was older or issued earlier than OCT No. 242, the Spouses Layos asserted that their title under OCT No. 239 was indefeasible against any other title issued subsequent to it, such as OCT No. 242 and the TCTs of La Paz derived and issued from the latter.

Contending that the TCTs of La Paz, although void *ab initio*, put a cloud over their title to and ownership and possession of the subject property, the Spouses Layos primarily prayed that

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the said TCTs be declared null and void and be accordingly cancelled in order to quiet their title.

In their Answer, La Paz and the Register of Deeds denied the allegations in the Spouses Layos' Complaint, and countered:

21. That [Spouses Layos] have never owned nor possessed the land in question.

22. That the Original Certificates of Title No. 239 purportedly issued by the Register of Deeds on November 18, 1913, in the name of Natalio Layos, does not exist in the files of the Registry of Deeds of Laguna.

23. That Decree No. 7663 dated July 12, 1912, GLRO Record No. 7733 from whence OCT No. 239 appears to have emanated from likewise does not exist in the records of the Land Registration Authority.

24. That records of Plan PSU-201 are still extant in the Bureau of Lands but it is not in the name of Natalio Layos, but in the name of another person nor, is the land covered thereby situated in Laguna.

25. That the certified technical data of Lot Nos. 1 and 2, PSU-201, marked as Annex 'D' attached to the Complaint was issued on the basis of records that do not exist in the files of the Lands Office.

26. That in the Affidavit of Self-Adjudication with Sale dated April 15, 1992, marked as Annex 'C' attached to the Complaint, there is an admission in the third paragraph by Mauricio Layos to the following effect:

'Which parcels of land are not registered under the Spanish Mortgage Law nor the Property Registration Decree.[']

27. That the [Spouses Layos'] alleged predecessor, Mauricio Layos, filed an application for registration of the same land on October 5, 1992, with this Honorable Court docketed as LRC No. RTC-B-542, which act amounts to an admission that the [Spouses Layos] and their predecessors-in-interest have no title to the land.

28. That OCT No. 239 surfaced only when the [Spouses Layos] themselves filed a petition for reconstitution of their alleged OCT No. 239 with this Honorable Court on August 11, 1993 (sic), which has been docketed as LRC Case No. B-1784.

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29. That it is [La Paz's] Certificates of Titles [sic] that are real, genuine and subsisting, and the originals thereof are extant in the files of the Registry of Deeds of Laguna.

30. That [La Paz] acquired ownership of these lands from various registered owners from 1982 to 1988 for valuable consideration.

31. That the lands form part of what used to be called the Biñan Friar Land estate which the government purchased from Spanish Religious Orders, and later subdivided and resold at cost to qualified applicants pursuant to Act No. 1120, otherwise known as the Friar Land Act, and which have fallen finally into the hands of [La Paz] after a succession of transfers.

32. That under Act No. 496, otherwise known as the Land Registration Act, [La Paz's] titles to the land in question are indefeasible, binding, conclusive and enforceable against the whole world.[11]

Following other developments in the case,[12] La Paz filed on 22 February 1995 an Omnibus Amended Motion (for Summary Judgment and Cancellation of *Lis Pendens*). Acting on the said Motion, the Biñan RTC issued on 14 July 1995 an Omnibus Order in Civil Case No. B-4194, the decretal portion of which reads:

WHEREFORE, in view of the foregoing, the instant Omnibus Amended Motion for Summary Judgment filed by counsel for [La Paz] is hereby GRANTED in accordance with Rule 34 of the Revised Rules of Court. The Original Certificate of Title No. 242 issued to the Government of the Philippine Islands and the [La Paz's] nineteen (19) Transfer Certificates of Title which were respectively derives [sic] therefrom are hereby declared indefeasible for all legal intents and purposes against any other title thereby making it binding to the whole world.

Necessarily, the Motion for Leave to Intervene and the Motion for Issuance of a Writ of Preliminary Injunction, both pending before this Court, are hereby declared MOOTED.

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[11] *Id.* at 465-466.

[12] Related to the filing by the Spouses Layos of a Petition for Notice of *Lis Pendens* and the filing by unnamed parties of a Motion for Leave of Court to Intervene.

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On the other hand, the Motion for Cancellation of *Lis Pendens* included in the [La Paz's] Omnibus Motion for Summary Judgment is likewise GRANTED for the reasons above-stated.

Consequently, the Office of the Register of Deeds of Calamba, Laguna is hereby directed to immediately cancel the Notice of *Lis Pendens* annotated at the back of each of the [La Paz's] nineteen (19) Transfer Certificates of Title which were all disputed by the [Spouses Layos].

Meanwhile, let the hearing of the instant case for the reception of evidence as to the counterclaim of [La Paz] for damages be set for hearing on August 31, 1995 at 8:30 o'clock in the morning.[13]

When their motion for reconsideration was denied by the Biñan RTC, the Spouses Layos appealed their case to the Court of Appeals, where it was docketed as CA-G.R. CV No. 50962. In a Decision[14] dated 20 February 2001, the appellate court ruled:

Under par. 13 of the [Spouses Layos'] complaint, it was alleged that La Paz['s] title was issued only on August 9, 1913, which was 14 days after the issuance of the Layos' title. From the findings of the lower court, August 13, 1913 was the date when La Paz['s] title was transcribed at the Register of Deeds while that of the Layos as can be seen in their attached xerox copy of title, the transcription was made later which was on November, 1913.

The date issued referred to by [Spouses Layos] is the date of the decree of judgment issued by the Court. But this is not the reckoning period within which title should become indefeasible in the ambit of the law. The operative act is the decree of registration which is the transcription at the Register of Deeds. One year after its transcription in the Register of Deeds, the title becomes indefeasible. It means therefore, that it is the transcription in the Register of Deeds and not the date decreed by the Court is the operative act. And this should be the reckoning date when a title becomes indefeasible.

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[13] *Rollo,* pp. 461-462.

[14] Penned by Associate Justice Eloy R. Bello, Jr. with Associate Justices Eugenio S. Labitoria and Perlita J. Tria Tirona, concurring; *rollo,* pp. 461-474.

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In the case at bar, we have the scenario that OCT 239 was earlier decreed by the Land Management Court than OCT 242, but for unknown reasons, OCT 242 was transcribed earlier at the Register of [D]eeds on August 19, 1913 while OCT 239 was transcribed at the Register of Deeds only on November 18, 1913. While the PSU-201 is of minor importance as even claimed by [Spouses Layos], this court deem to pass over the same.

[Spouses Layos] contended that the representatives of the Land Management Bureau, identified and confirmed that the Original PSU-201 in the name of Natalio Layos and the technical descriptions as appearing in LMB Form No. 28-37R issued to [Spouses Layos], are true and genuine. But this was denied by the Chief, Records of [sic] Division of the Bureau of Lands, Mr. Armando Bangayan, the superior of the Land Management Bureau, alleging in his affidavit that was [sic] not his signature appearing in the Certification. And to corroborate the denial of Mr. Bangayan, a certain Engineer Private (sic) J.J. Dalire, Chief of Surveys Division, Land Management Bureau, PSU-201 which is purportedly covered by OCT No. 239 is a survey plan in the name of J. Reed and it covers a piece of land situated in Malate, Manila. Further, the Regional Technical Director for Lands, Region IV, Roxas Boulevard, Manila has issued an Order declaring PSU-201 of Natalio Layos as null and void, because it is a spurious document.

Considering the aforementioned, this Court believes that [Spouses Layos] has [sic] no proof to establish their claim in the present case.

With the foregoing, this court is more inclined to believe the three affidavits executed by three (3) different individuals coming from different offices that PSU-201 claimed by Layos is obviously doubtful, contrary to the affidavits of persons who are subordinates of Bangayan. If this is so, OCT 239 is therefore, patently a spurious title.[15] (Underscoring supplied.)

Based on the foregoing ratiocination, the *fallo* of the Court of Appeals Decision dated 20 February 2001 in CA-G.R. CV No. 50962 reads, thus:

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[15] *Id.* at 472-473.

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WHEREFORE, finding no reversible error committed on the part of the lower court, the appealed Omnibus Order dated July 14, 1995 is hereby AFFIRMED.[16]

Records do not show whether the Spouses Layos filed a motion for reconsideration of the afore-mentioned Decision of the appellate court; what they do establish is that the Spouses Layos filed a Petition for Review on *Certiorari* with this Court, docketed as G.R. No. 155612, but said Petition was denied by this Court in a Resolution dated 13 January 2003 because of the Spouses Layos' failure to:

a) take the appeal within the reglementary period of fifteen (15) days in accordance with Section 2, Rule 45 in relation to Section 5(a), Rule 56, in view of the denial of the motion for extension of time to file said petition in the resolution of 20 November 2002;

b) properly verify the petition in accordance with Section 4, Rule 7 in relation to Section 1, Rule 45, and submit a valid certification on non-forum shopping duly executed by all petitioners in accordance with Section 5, Rule 7, Section 4(e), Rule 45 in relation to Section 2, Rule 42 and Sections 4 and 5(d), Rule 56, there being no proof that petitioner Felipe Layos was duly authorized to sign said verification and certification on non-forum shopping in behalf of his co-petitioner; and

c) serve a copy of the petition on the Court of Appeals in accordance with Section 4, Rule 13, in relation to Section 3, Rule 45 of the 1997 Rules of Civil Procedure, as amended, and par. 2 of Revised Circular No. 1-88 of this Court.[17]

The Resolution dated 13 January 2003 of this Court denying the Petition in G.R. No. 155612 became final and executory, and entry of judgment was made therein on 14 March 2003.[18]

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[16] *Id*.

[17] *Id.* at 475-476.

[18] *Id*.

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G.R. No. 150470:
The Reconstitution Case

The Court now comes to the Petition at bar.

The instant Petition originated from a Petition for Reconstitution[19] of OCT No. 239 filed by the Spouses Layos on 12 August 1993 with the San Pedro RTC, docketed as LRC Case No. B-1784. It is noted that the Spouses Layos instituted this reconstitution case on the same day as their quieting of title case before the Biñan RTC.

The Petition in LRC Case No. B-1784 essentially contained the same allegations made by the Spouses Layos in their Complaints in the injunction cases and quieting of title case. However, in support of their prayer for the reconstitution of the original copy of OCT No. 239 from their Owner's Duplicate Certificate, the Spouses Layos additionally alleged that:

> 6. The Owner's Duplicate Certificate of the said Original Certificate of Title is in due form without any alteration or erasure, and is not subject to litigation or investigation, administrative or judicial, regarding its genuineness or due execution or issuance.
>
> x x x x x x x x x
>
> 9. The Original Copy of the said title which used to be in the Office of the Register of Deeds for the Province of Laguna appears to have been lost and/or destroyed. In fact, the said Office does not anymore have any record regarding the subject title.
>
> 10. The above parcels of land are free from any lien or encumbrance, and no deed or instrument affecting the same has been presented for registration or is any such deed or instrument pending registration with the Office of the Register of Deeds for the Province of Laguna.
>
> 11. The above parcels of land are in lawful possession of [Spouses Layos].
>
> 12. The transfer of the subject properties from Natalio Layos to Mauricio Layos (by inheritance) and the subsequent transfer of

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[19] *Id*. at 477-482.

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the same properties from Mauricio Layos to petitioner Felipe Layos (through the Affidavit of Self-Adjudication with Sale executed by Mauricio Layos in favor of Felipe Layos) cannot be registered and new title/s cannot be issued in the name of [Spouses Layos] because the original copy of said Original Certificate of Title No. 239 was lost and/or destroyed.[20]

Several parties filed their intervention and/or opposition to the Petition for Reconstitution of the Spouses Layos in LRC Case No. B-1784, particularly:

PARTY	PLEADING	INTEREST/BASIS
Shappel Homes, Inc.	Complaint-in-Intervention[21]	In a Joint Venture with the Spouses Layos to develop the subject property
La Paz	Opposition[22]	Existing TCTs over the subject property
FEGDI	Opposition[23]	In a Joint Venture with La Paz to develop the subject property as part of the Manila Southwoods Project
Mauricio Layos	Opposition[24]	Sole child and heir of Natalio Layos denies alienating or disposing the subject property in favor of the Spouses Layos

[20] *Id.* at 479-480.

[21] Records, Vol. 1, pp. 84-86.

[22] *Id.* at 173-184.

[23] *Id.* at 195-204.

[24] *Id.* at 264-270.

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Spouses Antonio and Norma Saavedra	Complaint-in-Intervention[25]	Purchased portions of the subject property from Mauricio Layos and Felipe Layos
Veneracion L. Arboleda, Antonio L. Arboleda, Jr., Lydia Arboleda-David, and Antonio M. Arboleda	Complaint-in-Intervention[26]	Purchased portions of the subject property from Mauricio Layos and/or Felipe Layos
Spouses Ponciano and Annie Miranda	Petition-in-Intervention[27]	Purchased a portion of the subject property from the Spouses Layos
Bonifacio Javier, representing the Heirs of Natalio Layos	Opposition[28]	The true heirs of Natalio Layos deny that the Spouses Layos are in any way related to them
Spouses Marina and Generoso Otic	Motion for Intervention[29]	Purchased an undivided portion of the subject property from Mauricio Layos and are, thus, co-owners of the subject property with Mauricio Layos

FEGDI and La Paz filed separate Motions to Dismiss, which the Office of the Solicitor General supported in its Comment

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[25] *Id*., Vol. II, pp. 407-409.

[26] *Id*. at 428-431.

[27] *Id*. at 529-532.

[28] *Id*., Vol. III, pp. 797-798.

[29] *Id*. at 827-829.

on the Petition. On 19 January 1998, the San Pedro RTC issued an Order,[30] the dispositive portion of which states:

> Acting therefore on the motion (sic) to dismiss filed by La Paz Housing and FEGDI, and it appearing that indeed the title sought to be reconstituted, specifically OCT No. 239 is a forgery as held no [sic] less than the Supreme Court in G.R. No. 120958, *Fil-Estate Golf and Development, Inc., (FEGDI) vs. Court of Appeals*, December 16, 1996, the Court has no other option but to dismiss the case.
>
> Resolution on all other pending incidents had been rendered moot and academic with the dismissal of this case.[31]

The San Pedro RTC denied the Spouses Layos' Motion for Reconsideration in an Order[32] issued on 1 October 1998.

Aggrieved, the Spouses Layos filed an appeal with the Court of Appeals, docketed as CA-G.R. CV No. 61759. The appellate court, however, found no reversible error in the ruling of the lower court dismissing the Spouses Layos' Petition for Reconstitution. According to the Court of Appeals, the validity of OCT No. 239 of the spouses Layos was already determined by the Supreme Court in its Decision dated 16 December 1996 in G.R. No. 120958, in which the Supreme Court categorically declared that the said certificate of title was a forgery. The appellate court contradicted the Spouses Layos' assertion that such declaration of the Supreme Court in G.R. No. 120958 was merely an *obiter dictum*, for the same was a resolution of one of the controverted issues and was part of the principal disquisition of the lower court. Hence, in its assailed Decision[33] dated 26 April 2001, the Court of Appeals decreed:

> WHEREFORE, premises considered, the instant appeal is hereby DISMISSED, and the orders of the lower court dated January 19, 1998 and October 1, 1998 are hereby AFFIRMED.[34]

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[30] *Rollo*, pp. 41-43.

[31] *Id*. at 43.

[32] *Id*. at 44.

[33] *Id*. at 32-38.

[34] *Id*. at 38.

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The Spouses Layos moved for the reconsideration of the foregoing Decision, but they failed to convince the Court of Appeals to detract from its earlier ruling. Resultantly, the appellate court denied what it called the "pro-forma motion for reconsideration" of the Spouses Layos in a Resolution[35] dated 18 October 2001.

The Spouses Layos, thus, filed before this Court the instant Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, docketed as G.R. No. 150470, stating the following assignment of errors:

A. The Court of Appeals erred in applying the principle of *res judicata* in the instant case, when it declared that the ruling of this Honorable Supreme Court in G.R. No. 120958 is conclusive upon the issue of validity of the [Spouses Layos'] O.C.T. No. 239;

B. The Court of Appeals erred in holding that the observation of this Honorable Supreme Court in G.R. No. 120958 to the effect that OCT No. 239 is a forgery was not merely an *obiter dictum*, but a resolution of one of the controverted issues, and is part of the principal disquisition of the Supreme Court;

C. The Court of Appeals erred in upholding the summary dismissal of the instant case by the court *a quo* by holding that since the title sought to be reconstituted has finally been determined as a forgery and fake, there is no longer a need for trial and in effect deprived [Spouses Layos] of property without due process of law; [and]

D. The Court of Appeals erred in upholding the decision of the lower court and in effect violated the cardinal rule against a collateral attack against the validity of the land title;[36]

and seeking the following reliefs from this Court:

WHEREFORE, it is respectfully prayed that judgment be rendered by this Honorable Court, setting aside the assailed Decision dated

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[35] *Id*. at 39-40.

[36] *Id*. at 16.

April 26, 2001 and Resolution dated October 18, 2001 respectively of the Court of Appeals which affirmed the Decision of the Court *a quo* for being contrary to law and jurisprudence and directing the Regional Trial Court of San Pedro, Laguna to forthwith receive evidence of all parties concerned to determine the merits of their respective claims.

Other reliefs just and equitable are likewise prayed for.

II

THE COURT'S RULING

Res Judicata

Based on the arguments raised by the parties in their pleadings herein, the foremost issue for resolution of this Court is whether the Decision dated 16 December 1996 of this Court in G.R. No. 120958 bars by *res judicata* LRC Case No. B-1784, the Petition for Reconstitution of OCT No. 239 filed by the Spouses Layos before the San Pedro RTC, thus, justifying the dismissal of the latter case.

The Spouses Layos maintain that the Decision dated 16 December 1996 of this Court in G.R. No. 120958 does not bar by *res judicata* their Petition for Reconstitution of the same certificate of title in LRC Case No. B-1784, there being no identity of parties, causes of action, and subject matters between the two cases. They insist that the Court in G.R. No. 120958 had no jurisdiction to determine the issue of ownership as the same was never raised or contained in the pleadings and, therefore, any pronouncement of the Court in its Decision of 16 December 1996 on the validity of OCT No. 239 or on the question of ownership is mere *obiter dictum*. They highlight the fact that the *fallo* of the Court's 16 December 1996 Decision in G.R. No. 120958 simply dismissed the injunction case before the San Pedro RTC but did not annul or cancel OCT No. 239.

The position of the Spouses Layos is untenable.

Res judicata literally means "a matter adjudged; a thing judicially acted upon or decided; a thing or matter settled by

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judgment." *Res judicata* lays the rule that 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.[37]

It is espoused in the Rules of Court, under paragraphs (b) and (c) of Section 47, Rule 39, which provide:

> 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:
>
> x x x x x x x x x
>
> (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 the same thing and under the same title and in the same capacity; and
>
> (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.

The doctrine of *res judicata* lays down two main rules which may be stated as follows: (1) The judgment or decree of a court of competent jurisdiction on the merits concludes the litigation between the parties and their privies and constitutes a bar to a new action or suit involving the same cause of action either before the same or any other tribunal; and (2) any right, fact, or matter in issue directly adjudicated or necessarily involved in the determination of an action before a competent court in which a judgment or decree is rendered on the merits is

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[37] *Oropeza Marketing Corporation v. Allied Banking Corporation*, 441 Phil. 551, 563 (2002).

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conclusively settled by the judgment therein and cannot again be litigated between the parties and their privies whether or not the claims or demands, purposes, or subject matters of the two suits are the same. These two main rules mark the distinction between the principles governing the two typical cases in which a judgment may operate as evidence.[38] In speaking of these cases, the first general rule above stated, and which corresponds to the afore-quoted paragraph (b) of Section 47, Rule 39 of the Rules of Court, is referred to as "bar by former judgment"; while the second general rule, which is embodied in paragraph (c) of the same section and rule, is known as "conclusiveness of judgment."

The Resolution of this Court in *Calalang v. Register of Deeds of Quezon City*,[39] provides the following enlightening discourse on conclusiveness of judgment:

> The doctrine *res judicata* actually embraces two different concepts: (1) bar by former judgment and (b) conclusiveness of judgment.
>
> The second concept — conclusiveness of judgment — states that a fact or question which was in issue in a former suit and was there judicially passed upon and determined by a court of competent jurisdiction, is conclusively settled by the judgment therein as far as the parties to that action and persons in privity with them are concerned and cannot be again litigated in any future action between such parties or their privies, in the same court or any other court of concurrent jurisdiction on either the same or different cause of action, while the judgment remains unreversed by proper authority. It has been held that in order that a judgment in one action can be conclusive as to a particular matter in another action between the same parties or their privies, it is essential that the issue be identical. If a particular point or question is in issue in the second action, and the judgment will depend on the determination of that particular point or question, a former judgment between the same parties or their privies will be final and conclusive in the second if that same point or question was in issue and adjudicated in the first suit (*Nabus*

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[38] *Vda. de Cruzo v. Carriaga, Jr.*, G.R. No. 75109-10, 28 June 1989, 174 SCRA 330, 338.

[39] G.R. No. 76265, 11 March 1994, 231 SCRA 88, 99-100.

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vs. Court of Appeals, 193 SCRA 732 [1991]). Identity of cause of action is not required but merely identity of issue.

Justice Feliciano, in *Smith Bell & Company (Phils.), Inc. vs. Court of Appeals* (197 SCRA 201, 210 [1991]), reiterated *Lopez vs. Reyes* (76 SCRA 179 [1977]) in regard to the distinction between bar by former judgment which bars the prosecution of a second action upon the same claim, demand, or cause of action, and conclusiveness of judgment which bars the relitigation of particular facts or issues in another litigation between the same parties on a different claim or cause of action.

> The general rule precluding the relitigation of material facts or questions which were in issue and adjudicated in former action are commonly applied to all matters essentially connected with the subject matter of the litigation. Thus, it extends to questions necessarily implied in the final judgment, although no specific finding may have been made in reference thereto and although such matters were directly referred to in the pleadings and were not actually or formally presented. Under this rule, if the record of the former trial shows that the judgment could not have been rendered without deciding the particular matter, it will be considered as having settled that matter as to all future actions between the parties and if a judgment necessarily presupposes certain premises, they are as conclusive as the judgment itself.

Another case, *Oropeza Marketing Corporation v. Allied Banking Corporation*,[40] further differentiated between the two rules 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.

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[40] 441 Phil. 551, 564 (2002).

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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. (Emphasis ours.)

In sum, conclusiveness of judgment bars the re-litigation in a second case of a fact or question already settled in a previous case. The second case, however, may still proceed provided that it will no longer touch on the same fact or question adjudged in the first case. Conclusiveness of judgment requires only the identity of issues and parties, but not of causes of action.

It is on the ground of *res judicata*, in its second concept — conclusiveness of judgment — that the Petition for Reconstitution of the Spouses Layos must be dismissed. As explained by the Court of Appeals in its assailed Decision:

In the case at bar, the ruling of the Supreme Court in G.R. No. 120958 is conclusive upon the issue of validity of the [Spouses Layos'] OCT No. 239, inasmuch as the said issue has already been mutually controverted by the parties and ruled upon with finality by the Supreme Court no less, in favor of the invalidity of the [Spouses Layos'] title.[41]

Conclusiveness of Judgment in G.R. No. 120958

Contrary to the position of the Spouses Layos, there is identity of parties and issues between G.R. No. 120958 (the injunction cases) and LRC Case No. B-1784 (the reconstitution case).

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[41] *Rollo*, p. 35.

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The principal parties in both cases are the Spouses Layos, on one hand, and La Paz and FEGDI, on the other. The Spouses Layos and La Paz both claim title to the subject property, while FEGDI is the partner of La Paz in a joint venture to develop the said property. There may be other parties named in both cases, but these parties only derive their rights from the principal parties. The Court has previously held that for purposes of *res judicata*, only substantial identity of parties is required and not absolute identity. There is substantial identity of parties when there is community of interest between a party in the first case and a party in the second case even if the latter was not impleaded in the first case. In other words, privity or a shared identity of interest is sufficient to invoke application of the principle of *res judicata*.[42] It is fundamental that the application of *res judicata* may not be evaded by simply including additional parties in a subsequent litigation.[43]

For conclusiveness of judgment, identity of causes of action and subject matter is not required; it is the identity of issues that is material. The issue of the validity of the Spouses Layos' title to the subject property is integral to both G.R. No. 120958 and LRC Case No. B-1784.

In G.R. No. 120958, the Spouses Layos themselves invoked OCT No. 239 to establish their title over the subject property. It was on the basis of their title to the subject property that they sought to enjoin FEGDI and La Paz from entering into and developing the same. In seeking the dismissal of the injunction case before the San Pedro RTC, La Paz presented its own title to the subject property by virtue of which it claimed the right to possess and develop the said property. It then became incumbent upon the Court to determine which of the titles to the property is valid. For the Spouses Layos to be entitled to the issuance of a writ of injunction, it must have valid title to the subject property. Without a valid title to the said property,

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[42] *Sendon v. Ruiz*, 415 Phil. 376, 385 (2001).

[43] *Javier v. Veridiano, II*, G.R. No. 48050, 10 October 1994, 237 SCRA 565, 571.

the Spouses Layos had no cause of action for injunction against FEGDI and La Paz. It was in this context that the Court was compelled to look into the validity of the Spouses Layos' title to the subject property.

After consideration of the Complaint for injunction of the Spouses Layos and its annexed documents, the Court observed that: (a) the annexed Affidavit of Self-Adjudication with Sale, supposedly executed by Mauricio Layos in favor of his son Felipe Layos stated that the subject property had not been registered; (b) Mauricio Layos filed an application for registration of the subject property with the Biñan RTC in 1992; (c) Mr. Privadi Dalire, Chief of the Geodetic Surveys Division of the Bureau of Lands, stated his findings in his letters dated 12 November 1992 and 15 December 1992, that Plan PSU-201, on which OCT No. 239 was supposed to be based, was actually a survey for J. Reed covering a piece of land in Malate, Manila, that was heavily damaged and had not yet been fully reconstructed and microfilmed; and (d) Mr. Sidicious F. Panoy, the Regional Director of the Department of Environment and Natural Resources (DENR), Region IV, issued an Order dated 5 May 1994, cancelling all plans pertaining to PSU-201, since it was "a spurious plan and, probably the result of a manipulative act by scheming individuals who surreptitiously got it inserted in the records,"[44] which led the Court to the "inescapable" conclusion in its Decision dated 16 December 1996 that OCT No. 239 is fake or a forgery.

Consequently, the Court of Appeals correctly ruled that the pronouncement of the Supreme Court in G.R. No. 120958 on the invalidity of OCT No. 239 was not merely *obiter dictum*,[45] but was a resolution of one of the controverted issues in said case. In fact, it was on the basis of the said pronouncement

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[44] *Supra* note 5.

[45] *Obiter dictum* simply means "words of a prior opinion entirely unnecessary for the decision of the case" ("Black's *Law Dictionary*," p. 1222, citing *Noel v. Olds*, 78 U.S. App. D.C. 155) or an incidental and collateral opinion uttered by a judge and therefore not material to his decision or judgment and not binding ("Webster's *Third New International Dictionary*," p. 1555). (*Sta. Lucia Realty v. Cabrigas*, 411 Phil. 369, 382-383 [2001].)

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that this Court ordered the dismissal of the injunction case filed before the San Pedro RTC for lack of cause of action.

In LRC Case No. B-1784, the Spouses Layos once again invoked ownership of the subject property pursuant to OCT No. 239. They sought the reconstitution of the original copy of OCT No. 239 which allegedly used to be in the possession of the Register of Deeds of Laguna, but was now lost and/or destroyed, and, in support thereof, they presented their owner's duplicate of OCT No. 239. However, both La Paz and FEGDI, as well as the Office of the Solicitor General, opposed the Petition for Reconstitution of the Spouses Layos on the ground that OCT No. 239 and Plan Psu-201, on which said certificate of title was based, were spurious. The opposition to LRC Case No. B-1784, thus, raised the question of whether a valid OCT No. 239 existed in the first place, and could be reconstituted.

Reconstitution or reconstruction of a certificate of title literally and within the meaning of Republic Act No. 26 denotes restoration of the instrument which is supposed to have been lost or destroyed in its original form and condition.[46] For an order of reconstitution to issue, the following elements must be present: 1) the certificate of title has been lost or destroyed; 2) the petitioner is the registered owner or has an interest therein; and 3) the certificate of title is in force at the time it was lost or destroyed.[47]

While G.R. No. 120958 does not bar the institution of LRC Case No. B-1758, the pronouncement of invalidity of OCT No. 239 by this Court in G.R. No. 120958 is conclusive upon the San Pedro RTC in LRC Case No. B-1758, precluding it from re-litigating the same issue and ending up with a contrary ruling. Since the Court already settled in G.R. No. 120958 that OCT No. 239 is fake and a forgery, it would have been a senseless and futile endeavor for the San Pedro RTC to continue with the reconstitution proceedings in LRC Case No. B-1758, for there is actually no valid certificate to reconstitute. The court

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[46] *Vda. de Anciano v. Caballes*, 93 Phil. 875, 876 (1953).

[47] Antonio H. Noblejas and Edilberto H. Noblejas, *Registration of Land Titles and Deeds*, 1992 Revised Edition, p. 242.

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cannot, and should not, reconstitute a spurious certificate of title and allow the continuous illegal proliferation and perpetuation thereof. Republic Act No. 26[48] provides for a special procedure for the reconstitution of Torrens certificates of title that are missing but **not fictitious titles or titles, which are existing**.[49]

Resultantly, the San Pedro RTC is left with no other option but to order the dismissal of LRC Case No. B-1758.

Conclusiveness of Judgment in G.R. No. 155612

During the pendency of the Petition at bar, a significant development took place in the quieting of title case. The Court had already denied in a Resolution dated 13 January 2003 the appeal of the Spouses Layos in G.R. No. 155612 and, in effect, affirmed the Decision dated 20 February 2001 of the Court of Appeals in CA-G.R. CV No. 50962. It should be recalled that in said Decision, the appellate court upheld the validity of OCT No. 242 from which La Paz derived its TCTs and, at the same time, explicitly found OCT No. 239 of the Spouses Layos spurious.

This ruling of the Court of Appeals on the spuriousness of OCT No. 239, once again, constitutes *res judicata* by conclusiveness of judgment on the Petition for Reconstitution of the Spouses Layos.

The Spouses Layos and La Paz, asserting their respective titles to and ownership of the subject property, are parties to the quieting of title case, as well as the reconstitution case. In their Complaint before the Biñan RTC, the Spouses Layos prayed for the quieting of their title to the subject property under OCT No. 239 by the annulment or cancellation of the TCTs of La Paz covering the same property. In answer, La Paz claimed that it was its title to the subject property under the 19 TCTs,

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[48] An Act Providing a Special Procedure for the Reconstitution of Torrens Certificate of Title Lost or Destroyed.

[49] *Cañero v. University of the Philippines*, G.R. No. 156380, 8 September 2004, 437 SCRA 630, 641.

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derived from OCT No. 242, which was valid, and pointed out that it was actually OCT No. 239 and its supporting documents which were inexistent in the records of the concerned government agencies. Given the contradicting assertions of the parties, the Biñan RTC and the Court of Appeals, in their original and appellate jurisdiction, respectively, over the quieting of title case, had to delve into the issue of validity of OCT No. 239 *vis-à-vis* OCT No. 242. Necessarily, only one of the said certificates of title over the same property can be valid, and the 20 February 2001 Decision of the Court of Appeals in CA-G.R. CV No. 50962 settled with finality that it is OCT No. 242. The categorical finding of the Court of Appeals in CA-G.R. CV No. 50962 (the quieting of title case) — that OCT No. 239 is spurious — is now conclusive and binding upon this Court in its consideration on appeal of the Spouses Layos' Petition for Reconstitution of OCT No. 239, in much the same way and for the same reasons previously discussed herein for the conclusiveness of this Court's judgment in G.R. No. 120958 (the injunction cases) that OCT No. 239 is fake and a forgery.

Finality of Judgment

A statement in the Spouses Layos' Petition for Review before this Court reveals their ultimate intent:

> The test of a man's honor is his ability to admit his mistake. In the instant case, it would [be] in keeping with the rule of law and justice for this Most Venerable and Honorable Court to allow the parties to fully ventilate their claims in the court below instead of depriving the [Spouses Layos] of their valued property based on a sweeping *obiter dictum* by this Court in the FEDGI [sic] case where the [Spouses Layos'] title was not directly attacked.[50]

It may be nicely and even deceptively phrased but, simply, what the Spouses Layos pray to this Court is for the re-litigation of an issue settled conclusively in this Court's Decision dated 16 December 1996 in G.R. No. 120958, and also in the Court of Appeals' Decision dated 20 February 2001 in CA-G.R. CV

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[50] *Rollo*, p. 20.

No. 50962. Both Decisions have already become final, and no part thereof may be disturbed by any court, even if to correct a purported error therein.

Nothing is more settled in law than that when a final judgment is executory; it thereby becomes immutable and unalterable. The judgment may no longer be modified in any respect, even if the modification is meant to correct what is perceived to be an erroneous conclusion of fact or law, and regardless of whether the modification is attempted to be made by the court rendering it or by the highest Court of the land. The doctrine is founded on considerations of public policy and sound practice that, at the risk of occasional errors, judgments must become final at some definite point in time.[51]

What cannot be directly done by motion for reconsideration or appeal, given the finality of the Decisions in G.R. No. 120985 and CA-G.R. CV No. 50962, likewise, cannot be indirectly done through a separate proceeding.

Under the doctrine of conclusiveness of judgment which is also known as "preclusion of issues" or "collateral estoppel," issues actually and directly resolved in a former suit cannot again be raised in any future case between the same parties involving a different cause of action. Once a judgment attains finality it becomes immutable and unalterable. It may no longer be modified in any respect, even if the modification is meant to correct what is perceived to be an erroneous conclusion of fact or law, and regardless of whether the modification is attempted to be made by the court rendering it or by the highest court of the land.[52]

Due Process

The Spouses Layos contend that the Order dated 19 January 1998 of the San Pedro RTC dismissing their Petition for

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[51] *Mayon Estate Corporation v. Altura*, G.R. No. 134462, 18 October 2004, 440 SCRA 377, 386.

[52] *Lu Do Lu Ym Corporation v. Aznar Brothers Realty, Co.*, G.R. No. 143307, 26 April 2006, 488 SCRA 315, 323-324.

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Reconstitution without a full blown trial deprived them of their property without due process. The said Order had no evidentiary foundation, being based entirely on the unjust and sweeping conclusion of this Court in its 16 December 1996 Decision in G.R. No. 120958 that OCT No. 239 is fake or a forgery.

There is no truth in the averments of the Spouses Layos.

Holding a trial in the reconstitution case would be an exercise in futility, because given the conclusiveness of the judgment of this Court in G.R. No. 120958 and the Court of Appeals in CA-G.R. CV No. 50962 that OCT No. 239 is fake, forged, and spurious, then the San Pedro RTC in LRC Case No. B-1758 is, thus, barred from re-litigating the issue and accepting evidence thereon.

Furthermore, due process does not require that a trial be held in all circumstances. This Court, in a Resolution dated 18 November 2003 in *Republic v. Sandiganbayan*, elucidated that:

> The words "hearing" and "trial" have different meanings and connotations. Trial may refer to the reception of evidence and other processes. It embraces the period for the introduction of evidence by both parties. Hearing, as known in law, is not confined to trial but embraces the several stages of litigation, including the pre-trial stage. A hearing does not necessarily mean presentation of evidence. It does not necessarily imply the presentation of oral or documentary evidence in open court but that the parties are afforded the opportunity to be heard.
>
> A careful analysis of Section 5 of RA 1379 readily discloses that the word "hearing" does not always require the formal introduction of evidence in a trial, only that the parties are given the occasion to participate and explain how they acquired the property in question. If they are unable to show to the satisfaction of the court that they lawfully acquired the property in question, then the court shall declare such property forfeited in favor of the State. There is no provision in the law that a full blown trial ought to be conducted before the court declares the forfeiture of the subject property. Thus, even if the forfeiture proceedings do not reach trial, the court is not precluded from determining the nature of the acquisition of the property in question even in a summary proceeding.

Due process, a constitutional precept, does not therefore always and in all situations require a trial-type proceeding. The essence of due process is found in the reasonable opportunity to be heard and submit one's evidence in support of his defense. What the law prohibits is not merely the absence of previous notice but the absence thereof and the lack of opportunity to be heard. This opportunity was made completely available to respondents who participated in all stages of the litigation.[53]

The Spouses Layos cannot claim deprivation of property without due process when they were never denied the opportunity to be heard by the courts. The Spouses Layos repeatedly and persistently sought recourse from the courts, at the risk of forum shopping (of which it was actually found guilty at one point in G.R. No. 120958). They instituted no less than four cases before the RTCs of Biñan and San Pedro, Laguna; although based on different causes of action, all invoked their title to the subject property under OCT No. 239. They were able to file pleadings bearing their allegations and arguments, reply to their opponents' pleadings, and present as attachments their documentary evidence. When their cases were dismissed by the RTCs, they were able to file their motions for reconsideration and, upon denial thereof, raised their case on appeal to the appellate court. Unfortunately for the Spouses Layos, however, the Court of Appeals and this Court agreed in the dismissal of their cases.

That the cases of the Spouses Layos were dismissed by the RTCs even before they reach trial stage is not denial of due process. The dismissals were due to the lack of merit of their complaints and/or petitions, already apparent in the pleadings and evidence on record, and pointed out in their opponents' Motions for Dismissal (in the injunction cases) and Motion for Summary Judgment (in the quieting of title case).

In a letter dated 8 September 2005 to then Chief Justice Hilario G. Davide,[54] made part of the records of this case, Felipe

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[53] 461 Phil. 598, 613-614 (2003).

[54] *Rollo*, pp. 400-414.

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Layos averred that the conflicting allegations and documents which led this Court and the Court of Appeals in G.R. No. 120958 and CA-G.R. CV No. 50962, respectively, to declare OCT No. 239 spurious, were fraudulently prepared and submitted to the courts in a concerted scheme (which sadly seemed to involve their former counsel, Atty. Vitaliano Aguirre II) to deprive them of the subject property. Now represented by a new counsel, he requested that he be given a chance to prove that the subject property is covered by OCT No. 239 and not OCT No. 242.

Even if it is conceded that the allegations of the aforementioned letter are true, no stretch of interpretation or liberal application of the rules of procedure can grant the San Pedro RTC jurisdiction in LRC Case No. B-1758, a case for reconstitution, to set aside or reverse the final judgment made in both G.R. No. 120958 and CA-G.R. CV No. 50962 on the invalidity of OCT No. 239.

The RTC, acting on a petition for reconstitution, is of limited jurisdiction. Lands already covered by valid titles in the name of registered owners other than the petitioners cannot be a proper subject of reconstitution proceedings, thus:

> The Court stresses once more that lands already covered by duly issued existing Torrens Titles (which become incontrovertible upon the expiration of one year from their issuance under Section 38 of the Land Registration Act) cannot be the subject of petitions for reconstitution of allegedly lost or destroyed titles filed by third parties without first securing by final judgment the cancellation of such existing titles. (And as the Court reiterated in the recent case of *Silvestre vs. Court of Appeals*, "in cases of annulment and/or reconveyance of title, a party seeking it should establish not merely by a preponderance of evidence but by clear and convincing evidence that the land sought to be reconveyed is his.") **The courts simply have no jurisdiction over petitions by such third parties for reconstitution of allegedly lost or destroyed titles over lands that are already covered by duly issued subsisting titles in the names of their duly registered owners. The very concept of stability and indefeasibility of titles covered under the Torrens System of registration rules out as anathema the issuance of**

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two certificates of title over the same land to two different holders thereof.[55] (Emphasis ours.)

It should be pointed out that the validity of the title to the subject property herein had already been squarely put in issue in Civil Case No. B-4194, the quieting of title case, instituted by the Spouses Layos before the Biñan RTC, and resolved definitively and with finality when appealed to the Court of Appeals in CA-G.R. CV No. 50962, in favor of La Paz. It is a ruling irrefragably beyond the jurisdiction of the San Pedro RTC to overturn or contradict in LRC Case No. B-1784, the reconstitution case.

The prayer of the Spouses Layos to have LRC Case No. B-1784 remanded to the San Pedro RTC for trial, if granted, would only be farcical. Should the San Pedro RTC subsequently grant the reconstitution of OCT No. 239 after the trial, it would only be an empty victory for the Spouses Layos, for a reconstituted certificate of title, like the original certificate, by itself does not vest ownership of the land or estate covered thereby.[56] The valid title to the subject property would still be that of La Paz, as determined by the Court of Appeals in CA-G.R. CV No. 50962, over which the reconstituted certificate of title of the Spouses Layos cannot prevail. The reconstituted OCT No. 239 would be a mere piece of paper with actually no title to evidence ownership.

As earlier mentioned, a reconstitution of title is the re-issuance of a new certificate of title lost or destroyed in its original form and condition. It does not pass upon the ownership of the land covered by the lost or destroyed title. Any change in the ownership of the property must be the subject of a separate suit. Thus, although

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[55] *Director of Lands v. Court of Appeals*, 181 Phil. 432, 439 (1979). Reiterated in *Alabang Development Corporation v. Valenzuela*, 201 Phil. 727, 744 (1982); *Metropolitan Waterworks and Sewerage System v. Sison*, 209 Phil. 325, 337 (1983); *Serra Serra v. Court of Appeals*, G.R. No. 34080, 22 March 1991, 195 SCRA 482, 494; and *Ortigas & Co., Ltd. Partnership v. Judge Velasco*, 343 Phil. 115, 136 (1997).

[56] *Alonso v. Cebu Country Club, Inc.*, 462 Phil. 546, 565 (2003).

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petitioners are in possession of the land, a separate proceeding is necessary to thresh out the issue of ownership of the land.[57]

The reconstitution of a title is simply the reissuance of a new duplicate certificate of title allegedly lost or destroyed in its original form and condition. It does not pass upon the ownership of the land covered by the lost or destroyed title. Possession of a lost certificate is not necessarily equivalent to ownership of the land covered by it. The certificate of title, by itself, does not vest ownership; it is merely an evidence of title over a particular property.[58]

Evidently, the Spouses Layos seek more than just reconstitution of OCT No. 239 in LRC Case No. B-1758. They want to hold a trial so as to prove before the San Pedro RTC the fraudulent scheme perpetrated by several people, including their former counsel, to sabotage their cases before the courts; the errors in the Decisions of the courts that have long attained finality; and, ultimately, the validity of their title to the subject property. Again, these are matters beyond the jurisdiction of the San Pedro RTC to determine in a case for reconstitution. If truly the Spouses Layos have been misled and defrauded in a concerted effort to ruin their chances before the courts, then their recourse is not to persist with this petition for reconstitution of title, but to institute other actions to hold those responsible administratively, civilly, and even criminally liable.

Collateral Attack

Finally, the Spouses Layos argue that the Motions to Dismiss of La Paz and FEGDI and the Comment of the Office of the Solicitor General supporting the dismissal of the Spouses Layos' Petition for Reconstitution constitute a collateral attack upon the validity of OCT No. 239, in violation of the proscription laid down by law and jurisprudence against any collateral attack of a duly registered certificate of title.

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[57] *Lee v. Republic*, 418 Phil. 793, 803 (2001). See also *Alonso v. Cebu Country Club, Inc.*, 426 Phil. 61, 86-87 (2002); *Heirs of de Guzman Tuazon v. Court of Appeals*, 465 Phil. 114, 126 (2004).

[58] *Strait Times, Inc. v. Court of Appeals*, 356 Phil. 217, 230 (1998).

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The Spouses Layos are clearly mistaken. No collateral attack on OCT No. 239 was made in LRC Case No. B-1784 (the reconstitution case). The San Pedro RTC dismissed it precisely because the invalidity of said certificate of title was already determined conclusively and with finality by the Supreme Court in G.R. No. 120958 (the injunction cases). A similar ruling of invalidity of OCT No. 239 was rendered yet again in the final judgment of the Court of Appeals in CA-G.R. CV No. 50962 (the quieting of title case). Therefore, no collateral attack has been made on OCT No. 239 in the present Petition; the San Pedro RTC, Court of Appeals, and this Court only abided by the conclusive and final judgment made on the invalidity of OCT No. 239 in G.R. No. 120958 and CA-G.R. CV No. 50962.

In sum, the Decision dated 16 December 1996 of this Court in G.R. No. 120958 and the Decision dated 20 February 2001 of the Court of Appeals in CA-G.R. CV No. 50962 declaring OCT No. 239 fake, forged, and spurious, already bar the reconstitution of OCT No. 239 under the doctrine of *res judicata*, in the concept of conclusiveness of judgment. There is, therefore, no need to remand the case to the San Pedro RTC for trial.

WHEREFORE, premises considered, the instant Petition for Review is hereby *DENIED*. The Decision dated 26 April 2001 and Resolution dated 18 October 2001 of the Court of Appeals in CA-G.R. CV No. 61759, affirming the Order dated 19 January 1998 of the Regional Trial Court, Branch 93 of San Pedro, Laguna, in LRC Case No. B-1784, which dismissed the Petition for Reconstitution of OCT No. 239 filed by the petitioner- spouses Felipe and Victoria Layos, are hereby *AFFIRMED*. Costs against the petitioner-spouses.

SO ORDERED.

Ynares-Santiago (Chairperson), Austria-Martinez, Nachura, and *Reyes, JJ.,* concur.