Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

HYGIENIC PACKAGING CORPORATION, Petitioner,	**G.R. No. 201302** Present:
-versus-	PERALTA, *J., Chairperson,* LEONEN, REYES, A., JR., HERNANDO, and CARANDANG,* *JJ.*
NUTRI-ASIA, INC., DOING BUSINESS UNDER THE NAME AND STYLE OF UFC PHILIPPINES (FORMERLY NUTRI-ASIA, INC.), Respondent.	**Promulgated:** January 23, 2019

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DECISION

LEONEN, *J.:*

The venue for the collection of sum of money case is governed by Rule 4, Section 2 of the Rules of Court. Unless the parties enter into a written agreement on their preferred venue before an action is instituted, the plaintiff may commence his or her action before the trial court of the province or city either where he or she resides, or where the defendant resides. If the party is a corporation, its residence is the province or city where its principal place of business is situated as recorded in its Articles of Incorporation.[1]

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* Designated additional member per Special Order No. 2624 dated November 28, 2018.

1 *See Pilipinas Shell Petroleum Corporation v. Royal Ferry Services, Inc.*, G.R. No. 188146, February 1, 2017, 816 SCRA 379, 381 [Per J. Leonen, Second Division].

This is a Petition for Review on Certiorari[2] assailing the January 13, 2012 Decision[3] and March 28, 2012 Resolution[4] of the Court of Appeals in CA-G.R. SP No. 119511. The Court of Appeals granted Nutri-Asia, Inc.'s (Nutri-Asia) Petition for Certiorari,[5] and reversed and set aside the May 24, 2010 Order[6] of the Regional Trial Court Branch 46, Manila and the March 14, 2011 Joint Order[7] of the Regional Trial Court Branch 24, Manila in Civil Case No. 09-121849. The trial courts denied Nutri-Asia's Omnibus Motion to Set for Hearing the Affirmative Defenses Pleaded in the Answer and to Refer the Parties to Arbitration in a collection of sum of money case.[8]

Hygienic Packaging Corporation (Hygienic) is a domestic corporation that manufactures, markets, and sells packaging materials such as plastic bottles and ratchet caps.[9] Meanwhile, Nutri-Asia is a domestic corporation that manufactures, sells, and distributes food products such as banana-based and tomato-based condiments, fish sauce, vinegar, soy sauce, and other sauces.[10]

From 1998 to 2009, Hygienic supplied Nutri-Asia with KG Orange Bottles and Ratchet Caps with Liners (plastic containers) for its banana catsup products.[11] Every transaction was covered by a Purchase Order issued by Nutri-Asia.[12] The Terms and Conditions on the Purchase Order provided:

TERMS AND CONDITIONS

> The following terms and conditions and any of the specifications, drawings, samples and additional terms and conditions which may be incorporated herein by reference or appended hereto are part of this Purchase Order. By accepting this Purchase Order or any part thereof the Seller agrees to and accepts all terms and conditions.
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> 1. The number of this Purchase Order must appear on the corresponding Sales Invoice, Shipping papers and other pertinent documents and the

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2 *Rollo*, pp. 19–68.

3 Id. at 1022–1035. The Decision was penned by Associate Justice Amy C. Lazaro-Javier and concurred in by Associate Justices Remedios A. Salazar-Fernando and Sesinando E. Villon of the Second Division, Court of Appeals, Manila.

4 Id. at 1103. The Resolution was penned by Associate Justice Amy C. Lazaro-Javier and concurred in by Associate Justices Remedios A. Salazar-Fernando and Sesinando E. Villon of the Second Division, Court of Appeals, Manila.

5 Id. at 884–915.

6 Id. at 759–769. The Order was issued by Judge Aida E. Layug of Branch 46, Regional Trial Court, Manila.

7 Id. at 883. The Joint Order was issued by Judge Antonio M. Eugenio, Jr. of Branch 24, Regional Trial Court, Manila.

8 Id. at 769.

9 Id. at 71 and 73.

10 Id. at 72 and 418.

11 Id. at 73 and 1023.

12 Id. at 1023.

> Seller's VAT No., when applicable, must be on all Invoices/Delivery receipts.
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> 2. NO Payment will be made unless original sales invoice received by Buyer's accounting Department.
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> . . . .
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> 8. The Seller warrants that the Goods delivered to the Buyer will be merchantable, of commercial standard and that the Goods will conform with (*sic*) the written specifications and requirements of the Buyer. The Buyer shall have the right to reject or return any or all items found not in conformity with such standards[,] [s]pecifications or requirements. The Seller shall likewise indemnify and hold the Buyer free and harmless from any and all damages incurred by the Buyer as a result of the violation of these warranties.
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> The above warranties by the Seller shall also apply in case o[f] Goods consisting of packaging materials or foodstuffs to be used as raw materials or ingredients in the manufacture or processing of foodstuff in ensuring that they shall be fit for human consumption and free from adulteration or foreign materials and shall comply with all the relevant food and hygiene statutes and regulations both in the Buyer's Country and in any other such relevant country as to composition, processing (if any), packaging and description.
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> . . . .
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> 13. Arbitration [of] all disputes arising in connection with this Contract shall be referred to an Arbitration Committee, in accordance with the Philippine Arbitration Law, composed of three members: one (1) member to be chosen by the Buyer; another member to be chosen by the Seller[;] and the third member to be chosen by the other two members. The decision of the Arbitration Committee shall be binding upon the parties.[13]

From December 29, 2007 to January 22, 2009, Nutri-Asia purchased from Hygienic 457,128 plastic containers, for a total consideration of ₱9,737,674.62.[14] Hygienic issued Sales Invoices[15] and Delivery Receipts[16] to cover these transactions.[17]

On July 29, 2009, Hygienic filed a Complaint[18] for sum of money against Nutri-Asia. It instituted the case before the Regional Trial Court of Manila "pursuant to the stipulation of the parties as stated in the Sales Invoices submitting themselves to the jurisdiction of the Courts of the City of Manila in any legal action arising out of their transaction[.]"[19]

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13 Id. at 98–114.
14 Id. at 73 and 1024.
15 Id. at 115–228.
16 Id. at 229–348.
17 Id. at 74 and 1024.
18 Id. at 71–80.
19 Id. at 72–73.

In its Complaint, Hygienic alleged that based on the Purchase Orders and Sales Invoices, Nutri-Asia agreed to pay Hygienic 30 days after every delivery of plastic containers. However, Nutri-Asia refused to pay for the goods delivered from December 29, 2007 to January 22, 2009 after their payment became due, despite oral and written demands from Hygienic.[20]

Hygienic prayed that Nutri-Asia be ordered to pay it the sum of: (1) ₱9,737,674.62 plus 12% interest per annum as the total unpaid cost of the plastic containers; (2) 25% of ₱9,737,674.62 or the amount to be collected from Nutri-Asia as attorney's fees; (3) ₱300,000.00 as their counsel's acceptance fee; (4) ₱4,000.00 as their counsel's appearance fee for each and every appearance of its counsel in court; and (5) costs of suit.[21]

In its Answer with Compulsory Counter-Claim,[22] Nutri-Asia argued that the case should be dismissed as Hygienic failed to comply with a condition precedent prior to its filing of the Complaint.[23] It claimed that under the Terms and Conditions of the Purchase Orders, Hygienic should have first referred the matter to the Arbitration Committee.[24]

Nutri-Asia alleged that the venue was also improperly laid since the Regional Trial Court of Manila was not the proper venue for the institution of Hygienic's personal action. The Complaint should have been filed either before the trial courts of San Pedro, Laguna or Pasig City, where the principal places of business of Hygienic and Nutri-Asia are located, respectively. The venue of actions as stated in the Sales Invoices could not bind Nutri-Asia since it did not give its express conformity to that stipulation.[25]

Nutri-Asia admitted purchasing the plastic containers, and receiving Hygienic's Demand Letter and Final Demand Letter.[26] However, it countered that Hygienic's claim "has been extinguished on the ground of compensation."[27]

Nutri-Asia claimed that of the 457,128 plastic containers, it only used 327,046 for its products, while the 130,082 pieces were unused.[28] It narrated that since January 21, 2009, it received numerous customer complaints on its

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20 Id. at 74–75.
21 Id. at 76–77.
22 Id. at 417–459.
23 Id. at 420.
24 Id. at 420–423.
25 Id. at 423–424.
26 Id. at 419.
27 Id. at 448.
28 Id. at 432.

UFC Banana Catsup products. Consumers complained that the catsup smelled like detergent and soap and tasted like chemical, soap, plastic, and rubber.[29] After investigation, Nutri-Asia discovered that "the contaminated products were all manufactured on December 15, 2008 and they [were] limited to UFC Banana Catsup in 2 kg. plastic containers supplied by [Hygienic]."[30] It was compelled to recall the contaminated products.[31]

Nutri-Asia stated that in the meetings held on January 22 and 23, 2009, the officers of Hygienic admitted and confirmed that it "used a different colorant which has a poor Low Density Polyethylene (LDPE) carrier grade or poor bonding of the die/powder (*sic*) with the carrier."[32] The colorant bleeding in the containers contaminated Nutri-Asia's banana catsup. Hygienic's officers allegedly assured Nutri-Asia representatives that Hygienic will shoulder the expenses that would be incurred in the recall of the contaminated products. Its Sales and Marketing Manager, Judith B. Lim, allegedly reassured the same in an electronic mail.[33]

Nutri-Asia further stated that it sent a Letter dated May 6, 2009 to Hygienic, requesting for the reimbursement of ₱36,304,451.27, representing the recall expenses, product and container costs, freight and rental charges, and brand damage. This amount excludes Nutri-Asia's unrealized income.[34]

Nutri-Asia disclosed that Hygienic, in its June 9, 2009 letter, stated that it could not assess Nutri-Asia's claims as they were not accompanied by any supporting document. It also said that it would consider the case closed if Nutri-Asia failed to provide supporting documents by the end of June 11, 2009 office hours. Nutri-Asia replied that Hygienic had no basis to consider the matter closed since the former did not abandon or waive its reimbursement claim. Nutri-Asia requested for a meeting to further discuss the matter.[35]

Nutri-Asia alleged that it sent Hygienic the supporting documents on June 15, 2009. However, Hygienic stated that the documents it received were insufficient to support Nutri-Asia's reimbursement claim. Nutri-Asia insisted that the documents were sufficient, and again suggested a meeting between the parties.[36]

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29 Id. at 431.
30 Id.
31 Id. at 432.
32 Id. at 433.
33 Id. at 433–434.
34 Id. at 434–435.
35 Id. at 437–439.
36 Id. at 440–443.

After a re-computation of its claims, Nutri-Asia informed Hygienic that its request for reimbursement decreased to ₱25,850,759.31. The new amount was due to the reduction of the number of rejects and the reduction in freight charges, rental charges, and additional manpower charges. The parties exchanged several correspondences, until Nutri-Asia received a copy of the Complaint. As of September 4, 2009, Nutri-Asia's expenses increased to ₱26,405,553.95.[37]

In arguing that its obligation was extinguished by compensation, Nutri-Asia contended:

> 10.47 In the instant case, both plaintiff and defendant are bound principally and at the same time a principal creditor of the other; both debts consist in a sum of money; both debts are due, liquidated and demandable; and neither plaintiff [n]or defendant there be any retention or controversy, commenced by third persons and communicated in due time to the debtor.
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> 10.48 By virtue of compensation, the plaintiff's obligation to defendant for the said losses and damages in the sum of P26,405,553.95 is set off to the extent of P9,737,674.12 with the defendant's alleged obligation to plaintiff in the sum of P9,737,674.12 resulting to the extinguishment of defendant's alleged obligation to plaintiff.[38]

Due to compensation, Hygienic's unpaid obligation was reduced to ₱16,667,879.83.[39] Nutri-Asia added that Hygienic's cause of action against it had yet to accrue, and that Nutri-Asia was merely holding the payment of ₱9,737,674.12 as a lien to ensure that Hygienic would pay the losses and damages it incurred.[40]

Lastly, Nutri-Asia alleged that Hygienic did not come to court with clean hands, and that it acted in bad faith when it filed the Complaint.[41] It claimed that the amount charged by Hygienic was "excessive, iniquitious[,] and unconscionable."[42]

After Hygienic filed its Reply,[43] Nutri-Asia filed an Omnibus Motion.[44] Nutri-Asia reiterated its arguments in its Answer, adding that its affirmative defenses could "be resolved on the basis of the pleadings and the documents attached to the complaint without the need of further hearing."[45]

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37 Id. at 443–447-A.
38 Id. at 450.
39 Id. at 450–451.
40 Id. at 451–454.
41 Id. at 454–458.
42 Id. at 458–459.
43 Id. at 594–618.
44 Id. at 625–671.
45 Id. at 760.

Hygienic opposed Nutri-Asia's Omnibus Motion in its Consolidated or Joint Comment.[46] It countered that the allegation of noncompliance with a condition precedent was incorrect.[47] Moreover, its cause of action was anchored on "the sales invoices and delivery receipts duly acknowledged by [Nutri-Asia] through its authorized representative and that these deliveries made by [Hygienic] were not properly paid by [Nutri-Asia]."[48]

Hygienic claimed that even if the cause of action was based on all attached documents in the Complaint, which included the Purchase Orders, the arbitration clause was "inoperative or incapable of being performed."[49] This is because of the conflict between the arbitration clause in the Purchase Orders and the submission of parties to the Manila courts' jurisdiction in the Sales Invoices. The arbitration clause was merely an offer from Nutri-Asia, which Hygienic rejected in its Sales Invoices. To submit the dispute to arbitration, there should have been an unequivocal agreement between the parties. This agreement was lacking in their case.[50]

In its May 24, 2010 Order,[51] the Regional Trial Court Branch 46, Manila denied the Omnibus Motion.[52] It held that the venue was properly laid. It considered the signatures of Nutri-Asia's representatives in the Sales Invoices as the company's concurrence that any dispute would be raised before the courts of Manila.[53]

The trial court also found that the elements of compensation under the Civil Code were absent. It held that Hygienic and Nutri-Asia were not creditors and debtors of each other. Only Hygienic was the creditor, and only Nutri-Asia was the debtor. Nutri-Asia's Counter-Claim for damages still had to be proven.[54]

The trial court likewise did not give credence to Nutri-Asia's allegation that Hygienic had no cause of action against it.[55] As to the allegation that Nutri-Asia's affirmative defenses could already be resolved without going through trial, the trial court held that the issues Nutri-Asia raised "must be heard in a full blown trial."[56] It held:

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46 Id. at 704–728.
47 Id. at 760.
48 Id.
49 Id. at 761.
50 Id.
51 Id. at 759–769.
52 Id. at 769.
53 Id. at 762.
54 Id. at 762–764.
55 Id. at 764–765.
56 Id. at 767.

> It is the view of the court that the arguments presented are factual in nature. Trial therefore is essential for the court to best appreciate the facts presented. It cannot be done by mere reading, study and evaluation of the documents attached to the complaint and the arguments presented in their respective motions and comments to prevent miscarriage of justice.
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> . . . .
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> [Rule 16, Section 6 of the Rules of Civil Procedure] provides that it is discretionary upon the court to conduct a preliminary hearing on the affirmative defenses as a ground for dismissal.
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> Considering therefore that it is discretionary upon the court to allow the hearing on special and affirmative defenses[,] this court would rather conduct a full blown trial so it could evaluate the respective issues raised by the parties.[57]

The trial court ruled that Nutri-Asia's Counter-Claim was permissive in nature; thus, it could not acquire jurisdiction over the Counter-Claim unless the filing fees were paid.[58]

The dispositive portion of the trial court's May 24, 2010 Order read:

> Considering the above premises, the Omnibus Motion is hereby denied.
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> Defendant is directed to pay the appropriate docket fees on its permissive counterclaim within thirty (30) days from receipt of this order.
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> Let the pre-trial of the above case be set on July 28, 2010 at 8:30 A.M.
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> Notify Attys. Malinao and Po of this order.
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> SO ORDERED.[59]

Nutri-Asia filed a Motion for Reconsideration.[60] However, in its March 14, 2011 Joint Order,[61] the Regional Trial Court Branch 24, Manila denied the Motion. It also endorsed the case for mediation to the Philippine Mediation Center and set a pre-trial conference on May 11, 2011, in case mediation was unsuccessful.[62]

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57 Id. at 767.
58 Id. at 768–769.
59 Id. at 769.
60 Id. at 770–791.
61 Id. at 883.
62 Id.

Thus, Nutri-Asia filed a Petition for Certiorari[63] before the Court of Appeals.

In its January 13, 2012 Decision,[64] the Court of Appeals granted the Petition.[65] It held:

> Here, the trial courts rendered the assailed *Orders* deferring a ruling on the issues of venue and compliance with a condition precedent, which is the arbitration clause. No trial was necessary to resolve them. All the trial courts ought to know could be determined from the documents on record, namely, the sales invoices, the purchase orders, the respective places of business of petitioner and private respondent, and the jurisprudence on these issues. We cannot envision any factual question, and the trial courts did not mention any, to be threshed out before they can rule on these affirmative defenses. The error in refusing to resolve them violates so basic and elemental precepts on what and how discretion is to be exercised. We have to set aside and reverse these Orders.[66] (Emphasis in the original)

The Court of Appeals also found that "the trial courts committed grave abuse of discretion in allowing the complaint to stand and stay in Manila."[67] It held that since the signature of Nutri-Asia's employee in the Sales Invoices was only for the receipt of goods, Nutri-Asia did not agree to be bound by the venue stipulation in the Sales Invoices. Meanwhile, Hygienic did not deny that an arbitration clause was written on the Purchase Orders.[68] Its representative even "acknowledged its conformity to the purchase orders."[69] Since Hygienic "availed of the advantages and benefits of the purchase orders when it acted on them[,]"[70] it is thus estopped from rebuffing the arbitration clause.[71]

The Court of Appeals held that Nutri-Asia should have submitted its Counter-Claim to arbitration for resolution. Thus, whether the Counter-Claim was permissive or compulsory was irrelevant.[72]

The dispositive portion of the Court of Appeals January 13, 2012 Decision read:

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63 Id. at 884–915.
64 Id. at 1022–1035.
65 Id. at 1034–1035.
66 Id. at 1032.
67 Id.
68 Id. at 1032–1033.
69 Id. at 1033.
70 Id.
71 Id. at 1033–1034.
72 Id. at 1034.

> **ACCORDINGLY**, the petition is **GRANTED**. The *Orders* dated May 24, 2010 and March 14, 2011 of the Regional Trial Court, Branches 46 and 24, in Civil Case No. 09-121849, are **REVERSED AND SET ASIDE**. The complaint and the counterclaim in Civil Case No. 09-121849 are **DISMISSED WITHOUT PREJUDICE** to referral of the disputes between petitioner Nutri-Asia, Inc. and private respondent Hygienic Packaging Corporation to arbitration, as stipulated in the purchase orders. No costs.
>
> **SO ORDERED.**[73] (Emphasis in the original)

Hygienic filed a Motion for Reconsideration,[74] but it was denied by the Court of Appeals in its March 28, 2012 Resolution.[75]

On May 14, 2012, Hygienic filed a Petition for Review on Certiorari[76] against Nutri-Asia before this Court. It prayed that the Court of Appeals January 13, 2012 Decision and March 28, 2012 Resolution be reversed and set aside, and the trial court's May 24, 2010 Order and March 14, 2011 Joint Order be reinstated.[77] Respondent filed its Comment[78] on August 22, 2012, while petitioner filed its Reply[79] on September 4, 2013.

In its October 7, 2013 Resolution,[80] this Court gave due course to the Petition and required the parties to submit their respective memoranda.[81] Petitioner filed its Memorandum of Arguments[82] on December 12, 2013, while respondent filed its Memorandum[83] on December 19, 2013.

Petitioner argues that the decision of the Court of Appeals to dismiss the Complaint and deny its Motion for Reconsideration is improper. It claims that the Court of Appeals did not discuss the issues it raised in its pleadings.[84] Moreover, if the arbitration clause was found to be valid, the Court of Appeals should have "referred the matter to arbitration and suspended the proceedings of the case."[85]

Petitioner maintains that the arbitration clause lacks the elements of a valid arbitration agreement. Although present in writing, it was not properly subscribed, and the person who signed the Purchase Orders was only a

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73 Id. at 1034–1035.
74 Id. at 1060–1087.
75 Id. at 1103.
76 Id. at 19–68.
77 Id. at 63.
78 Id. at 1109–1129.
79 Id. at 1139–1154.
80 Id. at 1171–1174.
81 Id. at 1171.
82 Id. at 1186–1238.
83 Id. at 1242–1268.
84 Id. at 1201–1206.
85 Id. at 1203.

messenger, not petitioner's authorized agent. Thus, the arbitration clause cannot bind petitioner.[86]

Petitioner reiterates that the Purchase Orders constitute respondent's offer to petitioner to enter into a contract with it. Meanwhile, the Sales Invoices constitute petitioner's counter-offer rejecting the stipulation clause.[87] Since the parties did not agree on the arbitration agreement, the arbitration clause is "inoperative and incapable of being performed, if not totally null and void."[88]

Petitioner also insists that the venue was properly laid when it filed the Complaint before the trial court in Manila. It claims that when respondent accepted the Sales Invoices without protest, it adhered to the contract, which included the venue stipulation. Petitioner points out that the person who signed the Sales Invoices was a high-ranking officer of respondent, not a mere messenger. By signing the Sales Invoices, respondent's representative bound the company to the venue stipulation.[89]

Petitioner asserts that its Motion for Reconsideration and Petition are not prohibited pleadings. It filed the Motion to question both its Complaint's dismissal and the case's supposed referral to arbitration. Thus, the Motion does not fall under Rule 4.6 of the Special Rules of Court on Alternative Dispute Resolution. There is no basis for this Court to deny outright the Petition, which assails the Court of Appeals Resolution denying the Motion.[90]

Petitioner also argues it raised purely questions of law:[91]

> The main contention of the petitioner is that the alleged arbitration agreement between the parties of this case did not comply with the requisites provided in the Rules. This is certainly not a question of fact but rather, a question of law, as it necessitates the interpretation and application of ***Section 4 of [Republic Act No.] 876*** to the attendant facts of the case.
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> . . . .
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> Contrary to the position of the respondent, the specific issue on whether or not the messenger-signatory had the authority to bind petitioner Nutri-Asia with respect to the Arbitration Clause is not at all a question of fact. [Neither the] identity nor the rank of the signatory was not disputed or put in question so as to require further reception of evidence and

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86 Id. at 1206–1211.
87 Id. at 1211–1213.
88 Id. at 1213.
89 Id. at 1218–1220.
90 Id. at 1220–1225.
91 Id. at 1225–1228.

> conduction of trial. The truth or falsehood of the incidents related to the act of signing of the mere messenger is not disputed by the respondent. The issue is only with respect to his very authority to bind petitioner Hygienic as to the alleged agreement on arbitration. In short, the issue is limited to whether or not the messenger acted as a lawful agent of the petitioner – and this is undeniably a pure question of law.
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> The same rationale applies on the issue raised by the petitioner as to whether or not the document pertaining to the arbitration clause was properly subscribed.
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> . . . This specific issue merely concerns the correct application of law or jurisprudence as to the construction of the term "subscribed" and does not require the examination of the probative value of evidence pertaining to the document containing the arbitration clause.[92] (Emphasis in the original)

Lastly, assuming that petitioner raised factual issues, it argues that these issues fall under the exceptions provided by law and jurisprudence;[93] specifically, when the Court of Appeals rendered its Decision: (1) "based on a misapprehension of facts";[94] and (2) its findings were "contrary to those of the trial court[.]"[95]

Respondent counters that petitioner's Motion for Reconsideration and Petition for Review should have been dismissed outright under Rule 4.6 of the Special Rules of Court on Alternative Dispute Resolution.[96] Since the Court of Appeals referred the dispute to arbitration, it is "immediately executory—not subject to a motion for reconsideration, appeal[,] or petition for certiorari[.]"[97]

Respondent argues that the Court of Appeals correctly dismissed the case since the parties failed to submit the case to arbitration. In any case, since it already found that the venue was improperly laid, the Court of Appeals did not err in dismissing the case.[98]

Respondent further claims that the Petition raises questions of fact.[99] It states that petitioner, in filing the Petition, wants this Court "to review the evidence on record and ascertain the authority of the persons who signed the Purchase Orders, as well as the Sales Invoices."[100] This Court will then have to examine these facts:

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92 Id. at 1226–1227.
93 Id. at 1228–1231.
94 Id. at 1229.
95 Id.
96 Id. at 1249–1251.
97 Id. at 1250.
98 Id. at 1251–1253.
99 Id. at 1254–1256.
100 Id. at 1254.

(a) The identities of the persons who signed the Purchase Orders and the Sales Invoices;
(b) The positions of the persons in HYGIENIC [NUTRI-ASIA never stipulated on the positions of the said persons] who signed the Purchase Orders;
(c) The positions of the persons who ostensibly signed the Sales Invoices;
(d) The duties and functions of the persons who signed the Purchase Orders and the Sales Invoices;
(e) Whether the persons who signed the Purchase Orders had the authority to act on behalf of HYGIENIC [To be clear, NUTRI-ASIA never admitted that the persons were not authorized to act on behalf of HYGIENIC];
(f) Whether the persons who signed the Sales Invoices had the authority to act on behalf of NUTRI-ASIA [Again, NUTRI-ASIA never admitted the alleged authority of the persons who signed the Sales Invoices]; and
[g] The circumstances surrounding the signing of the Purchase Orders and the Sales Invoices.[101]

Respondent adds that the conflicting findings of the trial court and the Court of Appeals on the issue of arbitration do not suffice to allow the Petition.[102] It highlights that in resolving the case, the question is "whether the Court of Appeals correctly determined the presence of grave abuse of discretion in the ruling of RTC-Manila[.]"[103]

Contrary to petitioner's assertion, respondent contends that the arbitration clause is operative and capable of being performed. Aside from being in writing, both parties subscribed to the Terms and Conditions of the Purchase Orders.[104] Petitioner's acceptance of the Terms and Conditions, which included the arbitration clause, is "manifested by its issuance of the corresponding Sales Invoices, which made reference to the relevant Purchase Orders."[105] By reflecting in its Sales Invoices the serial numbers of respondent's Purchase Orders, petitioner "effectively incorporated the Purchase Order and its contents into the Sales Invoice, including the arbitration clause."[106] For failing to refer the case to arbitration—a condition precedent before taking judicial action—the Court of Appeals correctly dismissed the case.[107]

Finally, respondent maintains that "the Sales Invoices and the venue stipulation therein did not constitute a rejection of the arbitration clause in

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101 Id. at 1254–1255.
102 Id. at 1255.
103 Id.
104 Id. at 1256–1257.
105 Id. at 1257.
106 Id.
107 Id. at 1258–1261.

the Purchase Orders."[108] It claims that the persons who signed the Sales Invoices were not respondent's employees, but of a third party contractor for their logistics operations.[109] It notes that above the signature line of the Sales Invoices, the phrase "[r]eceived the above goods in good order and condition"[110] is written. The contractor's employees only signed the Sales Invoices to signify that they received the deliveries. Their signatures cannot bind respondent to the venue stipulation. Assuming that they were authorized by respondent, the venue stipulation cannot supersede the arbitration clause in the Purchase Orders.[111] The Sales Invoices' venue stipulation "does not authorize either party to do away with arbitration before proceeding to the courts to seek relief."[112]

The sole issue for this Court's resolution is whether or not the action for collection of sum of money was properly filed.

Petitioner and respondent differ as to where their dispute should be brought for resolution. On the one hand, petitioner contends that the venue stipulation in the Sales Invoices should be enforced. On the other hand, respondent asserts that the arbitration clause in the Purchase Orders should be carried out.

This Court cannot subscribe to either contention.

Parties are allowed to constitute any stipulation on the venue or mode of dispute resolution as part of their freedom to contract under Article 1306 of the Civil Code of the Philippines, which provides:

> ARTICLE 1306. The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.

Here, however, the records lack any written contract of sale containing the specific terms and conditions agreed upon by the parties. The parties failed to provide evidence of any contract, which could have contained stipulations on the venue of dispute resolution. Nonetheless, petitioner and respondent both claim that the Sales Invoices and the Purchase Orders, respectively, contained a stipulation on where to raise issues on any conflict regarding the sale of plastic containers. Each party

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[108] Id. at 1261.
[109] Id.
[110] Id. at 1262.
[111] Id. at 1261–1262.
[112] Id. at 1262.

also insists that the other party accepted the venue stipulation in the Sales Invoices or the Purchase Orders when its representative signed them.

Upon examination of the Sales Invoices and the Purchase Orders, this Court cannot consider the documents as contracts that would bind the parties as to the venue of dispute resolution.

A closer look at the Sales Invoices issued by petitioner reveals that above the signature of respondent's representative is the phrase, "Received the above goods in good order and condition."[113] Clearly, the purpose of respondent's representative in signing the Sales Invoices is merely to acknowledge that he or she has received the plastic containers in good condition. He or she did not affix his or her signature in any other capacity except as the recipient of the goods. To extend the effect of the signature by including the venue stipulation would be to stretch the intention of the signatory beyond his or her objective. This Court, then, cannot bind respondent to the other stipulations in the Sales Invoices.

A scrutiny of the Purchase Orders issued by respondent also reveals that above the signature of petitioner's representative is the phrase "Acknowledged By (Supplier)."[114] Since the Purchase Orders indicated how many pieces of plastic containers respondent wanted to order from petitioner, the signatory merely affixed his or her signature to acknowledge respondent's order. Moreover, the Purchase Orders included a note stating that the "[Purchase Order] must be DULY acknowledged to facilitate payment."[115]

Thus, it was necessary for petitioner's representative to sign the document for the processing of payment. The act of signing the Purchase Orders, then, was limited to acknowledging respondent's order and facilitating the payment of the goods to be delivered. It did not bind petitioner to the terms and conditions in the Purchase Orders, which included the arbitration clause.

Petitioner and respondent may have entered into a contract of sale with respect to petitioner's merchandise. However, the case records do not show that they have a contract in relation to the venue of any civil action arising from their business transaction.

Cathay Metal Corporation v. Laguna West Multi-Purpose Cooperative, Inc.[116] provides, "[f]or there to be a contract, there must be a

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[113] Id. at 117–120, 122–168, 170–176, and 183–228.
[114] Id. at 98–114.
[115] Id.
[116] 738 Phil. 37 (2014) [Per J. Leonen, Third Division].

meeting of the minds between the parties."[117] Here, no evidence shows that petitioner and respondent had a meeting of minds and agreed to submit any future issue either to the trial court or to arbitration.

Since there is no contractual stipulation that can be enforced on the venue of dispute resolution, the venue of petitioner's personal action will be governed by the 1997 Revised Rules of Civil Procedure. Rule 4 provides:

> RULE 4
> Venue of Actions
>
> SECTION 1. Venue of Real Actions. — Actions affecting title to or possession of real property, or interest therein, shall be commenced and tried in the proper court which has jurisdiction over the area wherein the real property involved, or a portion thereof, is situated.
>
> Forcible entry and detainer actions shall be commenced and tried in the Municipal Trial Court of the municipality or city wherein the real property involved, or a portion thereof, is situated.
>
> SECTION 2. Venue of Personal Actions. — All other actions may be commenced and tried where the plaintiff or any of the principal plaintiffs resides, or where the defendant or any of the principal defendants resides, or in the case of a non-resident defendant where he may be found, at the election of the plaintiff.
>
> SECTION 3. Venue of Actions Against Nonresidents. — If any of the defendants does not reside and is not found in the Philippines, and the action affects the personal status of the plaintiff, or any property of said defendant located in the Philippines, the action may be commenced and tried in the court of the place where the plaintiff resides, or where the property or any portion thereof is situated or found.
>
> SECTION 4. When Rule not Applicable. — This Rule shall not apply —
>
> (a) In those cases where a specific rule or law provides otherwise; or
>
> (b) Where the parties have validly agreed in writing before the filing of the action on the exclusive venue thereof.

In *City of Lapu-Lapu v. Philippine Economic Zone Authority*:[118]

> [V]enue is "the place of trial or geographical location in which an action or proceeding should be brought." In civil cases, venue is a matter of procedural law. A party's objections to venue must be brought at the earliest opportunity either in a motion to dismiss or in the answer;

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[117] Id. at 66.
[118] 748 Phil. 473 (2014) [Per J. Leonen, Second Division].

> otherwise the objection shall be deemed waived. When the venue of a civil action is improperly laid, the court cannot *motu proprio* dismiss the case.
>
> The venue of an action depends on whether the action is a real or personal action. Should the action affect title to or possession of real property, or interest therein, it is a real action. The action should be filed in the proper court which has jurisdiction over the area wherein the real property involved, or a portion thereof, is situated. *If the action is a personal action, the action shall be filed with the proper court where the plaintiff or any of the principal plaintiffs resides, or where the defendant or any of the principal defendants resides,* or in the case of a non-resident defendant where he may be found, *at the election of the plaintiff.*[119] (Emphasis supplied, citations omitted)

It has been consistently held that an action for collection of sum of money is a personal action.[120] Taking into account that no exception can be applied in this case, the venue, then, is "where the plaintiff or any of the principal plaintiffs resides, or where the defendant or any of the principal defendants resides, . . . at the election of the plaintiff."[121] For a corporation, its residence is considered "the place where its principal office is located as stated in its Articles of Incorporation."[122]

In its Complaint, petitioner stated that its principal place of business is on San Vicente Road beside South Superhighway, San Pedro, Laguna.[123] Meanwhile, respondent admitted in its Answer that its principal office is at 12/F Centerpoint Building, Garnet Road corner Julia Vargas Avenue, Ortigas Center, Pasig City.[124] Considering that the amount petitioner claims falls within the jurisdiction of the Regional Trial Court,[125] petitioner may file its Complaint for sum of money either in the Regional Trial Court of San Pedro, Laguna or in the Regional Trial Court of Pasig City.

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119 Id. at 523.

120 *See Consolidated Plywood Industries, Inc. v. Hon. Breva,* 248 Phil. 819, 823 (1988) [Per J. Narvasa, First Division]; *San Miguel Corp. v. Monasterio,* 499 Phil. 702, 709 (2005) [Per J. Quisumbing, First Division]; *Ang v. Sps. Ang,* 693 Phil. 106, 113 (2012) [Per J. Reyes, Second Division]; *Gagoomal v. Sps. Villacorta,* 679 Phil. 441, 453 (2012) [Per J. Perlas-Bernabe, Third Division]; *Ang v. Sps. Ang,* 693 Phil. 106, 113 (2012) [Per J. Reyes, Second Division].

121 RULES OF COURT, Rule 4, sec. 2.

122 *Pilipinas Shell Petroleum Corporation v. Royal Ferry Services, Inc.*, G.R. No. 188146, February 1, 2017, 816 SCRA 379, 381 [Per J. Leonen, Second Division]. *See also Mangila v. Court of Appeals,* 435 Phil. 870, 885 (2002) [Per J. Carpio, Third Division].

123 *Rollo*, p. 71.

124 Id. at 72 and 418.

125 Petitioner claims the amount of ₱9,737,674.62. In *Pajares v. Remarkable Laundry and Dry Cleaning* (G.R. No. 212690, February 20, 2017, 818 SCRA 144, 162–164 [Per J. Del Castillo, First Division]), this Court held:

> Paragraph 8, Section 19 of [Batas Pambansa Blg.] 129, as amended by Republic Act No. 7691, provides that where the amount of the demand exceeds P100,000.00, exclusive of interest, damages of whatever kind, attorney's fees, litigation expenses, and costs, exclusive jurisdiction is lodged with the [Regional Trial Court]. Otherwise, jurisdiction belongs to the Municipal Trial Court.
>
> The above jurisdictional amount had been increased to P200,000.00 on March 20, 1999 and further raised to P300,000.00 on February 22, 2004 pursuant to Section 5 of [Republic Act No.] 7691. (Citations omitted)

Petitioner's erroneous belief on the applicability of the venue stipulation in the Sales Invoices led it to file an action before the Regional Trial Court of Manila. This error is fatal to petitioner's case.

One (1) of the grounds for dismissal of an action under Rule 16, Section 1[126] of the 1997 Revised Rules of Civil Procedure is when the venue is improperly laid. Although respondent did not file a Motion to Dismiss on this ground, it cited the improper venue as one (1) of the affirmative defenses in its Answer:[127]

> 9. **The venue of the instant complaint is improperly laid.**
>
> 9.1 The instant complaint for collection of a sum of money, a personal action was filed before the Regional Trial Court of the City of Manila which is not the proper venue for the instant complaint.
>
> . . . .
>
> 9.3 In paragraphs 1 and 2 of the instant complaint, the plaintiff had made an admission on the pleading that its principal place of business is located at San Vicente Road beside South Superhighway, San Pedro, [Laguna,] while the principal place of business of defendant is located at 12/F The Centerpoint Building, Garnet Road corner Julia Vargas Avenue, Ortigas Center, Pasig City. With this admission on the pleading, it is clear that the instant complaint should have been filed before the Regional Trial Court of San Pedro, Laguna, where the plaintiff has its principal place of business or before the Regional Trial Court of Pasig City, Laguna where the defendant has its principal place of business.
>
> 9.4 The parties did not validly agree in writing before the filing of the action that the Courts of the City of Manila shall be the exclusive venue thereof.
>
> 9.5 The alleged stipulation in the Sales Invoice that the parties submit themselves to jurisdiction of the Courts of the City of Manila in any legal action out of the transaction between the parties cannot and should not bind defendant in the absence of the express conformity by the defendant. The defendant has never signed the said Sales Invoice to signify

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[126] RULES OF COURT, Rule 16, sec. 1(c) provides:

SECTION 1. Grounds. — Within the time for but before filing the answer to the complaint or pleading asserting a claim, a motion to dismiss may be made on any of the following grounds:

. . . .

(c) That venue is improperly laid[.]

[127] *Rollo*, pp. 423–424. *See City of Lapu-Lapu v. Philippine Economic Zone Authority*, 748 Phil. 473, 523 (2014) [Per J. Leonen, Second Division]: "A party's objections to venue must be brought at the earliest opportunity either in a motion to dismiss or in the answer; otherwise the objection shall be deemed waived. When the venue of a civil action is improperly laid, the court cannot *motu proprio* dismiss the case." (Citation omitted)

> its conformity to the said stipulation regarding venue of actions.[128] (Emphasis in the original)

This Court finds that the Court of Appeals is partly correct in ruling that the trial court committed grave abuse of discretion in denying respondent's Omnibus Motion. The assailed Court of Appeals January 13, 2012 Decision held:

> On the issue of venue, the trial courts committed grave abuse of discretion in allowing the complaint to stand and stay in Manila. The sales invoices, if viewed to be a contract on venue stipulation, were not signed by petitioner's agent to be bound by such stipulation. The signature has to do with the receipt of the purchased goods "in good order and condition." Petitioner did not, therefore, agree to be restricted to a venue in Manila and was never obliged to observe this unilateral statement in the sales invoices.[129] (Citation omitted)

However, contrary to the Court of Appeals' finding on the validity of the arbitration clause, this Court cannot give the stipulation any effect as discussed earlier.

This Court reminds litigants that while the rules on venue are for the convenience of plaintiffs, these rules do not give them unbounded freedom to file their cases wherever they may please:[130]

> [T]he rules on venue, like the other procedural rules, are designed to insure a just and orderly administration of justice or the impartial and even-handed determination of every action and proceeding. Obviously, this objective will not be attained if the plaintiff is given unrestricted freedom to choose the court where he may file his complaint or petition. The choice of venue should not be left to the plaintiff's whim or caprice. He [or she] may be impelled by some ulterior motivation in choosing to file a case in a particular court even if not allowed by the rules on venue.[131] (Citation omitted)

WHEREFORE, premises considered, the Court of Appeals January 13, 2012 Decision and March 28, 2012 Resolution in CA-G.R. SP No. 119511 are **AFFIRMED** insofar as they reversed and set aside the May 24, 2010 Order and March 14, 2011 Joint Order of the Regional Trial Court, Branches 46 and 24, in Civil Case No. 09-121849.

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128 *Rollo*, pp. 423–424.
129 Id. at 1032–1033.
130 *Mangila v. Court of Appeals*, 435 Phil. 870, 887 (2002) [Per J. Carpio, Third Division]; *Ang v. Spouses Ang*, 693 Phil. 106, 113 and 115 (2012) [Per J. Reyes, Second Division].
131 *Ang v. Sps. Ang*, 693 Phil. 106, 117 (2012) [Per J. Reyes, Second Division].

However, the rulings of the Court of Appeals dismissing the Complaint and the Counter-Claim in Civil Case No. 09-121849 without prejudice to referral of the disputes to arbitration are **REVERSED** and **SET ASIDE**.

The Complaint and the Counter-Claim in Civil Case No. 09-121849 are **DISMISSED WITHOUT PREJUDICE** to the refiling of the same claims before the proper court.

SO ORDERED.

MARVIC M.V.F. LEONEN
Associate Justice

WE CONCUR:

DIOSDADO M. PERALTA
Associate Justice
Chairperson

ANDRES B. REYES, JR.
Associate Justice

RAMON PAUL L. HERNANDO
Associate Justice

ROSMARI D. CARANDANG
Associate Justice

ATTESTATION

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

DIOSDADO M. PERALTA
Associate Justice
Chairperson

CERTIFICATION

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

LUCAS P. BERSAMIN
Chief Justice