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THIRD DIVISION

[G.R. No. 161026. October 24, 2005]

HYATT ELEVATORS AND ESCALATORS CORPORATION, *petitioner, vs.* **GOLDSTAR ELEVATORS, PHILS., INC.,*** *respondent*.

SYLLABUS

1. COMMERCIAL LAW; CORPORATIONS; PRINCIPAL PLACE OF BUSINESS OF A CORPORATION DETERMINES ITS RESIDENCE OR DOMICILE.— Residence is the permanent home — the place to which, whenever absent for business or pleasure, one intends to return. Residence is vital when dealing with venue. A corporation, however, has no residence in the same sense in which this term is applied to a natural person. This is precisely the reason why the Court in *Young Auto Supply Company v. Court of Appeals* ruled that "for practical purposes, a corporation is in a metaphysical sense a resident of the place where its principal office is located as stated in the articles of incorporation." Even before this ruling, it has already been established that the residence of a corporation is the place where its principal office is established. This Court has also definitively ruled that for purposes of venue, the term "residence" is synonymous with "domicile." Correspondingly, the Civil Code provides: "Art. 51. When the law creating or recognizing them, or any other provision does not fix the domicile of juridical persons, the same shall be understood to be the place where their legal representation is established or where they exercise their principal functions." It now becomes apparent that the residence or domicile of a juridical person is fixed by "the law creating or recognizing" it. Under Section 14(3) of the Corporation Code, the place where the principal office of the corporation is to be located is one of the required contents of

* The Petition included the "Court of Appeals" as a respondent. However, the CA was omitted by the Court from the title of the case because, under Section 4 of Rule 45 of the Rules of Court, the appellate court need not be impleaded in petitions for review.

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the articles of incorporation, which shall be filed with the Securities and Exchange Commission (SEC). In the present case, there is no question as to the residence of respondent. What needs to be examined is that of petitioner. Admittedly, the latter's principal place of business is Makati, as indicated in its Articles of Incorporation. Since the principal place of business of a corporation determines its residence or domicile, then the place indicated in petitioner's articles of incorporation becomes controlling in determining the venue for this case.

2. REMEDIAL LAW; ACTIONS; VENUE OF AN ACTION BY OR AGAINST A CORPORATION; PLACE WHERE ITS PRINCIPAL OFFICE IS LOCATED, AS INDICATED IN ITS ARTICLES OF INCORPORATION ESTABLISHES ITS RESIDENCE.— Petitioner argues that the Rules of Court do not provide that when the plaintiff is a corporation, the complaint should be filed in the location of its principal office as indicated in its articles of incorporation. Jurisprudence has, however, settled that the place where the principal office of a corporation is located, as stated in the articles, indeed establishes its residence. This ruling is important in determining the venue of an action by or against a corporation, as in the present case. Without merit is the argument of petitioner that the locality stated in its Articles of Incorporation does not conclusively indicate that its principal office is still in the same place. We agree with the appellate court in its observation that the requirement to state in the articles the place where the principal office of the corporation is to be located "is not a meaningless requirement. That proviso would be rendered nugatory if corporations were to be allowed to simply disregard what is expressly stated in their Articles of Incorporation." Inconclusive are the bare allegations of petitioner that it had closed its Makati office and relocated to Mandaluyong City, and that respondent was well aware of those circumstances. Assuming *arguendo* that they transacted business with each other in the Mandaluyong office of petitioner, the fact remains that, in law, the latter's residence was still the place indicated in its Articles of Incorporation. Further unacceptable is its faulty reasoning that the ground for the CA's dismissal of its Complaint was its failure to amend its Articles of Incorporation so as to reflect its actual and present principal office. The appellate court was

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clear enough in its ruling that the Complaint was dismissed because the venue had been improperly laid, not because of the failure of petitioner to amend the latter's Articles of Incorporation.

3. ID.; ID.; ID.; ID.; CHOICE OF THE VENUE OF AN ACTION IS NOT LEFT TO PLAINTIFF'S CAPRICE BUT IS REGULATED BY THE RULES OF COURT; REASON; CASE AT BAR.— Indeed, it is a legal truism that the rules on the venue of personal actions are fixed for the convenience of the plaintiffs and their witnesses. Equally settled, however, is the principle that choosing the venue of an action is not left to a plaintiff's caprice; the matter is regulated by the Rules of Court. Allowing petitioner's arguments may lead precisely to what this Court was trying to avoid in *Young Auto Supply Company v. CA*: the creation of confusion and untold inconveniences to party litigants. We find it necessary to remind party litigants, especially corporations, as follows: "The rules on venue, like the other procedural rules, are designed to insure a just and orderly administration of justice or the impartial and evenhanded 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 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."

APPEARANCES OF COUNSEL

Allan A. Leynes for petitioner.
Castillo Laman Tan & Pantaleon for respondent.

D E C I S I O N

PANGANIBAN, *J.*:

Well established in our jurisprudence is the rule that the *residence* of a corporation is the place where its principal office is located, as stated in its Articles of Incorporation.

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The Case

Before us is a Petition for Review[1] on *Certiorari*, under Rule 45 of the Rules of Court, assailing the June 26, 2003 Decision[2] and the November 27, 2003 Resolution[3] of the Court of Appeals (CA) in CA-GR SP No. 74319. The decretal portion of the Decision reads as follows:

"WHEREFORE, in view of the foregoing, the assailed Orders dated May 27, 2002 and October 1, 2002 of the RTC, Branch 213, Mandaluyong City in Civil Case No. 99-600, are hereby *SET ASIDE*. The said case is hereby ordered *DISMISSED* on the ground of improper venue."[4]

The assailed Resolution denied petitioner's Motion for Reconsideration.

The Facts

The relevant facts of the case are summarized by the CA in this wise:

"Petitioner [herein Respondent] Goldstar Elevator Philippines, Inc. (GOLDSTAR for brevity) is a domestic corporation primarily engaged in the business of marketing, distributing, selling, importing, installing, and maintaining elevators and escalators, with address at 6th Floor, Jacinta II Building, 64 EDSA, Guadalupe, Makati City.

"On the other hand, private respondent [herein petitioner] Hyatt Elevators and Escalators Company (HYATT for brevity) is a domestic corporation similarly engaged in the business of selling, installing and maintaining/servicing elevators, escalators and parking equipment, with address at the 6th Floor, Dao I Condominium, Salcedo St., Legaspi Village, Makati, as stated in its Articles of Incorporation.

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[1] *Rollo*, pp. 7-20.

[2] Annex "A" of the Petition; *rollo*, pp. 22-31. Penned by Justice Remedios A. Salazar-Fernando, with the concurrence of Justices Delilah Vidallon-Magtolis (Sixth Division chair) and Edgardo F. Sundiam (member).

[3] Annex "B" of the Petition; *id.*, p. 33.

[4] CA Decision, p. 9; *id.*, p. 30.

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"On February 23, 1999, HYATT filed a Complaint for unfair trade practices and damages under Articles 19, 20 and 21 of the Civil Code of the Philippines against LG Industrial Systems Co. Ltd. (LGISC) and LG International Corporation (LGIC), alleging among others, that: in 1988, it was appointed by LGIC and LGISC as the exclusive distributor of LG elevators and escalators in the Philippines under a 'Distributorship Agreement'; x x x LGISC, in the latter part of 1996, made a proposal to change the exclusive distributorship agency to that of a joint venture partnership; while it looked forward to a healthy and fruitful negotiation for a joint venture, however, the various meetings it had with LGISC and LGIC, through the latter's representatives, were conducted in utmost bad faith and with malevolent intentions; in the middle of the negotiations, in order to put pressures upon it, LGISC and LGIC terminated the Exclusive Distributorship Agreement; x x x [A]s a consequence, [HYATT] suffered ₱120,000,000.00 as actual damages, representing loss of earnings and business opportunities, ₱20,000,000.00 as damages for its reputation and goodwill, ₱1,000,000.00 as and by way of exemplary damages, and ₱500,000.00 as and by way of attorney's fees.

"On March 17, 1999, LGISC and LGIC filed a Motion to Dismiss raising the following grounds: (1) lack of jurisdiction over the persons of defendants, summons not having been served on its resident agent; (2) improper venue; and (3) failure to state a cause of action. The [trial] court denied the said motion in an Order dated January 7, 2000.

"On March 6, 2000, LGISC and LGIC filed an Answer with Compulsory Counterclaim *ex abundante cautela.* Thereafter, they filed a 'Motion for Reconsideration and to Expunge Complaint' which was denied.

"On December 4, 2000, HYATT filed a motion for leave of court to amend the complaint, alleging that subsequent to the filing of the complaint, it learned that LGISC transferred all its organization, assets and goodwill, as a consequence of a joint venture agreement with Otis Elevator Company of the USA, to LG Otis Elevator Company (LG OTIS, for brevity). Thus, LGISC was to be substituted or changed to LG OTIS, its successor-in-interest. Likewise, the motion averred that x x x GOLDSTAR was being utilized by LG OTIS and LGIC in perpetrating their unlawful and unjustified acts against HYATT. Consequently, in order to afford complete relief, GOLDSTAR was to be additionally impleaded as a party-defendant. Hence, in the Amended Complaint, HYATT impleaded x x x GOLDSTAR as a party-defendant, and all references to LGISC were correspondingly replaced with LG OTIS.

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"On December 18, 2000, LG OTIS (LGISC) and LGIC filed their opposition to HYATT's motion to amend the complaint. It argued that: (1) the inclusion of GOLDSTAR as party-defendant would lead to a change in the theory of the case since the latter took no part in the negotiations which led to the alleged unfair trade practices subject of the case; and (b) HYATT's move to amend the complaint at that time was dilatory, considering that HYATT was aware of the existence of GOLDSTAR for almost two years before it sought its inclusion as party-defendant.

"On January 8, 2001, the [trial] court admitted the Amended Complaint. LG OTIS (LGISC) and LGIC filed a motion for reconsideration thereto but was similarly rebuffed on October 4, 2001.

"On April 12, 2002, x x x GOLDSTAR filed a Motion to Dismiss the amended complaint, raising the following grounds: (1) the venue was improperly laid, as neither HYATT nor defendants reside in Mandaluyong City, where the original case was filed; and (2) failure to state a cause of action against [respondent], since the amended complaint fails to allege with certainty what specific ultimate acts x x x Goldstar performed in violation of x x x Hyatt's rights. In the Order dated May 27, 2002, which is the main subject of the present petition, the [trial] court denied the motion to dismiss, ratiocinating as follows:

> 'Upon perusal of the factual and legal arguments raised by the movants-defendants, the court finds that these are substantially the same issues posed by the then defendant LG Industrial System Co. particularly the matter dealing [with] the issues of improper venue, failure to state cause of action as well as this court's lack of jurisdiction. Under the circumstances obtaining, the court resolves to rule that the complaint sufficiently states a cause of action and that the venue is properly laid. It is significant to note that in the amended complaint, the same allegations are adopted as in the original complaint with respect to the Goldstar Philippines to enable this court to adjudicate a complete determination or settlement of the claim subject of the action it appearing preliminarily as sufficiently alleged in the plaintiff's pleading that said Goldstar Elevator Philippines Inc., is being managed and operated by the same Korean officers of defendants LG-OTIS Elevator Company and LG International Corporation.'

"On June 11, 2002, [Respondent] GOLDSTAR filed a motion for reconsideration thereto. On June 18, 2002, without waiving the

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grounds it raised in its motion to dismiss, [it] also filed an 'Answer *Ad Cautelam*'. On October 1, 2002, [its] motion for reconsideration was denied.

"From the aforesaid Order denying x x x Goldstar's motion for reconsideration, it filed the x x x petition for *certiorari* [before the CA] alleging grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the [trial] court in issuing the assailed Orders dated May 27, 2002 and October 1, 2002."[5]

Ruling of the Court of Appeals

The CA ruled that the trial court had committed palpable error amounting to grave abuse of discretion when the latter denied respondent's Motion to Dismiss. The appellate court held that the venue was clearly improper, because none of the litigants "resided" in Mandaluyong City, where the case was filed.

According to the appellate court, since Makati was the principal place of business of both respondent and petitioner, as stated in the latter's Articles of Incorporation, that place was controlling for purposes of determining the proper venue. The fact that petitioner had abandoned its principal office in Makati years prior to the filing of the original case did not affect the venue where personal actions could be commenced and tried.

Hence, this Petition.[6]

The Issue

In its Memorandum, petitioner submits this sole issue for our consideration:

"Whether or not the Court of Appeals, in reversing the ruling of the Regional Trial Court, erred as a matter of law and jurisprudence, as well as committed grave abuse of discretion, in holding that in the light of the peculiar facts of this case, venue was improper[.]"[7]

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[5] *Id*., pp. 2-6 & 23-27. Citations omitted.

[6] The case was deemed submitted for decision on January 26, 2005, upon this Court's receipt of respondent's Memorandum, signed by Attys. Enrique W. Galang and Jerome L. de Guzman. Petitioner's Memorandum, signed by Atty. Alan A. Leynes, was received by this Court on December 9, 2004.

[7] Petitioner's Memorandum, p. 6; *rollo*, p. 192. Original in uppercase.

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This Court's Ruling

The Petition has no merit.

Sole Issue: *Venue*

The resolution of this case rests upon a proper understanding of Section 2 of Rule 4 of the 1997 Revised Rules of Court:

"Sec. 2. *Venue of personal actions*. — All other actions may be commenced and tried where the plaintiff or any of the principal plaintiff resides, or where the defendant or any of the principal defendant resides, or in the case of a non-resident defendant where he may be found, at the election of the plaintiff."

Since both parties to this case are corporations, there is a need to clarify the meaning of "residence." The law recognizes two types of persons: (1) natural and (2) juridical. Corporations come under the latter in accordance with Article 44(3) of the Civil Code.[8]

Residence is the permanent home — the place to which, whenever absent for business or pleasure, one intends to return.[9] Residence is vital when dealing with venue.[10] A corporation, however, has no residence in the same sense in which this term is applied to a natural person. This is precisely the reason why the Court in *Young Auto Supply Company v. Court of Appeals*[11] ruled that "for practical purposes, a corporation is in a metaphysical sense a resident of the place where its principal office is located as stated in the articles of incorporation."[12] Even before this ruling, it has already been established that the residence of a corporation is the place where its principal office is established.[13]

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[8] "Art. 44. The following are juridical persons:

x x x x x x x x x

(3) Corporations, partnerships and associations for private interest or purpose to which the law grants a juridical personality, separate and distinct from that of each shareholder, partner or member."

[9] *Evangelista v. Santos*, 86 Phil. 387, May 19, 1950.

[10] *Cohen v. Benguet Commercial Co., Ltd.,* 34 Phil. 526, March 29, 1916.

[11] 223 SCRA 670, June 25, 1993.

[12] *Id*., p. 674, per Quiason, *J*. This was later reiterated in *Davao Light & Power Co., Inc. v. CA*, 363 SCRA 396, August 20, 2001.

[13] *Clavecilla Radio System v. Antillon*, 19 SCRA 379, February 18, 1967.

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This Court has also definitively ruled that for purposes of venue, the term "residence" is synonymous with "domicile."[14] Correspondingly, the Civil Code provides:

"Art. 51. When the law creating or recognizing them, or any other provision does not fix the domicile of juridical persons, the same shall be understood to be the place where their legal representation is established or where they exercise their principal functions."[15]

It now becomes apparent that the residence or domicile of a juridical person is fixed by "the law creating or recognizing" it. Under Section 14(3) of the Corporation Code, the place where the principal office of the corporation is to be located is one of the required contents of the articles of incorporation, which shall be filed with the Securities and Exchange Commission (SEC).

In the present case, there is no question as to the residence of respondent. What needs to be examined is that of petitioner. Admittedly,[16] the latter's principal place of business is Makati, as indicated in its Articles of Incorporation. Since the principal place of business of a corporation determines its residence or domicile, then the place indicated in petitioner's articles of incorporation becomes controlling in determining the venue for this case.

Petitioner argues that the Rules of Court do not provide that when the plaintiff is a corporation, the complaint should be filed in the location of its principal office as indicated in its articles of incorporation.[17] Jurisprudence has, however, settled that the place where the principal office of a corporation is located, as stated in the articles, indeed establishes its residence.[18]

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[14] *Evangelista v. Santos, supra* at note 9; *Corre v. Corre*, 100 Phil. 321, November 13, 1956.

[15] Article 51, Civil Code.

[16] Petitioner's Memorandum, p. 7; *rollo,* p. 193.

[17] *Id*., pp. 193-195.

[18] Campos, *The Corporation Code, Comments, Notes and Selected Cases,* Vol. I (1990), p. 77; Villanueva, *Philippine Corporate Law* (1998), p. 162.

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This ruling is important in determining the venue of an action by or against a corporation,[19] as in the present case.

Without merit is the argument of petitioner that the locality stated in its Articles of Incorporation does not conclusively indicate that its principal office is still in the same place. We agree with the appellate court in its observation that the requirement to state in the articles the place where the principal office of the corporation is to be located "is not a meaningless requirement. That proviso would be rendered nugatory if corporations were to be allowed to simply disregard what is expressly stated in their Articles of Incorporation."[20]

Inconclusive are the bare allegations of petitioner that it had closed its Makati office and relocated to Mandaluyong City, and that respondent was well aware of those circumstances. Assuming *arguendo* that they transacted business with each other in the Mandaluyong office of petitioner, the fact remains that, in law, the latter's residence was still the place indicated in its Articles of Incorporation. Further unacceptable is its faulty reasoning that the ground for the CA's dismissal of its Complaint was its failure to amend its Articles of Incorporation so as to reflect its actual and present principal office. The appellate court was clear enough in its ruling that the Complaint was dismissed because the venue had been improperly laid, not because of the failure of petitioner to amend the latter's Articles of Incorporation.

Indeed, it is a legal truism that the rules on the venue of personal actions are fixed for the convenience of the plaintiffs and their witnesses. Equally settled, however, is the principle that choosing the venue of an action is not left to a plaintiff's caprice; the matter is regulated by the Rules of Court.[21] Allowing petitioner's arguments may lead precisely to what this Court

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[19] *Ibid*.

[20] CA Decision, p. 8; *rollo*, p. 29.

[21] *Clavecilla Radio System v. Antillon, supra* at note 13; *Evangelista v. Santos, supra.*

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was trying to avoid in *Young Auto Supply Company v. CA:*[22] the creation of confusion and untold inconveniences to party litigants. Thus enunciated the CA:

"x x x. To insist that the proper venue is the actual principal office and not that stated in its Articles of Incorporation would indeed create confusion and work untold inconvenience. Enterprising litigants may, out of some ulterior motives, easily circumvent the rules on venue by the simple expedient of closing old offices and opening new ones in another place that they may find well to suit their needs."[23]

We find it necessary to remind party litigants, especially corporations, as follows:

"The rules on venue, like the other procedural rules, are designed to insure a just and orderly administration of justice or the impartial and evenhanded 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 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."[24]

WHEREFORE, the Petition is hereby *DENIED*, and the assailed Decision and Resolution *AFFIRMED*. Costs against petitioner.

SO ORDERED.

Sandoval-Gutierrez, Corona, Carpio Morales, and *Garcia, JJ.,* concur.

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[22] *Supra* at note 11.

[23] CA Decision, p. 8; *rollo*, p. 29.

[24] *Sy v. Tyson Enterprises, Inc.,* 119 SCRA 367, 371-372, December 15, 1982, per Aquino, *J*. See also *Sps. Rigor v. Consolidated Orix Leasing and Finance Corp.,* 387 SCRA 437, August 20, 2002.