

Title: Northwest Orient Airlines, Inc. vs. Court of Appeals and C.F. Sharp & Company, Inc.

Facts:

Northwest Orient Airlines, Inc. (NORTHWEST), a Minnesota corporation, entered into an International Passenger Sales Agency Agreement with C.F. Sharp & Company, Inc. (SHARP), a Philippine corporation, on May 9, 1974. SHARP failed to remit proceeds from ticket sales, prompting NORTHWEST to sue SHARP in Tokyo, Japan, on March 25, 1980. Attempts to serve summons to SHARP in Japan were unsuccessful, leading the Japanese Court to request diplomatic service of summons to SHARP's Manila office. Despite receiving the summons, SHARP did not appear, and the Tokyo Court rendered judgment in favor of NORTHWEST. SHARP did not appeal, and the decision became final and executory.

NORTHWEST was unable to execute the judgment in Japan, and on May 20, 1983, it filed suit for enforcement before the Regional Trial Court of Manila, Branch 54. SHARP filed an answer, and after a trial on merits, SHARP filed a Motion for Judgment on a Demurrer to Evidence, which the court granted, dismissing the case. This decision was sustained by the Court of Appeals, with the basis that the Japanese court did not have jurisdiction over SHARP as summons were served extraterritorially. NORTHWEST then petitioned the Philippine Supreme Court.

Issues:

- Whether a Japanese court can acquire jurisdiction over a Philippine corporation doing business in Japan by serving summons through diplomatic channels at its principal office in Manila.
- Whether the service of summons in such a manner is consistent with the internal laws of the forum (Japanese law) and Philippine law.

Court's Decision:

The Supreme Court granted the petition in part. It held that the burden of proving the invalidity of the foreign judgment and the absence of jurisdiction due to improper service of summons rested on SHARP. However, SHARP did not prove that the Japanese law does not allow extraterritorial service, so the presumption of validity and regularity of the Japanese court process must stand.

Furthermore, by the processual presumption, absent evidence to the contrary, it is presumed that Japanese law is similar to Philippine law. Under Philippine law, if no resident agent is appointed, service may be made on a government official designated by law.

Considering SHARP's presence in Japan, it could be considered a resident there for legal purposes, thus, amenable to Japanese jurisdiction and service methods.

The Supreme Court affirmed the appellate decision in denying NORTHWEST's claims for attorney's fees, litigation expenses, and exemplary damages but reversed it in upholding the trial court's dismissal of NORTHWEST's complaint to enforce the Japanese court judgment.

Doctrine:

- A foreign judgment is presumed to be valid and binding in the country from which it comes, until contrarily proven.
- Matters of remedy and procedure such as service of summons are determined by the *lex fori* (internal law of the forum).
- The processual presumption assumes that in the absence of evidence to the contrary, the laws of the foreign nation are similar to Philippine law concerning service of process.
- The domicile of a corporation belongs to the state where it was incorporated. However, a corporation can be considered a resident in another state for legal purposes if it exercises corporate functions and transacts business there.

Class Notes:

- A foreign judgment is presumptive evidence of a right between the parties and can be challenged on grounds of want of jurisdiction, notice, collusion, fraud, or a clear mistake of law or fact.
- The party challenging a foreign judgment has the burden of proof to establish its invalidity.
- Service of process is subject to the procedural law of the forum where judgment is obtained.
- As to foreign law, it is considered a question of fact that must be pleaded and proved accordingly.
- In the absence of proof of foreign law, the processual presumption applies, assuming foreign law is similar to domestic law.
- For a corporation, residence is linked to where it exercises corporate functions and transacts business, hence being amenable to jurisdiction and lawful methods of service in such a locale.

Historical Background:

- The case illustrates the interplay between international commercial relationships and the application of domestic and foreign laws for the enforcement of foreign judgments.

- It reflects legal principles and changes in jurisprudence, particularly with respect to extraterritorial service of process and the jurisdiction over foreign corporations conducting business abroad.
- It demonstrates the evolution and current state of private international law and the handling of transnational litigation in the context of the Philippines.