

Title: Narra Nickel Mining and Development Corp., Tesoro Mining and Development, Inc., and McArthur Mining, Inc., Petitioners, vs. Redmont Consolidated Mines Corp., Respondent.

Facts:

The case originated when respondent Redmont Consolidated Mines Corp. (Redmont), interested in mining activities in Palawan, found that areas it targeted were subject to Mineral Production Sharing Agreement (MPSA) applications by petitioners Narra, Tesoro, and McArthur. Petitioners, through predecessor companies, had applied for MPSAs with the Department of Environment and Natural Resources (DENR), which were under process. Redmont contested the applications before the DENR Panel of Arbitrators (POA), alleging that the petitioners were effectively controlled by a Canadian corporation, MBMI Resources, Inc. (MBMI), and thus disqualified from holding MPSAs reserved for Filipino citizens.

Petitioners argued they were Philippine Nationals with 60% Filipino ownership, qualified to engage in mining, and further applied for Financial or Technical Assistance Agreements (FTAAs), suitable for foreign corporations. The POA disqualified petitioners and declared the MPSAs null, giving due course to Redmont's Exploration Permit Applications (EPAs). Petitioners appealed to the Mines Adjudication Board (MAB), which reversed POA's decision, but Redmont elevated the issue to the Court of Appeals.

The Court of Appeals ruled against petitioners, employing the "grandfather rule" to determine their corporate nationality, which suggested that MBMI, through a web of corporate layering, effectively controlled petitioners, making them ineligible for MPSAs. The Office of the President (OP) later canceled and revoked petitioners' FTAAs for violating statutory requirements.

Issues:

1. Whether the petitioners' MPSA applications are moot and academic following the conversion to FTAAs.
2. Whether the Panel of Arbitrators has the jurisdiction to determine petitioners' qualifications and whether they are foreign corporations.
3. Whether Redmont engaged in forum shopping.
4. Whether the Court of Appeals properly applied the "Grandfather Rule" in determining corporate nationality.

Court's Decision:

The Supreme Court denied the petition, affirming the Court of Appeals' rulings.

1. The Court rejected mootness claims, noting that the conversion to FTAAAs did not impair the core issue of petitioners' nationality, and also considering the subsequent revocation by the OP of the said FTAAAs.
2. The Court upheld the jurisdiction of the Panel of Arbitrators to resolve disputes over MPSA applications under Section 77 of the Mining Act.
3. Though Redmont filed multiple actions, the Court concluded that there was no willful and deliberate forum shopping that warranted the reversal of the Court of Appeals' findings.
4. In applying the "grandfather rule," the Court aligned with the Court of Appeals' findings that the rule is appropriate when there is doubt over the Filipino-foreign equity ownership within corporations applying for MPSAs. The Court established the "grandfather rule" to be applicable and refrained from re-evaluating factual evidence presented at lower adjudicative levels.

Doctrine:

The "control test" remains the standard for determining the nationality of a corporation. However, if there is doubt as to the 60-40 Filipino-foreign ownership, the "grandfather rule" may be applied to ascertain the actual equity composition. Thus, a corporation can be considered a foreign entity if a foreign investor owns 60% or more of its equity interest through corporate layering or indirect means.

Class Notes:

- Control Test: A corporation is deemed "Filipino" if 60% of its capital stock is owned by Filipinos.
- Grandfather Rule: Used when there is doubt on corporate ownership; determines the actual Filipino equity by tracing layering or interconnected corporate relationships.
- MPSA: A contract permitting qualified persons to engage in mining operations within a specific area.
- FTAA: An arrangement allowing foreign corporations to engage in large-scale mineral resources development activities.
- Forum Shopping: The act of filing multiple legal actions based on the same claim to gain a favorable decision, prohibited in Philippine legal practice.
- Philippine Mining Act (RA 7942) Section 77: Grants jurisdiction to the DENR Panel of Arbitrators over disputes related to mining rights and agreements.

Historical Background:

This case reflects the critical balance between national interests in resource control and the pursuit of foreign investments. It mirrors socio-economic developments and governmental efforts to regulate foreign participation in strategic sectors like mining. It also provides jurisprudential clarity on corporate nationality, pivotal due to constitutional mandates on national patrimony, and the protectionist economic provisions designed to ensure Filipino control over natural resources.