

****Title:**** Aida Padilla vs. Globe Asiatique Realty Holdings Corporation, et al.

****Facts:**** The case arises from a series of financial transactions between Philippine National Bank (PNB) and respondents Globe Asiatique Realty Holdings Corporation, Filmal Realty Corporation, and their high-ranking officers, regarding financing through Contracts to Sell (CTS) Facility Agreements. Upon default in payments and alleged discovery of fraudulent activities by the respondents, PNB, through Senior Vice-president Aida Padilla, filed a suit in the RTC of Pasay City seeking recovery of the outstanding amount and damages, accompanied by a Preliminary Attachment granted against the respondents' assets. Respondents countered with a suit in the RTC of Pasig City against PNB and Judge Pedro De Leon Gutierrez for damages, claiming malicious and damaging actions against them. The Pasig City RTC, however, dismissed respondents' suit asserting lack of jurisdiction and emphasized the principle of judicial stability, hindering interference with a co-equal court's proceedings.

Upon respondents' complaint dismissal, Padilla moved to set her counterclaims for pre-trial, which the Pasig City RTC denied, reasoning that entertaining the counterclaims would indirectly require reviewing Pasay City RTC's decisions, against the principle of judicial stability.

****Issues:****

1. Whether the dismissal of the complaint due to lack of jurisdiction automatically results in the dismissal of counterclaims.
2. Whether the principle of judicial stability prohibits a court from hearing counterclaims after dismissing the main complaint for lack of jurisdiction.
3. Whether a defendant's right to prosecute a compulsory counterclaim survives the dismissal of the plaintiff's complaint for lack of jurisdiction.

****Court's Decision:****

The Supreme Court granted Aida Padilla's petition, reversing the RTC of Pasig City's orders and directing the court to proceed with Padilla's compulsory counterclaim. The Court ruled that:

- A counterclaim can be pursued independently of the dismissal of the complaint, especially if it is compulsory in nature and arises from the plaintiff's unfounded suit.
- The principle of judicial stability does not prevent the resolution of counterclaims merely because the suit that prompted them was dismissed for lack of jurisdiction.
- The RTC of Pasig City erred in refusing to adjudicate the counterclaims on the same

ground that led to the dismissal of the respondents' complaint.

****Doctrine:****

The Supreme Court enunciated that the dismissal of a complaint due to the court's lack of jurisdiction over the complaint does not necessarily lead to the dismissal of a compulsory counterclaim. A compulsory counterclaim that seeks redress for damages arising from the unfounded suit may proceed independently, based on its merits.

****Class Notes:****

- ****Compulsory Counterclaim:**** A compulsory counterclaim arises out of or is connected with the transaction or occurrence constituting the subject matter of the opposing party's claim. It can be pursued in the same or a separate action, even if the main complaint was dismissed for lack of jurisdiction.
- ****Principle of Judicial Stability:**** The principle is aimed at preventing judicial interference with the proceedings of a co-equal court. However, this principle does not preclude the adjudication of compulsory counterclaims independently on their merits.
- ****Jurisdiction Over Counterclaims:**** A court's jurisdiction over counterclaims should be determined separately from its jurisdiction over the main complaint. Even if the complaint is dismissed for lack of jurisdiction over the plaintiff's cause, a compulsory counterclaim for damages or attorney's fees arising from an unfounded suit may still proceed.

****Historical Background:****

The case underscores the evolving understanding and application of procedural rules in Philippine jurisprudence, particularly regarding counterclaims and the principle of judicial stability. Through its decision, the Supreme Court clarifies the independence of counterclaims from the main action, reinforcing the ability of defendants to seek redress for grievances caused by unfounded suits, independent of the fate of the main complaint.