

**\*\*Title:\*\*** \*La Naval Drug Corporation vs. The Honorable Court of Appeals and Wilson C. Yao\*

**\*\*Facts:\*\*** The case emerged from a disagreement between La Naval Drug Corporation (Petitioner) and Wilson C. Yao (Respondent) over the rental rate for a commercial building portion leased to Petitioner under a contract executed with La Proveedora, Inc. on December 23, 1983, which expired on April 30, 1989. Petitioner exercised an option to lease for another five years, but the parties disagreed on the rental rate. To resolve the dispute, Respondent, through written notices, expressed his intention to submit the disagreement to arbitration, as per Republic Act 876 (Arbitration Law), and a clause in their lease contract. Subsequently, both appointed their respective arbitrators. However, the appointment of the third arbitrator was delayed, allegedly due to Petitioner's actions, prompting Respondent to file an action for the Enforcement of Arbitration Agreement with Damages. Petitioner filed an Answer with Counterclaim, and proceedings occurred in the Regional Trial Court and later, the Court of Appeals, leading to the present appeal before the Supreme Court.

**\*\*Issues:\*\***

1. Whether the court, in special jurisdiction under the Arbitration Law, can hear and decide on claims for damages within the summary proceedings for enforcement of an arbitration agreement.
2. The applicability of the doctrine of estoppel against a party questioning the competence of the court to decide on claims for damages within such summary proceedings.

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

The Supreme Court set aside the decision of the Court of Appeals and the orders of the trial court, ordering the trial court to desist from further hearing the claims for damages by both parties. The Supreme Court held that the jurisdiction conferred by the Arbitration Law explicitly limits the court's authority only to determine whether there is an agreement in writing providing for arbitration. If such an agreement exists, the court is to order the parties to proceed with arbitration according to the terms thereof. The Court clarified that the proceedings should be summary in nature, demonstrating an indisputable lack of jurisdiction by the court over the claims for damages, which may be ventilated in separate regular proceedings.

**\*\*Doctrine:\*\***

1. Jurisdiction over the subject matter is conferred by law, not by the parties' will or consent, and can be raised at any time.

2. Estoppel does not apply when a court clearly lacks jurisdiction over the subject matter or nature of the action.

**\*\*Class Notes:\*\***

- **\*\*Jurisdiction Over the Person:\*\*** Must be seasonably raised, and voluntary appearance is deemed a waiver of this defense. However, asserting affirmative defenses is not deemed an estoppel or waiver of such defense.
- **\*\*Jurisdiction Over the Subject Matter/Nature of the Action:\*\*** May be raised at any time, as this type of jurisdiction is conferred by law and cannot be conferred by consent of the parties. Lack of jurisdiction over the subject matter or nature of the action will result in dismissal.
- **\*\*Estoppel:\*\*** Cannot apply when a court lacks jurisdiction over the subject matter or the action's nature. It is intended to avoid a clear case of injustice and must be unequivocal and intentional.
- **\*\*Arbitration Law:\*\*** Imposes a specific procedure and limits the court's role to determining whether an arbitration agreement exists and, if so, ordering the parties to proceed accordingly. The proceedings should be summary.

**\*\*Historical Background:\*\*** This case underscores the legal framework governing arbitration in the Philippines, particularly emphasizing the courts' limited jurisdiction in arbitration-related proceedings and the distinct procedure set out in the Arbitration Law (R.A. 876). It highlights the judiciary's role in facilitating alternative dispute resolution mechanisms, like arbitration, to promote efficient and expedient resolution of disputes outside the traditional court system.