

Title: Ley Construction and Development Corporation vs. Marvin Medel Sedano: A Case of Improper Venue

Facts:

On March 13, 2012, Ley Construction and Development Corporation, through its President, Janet C. Ley (hereafter referred to as petitioner), filed a complaint for Collection of Sum of Money and Damages against Marvin Medel Sedano, operating as “Lola Taba Lolo Pato Palengke at Paluto sa Seaside” (hereafter referred to as respondent), in the Regional Trial Court (RTC) of Valenzuela City, marked as Civil Case No. 40-V-12. The complaint stemmed from a sublease agreement initiated on January 14, 2005, in which the petitioner subleased a portion of land located at Financial Center Area, Pasay City, to the respondent for ten years, starting November 15, 2005, with a monthly rent of PHP 1,174,780.00. Disagreements arose when the respondent failed to remit rent for August to December 2011, amounting to PHP 8,828,025.46.

The respondent, in his defense, contended he had been directing his rental payments to the Philippine National Construction Corporation (PNCC) following a court order evicting the petitioner and assuming lease arrangement with PNCC. Thus, commenced to directly pay PNCC during the disputed period. Additionally, the respondent argued that the case was filed in improper venue citing the lease agreement stipulating all related actions must be filed exclusively in Pasay City’s RTC. Upon procedural wrangling and a Motion to Dismiss based on improper venue argued by the respondent, the Valenzuela-RTC dismissed the case on June 15, 2015, and reaffirmed its decision on January 27, 2016, upon reconsideration by the petitioner, citing the stipulation in the lease agreement regarding the exclusivity of the venue.

Issues:

1. Whether the stipulation in the lease agreement specifying the RTC of Pasay City as the exclusive venue for all actions arising from the agreement is valid.
2. Whether the respondent waived his right to question the improper venue by filing motions in Valenzuela-RTC.
3. Whether the court should apply the doctrine of waiver due to the respondent’s submission of counterclaims and third-party complaints in Valenzuela-RTC.

Court’s Decision:

The Philippine Supreme Court denied the petition, affirming the Valenzuela-RTC's dismissal of the complaint for being filed in an improper venue. The Court recognized the validity of venue stipulations in contracts, as long as such stipulations explicitly denote exclusivity, which was found in the phrase "exclusive of all others". The Supreme Court noted the lease contract clearly indicated Pasay City as the exclusive venue for actions arising from the agreement, thus binding the parties.

The Court rejected the petitioner's argument that the respondent's actions in Valenzuela-RTC constituted a waiver of his improper venue defense. The respondent timely raised the defense in his answer, maintaining the right to invoke improper venue despite participating in preliminary procedures or submitting counterclaims related to the principal action.

Doctrine:

This case reiterates the doctrine that parties may agree on an exclusive venue for litigating disputes arising from their contract, provided such agreements explicitly denote the intent of exclusivity and are included in a written agreement before the filing of the suit. Venue stipulations in contracts are recognized and enforced as valid provided they meet these criteria.

Class Notes:

- **Venue vs. Jurisdiction**: Venue pertains to the geographical location where a case is to be heard, while jurisdiction is the authority of a court to hear and decide cases. This case emphasizes that parties can stipulate the venue but not jurisdiction.
- **Exclusive Venue Stipulation**: For a venue stipulation to be deemed exclusive, the contract must have explicit language indicating exclusivity, such as "exclusive of all others".
- **Waiver of Improper Venue Defense**: A party does not waive their right to invoke improper venue by engaging in preliminary court proceedings, provided the defense is timely raised in the formal answer.

Historical Background:

Disputes on venue stipulations are common in contractual disagreements, reflecting on the broader principle of parties' autonomy in stipulating conditions within their contractual relations. This decision upholds and clarifies the requirements and enforcement of exclusive venue stipulations, which contributes to the certainty and predictability in contractual litigations.