

Title:

Far East International Import and Export Corporation vs. Nankai Kogyo Co., Ltd.

Facts:

On December 26, 1956, Far East International Import & Export Corporation (Far East) and Nankai Kogyo Co., Ltd. (Nankai) entered into a contract for the sale of steel scrap, where Far East was the seller, and Nankai, the buyer. The contract signed in the Philippines by Far East and in Japan by Nankai involved approximately 5,000 metric tons of steel scrap, to be paid through a Letter of Credit established by Nankai. The contract included provisions on payment methods, force majeure, and dispute resolution through arbitration in Japan.

Nankai opened the Letter of Credit on January 30, 1957. By March 1957, close to the license expiry, shipments were hindered, and only a partial load was shipped due to regulatory changes after President Magsaysay's death under President Garcia's administration. Consequently, Nankai sought damages for unfulfilled shipment portions. Far East sought to enforce payment through a legal complaint filed on May 16, 1957, requesting specific performance and damages, alongside issuing a writ of preliminary mandatory injunction against Nankai to secure the shipment's Bill of Lading for payment purposes. The trial court ruled in favor of Far East, leading Nankai to appeal based on jurisdictional and substantive issues.

Issues:

1. Whether the trial court had acquired jurisdiction over the subject matter and the person of Nankai.
2. The propriety of the award given to Far East against Nankai.

Court's Decision:

The Supreme Court affirmed the trial court's decision, thereby dismissing Nankai's jurisdictional objection based on the specifics of its business engagements within the Philippines. The Court held that Nankai, through its actions, was deemed to have submitted to the jurisdiction of Philippine courts. The Court ruled that the evidence suggested Nankai was engaging in business within the Philippines beyond the single transaction of scrap steel purchase, implying a continuous business presence. Despite the contractual provision for arbitration in Japan, the Court found that Nankai's engagement in the legal process (i.e.,

filing an answer and participating in the trial) constituted a waiver of this provision. Finally, the court underscored that the fulfillment failure of the scrap shipment contract was due to unforeseeable government intervention, aligning with the contract's force majeure clause.

Doctrine:

1. Jurisdiction by Participation: A foreign corporation may be deemed to have submitted to the jurisdiction of Philippine courts through its active participation in legal proceedings, even if initially contesting jurisdiction.

2. Doing Business in the Philippines: A single transaction might be considered part of a foreign corporation's business in the Philippines especially if it indicates a purpose to engage further or establish a base of operations within the country.

Class Notes:

- **Jurisdiction over Foreign Corporations**: Participation in legal proceedings beyond mere jurisdictional challenges may be deemed a submission to the court's jurisdiction.

- **"Doing business" concept**: Involves the evaluation of a foreign corporation's activities within the jurisdiction to determine whether they signify an intention to engage in sustained business operations.

- **Force Majeure Clause**: Protects contracting parties from non-performance penalties due to events beyond their control, emphasizing the contract's nature and stipulations.

Statutory Provision to Remember: Rule 14 on Service upon private foreign corporations (now under Rule 14, Rules of Court of the Philippines), highlighting how service can be made to foreign entities doing business in the Philippines.

Historical Background:

The case underscores the complexities of international business transactions, especially regarding jurisdictional issues and contractual obligations amid unforeseeable events (e.g., government policy shifts) in the post-World War II era, marking a period of regulatory adjustments and international relations normalization. It illustrates the evolving landscape of international trade law and the challenges in enforcing cross-border contracts within domestic legal frameworks.