

**\*\*Title:\*\***

Excellent Quality Apparel, Inc. v. Win Multi Rich Builders, Inc., G.R. No. 174060

**\*\*Facts:\*\***

- **\*\*Contract Formation (March 26, 1996):\*\*** Excellent Quality Apparel, Inc. (represented by Max L.F. Ying, Vice-President for Productions, and Alfiero R. Orden, Treasurer) enters into a contract with Multi-Rich Builders for the construction of a garment factory within the Cavite Philippine Economic Zone Authority (CPEZ). A key aspect of the contract is an arbitration clause.
- **\*\*Contract Completion (November 27, 1996):\*\*** The construction project is completed.
- **\*\*Corporate Formation (February 20, 1997):\*\*** Win Multi-Rich Builders, Inc. is incorporated with Wilson G. Chua as its President and General Manager.
- **\*\*Complaint Filed (January 26, 2004):\*\*** Win files a complaint for a sum of money (P8,634,448.20) against Excellent Quality Apparel, Inc. and Mr. Ying, claiming non-payment. Win also requests a writ of attachment.
- **\*\*Writ of Attachment Issued (February 10, 2004):\*\*** RTC issues a writ of attachment against the properties of Excellent Quality Apparel, Inc. Sheriff Salvador D. Dacumos serves this writ, summons, and the complaint at the office of Excellent Quality Apparel.
- **\*\*Preventive Measures (February 16, 2004):\*\*** Excellent Quality Apparel issues a check to prevent the Sheriff's seizure of its properties.
- **\*\*Motions and Responses (February 2004 - April 2004):\*\***
  - Excellent Quality Apparel files an Omnibus Motion questioning RTC's jurisdiction and asserting that disputes should be referred to the CIAC, citing the Arbitration Clause.
  - Win's legal counsel requests a name change from "Win Multi-Rich Builders, Inc." to "Multi-Rich Builders, Inc."
  - Excellent Quality Apparel presents a Certificate of Non-Registration for "Multi-Rich Builders, Inc.", arguing that Win cannot be a party to the contract.
  - Win admits the contract was with Multi-Rich (a sole proprietorship), not Win (the corporation).
- **\*\*RTC Rulings:\*\***
  - **\*\*April 12, 2004:\*\*** Denies Omnibus Motion, deciding issues should be settled in a full-

trial.

- **April 20, 2004:** Orders the garnished amount to be deposited in court.
- **Subsequent Developments (Mid-2004):**
  - Win files a motion to release the garnished funds.
  - Excellent Quality Apparel files oppositions, alleging lack of legal basis for Win's claims.
- **Appeals (June 18, 2004 - March 14, 2006):**
  - Excellent Quality Apparel files a petition for review with the Court of Appeals challenging RTC's jurisdiction and its decisions/orders.
  - Court of Appeals annuls RTC orders (April 12 and April 20, 2004), ruling RTC has jurisdiction but overriding its decisions.
  - EQA files a Motion for Reconsideration, which is denied.
- **Further Appeal (to Supreme Court):** Excellent Quality Apparel files a Rule 45 petition to resolve jurisdiction issues and Win's legal standing.

**Issues:**

1. **Legal Personality of Win to Institute the Case:**
  - Does Win possess the legal standing to file this case given the original contract was with Multi-Rich (a sole proprietorship)?
2. **Jurisdiction of RTC:**
  - Whether the RTC properly held jurisdiction over the case despite the contractual arbitration clause.
3. **Propriety of Writ of Attachment and Garnishment:**
  - Was the issuance of the writ of attachment and the subsequent garnishment by the RTC proper?

**Court's Decision:**

- **Legal Personality of Win (Resolved Negatively):**
  - The Court held that Win, a separate legal entity incorporated after the construction contract was executed, did not have the legal standing to initiate the case. Win did not provide evidence (e.g., deed of assignment) showing it assumed the liabilities or receivables of Multi-Rich (the sole proprietorship).
- **Jurisdiction of RTC (Resolved for CIAC Jurisdiction):**

- Citing Executive Order No. 1008, the Court held that the RTC should not have taken jurisdiction due to the presence of an arbitration clause indicating that disputes should be referred to the CIAC for resolution.

- **Writ of Attachment and Garnishment (Directed Remedy):**

- The Court concluded that the RTC's actions regarding the writ of attachment and releasing garnished funds were improper due to the lack of jurisdiction. Accordingly, Win was ordered to return the garnished amount along with legal interest to Excellent Quality Apparel, Inc.

**Doctrine:**

- **Sole Proprietorship Legal Personality:** A sole proprietorship does not have a juridical personality separate from its owner and cannot sue or be sued independently.

- **Arbitration Jurisdiction in Construction Disputes:** The CIAC has jurisdiction over disputes arising from construction contracts when agreed upon by the parties, overriding judicial court jurisdiction when arbitration clauses are present in contracts.

**Class Notes:**

1. **Real Party in Interest (Section 2, Rule 3 of the Rules of Court):** The party who stands to be benefited or injured by a suit's judgment.

2. **Sole Proprietorship Legal Standing:** Sole proprietorships do not possess separate juridical personality from their owners.

3. **Construction Industry Arbitration:** The Construction Industry Arbitration Law (E.O. No. 1008) mandates that disputes in construction contracts, when stipulated, be resolved by the CIAC.

4. **Arbitration Clause Adherence:** Court recognition that arbitration clauses in contracts provide binding resolution forums, and parties must abide by them.

**Historical Background:**

- **Construction Industry Arbitration Law:** Enacted on February 4, 1985, this law provided a specialized forum (CIAC) for resolving disputes in the construction industry, reflecting a global trend towards alternative dispute resolution mechanisms.

- **Business Entity Legal Evolution:** The case highlights the evolving legal recognition of various business forms, specifically the distinction in juridical personalities between sole proprietorships and corporations in the Philippine business landscape.