

****Title: Hyatt Elevators and Escalators Corporation vs. Goldstar Elevators, Phils., Inc.****

Facts

In 1988, Hyatt Elevators and Escalators Corporation (HYATT), a domestic corporation engaged in selling, installing, and maintaining elevators and escalators, was appointed by LG Industrial Systems Co., Ltd. (LGISC) and LG International Corporation (LGIC) as the exclusive distributor of LG elevators and escalators in the Philippines under a Distributorship Agreement. Starting in the latter part of 1996, LGISC proposed changing the exclusive distributorship into a joint venture partnership. However, negotiations conducted by LGISC and LGIC were in bad faith, and they subsequently terminated the Distributorship Agreement.

HYATT filed a complaint for unfair trade practices and damages against LGISC and LGIC at the Regional Trial Court (RTC) of Mandaluyong City (Civil Case No. 99-600), claiming economic losses, damage to reputation, exemplary damages, and attorney's fees.

On March 17, 1999, LGISC and LGIC moved to dismiss the complaint on grounds of lack of jurisdiction, improper venue, and failure to state a cause of action. The RTC denied this motion on January 7, 2000.

In response, LGISC and LGIC filed an Answer with a Compulsory Counterclaim and later a Motion for Reconsideration, both of which were denied. HYATT subsequently amended its complaint to substitute LGISC with LG Otis Elevator Company (LG OTIS) and to include Goldstar Elevators, Phils., Inc. (Goldstar) as an additional defendant, asserting that Goldstar was being used by LG OTIS and LGIC to perpetrate unfair trade practices.

LG OTIS and LGIC opposed the amended complaint but the RTC admitted it. Goldstar filed a Motion to Dismiss in response to the amended complaint on grounds of improper venue and failure to state a cause of action. The RTC denied this motion as well, leading Goldstar to file a motion for reconsideration which also got denied.

Goldstar then appealed to the Court of Appeals (CA), obtaining a ruling that the venue was improperly laid since neither HYATT nor the defendants resided in Mandaluyong City. Goldstar further filed a Petition for Review on Certiorari before the Supreme Court.

Issues

1. Whether the venue was improperly laid since neither HYATT nor the defendants resided in Mandaluyong City.

Court's Decision

****Issue: Venue****

Section 2 of Rule 4 of the 1997 Revised Rules of Court governs the venue of personal actions. It stipulates that such actions may be commenced where the plaintiff or defendant resides. Since both HYATT and Goldstar are corporations, the interpretation of "residence" is crucial.

The Court held that for corporations, "residence" is synonymous with "domicile" and is determined by the corporation's principal office as stated in the Articles of Incorporation. As per the corporation's Articles, the principal place of business of both HYATT and Goldstar was Makati.

HYATT argued that its relocation to Mandaluyong should be factored in. However, the Court clarified that the principal office location stated in the Articles of Incorporation is controlling for determining the venue. Allowing deviations could lead to confusion and inconvenience, contravening the orderly administration of justice. Consequently, since HYATT and Goldstar were both domiciled in Makati, the proper venue for the case was there, not Mandaluyong.

The Supreme Court found the appellate court correctly interpreted the rules and reinforced that procedural rules, including venue requirements, must be adhered to strictly to avoid manipulation and ensure consistent justice.

Doctrine

1. The principal office of a corporation as stated in its Articles of Incorporation establishes its domicile for purposes of determining venue under Section 2 of Rule 4 of the 1997 Revised Rules of Court.
2. Venue rules must be strictly followed to prevent potential abuses and ensure the proper administration of justice.

Class Notes

- ****Key Concepts:****

- Domicile and Residence in Corporate Law: Per Article 51 of the Civil Code, the domicile of juridical persons is where their legal representation is established or where they exercise their principal functions.

- ****Relevant Statutes:****

- **Article 44(3), Civil Code of the Philippines:** Recognizes corporations as juridical persons.
- **Article 51, Civil Code of the Philippines:** Fixes the domicile of juridical persons where their legal representation is established.

- **Principles Applied:**
 - Rule 4, Section 2 of the 1997 Revised Rules of Court concerning venue: For corporations, the principal office location in the Articles of Incorporation designated “residence.”
 - Venue rules ensure that the choice of forum is not left to a party’s discretion but follows established procedural rules.

Historical Background

This case demonstrates the judicial strictness in interpreting procedural aspects of the law concerning corporate litigation. It highlights the importance of maintaining clear and consistent rules for venue to prevent forum shopping and other practices that could undermine the judicial system’s integrity. It reflects an adherence to established legal doctrines and reinforces the need for corporations to maintain and update crucial legal documentation accurately.