

Title: ****Hongkong and Shanghai Banking Corporation vs. Sherman, Reloj, and the Intermediate Appellate Court (1985)****

Facts:

In 1981, Eastern Book Supply Service PTE, Ltd. (EBSS), a Singaporean company, secured an overdraft facility from the Singapore branch of Hongkong and Shanghai Banking Corporation (HSBC), with an initial limit of SGD 200,000, later increased to SGD 375,000 at an interest rate of 3% over HSBC's prime rate. The private respondents—Jack Robert Sherman and Deodato Reloj—along with another director, Robin de Clive Lowe, executed a Joint and Several Guarantee on October 7, 1982, ensuring the repayment of the overdraft facility.

The guarantee stipulated that the document was to be governed and enforceable under Singaporean law and that disputes should be adjudicated by Singaporean courts.

EBSS defaulted in its repayment obligations, leading HSBC to demand payment from the guarantors. Upon their failure to pay, HSBC filed a collection suit in Civil Case No. Q-42850 before the Regional Trial Court (RTC) of Quezon City.

Sherman and Reloj filed a motion to dismiss the complaint on December 14, 1984, on grounds of lack of jurisdiction over the subject matter and their persons as defendants. This motion was opposed by HSBC.

Procedural Posture:

1. RTC of Quezon City denied the motion to dismiss on February 28, 1985.
2. Sherman and Reloj filed a motion for reconsideration, which was denied.
3. They subsequently filed a petition for prohibition with preliminary injunction and/or restraining order with the Intermediate Appellate Court (IAC).
4. On August 2, 1985, the IAC ruled in favor of the respondents, deciding to dismiss the case and enjoin further proceedings, prompting HSBC to elevate the case to the Supreme Court.

Issues:

1. Whether the Philippine courts have jurisdiction over the collection suit given the choice-of-forum clause in the Joint and Several Guarantee.
2. Whether the action should be dismissed based on the doctrine of forum non conveniens.
3. Whether references to improper venue by HSBC hold merit.

Court's Decision:

The Supreme Court set aside the IAC decision and reinstated the RTC's order, ruling that Philippine courts do have jurisdiction over the case.

Issue 1: Jurisdiction

- The choice-of-forum clause in the Joint and Several Guarantee explicitly mentioned that the courts of Singapore shall have jurisdiction, but it did not exclusively limit jurisdiction to Singaporean courts.
- The Court held that jurisdiction is inherent and established by law, not merely by agreement of the parties, and the presence of minimum contacts and the principles of fair play and substantial justice were met.

Issue 2: Forum Non Conveniens

- The doctrine of forum non conveniens is discretionary and should be considered based on factual specifics.
- The Court emphasized that the respondents' preference for a foreign tribunal over a domestic one suggested a possible intent to delay litigation.
- The defense argument did not provide compelling evidence that litigating in the Philippines would cause unnecessary inconvenience.

Issue 3: Improper Venue

- Objection to venue based on the agreed forum being Singapore was viewed as a misinterpretation.
- Venue is distinct from jurisdiction; agreements specifying venue do not exclusively limit litigation to that location unless explicitly stated.
- The filing in a Philippine court was in compliance with established procedural rules.

Doctrine:

1. **Choice-of-Forum Clause**: A non-exclusive forum selection clause does not oust the jurisdiction of local courts unless explicitly stated otherwise.
2. **Jurisdictional Rules**: Courts' jurisdiction is defined by law and is unaffected by the parties' agreement unless statutory provisions stipulate otherwise.
3. **Forum Non Conveniens**: Applied based on the context and factual circumstances of the case and lies within court discretion.
4. **Venue**: Agreements on venue are permissive unless restrictive language is used indicating exclusiveness.

Class Notes:

- **Jurisdiction**: Authority of a court to hear a case, must be based on statutory laws and principles of fair play.
- **Forum Non Conveniens**: Discretionary doctrine allowing courts to refuse jurisdiction if another forum is significantly more appropriate.
- **Venue**: Location of trial, determined by agreements but not to the exclusion unless explicitly restricting alternative venues.
- **Contract of Adhesion**: Contracts where terms are set by one party, often upheld if fair and reasonable.
- **Statutory Reference**: **Rule 4, Section 2(b) of Rules of Court** - governs jurisdiction and venue in civil cases.

Historical Background:

This case reflects the legal principles surrounding international business transactions and illustrates the complexities of forum selection clauses. The decision underscores the Philippine judiciary's stance on jurisdiction and venue, emphasizing statutory authority over private agreements in commercial disputes. It's noteworthy during a period when international commerce was increasingly influencing domestic legal systems.