

PHILIPPINE ECONOMIC ZONE AUTHORITY, PETITIONER, VS. HON. BENJAMIN T. VIANZON, JUDGE, BRANCH 4, REGIONAL TRIAL COURT, BALANGA, BATAAN AND SAFFIROU SEACRAFTS, INC., RESPONDENTS.

G.R. No. 131020. July 20, 2000

Ponente: GONZAGA-REYES, J.

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GONZAGA-REYES, J.:

This Petition for Review on Certiorari seeks the reversal of the Decision of the Court of Appeals[1] in CA-G.R. SP No. 44080 entitled "PHILIPPINE ECONOMIC ZONE AUTHORITY versus HON. BENJAMIN T. VIANZON, as Judge RTC of Balanga, Bataan, Branch 4 and SAFFIROU SEACRAFTS, INC.". The Court of Appeals affirmed the Order of the Regional Trial Court (RTC) granting the herein respondents Saffirou Seacrafts, Inc. (SSI) the writ of preliminary injunction which enjoined and restrained the Philippine Economic Zone Authority (PEZA) from enforcing and implementing its Board Resolution No. 97-023 and the "Notice of Cancellation, Termination and Demand to Vacate" pending the hearing of the case.

The following facts as found by the Court of Appeals are undisputed:

"It appears that on July 21, 1992 petitioner Philippine Economic Zone Authority and private respondent Saffirou Seacrafts, Inc. entered into a fifteen-year Registration Agreement under which petitioner leased to private respondent 1,500 square meters of land located in the Bataan Export Processing Zone for private respondent's business of manufacture and repair of seacrafts. The said agreement provided, among other things, for a schedule to be followed by private respondent, specifically, building construction and importation of machineries by July, 1992, and start of commercial operation by August, 1992.

On December 2, 1994, petitioner and private respondent entered into a Supplemental Agreement which provided, among other things, that the leased area shall only be used for launching or staging of private respondent's boats for export; construction of additional buildings for use as production facilities and for storage of materials and equipment; and construction of an administration building.

Allegedly, finding that private respondent has failed to comply with the above provisions of the agreements and after requiring private respondent's explanation, petitioner through its Board of Trustees promulgated a resolution on February 6, 1997 canceling the agreements and demanded from private respondent to vacate the leased premises within thirty (30) days from notice. Said Board resolution was received by private respondent on February 13, 1997. Thus, on March 7, 1997, private respondent filed in the respondent court a petition for certiorari, prohibition, and mandamus with prayer for temporary restraining order and preliminary injunction against petitioner and its officers."[2]

The RTC issued a temporary restraining order[3] and on March 26, 1997 issued a writ of preliminary injunction enjoining and restraining the PEZA from enforcing and implementing its Board Resolution No. 97-023 and the "Notice of Cancellation, Termination and Demand to Vacate" pending the hearing of the case and until further notice from the court.[4]

From this Order, the PEZA appealed to the Court of Appeals, which affirmed the decision of the RTC and dismissed the petition for lack of merit.[5] Hence this petition where the PEZA raises the following argument for consideration:

"The Court of Appeals erred in not finding that respondent Judge of the Regional Trial Court committed grave abuse of discretion in issuing the writ of preliminary injunction and thus acted without jurisdiction." [6]

In support of its appeal, the PEZA maintains that the respondents had no factual or legal basis for the issuance of a preliminary injunction for said writ may only be issued if it is shown that the applicant has a clear and unmistakable right to protect. It cannot be granted when the alleged right is doubtful or disputed. In the case at bench, SSI allegedly lost its right to occupy the leased premises when it violated the terms of its agreement with PEZA. Under said agreement, the PEZA was allegedly authorized to cancel the same without need of judicial action. Thus, when the PEZA cancelled the agreement on January 22, 1997, it was merely exercising its right to do so. Considering that the PEZA validly cancelled the agreement, SSI no longer had a right to occupy the leased premises at the time it filed the case against PEZA and was therefore not entitled to the issuance of a writ of injunction as there was no existent right to protect.

In its Memorandum, the petitioner also assails the order of the RTC dated June 20, 1997 on the ground that it ministerially gives due course to and approves all SSI's import applications. Petitioner argues that each application for importation should be separately evaluated for the reason that the merits of an import application is primarily dependent on the nature of the material to be imported and the purpose for which it will be used. There was therefore no basis for the assailed order, which removes the PEZA's discretionary authority to determine the merits of an importation. The petitioner likewise assails the order of the RTC dated October 11, 1999, which ordered the release of a sailboat deeming it an export sale notwithstanding that such release under PEZA law does not qualify as exportation. The petitioner therefore prays that the trial court be enjoined from proceeding with Civil Case No. 025-ML as it is an undue judicial interference with the petitioner's exercise of its regulatory and police authority.

Finally, the petitioner alleges that it is not guilty of forum shopping inasmuch as the rule on forum shopping does not prevent a party from seeking relief by appeal to another court.[7]

The only issue properly raised for determination in the present case is whether or not the trial court properly issued an injunction.

We rule affirmatively and resolve to affirm the decision of the Court of Appeals.

Petitioner's main contention is that there was no legal basis for the issuance of an injunctive writ inasmuch as the respondent's did not have a clear and unmistakable right to protect. We disagree.

Injunction is a judicial writ, process or proceeding whereby a party is ordered to do or refrain from doing a particular act. An applicant for preliminary injunction must file a verified complaint showing facts entitling him to the relief demanded accompanied with a bond which shall answer for all the damages which the party sought to be enjoined may sustain by reason of the injunction.[8] It may be issued when the following requisites are established:

- 1.....The invasion of the right is material and substantial;
- 2.....The right of complainant is clear and unmistakable;
- 3.....There is an urgent and permanent necessity for the writ to prevent serious damage." [9]

The foregoing requisites are present in this case.

The petitioner does not contest the validity of the contractual right of SSI as lessee but claims that said right was extinguished pursuant to Board Resolution No. 97-023 which cancelled and terminated SSI's right on the ground that SSI violated certain provisions in the Registration Agreement and Supplemental Agreement. It is also undisputed that SSI has possession over the subject property and in fact filed the action to prevent implementation of the demand made by the PEZA to vacate the leased premises since SSI claims that the PEZA's cancellation was unauthorized and is illegal. Verily, SSI has a clear and unmistakable right to protect its contractual right to lease the property lest it suffer business losses from its investments within the processing zone. We agree with the Court of Appeals that there was sufficient ground for the issuance of an injunction and we quote with approval said court's ratiocination to wit:

"There is no question that private respondent is simply protecting its right under the Registration Agreement and the Supplemental Agreement it entered into with the petitioner in praying for a writ of preliminary injunction. Under the said agreements, private respondent has the right to lease the premises in question from 1992 to 2007 or for a period of fifteen years. When petitioner demanded of private respondent to vacate the leased premises in 1997, the latter had still ten (10) years to go under the said agreements. Thus, in filing the instant case for injunction, private respondent was just protecting its right as a lessee under the said agreements with petitioner.

Private respondent's right as a lessee of the premises in question is clear and unmistakable as evidenced by the Retainer (sic) Agreement and Supplemental Agreement with the petitioner, granting private respondent fifteen years to lease the said premises. At the time of petitioner's demand for private respondent to vacate the leased premises, the latter had still ten years of the agreements subsisting as adverted to earlier. Petitioner relies heavily on Sec. 9.1, Article IX of the Registration Agreement granting it the right to revoke the Agreement within thirty days from notice to private respondent if the latter violates said Agreement. Precisely, private respondent is questioning petitioner's basis in revoking the agreement, aggravated by lack of proper hearing even on the administrative level. This is where the regular court comes in as to the validity of the ground of the petitioner in revoking the agreements with private respondent. Only after a proper hearing in the respondent court can it be duly established that petitioner has the valid ground to revoke the agreements between the parties.

Finally, the urgent and permanent necessity for the issuance of the writ of injunction in this case appears to be so in order to prevent a serious damage to private respondent. Said private respondent allegedly had already infused a capital of Fifty-Five Million (P55,000,000.00) Pesos in establishing its business in the leased premises, and considering that it has not even recouped said investment under the agreements with petitioner, not to mention its already paid rentals, the loss of employment for its workers as well as its business goodwill, private respondent stands to lose so much if it will just be unceremoniously evicted from its place of business. Thus, the need for a full-blown hearing of this case before the respondent court to resolve the conflicting positions of the parties, and also the need, meantime, to preserve the status quo through the writ of preliminary injunction until the respondent court issues a decision on the merits on private respondent's complaint."^[10]

Considering that SSI was entitled to the issuance of the injunction, was the determination by the Court of Appeals of the status quo correct? The "status quo" is the last actual peaceable uncontested situation, which precedes a controversy.^[11]

We agree with the petitioner's position that the status quo should be that existing at the time of the filing of the case.^[12] However, we are not persuaded by petitioner's reasoning that at the time of the filing of the case, SSI was no longer a lessee, therefore SSI no longer had any right to occupy the premises for the reason that the contractual right of SSI was extinguished when the PEZA cancelled the Registration Agreement on January 22, 1997. At the time of the filing of the case, SSI was still in actual physical possession of the property in question as the lessee thereof. Although the PEZA sent SSI a letter which they received on February 13, 1997 purportedly

cancelling the lease agreement and demanding that SSI vacate the same within thirty days,[13] said demand was never effectively implemented by the PEZA due to the filing of the present action for injunction on March 7, 1997 by SSI to prevent the enforcement of the PEZA's board resolution cancelling the lease. It is precisely the propriety of the cancellation of the lease, which compelled SSI to file an action to question the PEZA resolution and simultaneously sought to enjoin the implementation thereof through an injunction. We therefore find that at the time of the filing of the case, SSI was still the lessee of the subject property and this is precisely the status quo existing ante litem motam, which an injunction seeks to preserve.

The petitioner's claim that the Court of Appeals gravely erred in holding that there was an absence of an administrative hearing that violated SSI's right to due process is misplaced. While the Court of Appeals found that the alleged cancellation of the agreement made by the PEZA with SSI was aggravated by lack of hearing on the administrative level, the Court of Appeals never ruled on the validity of the basis of the PEZA in revoking said agreement nor the manner by which said cancellation was performed. The Court of Appeals correctly ruled that it was only after a proper hearing in the trial court where the main action (Special Civil Action No. 025-ML) was still pending when the determination of the validity of the cancellation could be made. In the same manner, we limit ourselves to only the determination of whether injunction was properly issued lest we preempt the trial court's decision in the main action in Special Civil Action No. 025-ML where a thorough hearing on the merits of the case must be held by the lower court to resolve the respective litigants' claims. In general, courts should avoid issuing a writ of preliminary injunction, which in effect disposes of the main case without trial.[14]

With respect to the validity of the orders issued by the respondent judge dated June 20, 1997 and October 11, 1999, the Court notes that the June 20 order is being questioned by the PEZA for the first time in its Petition while the October 11 order is being questioned for the first time in its Memorandum. Inasmuch as the petitioner, in its appeal to the Court of Appeals in G. R. SP No. 44080, never questioned these orders, there is no legal basis to determine their validity through this petition where the only issue properly raised by the petitioner is the validity of the issuance of the injunction.

Finally, we rule that the petitioner is not guilty of a "special specie" of forum shopping even if it raises the same issues raised in the Court of Appeals in CA G.R. SP No. 44080. There is forum shopping whenever, as a result of an adverse decision in one forum, a party seeks a favorable opinion (other than by appeal or certiorari) in another.[15] Considering that the petitioner is questioning the Court of Appeals' ruling in CA G.R. SP No. 44080 which held that the respondent judge did not commit grave abuse of discretion in issuing a writ of injunction by virtue of a petition for certiorari to this Court on purely questions of law, the petitioner cannot be guilty of forum shopping. To rule otherwise would render nugatory the PEZA's right to appeal the decision of the Court of Appeals to the Supreme Court on purely questions of law.

ACCORDINGLY, the decision of the Court of Appeals in CA-G.R. SP No. 44080 is AFFIRMED and the instant petition is hereby DENIED.

No pronouncement as to costs.

SO ORDERED.

Melo, (Chairman), Vitug, Panganiban, and Purisima, JJ., concur.

[1] Third Division composed of the ponente J. Lourdes K. Tayao-Jaguros and the members: J. Gloria C. Paras (Chairman) and J. Salvador J. Valdes, Jr. concurring.

- [2] Decision, pp. 1-2.
- [3] Order dated March 10, 1997; Rollo, p. 153.
- [4] Rollo, p. 154.
- [5] Decision, p. 4; Rollo, p. 29.
- [6] Petition, p. 6; Rollo, p. 12.
- [7] Petitioner's Memorandum, pp. 9-25; Rollo, pp. 215-231.
- [8] § 4, Rule 58.
- [9] Verzosa vs. Court of Appeals, 299 SCRA 100 at p. 108 [1998].
- [10] Decision, pp. 3-4.
- [11] See Verzosa vs. Court of Appeals, Supra at p. 109.
- [12] Ibid. at p. 112.
- [13] Rollo, p. 145.
- [14] Ortigas & Company Limited Partnership vs. Court of Appeals, 162 SCRA 165 at p. 169 [1988].
- [15] Fortich vs. Corona, 289 SCRA 624 at p. 647 [1998].

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