

DAVAO ABACA PLANTATION COMPANY, INC. PETITIONER, VS. DOLE PHILIPPINES, INC., RESPONDENT.

G.R. No. 134431. December 01, 2000

Ponente: BUENA, J.

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BUENA, J.:

On March 15, 1995, petitioner Davao Abaca Plantation Company, Inc. [DAPCO for brevity] brought a complaint in the Regional Trial Court of Manila against respondent DOLE Philippines, Inc.[DOLE], which reads:

"PLAINTIFF, through undersigned counsel, most respectfully avers that:

"ALLEGATIONS COMMON TO ALL CAUSES OF ACTION

"1. Plaintiff Davao Abaca Plantation Company, Inc. (DAPCO) is a corporation organized and existing under Philippine law with principal offices at 5-N Legaspi Towers 300, 2600 Roxas Boulevard, Manila;

"2. Defendant DOLE Philippines, Inc. (DOLE) is a corporation organized and existing under Philippine law with principal offices at 14th Floor, B.A. Lepanto Building, Paseo de Roxas, City of Makati, where it may be served with summons and other processes;

"3. DAPCO is the owner of the land located in the Municipality of Carmen, Province of Davao, covered by Original Certificate of Title No. P-1920 with an area of 1,023.81 hectares, more or less;

"4. DOLE or its predecessor in interest has been the lessee of the property since 1969 and has used the land for growing export quality bananas;

"5. On November 28, 1985, two (2) Lease Agreements (hereinafter `1985 Lease Agreements'), one covering 839 hectares and the other 165 hectares or a total of 1,004 hectares were executed. The lease period for both contracts was ten (10) years from February 7, 1984 to February 7, 1994 renewable for another six (6) years at the sole option of DOLE. It was also agreed that if no agreement is reached by the parties on the rental or other terms and conditions of the lease at the end of the original period, DOLE shall be automatically granted a grace period of two (2) years viz., until February 7, 1996 within which to wind up its operations on the land. Copies of the 1985 Lease Agreements are attached and made part hereof as Annexes `A' and `B';

"6. After the Comprehensive Agrarian Reform Law (CARL) took effect in 1988, the Department of Agrarian Reform (DAR) deferred subjecting the land to CARL coverage but later reversed itself. Nevertheless, CARL precludes early coverage of private land leased, held or possessed by multinational corporations such as DOLE;

"7. On December 9, 1992, DOLE exercised its sole option and renewed the lease up to December 31, 2000 pursuant to paragraph 1 of the 1985 Lease Agreements. A copy of DOLE's letter to DAPCO, hereinafter referred to as `Lease Renewal Agreement' is attached and made part hereof as Annex `C';

"8. Since DOLE had rights under the Lease Renewal Agreement which had to be represented or protected in the DAR proceeding, DAPCO formally requested DOLE to intervene in the said proceeding in a letter of

December 27, 1993;

"9. DOLE replied to DAPCO by letter dated January 28, 1994 that it chose not to intervene in the DAR proceeding because: (1) '(s)uch intervention or participation is unnecessary because the CARL itself (section 8, 4th par.) grants DOLE (Stanfilco) a 10-year CARL deferment by providing that DOLE's lease with DAPCO (Inc.) shall be respected until its valid termination'; (2) 'DOLE's (Stanfilco) right to deferment is already fully protected by Section 8, 4th par. of the CARL, and, accordingly, it does not need the deferment allowed under Section 11 of the same law. Indeed, Section 72 of the CARL mandates that DOLE's (Stanfilco) rights under the renewed/extended lease contracts with DAPCO, Inc. should be respected whatever happens'; and (3) the DAR proceeding between DAPCO and another party cannot prejudice the rights and privileges of DOLE under the lease renewal agreement since DOLE is not a party thereto;

"DOLE in the letter further underscored the obligatory force of the contracts between the parties until December 31, 2000 and assured that DOLE will honor and 'faithfully comply in good faith with our contracts and other obligations.' x x x

"x x x x x x x x

"13. On January 6, 1995, DOLE wrote DAPCO asking the latter for its intentions regarding the lease agreements in view of the pendency of proceedings subjecting the leased area to CARL. x x x

"14. On January 18, 1995, DAPCO replied to DOLE that it would honor and defend the lease agreements and emphasized that by DOLE's own representation, DOLE chose not to be a party to the DAR proceeding, in order that it could not be bound by any decision rendered by DAR. DAPCO demanded that DOLE abide with the lease contracts, pay base rental and make an accounting of the production for 1994 so that the base rental can be computed. Under the agreements, the rental for 1995 was to paid(sic) on or before January 15, 1995. x x x

"15. In an apparent attempt to cover up its own wrongdoings as will be shown hereafter, DOLE, in a letter dated January 25, 1995, answered DAPCO claiming that: 'the acts of the Government of the Republic of the Philippines in implementing R.A. 6657 are already fait accompli'; that 'Government's complete taking of the leased premises and distribution of the same to ARB association made it legally impossible for DAPCO, Inc. to perform its obligation to maintain the lessee in peaceful and adequate enjoyment of the things leased; and that the actions of the Government amount to caso fortuito'. DOLE further stated that 'STANFILCO's obligation to pay DAPCO, Inc. the rentals stipulated in the Lease Agreements ceased xxx.' x x x

"16. DOLE's letter surprised DAPCO because it represented a total reversal of DOLE's former legal position, promises, representations, written and other assurances of contractual fidelity to DAPCO;

"x x x x x x x x

"PRAYER

"WHEREFORE, it is respectfully prayed that a temporary restraining order be immediately issued ex-parte, restraining DOLE and/or any of its duly authorized representatives wherever situated from doing the following acts: (a) dealing or continuing with any contractual arrangements with SEARBAI or others over the properties leased from DAPCO; (b) claiming ownership and/or exercising right of possession over the improvements belonging to DAPCO under the contracts; and (c) utilizing and enjoying DAPCO's land and the improvements thereon, particularly but not limited to standing crops and the fruits thereof, and for this purpose ordering DOLE to direct its duly authorized representatives in the leased area to comply with the restraining order; and after notice and hearing, a preliminary injunction issue restraining DOLE from dealing or continuing with any contractual arrangements with SEARBAI or others over the properties leased from DAPCO; claiming ownership and/or

exercising right of possession over the improvements belonging to DAPCO under the contract; and utilizing and enjoying DAPCO's land and the improvements thereon, particularly but not limited to standing crops and the fruits thereof. After hearing, judgment be rendered:

"1. Under the First Cause of Action

a] permanently restraining DOLE from dealing or continuing with any contractual arrangements with SEARBAI or others over any of the properties leased from or owned by DAPCO;

b] ordering DOLE to pay actual damages to DAPCO in the amount of P32 million.

"AND

"2. Under the Second Cause of Action

a] permanently restraining DOLE from dealing or continuing with any contractual arrangements with SEARBAI or others over any of the properties leased from or owned by DAPCO;

b] ordering DOLE to comply and honor its lease agreements with DAPCO over the premises and/or properties subject matter of this action;

c] ordering DOLE to comply with the lease agreements by surrendering and delivering to DAPCO the land, together with all permanent and fixed improvements thereon existing including standing crops and the fruits thereof.

"IN THE ALTERNATIVE-

"3. Under the Third Cause of Action

a] permanently restraining DOLE from dealing or continuing with any contractual arrangements with SEARBAI or others over any of the properties leased from or owned by DAPCO;

b] ordering DOLE to comply and honor its lease renewal agreement with DAPCO over the premises and/or properties subject matter of this action;

c] ordering DOLE to pay DAPCO the annual rental for 1995 pursuant to paragraph 3(a) and (b) of the Lease Renewal Agreement in the amount of at least P14 million and the succeeding annual rental thereon;

"4. Under All Causes of Action

a] ordering DOLE under all of the causes of action to pay DAPCO the sum of at least P500,000.00 as attorney's fees;

b] ordering DOLE to pay exemplary damages in the amount of P10 million;

c] ordering DOLE to pay interest on all DAPCO's claims from date of renewal; and

d] pay cost of suit.

"Other reliefs just and equitable are likewise prayed for."[1]

When the hearing ensued on the basis of the foregoing complaint, DOLE filed with the Court of Appeals [CA] a petition for certiorari and prohibition under Rule 65 of the Rules of Court questioning, among others, the jurisdiction of the trial court.

On March 13, 1998, the CA rendered a decision dismissing the complaint filed by DAPCO on the ground of wrong venue. Thus, it held that the complaint filed by DAPCO "is actually a real action, DAPCO's main objective

being to assert ownership and recover possession of the land in dispute. Such being the case, venue lies not in Manila but in South Cotabato where the property in dispute is located, pursuant to Section 1, Rule 4, of the Revised Rules of Court, as amended by Circular No. 13-95."^[2] The appellate court prohibited the trial court from taking any further action except to hear DOLE's compulsory counterclaim on the merit.^[3] With the denial of DAPCO's motion for reconsideration, DAPCO now comes before us assailing the order of dismissal.

The resolution of this case hinges on the determination of the nature of the complaint filed by DAPCO. The jurisdiction of the court over the subject matter is determined upon the allegations made in the complaint, irrespective of whether the plaintiff is entitled or not entitled to recover upon the claim asserted therein- a matter resolved only after and as a result of the trial.^[4] Judging from the terms of the complaint, DAPCO is enforcing the lease contract against DOLE. A breach of contract is a cause of action either for specific performance or rescission of contracts.^[5] DOLE argues that the complaint is an assertion and claim of ownership over the land, subject of the lease. It bears stressing that DOLE leased the subject property from DAPCO. As lessee, DOLE is estopped to deny lessor's title. The conclusive presumption embodied in Rule 131, Section 2(b) applies to DOLE and the estoppel does not depend on the validity of the landlord's title.^[6] It cannot be said that the main objective of DAPCO in filing the complaint is to recover the land leased to DOLE because DAPCO neither denied the fact that the lands were subjected to the Comprehensive Agrarian Reform Program. What is being asserted was the rental payment for the year 1995 and the succeeding annual rentals until the expiration of the lease. As to whether the lease contract remains valid until the alleged renewed or extended period, is best left to the trial court to determine. The relief demanded by DAPCO from DOLE is dependent on the evidentiary matter to be raised and threshed out in the trial proper. The complaint itself may not be properly worded and additionally sought compliance with the lease agreement by "surrendering and delivering to DAPCO the land, together with all permanent and fixed improvements thereon existing including standing crops and the fruits thereof" which necessarily muddled the issues, as to whether the action is real or a personal one. Both DAPCO and DOLE admitted that the subject property was subjected to CARP. The Comprehensive Agrarian Reform Law itself provides for recognition, subject to limitations, of existing contracts, like lease, even when the lands covered by lease, were subjected to CARP and were transferred to owner-beneficiaries.^[7] Whether or not DOLE is no longer liable for rental payments for the year 1995 because of the expired lease agreement must be properly proved before the court. No claim of ownership can be properly raised by DAPCO from DOLE considering that DOLE is not the owner of the property, being merely a lessee thereof.

The operation of the CARP limited the recovery of DAPCO to rental payments and damages, if any. The question as to whether DOLE was bound by the terms of the lease and is liable for damages should be discussed and settled by the trial court in accordance with the evidence submitted by both parties. The Court of Appeals holds that the venue lies in South Cotabato where the property is situated. Granting that the complaint is a real action, the venue is not in South Cotabato but is in Davao del Norte where the property is situated as described in the lease agreement.^[8] However, considering that the complaint below is in the nature of a personal action, the rules on venue at the time the complaint was filed governs. When the complaint was filed on March 15, 1995, venue for personal actions is in the place where the defendant or any of the defendants resides or may be found, or where the plaintiff or any of the plaintiff resides, at the election of the plaintiff. Since DAPCO has its principal office in Manila, it cannot be said that DAPCO, in exercising its option by filing the suit in Manila, committed a breach of the rules.

As for DOLE's argument that petitioner no longer owns the subject property so that it has no more obligation to pay petitioner for the rent, suffice it to say that the issue of ownership is subject of another litigation between petitioner and the farmer-beneficiaries, and DAR. Whether petitioner is still the owner is best threshed out in the trial proper rather than resolved in this incidental issue since we are not trier of facts.^[9] Moreover, whatever

effect that the expropriation of the leased lands may have had on their lease contracts cannot be prematurely resolved herein without preempting the lower court.

ACCORDINGLY, the Court of Appeals' decision is REVERSED AND SET ASIDE and petitioner's complaint is hereby ordered REINSTATED.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Quisumbing, and De Leon, Jr., JJ., concur.

[1] Rollo, pp. 126-135; Records, 89-104.

[2] Court of Appeals' decision, per Justice Tuquero, promulgated on March 13, 1998, p. 16; Circular No. 13-95:

Section 1. Venue of real action. - Actions affecting title to or possession of real property, or interest therein, shall be commenced and tried in the proper court which has jurisdiction over the area wherein the real property involved, or a portion thereof, is situated.

[3] The dispositive portion of the CA decision reads:

"WHEREFORE, being meritorious, the petition for certiorari and prohibition is hereby GRANTED. Consequently, the Order dated October 6, 1997, is ANNULLED and SET ASIDE. The complaint in Civil Case No. 95-73274 is ordered DISMISSED and respondent Judge is prohibited from taking any further action thereon, except to hear petitioner's compulsory counterclaims on the merit.

"No pronouncement as to costs.

"SO ORDERED." Rollo, 66-82.

[4] Multinational, Village Homeowners' Association vs. CA, 203 SCRA 104 [1991].

[5] Baguio vs. Barrios et.al., 77 Phil 12 [1946].

[6] Francisco Evidence, Third Edition, 1996, p. 412.

[7] See Sections 8 and 72 of Republic Act 6657, otherwise known as Comprehensive Agrarian Reform Law of 1988.

[8] Lease Agreements, records, pp. 893-914.

[9] David-Chan vs. CA et. al., 268 SCRA 677 [1997] cited in Moomba Mining Exploration Company vs. CA, et. al., G.R. No. 108846, October 26, 1999.

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