

**STANFILCO EMPLOYEES AGRARIAN REFORM BENEFICIARIES
MULTI-PURPOSE COOPERATIVE, PETITIONER, VS. DOLE
PHILIPPINES, INC. (STANFILCO DIVISION), ORIBANEX SERVICES, INC.
AND SPOUSES ELL...**

G.R. No. 154048. November 27, 2009

Ponente: BRION, J.

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BRION, J.:

Before this Court is the petition for review on certiorari[1] filed by petitioner Stanfilco Employees Agrarian Reform Beneficiaries Multi-Purpose Cooperative (SEARBEMCO). It assails:

- (a) the decision[2] of the Court of Appeals (CA) in CA-G.R. SP No. 66148 dated November 27, 2001; and
- (b) the CA's resolution[3] of June 13, 2002 in the same case, denying SEARBEMCO's motion for reconsideration.

THE FACTUAL ANTECEDENTS

On January 29, 1998, SEARBEMCO, as seller, and respondent DOLE Philippines, Inc. (Stanfilco Division) (DOLE), as buyer, entered into a Banana Production and Purchase Agreement[4] (BPPA). The BPPA provided that SEARBEMCO shall sell exclusively to DOLE, and the latter shall buy from the former, all Cavendish bananas of required specifications to be planted on the land owned by SEARBEMCO. The BPPA states:

The SELLER agrees to sell exclusively to the BUYER, and the BUYER agrees to buy all Cavendish Banana of the Specifications and Quality described in EXHIBIT "A" hereof produced on the SELLER'S plantation covering an area of 351.6367 hectares, more or less, and which is planted and authorized under letter of instruction no. 790 as amended on November 6, 1999 under the terms and conditions herein stipulated. The SELLER shall not increase or decrease the area(s) stated above without the prior written approval of the BUYER. However, the SELLER may reduce said area(s) provided that if the SELLER replaces the reduction by planting bananas on an equivalent area(s) elsewhere, it is agreed that such replacement area(s) shall be deemed covered by the Agreement. If the SELLER plants an area(s) in excess of said 351.6367 hectares, the parties may enter into a separate agreement regarding the production of said additional acreage. SELLER will produce banana to the maximum capacity of the plantation, as much as practicable, consistent with good agricultural practices designed to produce banana of quality having the standards hereinafter set forth for the duration of this Banana Production and Purchase Agreement.

SEARBEMCO bound and obliged itself, inter alia, to do the following:

V. SPECIFIC OBLIGATIONS OF THE SELLER

x x x

- p.) Sell exclusively to the BUYER all bananas produced from the subject plantation, except those rejected by

the BUYER for failure to meet the specifications and conditions contained in Exhibit "A" hereof. In the case of any such rejected bananas, the SELLER shall have the right to sell such rejected bananas to third parties, for domestic non-export consumption. The SELLER shall only sell bananas produced from the plantation and not from any other source. [Emphasis supplied.]

Any dispute arising from or in connection with the BPPA between the parties shall be finally settled through arbitration. To quote the BPPA:

IX. ARBITRATION OF DISPUTE

All disputes arising in connection with this Agreement shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by three (3) Arbitrators appointed in accordance with said Rules. The Arbitration shall be held in a venue to be agreed by the parties. Judgment upon the award rendered may be entered in any Philippine Court having jurisdiction or application may be made to such court for judicial acceptance of the award and as order of enforcement, as the case may be.

On December 11, 2000, DOLE filed a complaint with the Regional Trial Court[5] (RTC) against SEARBEMCO, the spouses Elly and Myrna Abujos (spouses Abujos), and Oribanex Services, Inc. (Oribanex) for specific performance and damages, with a prayer for the issuance of a writ of preliminary injunction and of a temporary restraining order. DOLE alleged that SEARBEMCO sold and delivered to Oribanex, through the spouses Abujos, the bananas rejected by DOLE, in violation of paragraph 5(p), Article V of the BPPA which limited the sale of rejected bananas for "domestic non-export consumption." DOLE further alleged that Oribanex is likewise an exporter of bananas and is its direct competitor.

DOLE narrated in its complaint how SEARBEMCO sold and delivered the rejected bananas to Oribanex through the spouses Abujos:

9.) That, however, on April 12, 2000 at about 5:00 o'clock in the afternoon, [DOLE] through its authorized security personnel discovered that defendant SEARBEMCO, in violation of Section 5(p) Article V of the Banana Production and Purchase Agreement, packed the bananas rejected by [DOLE] in boxes marked "CONSUL" in Packing Plant 32 in DAPCO Panabo and sold and delivered them to defendant Abujos;

10.) That about 373 "CONSUL" marked boxes were packed and knowingly sold by defendant SEARBEMCO to ORIBANEX SERVICES, INC. through defendants Abujos who carried and loaded the same on board a blue Isuzu Canter bearing plate no. LDM 976 and delivered to defendant ORIBANEX for export at the TEFASCO Wharf covered by Abujos Delivery Receipt, a copy of which is hereto attached as Annex "B";

11.) That the following day, April 13, 2000, again the same security found that defendant SEARBEMCO continued to pack the bananas rejected by plaintiff in boxes marked as "CONSUL" and, in violation of paragraph 5(p) Article V of the Banana Production and Purchase Agreement, sold and delivered them to defendant ORIBANEX SERVICES, INC., for export, through defendants Abujos;

12.) That about 648 "CONSUL" marked boxes were packed and knowingly sold by defendant SEARBEMCO to ORIBANEX SERVICES, INC., through defendants Abujos who carried and loaded the same on board a red Isuzu Forwarder, bearing plate no. LCV 918, and delivered to defendant ORIBANEX for export at the TEFASCO Wharf covered by Abujos Delivery Receipt, a copy of which is hereto attached and marked as Annex "C";

13.) That the sale of a total of 712 boxes of rejected bananas covering April 12 and 13, 2000, or any other dates prior thereto or made thereafter by defendant SEARBEMCO to defendant ORIBANEX SERVICES, INC. through defendant Abujos is in utter violation of the Agreement between plaintiff [DOLE] and defendant SEARBEMCO that SEARBEMCO may sell bananas rejected by plaintiff to parties for domestic non-export consumption only.

SEARBEMCO responded with a motion to dismiss on the grounds of lack of jurisdiction over the subject matter of the claim, lack of cause of action, failure to submit to arbitration which is a condition precedent to the filing of a complaint, and the complaint's defective verification and certification of non-forum shopping.[6] SEARBEMCO argued that:

- 1) the Department of Agrarian Reform Adjudication Board (DARAB) has exclusive jurisdiction over the action filed by DOLE, pursuant to Sections 1 and 3(e) of Administrative Order No. 09, Series of 1998[7] (AO No. 9-98) and Section 5(a) and (c) of Administrative Order No. 02, Series of 1999[8] (AO No. 2-99) of the Department of Agrarian Reform (DAR), since the dispute between the parties is an agrarian dispute within the exclusive competence of the DARAB to resolve;
- 2) the filing of the complaint is premature, as the dispute between DOLE and SEARBEMCO has not been referred to and resolved by arbitration, contrary to Article IX of the BPPA and Article V, Sec. 30(g)[9] of AO No. 9-98 of the DAR;
- 3) it did not violate Section 5(p), Article V of the BPPA, since the rejected bananas were sold to the spouses Abujos who were third-party buyers and not exporters of bananas; and
- 4) the complaint is fatally defective as the Board of Directors of DOLE did not approve any resolution authorizing Atty. Reynaldo Echavez to execute the requisite Verification and Certification Against Forum Shopping and, therefore, the same is fatally defective.

DOLE opposed SEARBEMCO's motion to dismiss alleging, among others, that:

- 1) the dispute between the parties is not an agrarian dispute within the exclusive jurisdiction of the DARAB under Republic Act No. 6657[10] (RA No. 6657); and
- 2) the Arbitration Clause of the BPPA is not applicable as, aside from SEARBEMCO, DOLE impleaded other parties (i.e., the spouses Abujos and Oribanex who are not parties to the BPPA) as defendants.[11]

Subsequently, DOLE filed on February 2, 2001 an amended complaint,[12] the amendment consisting of the Verification and Certification against forum shopping for DOLE executed by Danilo C. Quinto, DOLE's Zone Manager.

THE RTC RULING

The RTC denied SEARBEMCO's motion to dismiss in an Order dated May 16, 2001.[13] The trial court stated that the case does not involve an agrarian conflict and is a judicial matter that it can resolve.

SEARBEMCO moved for the reconsideration of the RTC Order.[14] The RTC denied the motion for lack of merit in its Order of July 12, 2001.[15]

THE CA RULING

On July 26, 2001, SEARBEMCO filed a special civil action for certiorari[16] with the CA alleging grave abuse of discretion on the part of the RTC for denying its motion to dismiss and the subsequent motion for reconsideration.

SEARBEMCO argued that the BPPA the parties executed is an agri-business venture agreement contemplated by DAR's AO No. 9-98. Thus, any dispute arising from the interpretation and implementation of the BPPA is an agrarian dispute within the exclusive jurisdiction of the DARAB.

In a decision dated November 27, 2001,[17] the CA found that the RTC did not gravely abuse its discretion in denying SEARBEMCO's motion to dismiss and motion for reconsideration.

The CA ruled that "the [DAR] has no jurisdiction, under said [AO No. 9-98], over actions between [SEARBEMCO] and [DOLE] for enforcement of the said Agreement when one commits a breach thereof and for redress by way of specific performance and damages inclusive of injunctive relief." [18] It held that the case is not an agrarian dispute within the purview of Section 3(d) of RA No. 6657, [19] but is an action to compel SEARBEMCO to comply with its obligations under the BPPA; it called for the application of the provisions of the Civil Code, not RA No. 6657.

The CA likewise disregarded SEARBEMCO's emphatic argument that DOLE's complaint was prematurely filed because of its failure to first resort to arbitration. The arbitration clause under the BPPA, said the CA, applies only when the parties involved are parties to the agreement; in its complaint, DOLE included the spouses Abujos and Oribanex as defendants. According to the CA, "if [DOLE] referred its dispute with [SEARBEMCO] to a Panel of Arbitrators, any judgment rendered by the latter, whether for or against [DOLE] will not be binding on the [spouses Abujos] and [Oribanex], as case law has it that only the parties to a suit, as well as their successors-in-interest, are bound by the judgment of the Court or quasi-judicial bodies." [20]

On SEARBEMCO's argument that the Verification and Certification Against Forum Shopping under DOLE's amended complaint is defective for failure to state that this was based on "personal knowledge," the CA ruled that the omission of the word "personal" did not render the Verification and Certification defective.

SEARBEMCO moved for reconsideration of the decision, but the CA denied the motion for lack of merit in its resolution of June 13, 2002. [21]

ASSIGNMENT OF ERRORS

In the present petition, SEARBEMCO submits that the CA erred in ruling that:

- 1.) the RTC has jurisdiction over the subject matter of the complaint of DOLE, considering that the case involves an agrarian dispute within the exclusive jurisdiction of the DARAB;
- 2.) the complaint of DOLE states a cause of action, despite the fact that SEARBEMCO has not violated any provision of the BPPA; and
- 3.) the filing of the complaint is not premature, despite DOLE's failure to submit its claim to arbitration - a condition precedent to any juridical recourse.

THE COURT'S RULING

We do not find the petition meritorious.

DOLE's complaint falls within the jurisdiction of the regular courts, not the DARAB.

SEARBEMCO mainly relies on Section 50 [22] of RA No. 6657 and the characterization of the controversy as an agrarian dispute or as an agrarian reform matter in contending that the present controversy falls within the competence of the DARAB and not of the regular courts. The BPPA, SEARBEMCO claims, is a joint venture and a production, processing and marketing agreement, as defined under Section 5 (c) (i) and (ii) of DAR AO No. 2-99; [23] hence, any dispute arising from the BPPA is within the exclusive jurisdiction of the DARAB. SEARBEMCO also asserts that the parties' relationship in the present case is not only that of buyer and seller, but also that of supplier of land covered by the CARP and of manpower on the part of SEARBEMCO, and supplier of

agricultural inputs, financing and technological expertise on the part of DOLE. Therefore, SEARBEMCO concludes that the BPPA is not an ordinary contract, but one that involves an agrarian element and, as such, is imbued with public interest.

We clarify at the outset that what we are reviewing in this petition is the legal question of whether the CA correctly ruled that the RTC committed no grave abuse discretion in denying SEARBEMCO's motion to dismiss. In ruling for legal correctness, we have to view the CA decision in the same context that the petition for certiorari it ruled upon was presented to the appellate court; we have to examine the CA decision from the prism of whether it correctly determined the presence or absence of grave abuse of discretion in the RTC ruling before it, not on the basis of whether the RTC ruling on the merits of the case was correct. In other words, we have to be keenly aware that the CA undertook a Rule 65 review, not a review on appeal, of the challenged RTC ruling. A court acts with grave abuse of discretion amounting to lack or excess of jurisdiction when its action was performed in a capricious and whimsical exercise of judgment equivalent to lack of discretion. The abuse of discretion must be so patent and gross as to amount to an evasion of a positive duty or to a virtual refusal to perform a duty enjoined by law, or to act at all in contemplation of the law, as where the power is exercised in an arbitrary and despotic manner by reason or passion or personal hostility.[24]

As the CA found, the RTC's action was not attended by any grave abuse of discretion and the RTC correctly ruled in denying SEARBEMCO's motion to dismiss. We fully agree with the CA.

Section 3(d) of RA No. 6657 is clear in defining an agrarian dispute: "any controversy relating to tenurial arrangements, whether leasehold, tenancy, stewardship or otherwise, over lands devoted to agriculture, including dispute concerning farm-workers' associations or representations of persons in negotiating, fixing, maintaining, changing or seeking to arrange terms or conditions of such tenurial arrangements. It includes any controversy relating to compensation of lands acquired under this Act and other terms and conditions of transfer of ownership from landowners to farmworkers, tenants and other agrarian reform beneficiaries, whether the disputants stand in the proximate relation of farm operator and beneficiary, landowner and tenant, or lessor and lessee." [25]

RA No. 6657 is procedurally implemented through the 2003 DARAB Rules of Procedure where Section 1, Rule II[26] enumerates the instances where the DARAB shall have primary and exclusive jurisdiction. A notable feature of RA No. 6657 and its implementing rules is the focus on agricultural lands and the relationship over this land that serves as the basis in the determination of whether a matter falls under DARAB jurisdiction.

In *Heirs of the Late Hernan Rey Santos v. Court of Appeals*, [27] we held that:

For DARAB to have jurisdiction over a case, there must exist a tenancy relationship between the parties. x x x. In *Vda. De Tangub v. Court of Appeals* (191 SCRA 885), we held that the jurisdiction of the Department of Agrarian Reform is limited to the following: a.) adjudication of all matters involving implementation of agrarian reform; b.) resolution of agrarian conflicts and land tenure related problems; and c.) approval and disapproval of the conversion, restructuring or readjustment of agricultural lands into residential, commercial, industrial, and other non-agricultural uses. [Emphasis supplied].

The case of *Pasong Bayabas Farmers Association, Inc. v. Court of Appeals* [28] lists down the indispensable elements for a tenancy relationship to exist: "(1) the parties are the landowner and the tenant or agricultural lessee; (2) the subject matter of the relationship is an agricultural land; (3) there is consent between the parties to the relationship; (4) the purpose of the relationship is to bring about agricultural production; (5) there is personal cultivation on the part of the tenant or agricultural lessee; and (6) the harvest is shared between the landowner and the tenant or the agricultural lessee."

The parties in the present case have no tenurial, leasehold, or any other agrarian relationship that could bring their

controversy within the ambit of agrarian reform laws and within the jurisdiction of the DARAB. In fact, SEARBEMCO has no allegation whatsoever in its motion to dismiss regarding any tenancy relationship between it and DOLE that gave the present dispute the character of an agrarian dispute.

We have always held that tenancy relations cannot be presumed. The elements of tenancy must first be proved by substantial evidence which can be shown through records, documents, and written agreements between the parties. A principal factor, too, to consider in determining whether a tenancy relationship exists is the intent of the parties.[29]

SEARBEMCO has not shown that the above-mentioned indispensable elements of tenancy relations are present between it and DOLE. It also cannot be gleaned from the intention of the parties that they intended to form a tenancy relationship between them. In the absence of any such intent and resulting relationship, the DARAB cannot have jurisdiction. Instead, the present petition is properly cognizable by the regular courts, as the CA and the RTC correctly ruled.

Notably, the requirement of the existence of tenurial relationship has been relaxed in the cases of *Islanders CARP-Farmers Beneficiaries Muti-Purpose Cooperative, Inc. v. Lapanday Agricultural and Dev't. Corporation*[30] and *Cubero v. Laguna West Multi-Purpose Cooperative, Inc.*[31] The Court, speaking through former Chief Justice Panganiban, declared in *Islanders* that:

[The definition of 'agrarian dispute' in RA No. 6657 is] broad enough to include disputes arising from any tenurial arrangement beyond the traditional landowner-tenant or lessor-lessee relationship. xxx [A]grarian reform extends beyond the mere acquisition and redistribution of land, the law acknowledges other modes of tenurial arrangements to effect the implementation of CARP.[32]

While *Islanders* and *Cubero* may seem to serve as precedents to the present case, a close analysis of these cases, however, leads us to conclude that significant differences exist in the factual circumstances between those cases and the present case, thus rendering the rulings in these cited cases inapplicable.

Islanders questioned (through a petition for declaration of nullity filed before the RTC of Tagum City) the lack of authority of the farmer-beneficiaries' alleged representative to enter into a Joint Production Agreement with Lapanday. The farmers-beneficiaries assailed the validity of the agreement by additionally claiming that its terms contravened RA No. 6657.

Cubero likewise involved a petition to declare the nullity of a Joint Venture Agreement between the farmer-beneficiaries and Laguna West Multi-Purpose Cooperative, Inc. The successors of the farmer-beneficiaries assailed the agreement before the RTC of Tanauan, Batangas for having been executed within the 10-year prohibitory period under Section 27 of RA No. 6657.

In both cases, the Court ruled that the RTC lacked jurisdiction to hear the complaint and declared the DARAB as the competent body to resolve the dispute. The Court declared that when the question involves the rights and obligations of persons engaged in the management, cultivation, and use of an agricultural land covered by CARP, the case falls squarely within the jurisdictional ambit of the DAR.

Carefully analyzed, the principal issue raised in *Islanders* and *Cubero* referred to the management, cultivation, and use of the CARP-covered agricultural land; the issue of the nullity of the joint economic enterprise agreements in *Islanders* and *Cubero* would directly affect the agricultural land covered by CARP. Those cases significantly did not pertain to post-harvest transactions involving the produce from CARP-covered agricultural lands, as the case before us does now.

Moreover, the resolution of the issue raised in *Islanders* and *Cubero* required the interpretation and application of

the provisions of RA No. 6657, considering that the farmer-beneficiaries claimed that the agreements contravened specific provisions of that law. In the present case, DOLE's complaint for specific performance and damages before the RTC did not question the validity of the BPPA that would require the application of the provisions of RA No. 6657; neither did SEARBEMCO's motion to dismiss nor its other pleadings assail the validity of the BPPA on the ground that its provisions violate RA No. 6657. The resolution of the present case would therefore involve, more than anything else, the application of civil law provisions on breaches of contract, rather than agrarian reform principles. Indeed, in support of their arguments, the parties have capitalized and focused on their relationship as buyer and seller. DOLE, the buyer, filed a complaint against SEARBEMCO, the seller, to enforce the BPPA between them and to compel the latter to comply with its obligations. The CA is thus legally correct in its declaration that "the action before the RTC does not involve an agrarian dispute, nor does it call for the application of Agrarian Reform laws. x x x. The action of [DOLE] involves and calls for the application of the New Civil Code, in tandem with the terms and conditions of the [BPPA] of [SEARBEMCO] and [DOLE]."[33]

We find SEARBEMCO's reliance on DAR AO No. 9-98 and AO No. 2-99 as bases for DARAB's alleged expanded jurisdiction over all disputes arising from the interpretation of agribusiness ventures to be misplaced. DARAB's jurisdiction under Section 50 of RA No. 6657 should be read in conjunction with the coverage of agrarian reform laws; administrative issuances like DAR AO Nos. 9-98 and 2-99 cannot validly extend the scope of the jurisdiction set by law. In so ruling, however, we do not pass upon the validity of these administrative issuances. We do recognize the possibility that disputes may exist between parties to joint economic enterprises that directly pertain to the management, cultivation, and use of CARP-covered agricultural land. Based on our above discussion, these disputes will fall within DARAB's jurisdiction.

Even assuming that the present case can be classified as an agrarian dispute involving the interpretation or implementation of agribusiness venture agreements, DARAB still cannot validly acquire jurisdiction, at least insofar as DOLE's cause of action against the third parties - the spouses Abujos and Oribanex - is concerned. To prevent multiple actions, we hold that the present case is best resolved by the trial court.

DOLE's complaint validly states a cause of action

SEARBEMCO asserts that the pleading containing DOLE's claim against it states no cause of action. It contends that it did not violate any of the provisions of the BPPA, since the bananas rejected by DOLE were sold to the spouses Abujos who are third-party buyers and are not exporters of bananas - transactions that the BPPA allows. Since the sole basis of DOLE's complaint was SEARBEMCO's alleged violation of the BPPA, which SEARBEMCO insists did not take place, the complaint therefore did not state a cause of action.

Due consideration of the basic rules on "lack of cause of action" as a ground for a motion to dismiss weighs against SEARBEMCO's argument.

In the case of *Jimenez, Jr. v. Jordana*,^[34] this Court had the opportunity to discuss the sufficiency of the allegations of the complaint to uphold a valid cause of action, as follows:

In a motion to dismiss, a defendant hypothetically admits the truth of the material allegations of the plaintiff's complaint. This hypothetical admission extends to the relevant and material facts pleaded in, and the inferences fairly deductible from, the complaint. Hence, to determine whether the sufficiency of the facts alleged in the complaint constitutes a cause of action, the test is as follows: admitting the truth of the facts alleged, can the court render a valid judgment in accordance with the prayer?

To sustain a motion to dismiss, the movant needs to show that the plaintiff's claim for relief does not exist at all. On the contrary, the complaint is sufficient "if it contains sufficient notice of the cause of action even though the allegations may be vague or indefinite, in which event, the proper recourse would be, not a motion

to dismiss, but a motion for a bill of particulars.[35]

In applying this authoritative test, we must hypothetically assume the truth of DOLE's allegations, and determine whether the RTC can render a valid judgment in accordance with its prayer.

We find the allegations in DOLE's complaint to be sufficient basis for the judgment prayed for. Hypothetically admitting the allegations in DOLE's complaint that SEARBEMCO sold the rejected bananas to Oribanex, a competitor of DOLE and also an exporter of bananas, through the spouses Abujos, a valid judgment may be rendered by the RTC holding SEARBEMCO liable for breach of contract. That the sale had been to the spouses Abujos who are not exporters is essentially a denial of DOLE's allegations and is not therefore a material consideration in weighing the merits of the alleged "lack of cause of action." What SEARBEMCO stated is a counter-statement of fact and conclusion, and is a defense that it will have to prove at the trial. At this point, the material consideration is merely what the complaint expressly alleged. Hypothetically assuming DOLE's allegations of ultimate sale to Oribanex, through the spouses Abujos, to be true, we hold - following the test of sufficiency in *Jordana* - that DOLE's prayer for specific performance and damages may be validly granted; hence, a cause of action exists.

The filing of the complaint is not premature since arbitration proceedings are not necessary in the present case

SEARBEMCO argues that DOLE failed to comply with a condition precedent before the filing of its complaint with the RTC, i.e., DOLE did not attempt to settle their controversy through arbitration proceedings. SEARBEMCO relies on Article V, Section 30(g) of DAR AO No. 9-98[36] and Section 10 of DAR AO No. 2-99[37] which provide that "as a rule, voluntary methods such as mediation or conciliation, shall be preferred in resolving disputes involving joint economic enterprises." SEARBEMCO also cites Section IX of the BPPA which provides that all disputes arising out of or in connection with their agreement shall be finally settled through arbitration.

Following our conclusion that agrarian laws find no application in the present case, we find - as the CA did - that SEARBEMCO's arguments anchored on these laws are completely baseless. Furthermore, the cited DAR AO No. 2-99, on its face, only mentions a "preference," not a strict requirement of referral to arbitration. The BPPA-based argument deserves more and closer consideration.

We agree with the CA ruling that the BPPA arbitration clause does not apply to the present case since third parties are involved. Any judgment or ruling to be rendered by the panel of arbitrators will be useless if third parties are included in the case, since the arbitral ruling will not bind them; they are not parties to the arbitration agreement. In the present case, DOLE included as parties the spouses Abujos and Oribanex since they are necessary parties, i.e., they were directly involved in the BPPA violation DOLE alleged, and their participation are indispensable for a complete resolution of the dispute. To require the spouses Abujos and Oribanex to submit themselves to arbitration and to abide by whatever judgment or ruling the panel of arbitrators shall make is legally untenable; no law and no agreement made with their participation can compel them to submit to arbitration.

In support of its position, SEARBEMCO cites the case of *Toyota Motor Philippines Corp. v. Court of Appeals*[38] which holds that, "the contention that the arbitration clause has become dysfunctional because of the presence of third parties is untenable. Contracts are respected as the law between the contracting parties. As such, the parties are thereby expected to abide with good faith in their contractual commitments." SEARBEMCO argues that the presence of third parties in the complaint does not affect the validity of the provisions on

arbitration.

Unfortunately, the ruling in the Toyota case has been superseded by the more recent cases of *Heirs of Augusto L. Salas, Jr. v. Laperal Realty Corporation*[39] and *Del Monte Corporation-USA v. Court of Appeals*.[40]

Heirs of Salas involved the same issue now before us: whether or not the complaint of petitioners-heirs in that case should be dismissed for their failure to submit the matter to arbitration before filing their complaint. The petitioners-heirs included as respondents third persons who were not parties to the original agreement between the petitioners-heirs and respondent Laperal Realty. In ruling that prior resort to arbitration is not necessary, this Court held:

Respondent Laperal Realty, as a contracting party to the Agreement, has the right to compel petitioners to first arbitrate before seeking judicial relief. However, to split the proceedings into arbitration for respondent Laperal Realty and trial for the respondent lot buyers, or to hold trial in abeyance pending arbitration between petitioners and respondent Laperal Realty, would in effect result in multiplicity of suits, duplicitous procedure and unnecessary delay. On the other hand, it would be in the interest of justice if the trial court hears the complaint against all herein respondents and adjudicates petitioner's rights as against theirs in a single and complete proceeding.[41]

The case of *Del Monte* is more direct in stating that the doctrine held in the *Toyota* case has already been abandoned:

The Agreement between petitioner DMC-USA and private respondent MMI is a contract. The provision to submit to arbitration any dispute arising therefrom and the relationship of the parties is part of that contract and is itself a contract. As a rule, contracts are respected as the law between the contracting parties and produce effect as between them, their assigns and heirs. Clearly, only parties to the Agreement, i.e., petitioners DMC-USA and its Managing Director for Export Sales Paul E. Derby, and private respondents MMI and its Managing Director Lily Sy are bound by the Agreement and its arbitration clause as they are the only signatories thereto. Petitioners Daniel Collins and Luis Hidalgo, and private respondent SFI, not parties to the Agreement and cannot even be considered assigns or heirs of the parties, are not bound by the Agreement and the arbitration clause therein. Consequently, referral to arbitration in the State of California pursuant to the arbitration clause and the suspension of the proceedings in Civil Case No. 2637-MN pending the return of the arbitral award could be called for but only as to petitioners DMC-USA and Paul E. Derby, Jr., and private respondents MMI and Lily Sy, and not as to other parties in this case, in accordance with the recent case of *Heirs of Augusto L. Salas, Jr. v. Laperal Realty Corporation*, which superseded that of [sic] *Toyota Motor Philippines Corp. v. Court of Appeals*.

x x x x

The object of arbitration is to allow the expeditious determination of a dispute. Clearly, the issue before us could not be speedily and efficiently resolved in its entirety if we allow simultaneous arbitration proceedings and trial, or suspension of trial pending arbitration. Accordingly, the interest of justice would only be served if the trial court hears and adjudicates the case in a single and complete proceeding.[42]

Following these precedents, the CA was therefore correct in its conclusion that the parties' agreement to refer their dispute to arbitration applies only where the parties to the BPPA are solely the disputing parties.

Additionally, the inclusion of third parties in the complaint supports our declaration that the present case does not fall under DARAB's jurisdiction. DARAB's quasi-judicial powers under Section 50 of RA No. 6657 may be invoked only when there is prior certification from the Barangay Agrarian Reform Committee (or BARC) that the dispute has been submitted to it for mediation and conciliation, without any success of settlement.[43] Since the present dispute need not be referred to arbitration (including mediation or conciliation) because of the inclusion of

third parties, neither SEARBEMCO nor DOLE will be able to present the requisite BARC certification that is necessary to invoke DARAB's jurisdiction; hence, there will be no compliance with Section 53 of RA No. 6657.

WHEREFORE, premises considered, we hereby DENY the petition for certiorari for lack of merit. The Regional Trial Court, Branch 34, Panabo City, is hereby directed to proceed with the case in accordance with this Decision. Costs against petitioner SEARBEMCO.

SO ORDERED.

Carpio, (Chairperson), Leonardo-De Castro, Del Castillo, and Abad, JJ., concur.

[1] Under Rule 45 of the Rules of Court; rollo, pp. 4-44.

[2] Penned by Associate Justice Romeo J. Callejo (retired Member of this Court), and concurred in by Associate Justice Remedios Salazar-Fernando and Associate Justice Josefina Guevara-Salonga; id. at 45-64.

[3] Id. at 65.

[4] Id. at 106-123.

[5] RTC, Branch 34, Panabo City.

[6] Dated December 15, 2000; rollo, pp. 147-157.

[7] Section 1. Coverage - This administrative order shall apply to all commercial farms defined under Section 11 of RA 6657, as amended by Section 3 of RA 7881.

x x x x

Section 3. Definition of Terms - As used in this Order, the following terms shall be defined as follows:

x x x x

(e) Contract Growing/Growership Agreement is an agribusiness arrangement where the ARBs own the land and commit, either collectively through their cooperative or individually, to produce certain crops for an investor or agribusiness firm that contracts to buy the produce at pre-arranged terms.

[8] Section 5. Definition of Terms - The terms and concepts used in this Order shall mean as follows:

(a) Agrarian Reform Beneficiaries (ARBs) or Beneficiaries refer to individual beneficiaries under PD 27 or RA 6657, or their cooperative, association, or federation, duly registered with the Securities and Exchange Commission (SEC) or the Cooperative Development Authority (CDA);

x x x x

(c) Joint Economic Enterprises generally refer to partnerships or arrangements between beneficiaries and investors to implement an agribusiness enterprise in agrarian reform areas xxx.

[9] (g) Arbitration Clause - Agribusiness venture agreements shall include provisions for mediation/conciliation and arbitration as a means of resolving disputes arising from the interpretation or enforcement thereof. Mediation/conciliation may be undertaken by duly trained DAR mediators or conciliators acceptable to both parties. Arbitration shall be conducted pursuant to RA 876 otherwise known as the "Philippine Arbitration Law." These alternative dispute resolution strategies shall first be availed of before the parties may seek judicial relief. The costs of arbitration shall be shouldered by the contracting parties.

[10] Otherwise known as "The Comprehensive Agrarian Reform Law."

[11] Opposition dated January 10, 2001.

[12] Rollo, pp. 112-122.

[13] Issued by Judge Gregorio A. Palabrica; id. at 66.

[14] Id. at 101-111.

[15] Id. at 78.

[16] Docketed as CA-G.R. SP No. 66148; id. at 79-100.

[17] Supra note 2.

[18] Id. at p. 54.

[19] "Agrarian dispute" as referring to any controversy relating to tenurial agreements, whether leasehold, tenancy, stewardship or otherwise, over lands devoted to agriculture, including dispute concerning farmworkers' association or representations of persons in negotiating, fixing, maintaining, changing or seeking to arrange terms or conditions of such tenurial agreements.

It includes any controversy relating to compensation of lands acquired under this Act and other terms and conditions of transfer of ownership from landowners to farmworkers, tenants and other agrarian reform beneficiaries, whether the disputants stand in the proximate relation of farm operator and beneficiary, landowner and tenant, lessor and lessee.

[20] Supra note 2, p. 58.

[21] Supra note 3.

[22] Section 50. Quasi-Judicial Powers of the DAR. - The DAR is hereby vested with primary jurisdiction to determine and adjudicate agrarian reform matters and shall have exclusive original jurisdiction over all matters involving the implementation of agrarian reform, except those falling under the exclusive jurisdiction of the Department of Agriculture (DA) and the Department of Environment and Natural Resources.

[23] Sec. 5. Definition of Terms x x x (c) Joint Economic Enterprises x x x

(i) Joint venture whereby the beneficiaries contribute use of the land held individually or in common and the facilities and improvements, if any. On the other hand, the investor furnishes capital and technology for production, processing and marketing of agricultural goods, or construction, rehabilitation, upgrading and operation of agricultural capital assets, infrastructure, and facilities. It has a personality separate and distinct from its components;

(ii) Production, Processing and Marketing Agreement whereby the beneficiaries engage in the production and processing of agricultural products and directly sell the same to the investor who provides loans and technology.

[24] United Coconut Planters Bank v. Looyuko, G.R. No. 156337, September 28, 2007, 534 SCRA 322, 331; Marohomsalic v. Cole, G.R. No. 169918, February 28, 2008, 547 SCRA 98, 105-106; Rimbunan Hijau Group of Companies v. Oriental Wood Processing Corporation, G.R. No. 152228, September 23, 2005, 470 SCRA 650.

[25] Supra note 19.

[26] Section 1. Primary and Exclusive Original Jurisdiction. The Adjudicator shall have primary and exclusive

original jurisdiction to determine and adjudicate the following cases:

- 1.1. The rights and obligations of persons, whether natural or juridical, engaged in the management, cultivation, and use of all agricultural lands, covered by Republic Act (RA) No. 6657, otherwise known as the Comprehensive Agrarian Reform Law (CARL), and other related agrarian laws;
- 1.2. The preliminary administrative determination of reasonable and just compensation of lands acquired under Presidential Decree (PD) No. 27 and the Comprehensive Agrarian Reform Program (CARP);
- 1.3. The annulment or cancellation of lease contracts or deeds of sale or their amendments involving lands under the administration and disposition of the DAR or Land Bank of the Philippines (LBP);
- 1.4. Those cases involving the ejectment and dispossession of tenants and/or leaseholders;
- 1.5. Those cases involving the sale, alienation, pre-emption, and redemption of agricultural lands under the coverage of the CARL or other agrarian laws;
- 1.6. Those involving the correction, partition, cancellation, secondary and subsequent issuances of Certificates of Land Ownership Award (CLOAs) and Emancipation Patents (EPs) which are registered with the Land Registration Authority;
- 1.7. Those cases involving the review of leasehold rentals;
- 1.8. Those cases involving the collection of amortizations on payments for lands awarded under PD No. 27, as amended, RA No. 3844, as amended, and RA No. 6657, as amended, and other related laws, decrees, orders, instructions, rules, and regulations, as well as payment for residential, commercial, and industrial lots within the settlement and resettlement areas under the administration and disposition of the DAR;
- 1.9. Those cases involving the annulment or rescission of lease contracts and deeds of sale, and the cancellation or amendment of titles pertaining to agricultural lands under the administration and disposition of the DAR and LBP; as well as EPs issued under PD 266, Homestead Patents, Free Patents, and miscellaneous sales patents to settlers in settlement and resettlement areas under the administration and disposition of the DAR;
- 1.10. Those cases involving boundary disputes over lands under the administration and disposition of the DAR and the LBP, which are transferred, distributed, and/or sold to tenant-beneficiaries and are covered by deeds of sale, patents and certificates of title;
- 1.11. Those cases involving the determination of title to agricultural lands where this issue is raised in an agrarian dispute by any of the parties or a third person in connection with the possession thereof for the purpose of preserving the tenure of the agricultural lessee or actual tenant-farmer or farmer-beneficiaries and effecting the ouster of the interloper or intruder in one and the same proceeding;
- 1.12. Those cases previously falling under the original and exclusive jurisdiction of the defunct Court of Agrarian Relations under Section 12 of PD No. 946 except those cases falling under the proper courts or other quasi-judicial bodies; and
- 1.13. Such other agrarian cases, disputes, matters or concerns referred to it by the Secretary of the DAR.

[27] 384 Phil. 26, 33 (2000).

[28] 473 Phil. 64, 98 (2004), citing *Almuete v. Andres*, 421 Phil. 522, 530 (2001)

[29] *Heirs of Nicolas Jugalbot v. Court of Appeals*, G.R. No. 170346, March 12, 2007, 518 SCRA 202, 210.

[30] G.R. No. 159089, May 3, 2006, 489 SCRA 80.

[31] G.R. No. 166833, November 30, 2006, 509 SCRA 410.

[32] Supra note 30, p. 88.

[33] Supra note 2, p. 56.

[34] 486 Phil. 452 (2004).

[35] Id. at 465-466.

[36] Supra note 9.

[37] Section 10. Resolution of Disputes. - As a rule, voluntary methods, such as mediation or conciliation and arbitration, shall be preferred in resolving disputes involving joint economic enterprises. The specific modes of resolving disputes shall be stipulated in the contract, and should the parties fail to do so, the procedures herein shall apply.

The aggrieved party shall first request the other party to submit the matter to mediation or conciliation by trained mediators or conciliators from DAR, non-government organizations (NGOs), or the private sector chosen by them.

Where the dispute cannot be resolved through mediation or conciliation, it may be submitted to arbitration by the parties in accordance with RA 876, as amended, also known as the "Arbitration Law," unless otherwise specified by the parties. The decision of the arbitrators shall be binding upon them as agreed by the parties. They may opt to submit the dispute directly to arbitration without going through mediation or conciliation xxx.

[38] G.R. No. 102881, December 7, 1992, 216 SCRA 236, 246.

[39] 378 Phil. 369 (1999).

[40] 404 Phil. 192 (2001).

[41] Supra note 37, p. 376.

[42] Supra note 38, pp. 201-202.

[43] RA No. 6657, Section 53.

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