UNIWIDE HOLDINGS, INC., PETITIONER, VS. ALEXANDER M. CRUZ, RESPONDENT.

G.R. NO. 171456. August 09, 2007

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Petitioner, Uniwide Holdings, Inc. (UHI), whose principal office is located in Parañaque City, entered into a Franchise Agreement[1] (the agreement) granting respondent, Alexander M. Cruz (Cruz), a five-year franchise to adopt and use the "Uniwide Family Store System" for the establishment and operation of a "Uniwide Family Store" along Marcos Highway, Sta. Cruz, Cogeo, Marikina City.

Article 10.2[2] of the agreement called for Cruz as franchisee to pay UHI a monthly service fee of P50,000 or three percent of gross monthly purchases, whichever is higher, payable within five days after the end of each month without need of formal billing or demand from UHI. In case of any delay in the payment of the monthly service fee, Cruz would, under Article 10.3[3] of the agreement, be liable to pay an interest charge of three percent per month.

It appears that Cruz had purchased goods from UHI's affiliated companies First Paragon Corporation (FPC) and Uniwide Sales Warehouse Club, Inc. (USWCI).

In August 2002, FPC and USWCI executed Deeds of Assignment[4] in favor of UHI assigning all their rights and interests over Cruz's accounts payable to them.

As of August 13, 2002, Cruz had outstanding obligations with UHI, FPC, and USWCI in the total amount of P1,358,531.89, drawing UHI to send him a letter of even date for the settlement thereof in five days. His receipt of the letter notwithstanding, Cruz's accounts remained unsettled.

Thus UHI filed a complaint[5] for collection of sum of money before the Regional Trial Court (RTC) of Parañaque docketed as Civil Case No. 04-0278 against Cruz on the following causes of action:

> FIRST CAUSE OF ACTION
>
> - Being entitled to the payment of monthly service fee pursuant to the FA, which defendant failed to pay despite demand, plaintiff suffered actual damages in the amount of Phil. Peso: One Million Three Hundred Twenty Seven Thousand Six Hundred Sixty Nine & 83/100 (P1,327,669.83), computed as of 05 April 2004, for which defendant should be held liable together with legal interest thereon from the date of filing of this Complaint, until fully paid.
>
> SECOND CAUSE OF ACTION
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> - Being the assignee of the receivable of FPC, which receivable defendant failed to pay despite demand, plaintiff suffered actual damages in the amount of Phil. Peso: Sixty Four Thousand One Hundred Sixty Five & 96/100 (P64,165.96) for which defendant should be held liable together with the legal interest thereon computed from date of receipt of plaintiff's demand letter, or on August 16, 2002 to be exact, until fully paid.

> THIRD CAUSE OF ACTION
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> - Being the assignee of the receivable of USWCI, which receivable defendant failed to pay despite demand, plaintiff suffered actual damages in the total amount of Phil. Peso: One Million Five Hundred Seventy Nine Thousand Sixty One & 36/100 (P1,579,061.36), computed as of 05 April 2004, inclusive of the two and a half percent (2.5%) monthly interest, as and by way of penalty, and the three (3%) annual interest on the unpaid amount, for which defendant should be held liable, with legal interest thereon from the date of filing of this Complaint, until fully paid.
>
> FOURTH CAUSE OF ACTION
>
> - By reason of defendant's obstinate refusal or failure to pay his indebtedness, plaintiff was constrained to file this Complaint and in the process incur expenses by way of attorney's fees, which could be reasonably estimated to reach at least Phil. Peso: Two Hundred Fifty Thousand (P250,000.00) and for which defendant should be held answerable for.[6] (Emphasis and underscoring supplied)

To the complaint Cruz filed a motion to dismiss[7] on the ground of improper venue, he invoking Article 27.5 of the agreement which reads:

> 27.5 Venue Stipulation - The Franchisee consents to the exclusive jurisdiction of the courts of Quezon City, the Franchisee waiving any other venue.[8] (Emphasis supplied)

Branch 258 of the Parañaque RTC, by Order[9] of December 12, 2005, granted Cruz's motion to dismiss.

Hence, the present petition before this Court, raising the sole legal issue of:

> WHETHER A CASE BASED ON SEVERAL CAUSES OF ACTION IS DISMISSIBLE ON THE GROUND OF IMPROPER VENUE
>
> WHERE ONLY ONE OF THE CAUSES OF ACTION ARISES FROM A CONTRACT WITH EXCLUSIVE VENUE STIPULATION.[10] (Underscoring supplied)

Petitioner contends that nowhere in the agreement is there a mention of FPC and USWCI, and neither are the two parties thereto, hence, they cannot be bound to the stipulation on "exclusive venue."

The petition is impressed with merit.

The general rule on venue of personal actions, as in petitioner's complaint for collection of sum of money, is embodied in Section 2, Rule 4 of the Rules of Court which provides:

> Sec. 2. Venue of personal actions. - All other actions may be commenced and tried where the plaintiff or any of the principal plaintiffs resides, or where the defendant or any of the principal defendants resides, or in the case of a nonresident defendant, where he may be found, at the election of the plaintiff. (Emphasis and underscoring supplied)

The afore-quoted provision is, however, qualified by Section 4 of the same rule which allows parties, before the filing of the action, to validly agree in writing on an exclusive venue.[11]

The forging of a written agreement on an exclusive venue of an action does not, however, preclude parties from bringing a case to other venues.

Where there is a joinder of causes of action between the same parties one of which does not arise out of the contract where the exclusive venue was stipulated upon, the complaint, as in the one at bar, may be brought before other venues provided that such other cause of action falls within the jurisdiction of the court and the venue lies therein.[12]

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Based on the allegations in petitioner's complaint, the second and third causes of action are based on the deeds of assignment executed in its favor by FPC and USWCI. The deeds bear no exclusive venue stipulation with respect to the causes of action thereunder. Hence, the general rule on venue applies - that the complaint may be filed in the place where the plaintiff or defendant resides.[13]

It bears emphasis that the causes of action on the assigned accounts are not based on a breach of the agreement between UHI and Cruz. They are based on separate, distinct and independent contracts-deeds of assignment in which UHI is the assignee of Cruz's obligations to the assignors FPC and USWCI. Thus, any action arising from the deeds of assignment cannot be subjected to the exclusive venue stipulation embodied in the agreement. So San Miguel Corporation v. Monasterio[14] enlightens:

> Exclusive venue stipulation embodied in a contract restricts or confines parties thereto when the suit relates to breach of said contract. But where the exclusivity clause does not make it necessarily encompassing, such that even those not related to the enforcement of the contract should be subject to the exclusive venue, the stipulation designating exclusive venues should be strictly confined to the specific undertaking or agreement. Otherwise, the basic principles of freedom to contract might work to the great disadvantage of a weak party-suitor who ought to be allowed free access to courts of justice.[15] (Emphasis and underscoring supplied)

In fine, since the other causes of action in petitioner's complaint do not relate to a breach of the agreement it forged with Cruz embodying the exclusive venue stipulation, they should not be subjected thereto. As San Miguel further enlightens:

> Restrictive stipulations are in derogation of the general policy of making it more convenient for the parties to institute actions arising from or in relation to their agreements. Thus, the restriction should be strictly construed as relating solely to the agreement for which the exclusive venue stipulation is embodied. Expanding the scope of such limitation on a contracting party will create unwarranted restrictions which the parties might find unintended or worse, arbitrary and oppressive.[16] (Underscoring supplied)

WHEREFORE, the petition is GRANTED. The December 12, 2005 Order of Regional Trial Court of Parañaque City, Branch 258 in Civil Case No. 04-0278 is SET ASIDE. The case is REMANDED to said court which is directed to reinstate the case to its docket and conduct further proceedings thereon with dispatch.

SO ORDERED.

Quisumbing, (Chairperson), Carpio, Tinga, and Velasco, Jr., JJ., concur.

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[1] Records, pp. 10-26.

[2]Id. at 14.

[3] Ibid.

[4] Id. at 27-32.

[5]Id. at 1-9.

[6] Id. at 4-6.

[7] Id. at 199-207.

[8] Id. at 25.

[9] Id. at 272.

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[10]Rollo, p. 20.

[11] Capati v. Dr. Ocampo, 199 Phil. 230, 233 (1982).

[12] Rule 2, Section 5 of the Rules of Court provides:

SECTION 5. Joinder of causes of action. - A party may in one pleading assert, in the alternative or otherwise, as many causes of action as may have against an opposing party, subject to the following conditions:

x x x x

(c) Where the causes of action are between the same parties but pertain to different venues or jurisdictions, the joinder may be allowed in the Regional Trial Court provided one of the causes of action falls within the jurisdiction of said court and the venue lies therein; x x x (Underscoring supplied)

[13]Polytrade Corporation v. Blanco, 140 Phil. 604, 607 (1969).

[14]G.R. No. 151037, June 23, 2005, 461 SCRA 89.

[15]Id. at 94-95.

[16] Id. at 95.

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