

WESTERN MINOLCO CORPORATION, PETITIONER, VS. COURT OF APPEALS AND GREGORIAN MINING COMPANY, RESPONDENTS.

G.R. No. 51996. November 23, 1988

Ponente: NARVASA, J.

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NARVASA, J.:

A series of contracts was entered into between Western Minolco Corporation and Gregorian Mining Company basically for the operation by the former of the latter's mining claims.[1] One of the stipulations in the contracts (a) declared certain particular disputes to be subject to arbitration and (b) specified the manner of enforcement by court action of the resulting arbitration awards.[2] The stipulation reads as follows:

"Article XII

12.01 – Should any dispute, difference or disagreement arise between the CLAIM-OWNER and the COMPANY regarding the meaning, application or effect of this Agreement or of any clause thereof, or in regard to the amount and computation of the royalties, deductions, or other item of expense hereinabove provided, such dispute, difference or disagreement shall be referred to a board of arbitration to be composed of one arbitrator to be appointed by the COMPANY, another to be appointed by the CLAIM-OWNER, and a third to be selected by the two aforementioned arbitrators, the decision of a majority of the said arbitrators to be binding upon the parties, insofar as the same is permitted by law. No action shall be instituted in any Court by either party hereto, unless the dispute, difference or disagreement, shall have been first submitted to and received by said board of arbitrators, and any such action shall be based upon the award as obtained.

12.02 – The parties stipulate that the venue of the actions referred to in Section 12.01 shall be in the City of Manila."

There are, it will be noted, only two (2) classes of disputes or disagreements governed by these provisions:

- 1) those "regarding the meaning, application or effect of the agreement(s) or any clause thereof;" and
- 2) those "in regard to the amount and computation of the royalties, deductions, or other item of expense" provided in the agreements.

It is made quite clear that these two (2) classes of disputes are to be "referred to a board of arbitration." It is made equally clear that no action concerning them may be instituted in any court by either party (1) unless the controversy be "first submitted to and received by said board of arbitrators," and (2) only if the action "be based upon the award as obtained." In the event of such an action, the venue thereof "shall be in the City of Manila."

Now, it appears that Western Minolco Corporation subsequently executed another agreement with another firm, the Dreamers Mining Association, for the validation of 36 mineral lode claims in the latter's favor. As it happened, those 36 claims were believed by Gregorian Mining Company to be in conflict with, and had been superimposed on its own claims, which it had earlier located and which were in fact subject of the series of agreements signed by it and Western Minolco Corporation. Gregorian Mining Company consequently brought

suit against Western Minolco Corporation in the Court of First Instance of Baguio and Benguet, for the rescission of their agreements and damages.[3]

Western Minolco moved to dismiss the complaint, theorizing that (a) venue had been improperly laid, and (b) the complaint stated no cause of action.[4] Gregorian opposed the motion, arguing that (a) the stipulation regarding venue in the parties' agreements was merely permissive and did not preclude the filing of an action conformably with the general rules of venue in Section 2, Rule 4 of the Rules of Court, and (b) there was a cause of action set forth in the complaint within the Trial Court's jurisdiction because the action involved a dispute which was not arbitrable in accordance with their contracts.[5] Western Minolco filed a reply.[6] The Trial Court[7] denied Western Minolco's motion to dismiss and required it to file its responsive pleading within the prescribed period.[8] The Court also denied Western Minolco's motion for reconsideration.[9]

In the meantime, and while it was seeking reconsideration of the Baguio Court's adverse order, Western Minolco filed a petition with the Court of First Instance of Manila to compel arbitration, in line with its agreement with Gregorian, and for recovery of damages against the latter.[10] After an exchange of pleadings, the petition was granted.[11] Gregorian sought to take an appeal to the Court of Appeals;[12] but the Manila Court ruled that the appeal should more properly be taken to this Court.[13]

Gregorian decided to forego the appeal, and to await instead the decision of the Court of Appeals on the petition for certiorari and prohibition which Western Minolco had in the meantime filed to assail the Orders of the CFI of Baguio and Benguet (refusing to dismiss the action [Case No. 2272 (220)] brought against it by Gregorian).[14] The Court of Appeals was not persuaded by Western Minolco's arguments, and dismissed its petition, by decision dated August 29, 1979.[15] It later denied Western Minolco's motion for reconsideration.[16] This decision of August 29, 1979, and the order denying reconsideration, are challenged in the instant appeal. The verdict must go against the petitioner, Western Minolco Corporation.

It is Western Minolco's thesis that it was reversible error for the Court of Appeals to find and declare that -

a)

the venue of the action instituted against it by Gregorian Mining Co. was improperly laid;

b)

the action could not be instituted until and unless the dispute subject thereof had first been resolved by arbitration, as covenanted by the parties;

c)

public policy encourages arbitration, and arbitration agreements are to be liberally construed;

d)

the Trial Court had no business interpreting the provisions of the agreement the terms of which were otherwise clear, unambiguous and unequivocal.

The terms of the applicable provision of the parties' agreements are indeed "clear, unambiguous, and unequivocal." As pointed out in the opening paragraphs of this opinion, only two (2) kinds of "disputes,

differences or disagreements" have been made subject of arbitration:

1)

those "regarding the meaning, application or effect of the agreement(s) or any clause thereof;" and

2)

those "in regard to the amount and computation of the royalties, deductions, or other item of expense" provided in the agreements.

The controversy involved in the action brought by Gregorian against Western Minolco was the alleged violation by the latter of its agreements with the former, consisting of its entering into a contract with a third party for the validation of mining claims which it knew had already been located by Gregorian. What was involved, in other words, was the breach of faith, or the double dealing of Western Minolco in undertaking to validate in favor of a third party the self-same claims which it had earlier undertaken to operate for Gregorian. Clearly, such a controversy does not fall within either of the two categories of disputes which must first be submitted for arbitration. The stipulation in question (for arbitration to be first had) did not therefore constitute an impediment or a bar to the institution of the action commenced by Gregorian against Western Minolco, for rescission and damages.

Even if, for the sake of argument, some measure of tenability be conceded to the opposite view: that the controversy subject of Civil Case No. 2272 (220) might be considered as dealing with the "meaning, application or effect" of the agreement -- specifically, whether the claims therein described are the very same mining claims subject of Western Minolco's subsequent agreement with a third party -- and therefore should first be submitted to and resolved by a board of arbitrators, the worst that could then be said of the orders of the Trial Court, affirmed by the Court of Appeals, is that they are attended by an error in the analysis and interpretation of the language and import of the stipulation in question, but certainly not by that whimsical, capricious, or totally groundless or tangential exercise of adjudgment or discretion as would justify the issuance of the extraordinary writ of certiorari or prohibition.[17] In no sense may it be said that power has been exercised by either the Appellate Court or the Trial Court in so arbitrary or despotic a manner, as by reason of passion, prejudice or personal hostility, or in so patently and grossly mistaken a manner as to amount to an evasion of positive duty or a virtual refusal to perform a duty enjoined or to act at all in contemplation of law, so as to make needful the extension of this Court's correcting hand by the peremptory writ of certiorari or prohibition.[18]

Since the stipulation as to venue becomes relevant only when an action has to be instituted "based upon the award as obtained" (from the board of arbitrators) (i.e., as the mode of enforcement of the award); and since there is here no such award because no controversy subject to arbitration existed and was ever submitted to arbitration, no error can possibly be imputed to the Trial Court in not applying the stipulation to the action a quo. In any event, it is not entirely amiss to restate the doctrine that stipulations in a contract, which specify a definite place for the institution of an action arising in connection therewith, do not, as a rule, supersede the general rules on the matter set out in Rule 4 of the Rules of Court, but should be construed merely as an agreement on an additional forum, not as limiting venue to the specified place.[19]

WHEREFORE, the petition is DENIED, and the decision of the Court of Appeals subject of the appeal is AFFIRMED. Costs against petitioner.

SO ORDERED.

Cruz, Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

[1] Agreement dated Nov. 25, 1970 (Rollo, p. 51); Amended Agreement dated Dec. 19, 1970 (Rollo, p. 60) and Amended Agreement dated Nov. 10, 1972 (Rollo, p. 75)

[2] Article XII, Amended Agreement (Rollo, p. 72)

[3] The case, commenced on March 25, 1975, was docketed as Civil Case No. 2772 (220) Rollo, pp. 82 et seq

[4] Rollo, p. 97

[5] Rollo, p. 108

[6] Id., p. 114

[7] Hon. Judge George C. Macli-ing, presiding

[8] Rollo, p. 127: Order, Dec. 15, 1976

[9] Id., p. 152: Order, Nov. 3, 1977; see also pp. 132, 146 of the Rollo

[10] Id., pp. 153 et seq. The petition was filed on Feb. 23, 1977, the case was docketed as Case No. 107167, and was assigned to Branch XVII, Hon. Judge B. L. Peralta, presiding.

[11] Id., p. 184: Order, May 6, 1977

[12] Id., p. 202

[13] Id., p. 212: Order, Jan. 3, 1978

[14] Id., pp. 214 et seq. The action was docketed as CA-G.R. No. SP-07445

[15] Id., pp. 299 et seq. The ponente was Hon. Mama D. Busran, with whom concurred L.B. Reyes, and N. B. Alampay, JJ.

[16] Id., p. 316

[17] Butuan Bay Wood Export v. C.A., et al., 97 SCRA 297; Casilan, et al. v. Ybañez, 6 SCRA 590; Palma and Ignacio v. Q. & S. Inc., 17 SCRA 97; Panaligan v. Adolfo, 67 SCRA 176; Peo. v. Vallorta, 77 SCRA 476

[18] Arguelles v. Young, 154 SCRA 690; Francisco v. Mandi, 152 SCRA 711; PVTA v. Lucero, 125 SCRA 337; F.S. Divinagracia Agro-Commercial, Inc. v. C.A., 104 SCRA 180

[19] SEE Polytrade Corp. v. V. Blanco, 30 SCRA 187; Ents v. Lagamon, 108 SCRA 740; Nicolas v. Reparations Commission, 64 SCRA 110; Tantoco v. C.A., et al., 77 SCRA 225

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