

THIRD DIVISION

[G.R. NO. 161026, October 24, 2005]

**HYATT ELEVATORS AND ESCALATORS CORPORATION,
PETITIONER, VS. GOLDSTAR ELEVATORS, PHILS., INC.,*
RESPONDENT.**

DECISION

PANGANIBAN, J.:

Well established in our jurisprudence is the rule that the *residence* of a corporation is the place where its principal office is located, as stated in its Articles of Incorporation.

The Case

Before us is a Petition for Review^[1] on Certiorari, under Rule 45 of the Rules of Court, assailing the June 26, 2003 Decision^[2] and the November 27, 2003 Resolution^[3] of the Court of Appeals (CA) in CA-GR SP No. 74319. The decretal portion of the Decision reads as follows:

"**WHEREFORE**, in view of the foregoing, the assailed Orders dated May 27, 2002 and October 1, 2002 of the RTC, Branch 213, Mandaluyong City in Civil Case No. 99-600, are hereby **SET ASIDE**. The said case is hereby ordered **DISMISSED** on the ground of improper venue."^[4]

The assailed Resolution denied petitioner's Motion for Reconsideration.

The Facts

The relevant facts of the case are summarized by the CA in this wise:

"Petitioner [herein Respondent] Goldstar Elevator Philippines, Inc. (GOLDSTAR for brevity) is a domestic corporation primarily engaged in the business of marketing, distributing, selling, importing, installing, and maintaining elevators and escalators, with address at 6th Floor, Jacinta II Building, 64 EDSA, Guadalupe, Makati City.

"On the other hand, private respondent [herein petitioner] Hyatt Elevators and Escalators Company (HYATT for brevity) is a domestic corporation similarly engaged in the business of selling, installing and maintaining/servicing elevators, escalators and parking equipment, with address at the 6th Floor, Dao I Condominium, Salcedo St., Legaspi Village, Makati, as stated in its Articles of Incorporation.

"On February 23, 1999, HYATT filed a Complaint for unfair trade practices

and damages under Articles 19, 20 and 21 of the Civil Code of the Philippines against LG Industrial Systems Co. Ltd. (LGISC) and LG International Corporation (LGIC), alleging among others, that: in 1988, it was appointed by LGIC and LGISC as the exclusive distributor of LG elevators and escalators in the Philippines under a "Distributorship Agreement"; x x x LGISC, in the latter part of 1996, made a proposal to change the exclusive distributorship agency to that of a joint venture partnership; while it looked forward to a healthy and fruitful negotiation for a joint venture, however, the various meetings it had with LGISC and LGIC, through the latter's representatives, were conducted in utmost bad faith and with malevolent intentions; in the middle of the negotiations, in order to put pressures upon it, LGISC and LGIC terminated the Exclusive Distributorship Agreement; x x x [A]s a consequence, [HYATT] suffered P120,000,000.00 as actual damages, representing loss of earnings and business opportunities, P20,000,000.00 as damages for its reputation and goodwill, P1,000,000.00 as and by way of exemplary damages, and P500,000.00 as and by way of attorney's fees.

"On March 17, 1999, LGISC and LGIC filed a Motion to Dismiss raising the following grounds: (1) lack of jurisdiction over the persons of defendants, summons not having been served on its resident agent; (2) improper venue; and (3) failure to state a cause of action. The [trial] court denied the said motion in an Order dated January 7, 2000.

"On March 6, 2000, LGISC and LGIC filed an Answer with Compulsory Counterclaim *ex abundante cautela*. Thereafter, they filed a "Motion for Reconsideration and to Expunge Complaint' which was denied.

"On December 4, 2000, HYATT filed a motion for leave of court to amend the complaint, alleging that subsequent to the filing of the complaint, it learned that LGISC transferred all its organization, assets and goodwill, as a consequence of a joint venture agreement with Otis Elevator Company of the USA, to LG Otis Elevator Company (LG OTIS, for brevity). Thus, LGISC was to be substituted or changed to LG OTIS, its successor-in-interest. Likewise, the motion averred that x x x GOLDSTAR was being utilized by LG OTIS and LGIC in perpetrating their unlawful and unjustified acts against HYATT. Consequently, in order to afford complete relief, GOLDSTAR was to be additionally impleaded as a party-defendant. Hence, in the Amended Complaint, HYATT impleaded x x x GOLDSTAR as a party-defendant, and all references to LGISC were correspondingly replaced with LG OTIS.

"On December 18, 2000, LG OTIS (LGISC) and LGIC filed their opposition to HYATT's motion to amend the complaint. It argued that: (1) the inclusion of GOLDSTAR as party-defendant would lead to a change in the theory of the case since the latter took no part in the negotiations which led to the alleged unfair trade practices subject of the case; and (b) HYATT's move to amend the complaint at that time was dilatory, considering that HYATT was aware of the existence of GOLDSTAR for almost two years before it sought its inclusion as party-defendant.

"On January 8, 2001, the [trial] court admitted the Amended Complaint.

LG OTIS (LGISC) and LGIC filed a motion for reconsideration thereto but was similarly rebuffed on October 4, 2001.

"On April 12, 2002, x x x GOLDSTAR filed a Motion to Dismiss the amended complaint, raising the following grounds: (1) the venue was improperly laid, as neither HYATT nor defendants reside in Mandaluyong City, where the original case was filed; and (2) failure to state a cause of action against [respondent], since the amended complaint fails to allege with certainty what specific ultimate acts x x x Goldstar performed in violation of x x x Hyatt's rights. In the Order dated May 27, 2002, which is the main subject of the present petition, the [trial] court denied the motion to dismiss, ratiocinating as follows:

"Upon perusal of the factual and legal arguments raised by the movants-defendants, the court finds that these are substantially the same issues posed by the then defendant LG Industrial System Co. particularly the matter dealing [with] the issues of improper venue, failure to state cause of action as well as this court's lack of jurisdiction. Under the circumstances obtaining, the court resolves to rule that the complaint sufficiently states a cause of action and that the venue is properly laid. It is significant to note that in the amended complaint, the same allegations are adopted as in the original complaint with respect to the Goldstar Philippines to enable this court to adjudicate a complete determination or settlement of the claim subject of the action it appearing preliminarily as sufficiently alleged in the plaintiff's pleading that said Goldstar Elevator Philippines Inc., is being managed and operated by the same Korean officers of defendants LG-OTIS Elevator Company and LG International Corporation."

"On June 11, 2002, [Respondent] GOLDSTAR filed a motion for reconsideration thereto. On June 18, 2002, without waiving the grounds it raised in its motion to dismiss, [it] also filed an "Answer Ad Cautelam". On October 1, 2002, [its] motion for reconsideration was denied.

"From the aforesaid Order denying x x x Goldstar's motion for reconsideration, it filed the x x x petition for certiorari [before the CA] alleging grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the [trial] court in issuing the assailed Orders dated May 27, 2002 and October 1, 2002."^[5]

Ruling of the Court of Appeals

The CA ruled that the trial court had committed palpable error amounting to grave abuse of discretion when the latter denied respondent's Motion to Dismiss. The appellate court held that the venue was clearly improper, because none of the litigants "resided" in Mandaluyong City, where the case was filed.

According to the appellate court, since Makati was the principal place of business of both respondent and petitioner, as stated in the latter's Articles of Incorporation, that place was controlling for purposes of determining the proper venue. The fact

that petitioner had abandoned its principal office in Makati years prior to the filing of the original case did not affect the venue where personal actions could be commenced and tried.

Hence, this Petition.^[6]

The Issue

In its Memorandum, petitioner submits this sole issue for our consideration:

"Whether or not the Court of Appeals, in reversing the ruling of the Regional Trial Court, erred as a matter of law and jurisprudence, as well as committed grave abuse of discretion, in holding that in the light of the peculiar facts of this case, venue was improper[.]"^[7]

This Court's Ruling

The Petition has no merit.

Sole Issue: **Venue**

The resolution of this case rests upon a proper understanding of Section 2 of Rule 4 of the 1997 Revised Rules of Court:

"Sec. 2. *Venue of personal actions.* - All other actions may be commenced and tried where the plaintiff or any of the principal plaintiff resides, or where the defendant or any of the principal defendant resides, or in the case of a non-resident defendant where he may be found, at the election of the plaintiff."

Since both parties to this case are corporations, there is a need to clarify the meaning of "residence." The law recognizes two types of persons: (1) natural and (2) juridical. Corporations come under the latter in accordance with Article 44(3) of the Civil Code.^[8]

Residence is the permanent home -- the place to which, whenever absent for business or pleasure, one intends to return.^[9] Residence is vital when dealing with venue.^[10] A corporation, however, has no residence in the same sense in which this term is applied to a natural person. This is precisely the reason why the Court in *Young Auto Supply Company v. Court of Appeals*^[11] ruled that "for practical purposes, a corporation is in a metaphysical sense a resident of the place where its principal office is located as stated in the articles of incorporation."^[12] Even before this ruling, it has already been established that the residence of a corporation is the place where its principal office is established.^[13]

This Court has also definitively ruled that for purposes of venue, the term "residence" is synonymous with "domicile."^[14] Correspondingly, the Civil Code provides: