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Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

LEY CONSTRUCTION AND  
DEVELOPMENT  
CORPORATION, represented by  
its President, JANET C. LEY,  
Petitioner,

G.R. No. 222711

- versus -

MARVIN MEDEL SEDANO,  
doing business under the name  
and style "LOLA TABA LOLO  
PATO PALENGKE AT  
PALUTO SA SEASIDE,"  
Respondent.

Present:

X-----X

CARPIO, J.,\* Chairperson,  
PERALTA,  
PERLAS-BERNABE,  
CAGUIOA,\*\* and  
REYES, JR., JJ.

MARVIN MEDEL SEDANO,  
doing business under the name  
and style "LOLA TABA LOLO  
PATO PALENGKE AT  
PALUTO SA SEASIDE,"  
Respondent (Third-Party Plaintiff),

- versus -

PHILIPPINE NATIONAL  
CONSTRUCTION  
CORPORATION,  
Respondent (Third-Party  
Defendant).

Promulgated:

23 AUG 2017

X-----*MACabala*-----X

DECISION

PERLAS-BERNABE, J.:

\* Acting Chief Justice per Special Order No. 2469 dated August 22, 2017.  
\*\* On leave.

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Assailed in this petition for review on *certiorari*<sup>1</sup> are the Orders dated June 15, 2015<sup>2</sup> and January 27, 2016<sup>3</sup> of the Regional Trial Court (RTC) of Valenzuela City, Branch 75 (Valenzuela-RTC) in Civil Case No. 40-V-12, which dismissed petitioner Ley Construction and Development Corporation's (as represented by its President, Janet C. Ley; petitioner) complaint for collection of sum of money and damages, without prejudice, on the ground of improper venue.

### The Facts

On March 13, 2012, petitioner filed a Complaint for Collection of Sum of Money and Damages<sup>4</sup> against respondent Marvin Medel Sedano (respondent), doing business under the name and style "*Lola Taba Lolo Pato Palengke at Paluto sa Seaside*," before the Valenzuela-RTC, docketed as Civil Case No. 40-V-12. In its complaint, petitioner alleged that on January 14, 2005, it leased<sup>5</sup> a 50,000-square meter (sq.m.) parcel of land located at Financial Center Area, Pasay City (now, Lot 5-A Diosdado Macapagal Boulevard, Pasay City) from respondent third-party defendant, the Philippine National Construction Corporation (PNCC).<sup>6</sup> On September 11, 2006, petitioner subleased<sup>7</sup> the 14,659.80-sq.m. portion thereof to respondent for a term of ten (10) years beginning November 15, 2005, for a monthly rent of ₱1,174,780.00, subject to a ten percent (10%) increase beginning on the third year and every year thereafter (lease contract).<sup>8</sup> Respondent allegedly failed to pay the rent due for the period August 2011 to December 2011, amounting to a total of ₱8,828,025.46, and despite demands,<sup>9</sup> refused to settle his obligations;<sup>10</sup> hence, the complaint.

In his Answer with Third-Party Complaint,<sup>11</sup> respondent countered that he religiously paid rent to petitioner until PNCC demanded<sup>12</sup> that the rent be paid directly to it, in view of the petitioner's eviction from the subject property by virtue of a court order.<sup>13</sup> Thus, during the period from August 2011 until December 2011, he remitted the rentals to PNCC.<sup>14</sup> Should he be found liable to petitioner, respondent maintained that the RTC should hold PNCC liable to reimburse to him the amounts he paid as rentals; hence, the third-party complaint.<sup>15</sup>

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<sup>1</sup> *Rollo*, pp. 20-44.

<sup>2</sup> *Id.* at 54-61. Penned by Presiding Judge Lilia Mercedes Encarnacion A. Gepty.

<sup>3</sup> *Id.* at 62-63.

<sup>4</sup> Dated February 24, 2012. *Id.* at 68-77.

<sup>5</sup> See Contract of Lease dated January 5, 2005; *id.* at 80-83.

<sup>6</sup> See *id.* at 80.

<sup>7</sup> See Contract of Lease notarized on September 11, 2006 (lease contract); *id.* at 64-67.

<sup>8</sup> *Id.* at 64. See also *id.* at 69-70.

<sup>9</sup> See demand letter dated October 27, 2011; *id.* at 91-92.

<sup>10</sup> See *id.* at 70-71.

<sup>11</sup> Dated June 22, 2012. *Id.* at 111-117.

<sup>12</sup> See demand letter dated August 10, 2011; *id.* at 120.

<sup>13</sup> See *id.* at 112. See also Decision in Civil Case No. M-PSY-08-07675-CV dated July 4, 2011; *id.* at 121-131.

<sup>14</sup> See official receipts for rental payments; *id.* at 132-135.

<sup>15</sup> See *id.* at 115-116.

Respondent likewise pointed out that the venue was improperly laid since Section 21<sup>16</sup> of the lease contract provides that “[a]ll actions or case[s] filed in connection with this case shall be filed with the Regional Trial Court of Pasay City, exclusive of all others.”<sup>17</sup> Hence, the complaint should be dismissed on the ground of improper venue.

Finally, respondent argued that he paid petitioner the amounts of ₱3,518,352.00 as deposit and advance rentals under the lease contract, and that he made a ₱400,000.00 overpayment, all of which amounts were not liquidated or credited to respondent during the subsistence of the lease contract. Thus, respondent interposed a counterclaim, seeking petitioner to reimburse the said amounts to him, and to pay him moral and exemplary damages, including litigation expenses, in view of petitioner’s filing of such baseless suit.<sup>18</sup>

In its Comment/Opposition<sup>19</sup> to respondent’s affirmative defense of improper venue, petitioner argued that Section 21 of the lease contract is not a stipulation as to venue, but a stipulation on jurisdiction which is void.<sup>20</sup> This is because such stipulation deprives other courts, *i.e.*, the Municipal Trial Courts, of jurisdiction over cases which, under the law, are within its exclusive original jurisdiction, such as an action for unlawful detainer.<sup>21</sup> Petitioner further posited that respondent had already submitted himself to the jurisdiction of the Valenzuela-RTC and had waived any objections on venue, since he sought affirmative reliefs from the said court when he asked several times for additional time to file his responsive pleading, set-up counterclaims against petitioner, and impleaded PNCC as a third-party defendant.<sup>22</sup>

Meanwhile, in its Answer to Third Party Complaint with Counterclaim,<sup>23</sup> PNCC contended that respondent has no cause of action against it, since he acknowledged PNCC’s right to receive rent, as evidenced by his direct payment thereof to PNCC.<sup>24</sup> Respondent also entered into a contract of lease with PNCC after learning that petitioner had been evicted from the premises by virtue of a court ruling.<sup>25</sup>

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<sup>16</sup> Id. at 66.

<sup>17</sup> See id. at 66. See also id. at 114.

<sup>18</sup> See id. at 114-115.

<sup>19</sup> Dated December 13, 2013. Id. at 191-198.

<sup>20</sup> See id. at 192-193.

<sup>21</sup> Id.

<sup>22</sup> See id. at 194-196.

<sup>23</sup> Dated January 16, 2013. Id. at 138-142B.

<sup>24</sup> Id. at 141.

<sup>25</sup> Id.

### The Valenzuela-RTC Ruling

In an Order<sup>26</sup> dated June 15, 2015, the Valenzuela-RTC granted respondent's motion and dismissed the complaint on the ground of improper venue. It held that Section 21 of the lease contract between petitioner and respondent is void insofar as it limits the filing of cases with the RTC of Pasay City, even when the subject matter jurisdiction over the case is with the Metropolitan Trial Courts.<sup>27</sup> However, with respect to the filing of cases cognizable by the RTCs, the stipulation validly limits the venue to the RTC of Pasay City.<sup>28</sup> Since petitioner's complaint is one for collection of sum of money in an amount that is within the jurisdiction of the RTC, petitioner should have filed the case with the RTC of Pasay City.<sup>29</sup>

The Valenzuela-RTC also found no merit in petitioner's claim that respondent waived his right to question the venue when he filed several motions for extension of time to file his answer. It pointed out that improper venue was among the defenses raised in respondent's Answer. As such, it was timely raised and, therefore, not waived.<sup>30</sup>

Aggrieved, petitioner moved for reconsideration<sup>31</sup> which was, however, denied by the Valenzuela-RTC in its Order<sup>32</sup> dated January 27, 2016; hence, the present petition.

### The Issue Before the Court

The sole issue for the Court's resolution is whether or not the Valenzuela-RTC erred in ruling that venue was improperly laid.

### The Court's Ruling

The petition has no merit.

Rule 4 of the Rules of Court governs the rules on venue of civil actions, to wit:

#### Rule 4 VENUE OF ACTIONS

Section 1. *Venue of real actions.* — Actions affecting title to or possession of real property, or interest therein, shall be commenced and

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<sup>26</sup> Id. at 54-61.

<sup>27</sup> Id. at 57.

<sup>28</sup> Id.

<sup>29</sup> Id. at 59.

<sup>30</sup> See id. 59-60.

<sup>31</sup> Not attached to the *rollo*.

<sup>32</sup> *Rollo*, pp. 62-63.

tried in the proper court which has jurisdiction over the area wherein the real property involved, or a portion thereof, is situated.

Forcible entry and detainer actions shall be commenced and tried in the municipal trial court of the municipality or city wherein the real property involved, or a portion thereof, is situated.

Section 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 non-resident defendant where he may be found, at the election of the plaintiff.**

Section 3. *Venue of actions against nonresidents.* — If any of the defendants does not reside and is not found in the Philippines, and the action affects the personal status of the plaintiff, or any property of said defendant located in the Philippines, the action may be commenced and tried in the court of the place where the plaintiff resides, or where the property or any portion thereof is situated or found.

Section 4. *When Rule not applicable.* — This Rule shall not apply

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(a) In those cases where a specific rule or law provides otherwise; or

(b) **Where the parties have validly agreed in writing before the filing of the action on the exclusive venue thereof.** (Emphases supplied)

Based on these provisions, the venue for personal actions shall – as a general rule – lie with the court which has jurisdiction where the plaintiff or the defendant resides, at the election of the plaintiff.<sup>33</sup> As an exception, parties may, through a written instrument, restrict the filing of said actions in a certain exclusive venue.<sup>34</sup> In *Briones v. Court of Appeals*,<sup>35</sup> the Court explained:

Written stipulations as to venue may be restrictive in the sense that the suit may be filed only in the place agreed upon, or merely permissive in that the parties may file their suit not only in the place agreed upon but also in the places fixed by law. As in any other agreement, what is essential is the ascertainment of the intention of the parties respecting the matter.

As regards restrictive stipulations on venue, jurisprudence instructs that it must be shown that such stipulation is exclusive. In the absence of qualifying or restrictive words, such as “exclusively,” “waiving for this purpose any other venue,” “shall only” preceding the designation of venue, “to the exclusion of the other courts,” or words of similar import, the stipulation should be deemed as merely an agreement on an additional forum, not as limiting venue to the specified place.<sup>36</sup>

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<sup>33</sup> Section 2, Rule 4, RULES OF COURT.

<sup>34</sup> Section 4 (b), Rule 4, RULES OF COURT.

<sup>35</sup> G.R. No. 204444, January 14, 2015, 746 SCRA 240.

<sup>36</sup> *Id.* at 247, citing *Legaspi v. Rep. of the Phils.*, 581 Phil. 381, 386 (2008).

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In *Pilipino Telephone Corporation v. Tecson*,<sup>37</sup> the Court held that an exclusive venue stipulation is valid and binding, provided that: (a) the stipulation on the chosen venue is exclusive in *nature or in intent*; (b) it is expressed in writing by the parties thereto; and (c) it is entered into before the filing of the suit.<sup>38</sup>

After a thorough study of the case, the Court is convinced that all these elements are present and that the questioned stipulation in the lease contract, *i.e.*, Section 21 thereof, is a valid venue stipulation that limits the venue of the cases to the courts of Pasay City. It states:

21. **Should any of the party (sic) renege or violate any terms and conditions of this lease contract, it shall be liable for damages. All actions or case[s] filed in connection with this lease shall be filed with the Regional Trial Court of Pasay City, exclusive of all others.**<sup>39</sup> (Emphases and underscoring supplied)

The above provision clearly shows the parties' intention to limit the place where **actions or cases arising from a violation of the terms and conditions of the contract of lease** may be instituted. This is evident from the use of the phrase "exclusive of all others" and the specification of the locality of Pasay City as the place where such cases may be filed.

Notably, the fact that this stipulation generalizes that all actions or cases of the aforementioned kind shall be filed with the RTC of Pasay City, to the exclusion of all other courts, does not mean that the same is a stipulation which attempts to curtail the jurisdiction of all other courts. It is fundamental that jurisdiction is conferred by law and not subject to stipulation of the parties.<sup>40</sup> Hence, following the rule that the law is deemed written into every contract,<sup>41</sup> the said stipulation should not be construed as a stipulation on jurisdiction but rather, one which merely limits venue. Moreover, "[t]he parties are charged with knowledge of the existing law at the time they enter into the contract and at the time it is to become operative."<sup>42</sup> Thus, without any clear showing in the contract that the parties intended otherwise, the questioned stipulation should be considered as a stipulation on venue (and not on jurisdiction), consistent with the basic principles of procedural law.

In this case, it is undisputed that petitioner's action was one for collection of sum of money in an amount<sup>43</sup> that falls within the exclusive

<sup>37</sup> 472 Phil. 411 (2004).

<sup>38</sup> *Id.* at 414.

<sup>39</sup> *Rollo*, pp. 66.

<sup>40</sup> See *Radiowealth Finance Company, Inc. v. Nolasco*, G.R. No. 227146, November 4, 2016.

<sup>41</sup> *Heirs of San Miguel v. Court of Appeals*, 416 Phil. 943, 954 (2001).

<sup>42</sup> *Communication Materials and Design, Inc., v. Court of Appeals*, 329 Phil. 487, 508 (1996), citing *Topweld Manufacturing, Inc. v. ECED, S.A.*, 222 Phil. 424, 435 (1985).

<sup>43</sup> More than ₱8,000,000.00.

jurisdiction of the RTC.<sup>44</sup> Since the lease contract already provided that all actions or cases involving the breach thereof should be filed with the RTC of Pasay City, and that petitioner's complaint purporting the said breach fell within the RTC's exclusive original jurisdiction, the latter should have then followed the contractual stipulation and filed its complaint before the RTC of Pasay City. However, it is undeniable that petitioner filed its complaint with the Valenzuela-RTC; hence, the same is clearly dismissible on the ground of improper venue, without prejudice, however, to its refile in the proper court.

That respondent had filed several motions for extension of time to file a responsive pleading, or that he interposed a counterclaim or third-party complaint in his answer does not necessarily mean that he waived the affirmative defense of improper venue. The prevailing rule on objections to improper venue is that the same must be raised at the earliest opportunity, as in an answer or a motion to dismiss; otherwise, it is deemed waived.<sup>45</sup> Here, respondent timely raised the ground of improper venue since it was one of the affirmative defenses raised in his Answer with Third-Party Complaint.<sup>46</sup> As such, it cannot be said that he had waived the same.

<sup>44</sup> Section 19 (8) of *Batas Pambansa Bilang 129*, entitled "AN ACT REORGANIZING THE JUDICIARY, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES," otherwise known as "THE JUDICIARY REORGANIZATION ACT OF 1980" (August 14, 1981), as amended by Republic Act No. (RA) RA 7691, entitled "AN ACT EXPANDING THE JURISDICTION OF THE METROPOLITAN TRIAL COURTS, MUNICIPAL TRIAL COURTS, AND MUNICIPAL CIRCUIT TRIAL COURTS, AMENDING FOR THE PURPOSE *BATAS PAMBANSA BLG. 129*, OTHERWISE KNOWN AS THE 'JUDICIARY REORGANIZATION ACT OF 1980,'" approved on March 25, 1994), provides:

Section 1. Section 19 of *Batas Pambansa Blg. 129*, otherwise known as the "Judiciary Reorganization Act of 1980," is hereby amended to read as follows:

Section 19. *Jurisdiction in civil cases.* — Regional Trial Courts shall exercise exclusive original jurisdiction.

x x x x

(8) In all other cases in which the demand, exclusive of interest, damages of whatever kind, attorney's fees, litigation expenses, and costs or the value of the property in controversy exceeds One hundred thousand pesos (₱100,000.00) or, in such other cases in Metro Manila, where the demand exclusive of the abovementioned items exceeds Two Hundred thousand pesos (₱200,000.00).

This had been amended by Section 5 of RA 7691 which reads:

Section 5. After five (5) years from the effectivity of this Act, the jurisdictional amounts mentioned in Sec. 19 (3), (4), and (8); and Sec. 33 (1) of *Batas Pambansa Blg. 129* as amended by this Act, shall be adjusted to Two hundred thousand pesos (₱200,000.00). Five (5) years thereafter, such jurisdictional amounts shall be adjusted further to Three hundred thousand pesos (₱300,000.00): *Provided, however,* That in the case of Metro Manila, the abovementioned jurisdictional amounts shall be adjusted after five (5) years from the effectivity of this Act to Four hundred thousand pesos (₱400,000.00).

<sup>45</sup> *City of Lapu-Lapu v. Philippine Economic Zone Authority*, 748 Phil. 473, 523 (2014).

<sup>46</sup> *Rollo*, pp. 114 and 116.

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Further, it should be pointed out that the case of *Pangasinan Transportation Co., Inc. v. Yatco (Pantranco)*<sup>47</sup> cited in the instant petition<sup>48</sup> should not apply to this case, considering that the invocation of the ground of improper venue therein was not based on a contractual stipulation, but rather on respondent Elpidio O. Dizon's alleged violation of the Rules of Court, as he filed his case for damages before the Court of First Instance of Rizal, Branch IV (Quezon City), despite testifying that he was actually a resident of Dagupan City. In that case, the Court ruled that the filing of a counterclaim and third party-complaint, and additionally, the introduction of evidence of petitioner Pantranco (respondent in the case for damages) after the denial of its motion to dismiss on the ground of improper venue, "necessarily implied a submission to the jurisdiction of [the trial court therein], and, accordingly, a waiver of such right as Pantranco may have had to object to the venue, upon the ground that it had been improperly laid."<sup>49</sup> The rationale for the *Pantranco* ruling is that a party cannot invoke a violation of a rule on venue against his counter-party, when he himself is bound by the same rule, but nonetheless, seeks his own relief and in so doing, violates it.

In contrast, the counterclaim of respondent was alleged to be a compulsory counterclaim,<sup>50</sup> which he was prompted to file only because of petitioner's complaint for collection of sum of money, else the same would be barred.<sup>51</sup> In fact, his counterclaim only sought reimbursement of his overpayment to petitioner in the amount of ₱400,000.00, as well as damages for the filing of a purported baseless suit. Thus, his counterclaim is not covered by the venue stipulation, since he is not asserting a violation of the terms and conditions of the lease contract, but rather an independent right which arose only because of the complaint. The same goes for his third-party complaint, whereby he only pleaded that the rental payments remitted to PNCC for the period August 2011 to December 2011 be reimbursed to him in the event that petitioner's complaint is found to be meritorious. Since his counterclaim and third-party complaint are not covered by the venue stipulation, respondent had, therefore, every right to invoke the same whilst raising the ground of improper venue against petitioner's complaint, which action was, on the contrary, covered by the stipulation. Thus, there is no inconsistency in respondent's posturing, which perforce precludes the application of the *Pantranco* ruling, as well as negates the supposition that he had waived the defense of improper venue.

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<sup>47</sup> 128 Phil. 767 (1967).

<sup>48</sup> See *rollo*, pp. 41-42.

<sup>49</sup> *Id.* at 769.


<sup>50</sup> See *rollo*, p. 114.

<sup>51</sup> "A compulsory counterclaim is any claim for money or other relief, which a defending party may have against an opposing party, which at the time of suit arises out of, or is necessarily connected with, the same transaction or occurrence that is the subject matter of plaintiff's complaint. It is compulsory in the sense that it is within the jurisdiction of the court, does not require for its adjudication the presence of third parties over whom the court cannot acquire jurisdiction, **and will be barred in the future if not set up in the answer to the complaint in the same case.**" (*Cruz-Agana v. Santiago-Lagman*, 495 Phil. 188, 193-194 [2005], emphasis and underscoring supplied.)




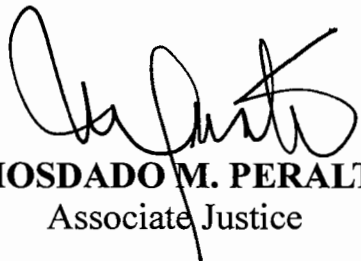
**WHEREFORE**, the petition is **DENIED**. Accordingly, the Orders dated June 15, 2015 and January 27, 2016 of the Regional Trial Court of Valenzuela City, Branch 75 in Civil Case No. 40-V-12 are hereby **AFFIRMED**.

**SO ORDERED.**


  
**ESTELA M. PERLAS-BERNABE**  
Associate Justice

**WE CONCUR:**

  
**ANTONIO T. CARPIO**  
Acting Chief Justice  
Chairperson

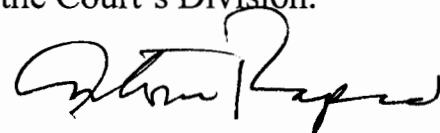
  
**DIOSDADO M. PERALTA**  
Associate Justice

**On leave**  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

  
**ANDRES B. REYES, JR.**  
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

  
**ANTONIO T. CARPIO**  
Acting Chief Justice  
Chairperson