

THIRD DIVISION

[G.R. No. 201302, January 23, 2019]

HYGIENIC PACKAGING CORPORATION, PETITIONER, VS. NUTRI-ASIA, INC., DOING BUSINESS UNDER THE NAME AND STYLE OF UFC PHILIPPINES (FORMERLY NUTRI-ASIA, INC.), RESPONDENT.

DECISION

LEONEN, J.:

The venue for the collection of sum of money case is governed by Rule 4, Section 2 of the Rules of Court. Unless the parties enter into a written agreement on their preferred venue before an action is instituted, the plaintiff may commence his or her action before the trial court of the province or city either where he or she resides, or where the defendant resides. If the party is a corporation, its residence is the province or city where its principal place of business is situated as recorded in its Articles of Incorporation.^[1]

This is a Petition for Review on Certiorari^[2] assailing the January 13, 2012 Decision^[3] and March 28, 2012 Resolution^[4] of the Court of Appeals in CA-G.R. SP No. 119511. The Court of Appeals granted Nutri-Asia, Inc.'s (Nutri-Asia) Petition for Certiorari,^[5] and reversed and set aside the May 24, 2010 Order^[6] of the Regional Trial Court Branch 46, Manila and the March 14, 2011 Joint Order^[7] of the Regional Trial Court Branch 24, Manila in Civil Case No. 09-121849. The trial courts denied Nutri-Asia's Omnibus Motion to Set for Hearing the Affirmative Defenses Pleaded in the Answer and to Refer the Parties to Arbitration in a collection of sum of money case.^[8]

Hygienic Packaging Corporation (Hygienic) is a domestic corporation that manufactures, markets, and sells packaging materials such as plastic bottles and ratchet caps.^[9] Meanwhile, Nutri-Asia is a domestic corporation that manufactures, sells, and distributes food products such as banana-based and tomato-based condiments, fish sauce, vinegar, soy sauce, and other sauces.^[10]

From 1998 to 2009, Hygienic supplied Nutri-Asia with KG Orange Bottles and Ratchet Caps with Liners (plastic containers) for its banana catsup products.^[11] Every transaction was covered by a Purchase Order issued by Nutri-Asia.^[12] The Terms and Conditions on the Purchase Order provided:

TERMS AND CONDITIONS

The following terms and conditions and any of the specifications, drawings, samples and additional terms and conditions which may be

incorporated herein by reference or appended hereto are part of this Purchase Order. By accepting this Purchase Order or any part thereof the Seller agrees to and accepts all terms and conditions.

1. The number of this Purchase Order must appear on the corresponding Sales Invoice, Shipping papers and other pertinent documents and the Seller's VAT No., when applicable, must be on all Invoices/Delivery receipts.
2. NO Payment will be made unless original sales invoice received by Buyer's accounting Department.

....

8. The Seller warrants that the Goods delivered to the Buyer will be merchantable, of commercial standard and that the Goods will conform with (sic) the written specifications and requirements of the Buyer. The Buyer shall have the right to reject or return any or all items found not in conformity with such standards[,] [s]pecifications or requirements. The Seller shall likewise indemnify and hold the Buyer free and harmless from any and all damages incurred by the Buyer as a result of the violation of these warranties.

The above warranties by the Seller shall also apply in case o[f] Goods consisting of packaging materials or foodstuffs to be used as raw materials or ingredients in the manufacture or processing of foodstuff in ensuring that they shall be fit for human consumption and free from adulteration or foreign materials and shall comply with all the relevant food and hygiene statutes and regulations both in the Buyer's Country and in any other such relevant country as to composition, processing (if any), packaging and description.

....

13. Arbitration [of] all disputes arising in connection with this Contract shall be referred to an Arbitration Committee, in accordance with the Philippine Arbitration Law, composed of three members: one (1) member to be chosen by the Buyer; another member to be chosen by . the Seller[;] and the third member to be chosen by the other two members. The decision of the Arbitration Committee shall be binding upon the parties.^[13]

From December 29, 2007 to January 22, 2009, Nutri-Asia purchased from Hygienic 457,128 plastic containers, for a total consideration of P9,737,674.62.^[14] Hygienic issued Sales Invoices^[15] and Delivery Receipts^[16] to cover these transactions.^[17]

On July 29, 2009, Hygienic filed a Complaint^[18] for sum of money against Nutri-Asia. It instituted the case before the Regional Trial Court of Manila "pursuant to the stipulation of the parties as stated in the Sales Invoices submitting themselves to

the jurisdiction of the Courts of the City of Manila in any legal action arising out of their transaction[.]"^[19]

In its Complaint, Hygienic alleged that based on the Purchase Orders and Sales Invoices, Nutri-Asia agreed to pay Hygienic 30 days after every delivery of plastic containers. However, Nutri-Asia refused to pay for the goods delivered from December 29, 2007 to January 22, 2009 after their payment became due, despite oral and written demands from Hygienic.^[20]

Hygienic prayed that Nutri-Asia be ordered to pay it the sum of: (1) P9,737,674.62 plus 12% interest per annum as the total unpaid cost of the plastic containers; (2) 25% of P9,737,674.62 or the amount to be collected from Nutri-Asia as attorney's fees; (3) P300,000.00 as their counsel's acceptance fee; (4) P4,000.00 as their counsel's appearance fee for each and every appearance of its counsel in court; and (5) costs of suit.^[21]

In its Answer with Compulsory Counter-Claim,^[22] Nutri-Asia argued that the case should be dismissed as Hygienic failed to comply with a condition precedent prior to its filing of the Complaint.^[23] It claimed that under the Terms and Conditions of the Purchase Orders, Hygienic should have first referred the matter to the Arbitration Committee.^[24]

Nutri-Asia alleged that the venue was also improperly laid since the Regional Trial Court of Manila was not the proper venue for the institution of Hygienic's personal action. The Complaint should have been filed either before the trial courts of San Pedro, Laguna or Pasig City, where the principal places of business of Hygienic and Nutri-Asia are located, respectively. The venue of actions as stated in the Sales Invoices could not bind Nutri-Asia since it did not give its express conformity to that stipulation.^[25]

Nutri-Asia admitted purchasing the plastic containers, and receiving Hygienic's Demand Letter and Final Demand Letter.^[26] However, it countered that Hygienic's claim "has been extinguished on the ground of compensation."^[27]

Nutri-Asia claimed that of the 457,128 plastic containers, it only used 327,046 for its products, while the 130,082 pieces were unused.^[28] It narrated that since January 21, 2009, it received numerous customer complaints on its UFC Banana Catsup products. Consumers complained that the catsup smelled like detergent and soap and tasted like chemical, soap, plastic, and rubber.^[29] After investigation, Nutri-Asia discovered that "the contaminated products were all manufactured on December 15, 2008 and they [were] limited to UFC Banana Catsup in 2 kg. plastic containers supplied by [Hygienic]."^[30] It was compelled to recall the contaminated products.^[31]

Nutri-Asia stated that in the meetings held on January 22 and 23, 2009, the officers of Hygienic admitted and confirmed that it "used a different colorant which has a poor Low Density Polyethylene (LDPE) carrier grade or poor bonding of the die/powder (sic) with the carrier."^[32] The colorant bleeding in the containers contaminated Nutri-Asia's banana catsup. Hygienic's officers allegedly assured Nutri-

Asia representatives that Hygienic will shoulder the expenses that would be incurred in the recall of the contaminated products. Its Sales and Marketing Manager, Judith B. Lim, allegedly reassured the same in an electronic mail.^[33]

Nutri-Asia further stated that it sent a Letter dated May 6, 2009 to Hygienic, requesting for the reimbursement of P36,304,451.27, representing the recall expenses, product and container costs, freight and rental charges, and brand damage. This amount excludes Nutri-Asia's unrealized income.^[34]

Nutri-Asia disclosed that Hygienic, in its June 9, 2009 letter, stated that it could not assess Nutri-Asia's claims as they were not accompanied by any supporting document. It also said that it would consider the case closed if Nutri-Asia failed to provide supporting documents by the end of June 11, 2009 office hours. Nutri-Asia replied that Hygienic had no basis to consider the matter closed since the former did not abandon or waive its reimbursement claim. Nutri-Asia requested for a meeting to further discuss the matter.^[35]

Nutri-Asia alleged that it sent Hygienic the supporting documents on June 15, 2009. However, Hygienic stated that the documents it received were insufficient to support Nutri-Asia's reimbursement claim. Nutri-Asia insisted that the documents were sufficient, and again suggested a meeting between the parties.^[36]

After a re-computation of its claims, Nutri-Asia informed Hygienic that its request for reimbursement decreased to P25,850,759.31. The new amount was due to the reduction of the number of rejects and the reduction in freight charges, rental charges, and additional manpower charges. The parties exchanged several correspondences, until Nutri-Asia received a copy of the Complaint. As of September 4, 2009, Nutri-Asia's expenses increased to P26,405,553.95.^[37]

In arguing that its obligation was extinguished by compensation, Nutri-Asia contended:

10.47 In the instant case, both plaintiff and defendant are bound principally and at the same time a principal creditor of the other; both debts consist in a sum of money; both debts are due, liquidated and demandable; and neither plaintiff [n]or defendant there be any retention or controversy, commenced by third persons and communicated in due time to the debtor.

10.48 By virtue of compensation, the plaintiff's obligation to defendant for the said losses and damages in the sum of P26,405,553.95 is set off to the extent of P9,737,674.12 with the defendant's alleged obligation to plaintiff in the sum of P9,737,674.12 resulting to the extinguishment of defendant's alleged obligation to plaintiff.^[38]

Due to compensation, Hygienic's unpaid obligation was reduced to P16,667,879.83.^[39] Nutri-Asia added that Hygienic's cause of action against it had yet to accrue, and that Nutri-Asia was merely holding the payment of P9,737,674.12 as a lien to ensure that Hygienic would pay the losses and damages it incurred.^[40]

Lastly, Nutri-Asia alleged that Hygienic did not come to comi with clean hands, and that it acted in bad faith when it filed the Complaint.^[41] It claimed that the amount charged by Hygienic was "excessive, iniquitous[,] and unconscionable."^[42]

After Hygienic filed its Reply,^[43] Nutri-Asia filed an Omnibus Motion.^[44] Nutri-Asia reiterated its arguments in its Answer, adding that its affirmative defenses could "be resolved on the basis of the pleadings and the documents attached to the complaint without the need of further hearing."^[45]

Hygienic opposed Nutri-Asia's Omnibus Motion in its Consolidated or Joint Comment.^[46] It countered that the allegation of noncompliance with a condition precedent was incorrect.^[47] Moreover, its cause of action was anchored on "the sales invoices and delivery receipts duly acknowledged by [Nutri-Asia] through its authorized representative and that these deliveries made by [Hygienic] were not properly paid by [Nutri-Asia]."^[48]

Hygienic claimed that even if the cause of action was based on all attached documents in the Complaint, which included the Purchase Orders, the arbitration clause was "inoperative or incapable of being performed."^[49] This is because of the conflict between the arbitration clause in the Purchase Orders and the submission of parties to the Manila courts' jurisdiction in the Sales Invoices. The arbitration clause was merely an offer from Nutri-Asia, which Hygienic rejected in its Sales Invoices. To submit the dispute to arbitration, there should have been an unequivocal agreement between the parties. This agreement was lacking in their case.^[50]

In its May 24, 2010 Order,^[51] the Regional Trial Court Branch 46, Manila denied the Omnibus Motion.^[52] It held that the venue was properly laid. It considered the signatures of Nutri-Asia's representatives in the Sales Invoices as the company's concurrence that any dispute would be raised before the courts of Manila.^[53]

The trial court also found that the elements of compensation under the Civil Code were absent. It held that Hygienic and Nutri-Asia were not creditors and debtors of each other. Only Hygienic was the creditor, and only Nutri-Asia was the debtor. Nutri-Asia's Counter-Claim for damages still had to be proven.^[54]

The trial court likewise did not give credence to Nutri-Asia's allegation that Hygienic had no cause of action against it.^[55] As to the allegation that Nutri-Asia's affirmative defenses could already be resolved without going through trial, the trial court held that the issues Nutri-Asia raised "must be heard in a full blown trial."^[56] It held:

It is the view of the court that the arguments presented are factual in nature. Trial therefore is essential for the court to best appreciate the facts presented. It cannot be done by mere reading, study and evaluation of the documents attached to the complaint and the arguments presented in their respective motions and comments to prevent miscarriage of justice.

....