802 Phil. 839

SECOND DIVISION

[G.R. No. 220546, December 07, 2016]

LUZON IRON DEVELOPMENT GROUP CORPORATION AND CONSOLIDATED IRON SANDS, LTD., PETITIONERS, V. BRIDESTONE MINING AND DEVELOPMENT CORPORATION AND ANACONDA MINING AND DEVELOPMENT CORPORATION, RESPONDENTS.

DECISION

MENDOZA, J.:

This petition for review on *certiorari* with prayer for the issuance of a writ of preliminary injunction and/or temporary restraining order (*TRO*) seeks to reverse and set aside the September 8, 2015 Decision[1] of the Court of Appeals (*CA*) in CA-G.R. SP No. 133296, which affirmed the March 18, 2013[2] and September 18, 2013[3] Orders of the Regional Trial Court, Branch 59, Makati City (*RTC*), in the consolidated case for rescission of contract and damages.

The Antecedents.

On October 25, 2012, respondents Bridestone Mining and Development Corporation (*Bridestone*) and Anaconda Mining and Development Corporation (*Anaconda*) filed separate complaints before the RTC for rescission of contract and damages against petitioners Luzon Iron Development Group Corporation (*Luzon Iron*) and Consolidated Iron Sands, Ltd. (*Consolidated Iron*), docketed as Civil Case No. 12-1053 and Civil Case No. 12-1054, respectively. Both complaints sought the rescission of the Tenement Partnership and Acquisition Agreement (*TPAA*)[4] entered into by Luzon Iron and Consolidated Iron, on one hand, and Bridestone and Anaconda, on the other, for the assignment of the Exploration Permit Application of the former in favor of the latter. The complaints also sought the return of the Exploration Permits to Bridestone and Anaconda.[5]

Thereafter, Luzon Iron and Consolidated Iron filed their Special Appearance with Motion to Dismiss[6] separately against Bridestone's complaint and Anaconda's complaint. Both motions to dismiss presented similar grounds for dismissal. They contended that the RTC could not acquire jurisdiction over Consolidated Iron because it was a foreign corporation that had never transacted business in the Philippines. Likewise, they argued that the RTC had no jurisdiction over the subject matter because of an arbitration clause in the TPAA.

On December 19, 2012, the RTC ordered the consolidation of the two cases.[7] Subsequently, Luzon Iron and Consolidated Iron filed their Special Appearance and Supplement to Motions to Dismiss,[8] dated January 31, 2013, seeking the dismissal of the consolidated cases. The petitioners alleged that Bridestone and Anaconda were guilty of forum shopping because they filed similar complaints before the

Department of Environment and Natural Resources (*DENR*), Mines and Geosciences Bureau, Regional Panel of Arbitrators against Luzon Iron.

The RTC Orders

In its March 18, 2013 Order, the RTC denied the motions to dismiss, as well as the supplemental motion to dismiss, finding that Consolidated Iron was doing business in the Philippines, with Luzon Iron as its resident agent. The RTC ruled that it had jurisdiction over the subject matter because under clause 14.8 of the TPAA, the parties could go directly to courts when a direct and/or blatant violation of the provisions of the TPAA had been committed. The RTC also opined that the complaint filed before the DENR did not constitute forum shopping because there was neither identity of parties nor identity of reliefs sought.

Luzon Iron and Consolidated Iron moved for reconsideration, but the RTC denied their motion in its September 18, 2013 Order.

Undaunted, they filed their petition for review with prayer for the issuance of a writ of preliminary injunction and/or TRO before the CA.

The CA Ruling

In its September 8, 2015 Decision, the CA *affirmed* the March 18, 2013 and September 18, 2013 RTC Orders in denying the motions to dismiss and the supplemental motions to dismiss. It agreed that the court acquired jurisdiction over the person of Consolidated Iron because the summons may be validly served through its agent Luzon Iron, considering that the latter was merely the business conduit of the former. The CA also sustained the jurisdiction of the RTC over the subject matter opining that the arbitration clause in the TPAA provided for an exception where parties could directly go to court.

Further, the CA also disregarded the averment of forum shopping, explaining that in the complaint before the RTC, both Consolidated Iron and Luzon Iron were impleaded but in the complaint before the DENR only the latter was impleaded. It stated that there was no identity of relief and no identity of cause of action.

Hence, this appeal raising the following:

ISSUES

I

WHETHER THE COURT OF APPEALS ERRED IN RULING THAT THE TRIAL COURT ACQUIRED JURISDICTION OVER THE PERSON OF CONSOLIDATED IRON;

II

WHETHER THE COURT OF APPEALS ERRED IN RULING THAT THE TRIAL COURT HAS JURISDICTION OVER THE SUBJECT MATTER OF THE CONSOLIDATED CASES; AND

III

WHETHER THE COURT OF APPEALS ERRED IN RULING THAT BRIDESTONE/ANACONDA WERE NOT GUILTY OF FORUM

SHOPPING.[9]

Petitioners Luzon Iron and Consolidated Iron insist that the RTC has no jurisdiction over the latter because it is a foreign corporation which is neither doing business nor has transacted business in the Philippines. They argue that there could be no means by which the trial court could acquire jurisdiction over the person of Consolidated Iron under any mode of service of summons. The petitioners claim that the service of summons to Consolidated Iron was defective because the mere fact that Luzon Iron was a wholly-owned subsidiary of Consolidated Iron did not establish that Luzon Iron was the agent of Consolidated Iron. They emphasize that Consolidated Iron and Luzon Iron are two distinct and separate entities.

The petitioners further assert that the trial court had no jurisdiction over the consolidated cases because of the arbitration clause set forth in the TPAA. They reiterate that Luzon Iron and Consolidated Iron were guilty of forum shopping because their DENR complaint contained similar causes of action and reliefs sought. They stress that the very evil sought to be prevented by the prohibition on forum shopping had occurred when the DENR and the RTC issued conflicting orders in dismissing or upholding the complaints filed before them.

Position of Respondents

In their Comment/Opposition,[10] dated January 7, 2016, respondents Bridestone and Anaconda countered that the RTC validly acquired jurisdiction over the person of Consolidated Iron. They posited that Consolidated Iron was doing business in the Philippines as Luzon Iron was merely its conduit. Thus, they insisted that summons could be served to Luzon Iron as Consolidated Iron's agent. Likewise, they denied that they were guilty of forum shopping as the issues and the reliefs prayed for in the complaints before the RTC and the DENR differed.

Further, the respondents asserted that the trial court had jurisdiction over the complaints because the TPAA itself allowed a direct resort before the courts in exceptional circumstances. They cited paragraph 14.8 thereof as basis explaining that when a direct and/or blatant violation of the TPAA had been committed, a party could go directly to the courts. They faulted the petitioners in not moving for the referral of the case for arbitration instead of merely filing a motion to dismiss. They added that actions that are subject to arbitration agreement were merely suspended, and not dismissed.

Reply of Petitioners

In their Reply,[11] dated April 29, 2016, the petitioners stated that Consolidated Iron was not necessarily doing business in the Philippines by merely establishing a wholly-owned subsidiary in the form of Luzon Iron. Also, they asserted that Consolidated Iron had not been validly served the summons because Luzon Iron is neither its resident agent nor its representative in the Philippines. The petitioners explained that Luzon Iron, as a wholly-owned subsidiary, had a separate and distinct personality from Consolidated Iron.

The petitioners explained that Paragraph 14.8 of the TPAA should not be construed as an authority to directly resort to court action in case of a direct and/or blatant violation of the TPAA because such interpretation would render the arbitration clause nugatory. They contended that, even for the sake of argument, the judicial action

under the said provisions was limited to issues or matters which were inexistent in the present case. They added that a party was not required to file a formal request for arbitration before an arbitration clause became operational. Lastly, they insisted that the respondents were guilty of forum shopping in simultaneously filing complaints before the trial court and the DENR.

The Court's Ruling

The petition is impressed with merit.

Filing of complaints before the RTC and the DENR is forum shopping

Forum shopping is committed when multiple suits involving the same parties and the same causes of action are filed, either simultaneously or successively, for the purpose of obtaining a favorable judgment through means other than appeal or certiorari.[12] The prohibition on forum shopping seeks to prevent the possibility that conflicting decisions will be rendered by two tribunals.[13]

In *Spouses Arevalo v. Planters Development Bank*,[14] the Court elaborated that forum shopping vexed the court and warranted the dismissal of the complaints. Thus:

> Forum shopping is the act of litigants who repetitively avail themselves of multiple judicial remedies in different fora, simultaneously or successively, all substantially founded on the same transactions and the same essential facts and circumstances; and raising substantially similar issues either pending in or already resolved adversely by some other court; or for the purpose of increasing their chances of obtaining a favorable decision, if not in one court, then in another. **The rationale against forum-shopping is that a party should not be allowed to pursue simultaneous remedies in two different courts, for to do so would constitute abuse of court processes which tends to degrade the administration of justice, wreaks havoc upon orderly judicial procedure, and adds to the congestion of the heavily burdened dockets of the courts.**
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> **What is essential in determining the existence of forum-shopping is the vexation caused the courts and litigants by a party who asks different courts and/or administrative agencies to rule on similar or related causes and/or grant the same or substantially similar reliefs, in the process creating the possibility of conflicting decisions being rendered upon the same issues.**
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> We emphasize that the grave evil sought to be avoided by the rule against forum-shopping is the rendition by two competent tribunals of two separate and contradictory decisions. **To avoid any confusion, this Court adheres strictly to the rules against forum shopping, and any violation of these rules results in the dismissal of a case.** The

> acts committed and described herein can possibly constitute direct contempt.[15] [Emphases supplied]

There is forum shopping when the following elements are present: (a) identity of parties, or at least such parties representing the same interests in both actions; (b) identity of rights asserted and reliefs prayed for, the relief being founded on the same facts; and (c) the identity of the two preceding particulars, such that any judgment rendered in the other action will, regardless of which party is successful, amounts to *res judicata* in the action under consideration.[16] All the above-stated elements are present in the case at bench.

First, there is identity of parties. In both the complaints before the RTC and the DENR, Luzon Iron was impleaded as defendant while Consolidated Iron was only impleaded in the complaint before the RTC. Even if Consolidated Iron was not impleaded in the DENR complaint, the element still exists. The requirement is only substantial, and not absolute, identity of parties; and there is substantial identity of parties when there is community of interest between a party in the first case and a party in the second case, *even if the latter was not impleaded in the other case*.[17] Consolidated Iron and Luzon Iron had a common interest under the TPAA as the latter was a wholly-owned subsidiary of the former.

Second, there is identity of causes of action. A reading of the complaints filed before the RTC and the DENR reveals that they had almost identical causes of action and they prayed for similar reliefs as they ultimately sought the return of their respective Exploration Permit on the ground of the alleged violations of the TPAA committed by the petitioners.[18] In *Yap v. Chua*,[19] the Court ruled that identity of causes of action did not mean absolute identity.

> Hornbook is the rule that identity of causes of action does not mean absolute identity; otherwise, a party could easily escape the operation of *res judicata* by changing the form of the action or the relief sought. **The test to determine whether the causes of action are identical is to ascertain whether the same evidence will sustain both actions, or whether there is an identity in the facts essential to the maintenance of the two actions. If the same facts or evidence would sustain both, the two actions are considered the same, and a judgment in the first case is a bar to the subsequent action.** Hence, a party cannot, by varying the form of action or adopting a different method of presenting his case, escape the operation of the principle that one and the same cause of action shall not be twice litigated between the same parties or their privies. xxx[20] [Emphases supplied]

In the case at bench, both complaints filed before different *fora* involved similar facts and issues, the resolution of which depends on analogous evidence. Thus, the filing of two separate complaints by the petitioners with the RTC and the DENR clearly constitutes forum shopping.

It is worth noting that the very evil which the prohibition against forum shopping sought to prevent had happened—the RTC and the DENR had rendered conflicting decisions. The trial court ruled that it had jurisdiction notwithstanding the arbitration