



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

**DRS. REYNALDO ANG and
SUSAN CUCIO-ANG,**

Petitioners,

- versus -

**ROSITA DE VENECIA, ANGEL
MARGARITO D. CARAMAT, JR.,
EMMA TRINIDAD CARAMAT,
JOSE MARI B. SOTO, JEN LEE
G. VILVAR,¹ and THE CITY
ENGINEER'S OFFICE OF THE
CITY OF MAKATI,**

Respondents.

G.R. No. 217151

Present:

PERLAS-BERNABE, J.,
Chairperson,
REYES, A., JR.,
HERNANDO,
INTING, *and*
DELOS SANTOS, JJ.

Promulgated:

12 FEB 2020

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DECISION

REYES, A., JR., J.:

Does the Construction Industry Arbitration Commission (CIAC) have jurisdiction over a suit filed by a homeowner whose house was damaged by a construction project undertaken by her neighbor?

This is the question posed by the present Petition for Review² on *certiorari* under Rule 45 of the Revised Rules of Court. It assails the November 12, 2014³ and February 20, 2015⁴ Orders of the Regional Trial Court (RTC) of Makati City, Branch 134, in Civil Case No. 09-510, which denied the Motion to Retain Jurisdiction and to Proceed with Trial and the Motion for Reconsideration filed by Reynaldo Ang and Susan Cucio-Ang.

¹ Also referred to as "Ven Lee G. Vilvar" in some parts of the record.

² *Rollo*, pp. 41-56.

³ *Id.* at 16; rendered by Judge Perpetua T. Atal-Paño (now Associate Justice of the Court of Appeals).

⁴ *Id.* at 83-86.

Reyes

The Complaint states that petitioners Reynaldo Ang and Susan Cucio-Ang (spouses Ang) own a two-storey residential house and lot located at 216 Sunrise St., *Barangay* Singkamas, Makati City. In 2008, their neighbor, respondent Angel Margarito D. Caramat, Jr. (Angel) started construction on a five-storey commercial building on the adjoining lot.⁵ In 2009, the spouses Ang noticed cracks in their walls and misalignment of their gate and several doors in their house. Suspecting that these were due to the construction works by Angel in the adjacent lot, the spouses Ang hired an architect to survey their house. The architect reported that the foundation of their house was exposed and moved, as the foundation of the five-storey building being constructed by Angel required much deeper excavation compared to their house.⁶

The spouses Ang referred the matter to the *barangay* officials of Singkamas, which ordered the parties to appear for a mediation hearing on April 2, 2009. Angel agreed to make all necessary repairs in the spouses Ang's property and to provide preventive measures against further damage to their house.⁷ However, the actual work done was limited to repair of the spouses Ang's misaligned garage door and installation of braces at their glass door. Unsatisfied with said measures, the spouses Ang sought *barangay* mediation again, but Angel and respondent Jose Mari B. Soto (Soto), who works for Angel's contractor, MC Soto Construction, refused to conduct additional repairs on the Ang residence, asserting that the damage thereto was caused by weaknesses in the house's foundation.⁸ Another attempt at *barangay* mediation failed, prompting the spouses Ang to refer their complaint to the respondent City Engineer of Makati.⁹ The City Engineer issued a formal demand letter ordering Angel and Soto to comply with the requirements of the National Building Code, to no avail. Without any action from Angel and Soto, the spouses Ang sought and obtained a certification to file action from the *barangay*.¹⁰

After their final demand went unheeded, the spouses Ang filed the instant Complaint on June 15, 2009, against Angel, Soto, and respondents Jen Lee Vilvar (another architect of MC Soto Construction), Rosita de Venecia, Emma Trinidad Caramat (the alleged owners of the lot where Angel's building was being constructed), and the City Engineer of Makati. The complaint was docketed as Civil Case No. 09-510 and eventually raffled to Branch 134 of the Makati City RTC.¹¹ On September 29, 2009, the Caramats sought leave to file a third-party complaint against Soto and MC Soto Construction. Pre-trial was conducted and the spouses Ang began presentation of their evidence on August 27, 2014.¹²

⁵ Id. at 91.

⁶ Id. at 97.

⁷ Id.

⁸ Id. at 98-99.

⁹ Id. at 99-100.

¹⁰ Id. at 101.

¹¹ Id. at 87-115.

¹² Id. at 125.

Meyer

However, during the pendency of the case, OCA Circular No. 111-2014 was promulgated, which reiterated an earlier directive for all trial courts to dismiss all pending cases involving construction disputes for referral to the CIAC. The court *a quo*, after admitting that it was not aware of the full scope of the CIAC's jurisdiction, suspended the proceedings and instructed the parties to await further orders. In response, the spouses Ang filed on November 17, 2014 a Manifestation with Motion to Retain Jurisdiction and to Proceed with Trial.¹³ However, the trial court had already issued an Order dated November 12, 2014,¹⁴ which dismissed the case and referred it to the CIAC, prompting the spouses Ang to file a Manifestation and/or Motion for Reconsideration with Consolidated Reply dated December 17, 2014.¹⁵

On February 20, 2015, the trial court issued the assailed Order¹⁶ denying both motions and affirming the dismissal of the case, *viz.*:

WHEREFORE, premises considered, the Manifestation with Motion to Retain Jurisdiction and to proceed with Trial as well as the Motion for Reconsideration filed by plaintiffs Drs. Reynaldo Ang and Susan Cucio-Ang are hereby **DENIED**. The Order dated 12 November 2014 issued by this Court stands and the instant case is hereby **DISMISSED and REFERRED** to the Construction Industry Arbitration Commission for proper adjudication.

SO ORDERED.¹⁷

The spouses Ang thus filed the present Petition for Review on April 27, 2015, within the extended period granted by this Court.¹⁸ The petition raises two issues: first, whether the CIAC has jurisdiction over an ordinary civil case for damages filed by a non-party to a construction contract; and second, whether the trial court erred in dismissing the spouses Ang's suit and referring the same to the CIAC.

I

In their Comment,¹⁹ respondents Angel and Emma Caramat argue that the spouses Ang have lost their right to question the dismissal of their case, since they were unable to timely file a Motion for Reconsideration from the November 12, 2014 order. The Caramats argue that the dismissal was made in open court; and therefore, the period to file a Motion for Reconsideration therefrom lapsed

¹³ Id. at 11-15.

¹⁴ Id. at 16.

¹⁵ Id. at 17-32.

¹⁶ Id. at 230-233.

¹⁷ Id. at 233.

¹⁸ Id. at 39.

¹⁹ Id. at 182-208.

Meyer

on November 27, 2014, without any Motion for Reconsideration filed by the spouses Ang.

In their Reply²⁰ to the Caramats' Comment, the spouses Ang argued that the case was not dismissed during the November 12, 2014 hearing. Instead, the presiding judge merely informed the parties of the court's receipt of OCA Circular No. 111-2014, which mandated all trial courts to dismiss all pending cases involving construction disputes. No final ruling on the dismissal of the case was made in open court on that date, and it was for those reasons that the spouses Ang filed their Manifestation with Motion to Retain Jurisdiction the very next day, anticipating that the presiding judge will soon issue a formal order of dismissal. The spouses Ang further argue that they only received a copy of November 12, 2014 order on December 12, 2014; hence their Manifestation and/or Motion for Reconsideration filed on December 17, 2014 was timely filed.²¹

OCA Circular No. 111-2014 reiterates an earlier circular which directs all courts to dismiss all construction disputes pending with their *salas*. Specifically, it provides the following:

x x x x

In view of the foregoing, all concerned are hereby DIRECTED to (1) DISMISS, effective immediately, all pending construction disputes with arbitration clauses of the contending parties not later than the pre-trial conference, and thereafter REFER the same to the *Construction Industry Arbitration Commission (CIAC)* for their proper arbitration thereon, unless both parties, assisted by their respective counsel, shall submit to the Regional Trial Court a written agreement exclusively for the Court, rather than the CIAC, to resolve the dispute; and (2) SUBMIT also within fifteen (15) days from notice, an inventory of such construction disputes filed in their respective courts, to the Court Management Office, Office of the Court Administrator, using the attached Form No. 1.

Strict compliance is hereby enjoined.

It is clear from the foregoing that OCA Circular No. 111-2014 does not operate to *ipso facto* dismiss all construction disputes pending before the regional trial courts; but instead *directs* all presiding judges to issue orders dismissing such suits. This Court is more inclined to agree with the spouses Ang's version of the story, which is corroborated by an Order²² of the court *a quo* dated November 21, 2014 stating that:

²⁰ Id. at 209-222.

²¹ Id. at 211.

²² Id. at 229.

Mejia

Plaintiffs through counsel filed a “Manifestation with Motion to Retain Jurisdiction and to Proceed with Trial” and the latter’s counsel Atty. Ocampo appeared. The counsels for defendants Soto and also for Makati City Engineers [sic] Office including the defendant Caramats are hereby directed to file their comment/opposition to the said motion within a period of ten (10) days from today, after which, the matter would be submitted for resolution.

SO ORDERED.²³

The trial court’s issuance of the aforequoted order reveals two facts: 1) the trial court’s receipt of the spouses Ang’s Manifestation and Motion; and 2) its intention to rule upon the merits thereof. It likewise evinces the trial court’s continued exercise of jurisdiction over the case and its intent to hear the parties on the issue of whether or not the case should be dismissed. That this was the intention of the trial court is further made evident in the assailed February 20, 2015 Order.²⁴ Said Order states that it was meant to resolve the spouses Ang’s Manifestation and Motion and the comments filed thereupon by the defendants. It discusses the arguments advanced by the parties in support of their respective positions on the dismissal of the case; and states that “*the Court resolves to deny the Motion to Retain Jurisdiction and Proceed with Trial*”.²⁵ Given these circumstances, this Court cannot agree with the Caramats’ assertion that the dismissal of the case was formalized during the November 12, 2014 hearing.²⁶

At any rate, even assuming *arguendo* that the dismissal was indeed formalized in open court during the November 12, 2014 hearing, the Manifestation with Motion to Retain Jurisdiction and to Proceed with Trial²⁷ filed by the spouses Ang on November 17, 2014 should be considered a Motion for Reconsideration. The November 12, 2014 Order of the court *a quo* curtly states the following:

When this case was called for the continuation of cross and re-direct examination of the plaintiff’s witness Rufino Malonjao, the Court informed the parties that it has received a directive from the Supreme Court that all cases involving construction disputes have to be referred to CIAC.

In view thereof, this case is hereby ordered Dismissed and let the records of the same be referred to the Construction Industry Arbitration Commission (CIAC) for proper disposition.

SO ORDERED.²⁸

²³ Id.
²⁴ Id. at 230-233.
²⁵ Id. at 232.
²⁶ Id. at 191-192.
²⁷ Id. at 11-15.
²⁸ Id. at 16.

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Said Manifestation with Motion directly addresses the statements made in the aforequoted Order and sets forth arguments against the dismissal of the case for referral to the CIAC. Copies thereof were likewise served upon the adverse parties.²⁹ As such, the Manifestation and Motion satisfies the requirements of Rule 37, Section 2³⁰ for a valid Motion for Reconsideration, and must be considered as such.

II

Rule 45, Section 1 of the Rules of Court authorizes direct resort from the Regional Trial Courts to this Court on pure questions of law. In *Uy v. Chua*,³¹ this Court gave due course to a Petition for Review against a Resolution of the RTC on the issue of *res judicata*. Similarly, in *Philippine Veterans Bank v. Monillas*,³² this Court allowed a direct recourse from an RTC Decision on the question of “whether the prior registered mortgage and the already concluded foreclosure proceedings should prevail over the subsequent annotation of the notices of *lis pendens* on the lot titles”, *viz.*:

[W]e declare that the instant petition [for review], contrary to respondent's contention, is the correct remedy to question the challenged issuances. Under the Rules of Court, a party may directly appeal to this Court from a decision of the trial court only on pure questions of law. A question of law lies, on one hand, when the doubt or difference arises as to what the law is on a certain set of facts; on the other hand, a question of fact exists when the doubt or difference arises as to the truth or falsehood of the alleged facts. Here, the facts are not disputed; the controversy merely relates to the correct application of the law or jurisprudence to the undisputed facts.³³

The present petition does not raise any factual question. The petition poses a sole question: Which tribunal has jurisdiction over the suit for damages filed by the spouses Ang? This question does not involve any determination or finding of truth or falsehood of the factual allegations raised by the spouses Ang; but instead concerns the applicability of the construction arbitration laws to the suit filed by the spouses. Direct resort to this Court is therefore justified.

²⁹ Id. at 15.

³⁰ Rule 37, Section 2 states pertinently that, “The motion [for reconsideration] shall be made in writing stating the ground or grounds therefor, a written notice of which shall be served by the movant on the adverse party. x x x A motion for reconsideration shall point out specifically the findings or conclusions of the judgment or final order which are not supported by the evidence or which are contrary to law, making express reference to the testimonial or documentary evidence or to the provisions of law alleged to be contrary to such findings or conclusions.”

³¹ 616 Phil. 768 (2009).

³² 573 Phil. 384 (2008).

³³ Id. at 389-390.



III

In dismissing the case for referral to the CIAC, the trial court cited Section 2.1.1 of the CIAC Rules and ratiocinated that the case at bar involves “defects in the construction and excavation of the building”;³⁴ hence the CIAC has jurisdiction over the case. The trial court further justified its ruling by citing the need to declog its dockets and emphasizing the CIAC’s expertise in construction matters; which, to the trial court’s mind, would be most advantageous to all parties concerned in the resolution of the case.

In their respective Comments,³⁵ respondents Angel and Emma Caramat, Soto, and Vilvar assert that the dispute is within the jurisdiction of the CIAC because the factual matters involved in the suit pertain to building and engineering matters that require the technical expertise of the CIAC to resolve; while the City Engineer of Makati concurred in the position of the spouses Ang.³⁶

The jurisdiction of the CIAC is provided in Section 4 of Executive Order No. 1008, or the Construction Industry Arbitration Law, *viz.*:

SECTION 4. *Jurisdiction.* — The CIAC shall have original and exclusive jurisdiction over **disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines**, whether the dispute arises before or after the completion of the contract, or after the abandonment or breach thereof. These disputes may involve government or private contracts. **For the Board to acquire jurisdiction, the parties to a dispute must agree to submit the same to voluntary arbitration.**

The jurisdiction of the CIAC may include but is not limited to violation of specifications for materials and workmanship; violation of the terms of agreement; interpretation and/or application of contractual time and delays; maintenance and defects; payment, default of employer or contractor and changes in contract cost.

Excluded from the coverage of this law are disputes arising from employer-employee relationships which shall continue to be covered by the Labor Code of the Philippines.

This provision lays down three requisites for acquisition of jurisdiction by the CIAC, first: a dispute arising from or connected with a construction contract; second, such contract must have been entered into by parties involved in construction in the Philippines; and third, an agreement by the parties to submit

³⁴ *Rollo*, p. 86.

³⁵ *Id.* at 182-208; 236-251; 309-316.

³⁶ *Id.* at 341-348.

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their dispute to arbitration.³⁷ Given the allegations in the spouses Ang's complaint and the issues raised in their petition before this Court, the foregoing requisites obviously do not apply to the case at bar for the simple reason that there is no construction contract between the spouses Ang and the respondents. The spouses Ang's cause of action does not proceed from any construction contract or any accessory contract thereto but from the alleged damage inflicted upon their property by virtue of respondents' construction activities. In fact, respondent Soto admitted in his Comment that "[a] scrupulous examination of the allegations [in the complaint] unveils the fact that [the spouses Ang's] cause of action springs **not from a violation of the provisions of the Construction Agreement between the Sotos and the Caramats, but from the private respondents' allegedly 'destructive construction' and 'erroneous practices' in constructing the Caramats' 5-storey building**".³⁸ Moreover, the spouses did not agree, and even rejected the referral of the dispute to the CIAC.

Provisions of law which define the jurisdiction of a quasi-judicial agency "must be viewed in the light of the nature and function" of the particular agency whose jurisdiction is sought to be invoked.³⁹ In *Engr. Lim, et al. v. Hon. Gamosa, et al.*,⁴⁰ this Court, in delimiting the bounds of the jurisdiction the National Commission on Indigenous Peoples, held that:

x x x the expertise and competence of the NCIP cover only the implementation and the enforcement of the IPRA and customs and customary law of specific ICCs/IPs; the NCIP does not have competence to determine rights, duties and obligations of non-ICCs/IPs under other laws although such may also involve rights of ICCs/IPs. Consistently, the wording of Section 66 [of the IPRA] that "the NCIP shall have jurisdiction over all claims and disputes involving rights of ICCs/IPs" plus the proviso [in Section 66 of the IPRA] necessarily contemplate a limited jurisdiction over cases and disputes between IPs/ICCs.⁴¹

Likewise, in *Union Glass & Container Corp., et al. v. SEC, et al.*,⁴² this Court laid down the proper paradigm for the delineation of the SEC's jurisdiction, thus:

This grant of jurisdiction must be viewed in the light of the nature and function of the SEC under the law. Section 3 of PD No. 902-A confers upon the latter "absolute jurisdiction, supervision, and control over all corporations, partnerships or associations, who are grantees of primary franchise and/or license or permit issued by the government to operate in the Philippines . . ." The principal function of the SEC is the supervision and control over

³⁷ See *Prudential Guarantee and Assurance Inc. v. Anscor Land, Inc.*, 644 Phil. 634, 642 (2010); Arthur P. Autea, *Notes and Cases on Commercial Arbitration under Philippine Law* 273 (2013).

³⁸ *Rollo*, p. 238.

³⁹ *Union Glass & Container Corp., et al. v. SEC, et al.*, 211 Phil. 222 (1983).

⁴⁰ 774 Phil. 31 (2015).

⁴¹ *Id.* at 65.

⁴² *Supra* note 39.

corporations, partnerships and associations with the end in view that investment in these entities may be encouraged and protected, and their activities pursued for the promotion of economic development.

It is in aid of this office that the adjudicative power of the SEC must be exercised. Thus the law explicitly specified and delimited its jurisdiction to matters intrinsically connected with the regulation of corporations, partnerships and associations and those dealing with the internal affairs of such corporations, partnerships or associations.⁴³

Thus, the jurisdiction of the CIAC must also be viewed in the light of the legislative rationale behind the tribunal's creation. The whereas clauses of E.O. No. 1008, and Section 2 thereof, state the following:

WHEREAS, the **construction industry** provides employment to a large segment of the national labor force and is a leading contributor to the gross national product;

WHEREAS, it is of vital necessity that continued growth towards national goals shall not be hindered by **problems arising from, or connected with, the construction industry**;

WHEREAS, there is a need to establish an **arbitral machinery to settle to such disputes** expeditiously in order to maintain and promote a healthy partnership between the government and the private sector in the furtherance of national development goals;

WHEREAS, Presidential Decree No. 1746 created the Construction Industry Authority of the Philippine (CIAP) to exercise centralized authority for the **optimum development of the construction industry and to enhance the growth of the local construction industry**;

WHEREAS, among the implementing agencies of the CIAP is the Philippine Domestic Construction Board (PDCB) which is specifically authorized by Presidential Decree No. 1746 to "**adjudicate and settle claims and disputes in the implementation of public and private construction contracts** and for this purpose, formulate and adopt the necessary rules and regulations subject to the approval of the President";

x x x x

SECTION 2. Declaration of Policy. — It is hereby declared to be the policy of the State to encourage the early and expeditious settlement of disputes in the Philippine **construction industry**. (Emphases and underscoring supplied.)

It is glaringly apparent from the foregoing that the CIAC was established to serve as a tribunal which will expeditiously resolve disputes *within* the construction industry. The CIAC was formed to resolve disputes involving transactions and business relationships *within* the construction industry; and it is

⁴³ Id. at 230.



for this reason that Section 4 prescribes that the CIAC shall only have jurisdiction over “disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines”. The foregoing phrase limits the jurisdiction of the CIAC not only as to subject matter jurisdiction but also as to jurisdiction over the parties. Thus, the CIAC can acquire jurisdiction if the dispute arises from or is connected with the construction industry, both parties to such dispute are involved in construction in the Philippines, and they agree to submit their dispute to arbitration.

Thus, it is erroneous to consider a suit for damages caused by construction activities on an adjoining parcel of land as a “dispute arising from or connected with a construction contract”, simply because an adjoining owner is not a party to a construction contract. Furthermore, such a construction of Executive Order (E.O.) No. 1008 would unduly and excessively expand the scope of CIAC jurisdiction to include cases that are essentially quasi-delictual or tortious in nature: cases that are within the exclusive jurisdiction of the trial courts.

Both the court *a quo* and the respondents rely on Rule 2.1.1 of the CIAC Rules, which states that:

2.1.1 The jurisdiction of the CIAC may include but is not limited to violation of specifications for materials and workmanship; violation of the terms of agreement; interpretation and/or application of contractual provisions; amount of damages and penalties; commencement time and delays; maintenance and defects; payment default of employer or contractor and changes in contract cost.

Read together with the other parts of Rule 2, it becomes apparent that Rule 2.1.1 is merely an enumeration of the situations in which disputes cognizable by the CIAC may arise. It merely supplements the preceding paragraph (Rule 2.1) by illustrating specific instances of disputes cognizable by the CIAC.⁴⁴ Rule 2.1.1 is not meant, and should not be construed, to supplant the constitutive elements of the CIAC’s jurisdiction as laid down in Rule 2.1 and the first paragraph of Section 4 of E.O. No. 1008. It follows therefore, that not all disputes which may be categorized as falling under Rule 2.1.1 are cognizable by the CIAC. Stated differently, mere allegation of construction-related factual matters does not serve to automatically vest jurisdiction in the CIAC.

III. A.

Soto and the Caramats, in their respective Comments, argue that Section 4 of E.O. No. 1008 is broad enough to cover any dispute arising from or connected with construction contracts. To support this assertion, they cite the cases of *The*

⁴⁴ *Fort Bonifacio Development Corp. v. Domingo*, 599 Phil. 554 (2009).

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Manila Insurance Co., Inc. v. Sps. Amurao,⁴⁵ *Excellent Quality Apparel, Inc. v. Win Multi Rich Builders, Inc.*,⁴⁶ *Fort Bonifacio Development Corp. v. Domingo*,⁴⁷ and *Gammon Philippines, Inc. v. Metro Rail Transit Dev't. Corp.*⁴⁸ Respondents' reliance on these cases to support the jurisdiction of the CIAC over the case at bar is misplaced.

In *Manila Insurance*, the Court did state that “Section 4 of Executive Order (E.O.) No. 1008, otherwise known as the Construction Industry Arbitration Law, is broad enough to cover any dispute arising from, or connected with construction contracts, whether these involve mere contractual money claims or execution of the works.”⁴⁹ However, this pronouncement must be read within the context of the factual circumstances in the case. *Manila Insurance* involved a collection suit filed by a party to a construction agreement against the surety companies who put up the performance bonds for the project, after the contractor failed to complete the project.⁵⁰ It was likewise established that the construction agreement therein included an arbitration clause.⁵¹ Therefore, the three requisite elements of CIAC jurisdiction were present; and the Court correctly held that “[t]he fact that petitioner is not a party to the CCA cannot remove the dispute from the jurisdiction of the CIAC because the issue of whether respondent-spouses are entitled to collect on the performance bond, as we have said, is a dispute arising from or connected to the CCA.”⁵² The fact that the surety companies were not direct parties to the construction contract is of no moment, because their obligations as sureties are inseparable from the obligation of the contractor. The claim of the client against the contractor's performance bond is obviously a dispute which arises from and is connected with the construction contract which it is meant to secure. These factual matters distinguish the case from the present one, which involves no contract whatsoever between respondents and the spouses Ang.

Likewise, while this Court in *Gammon Philippines* did state that “the jurisdiction of the CIAC is not over the contract but the disputes which arose therefrom, or are connected thereto, whether such disputes arose before or after the completion of the contract, or after the abandonment or breach thereof”,⁵³ this statement must again be appreciated within the factual milieu of the case. The case involved a dispute between a client and the contractor, Gammon, who was unable to complete the works after the client changed the specifications thereof. The appellate court held that the CIAC had no jurisdiction over the case since the original contract between Gammon and its client had been extinguished

⁴⁵ 701 Phil. 557 (2013).

⁴⁶ 598 Phil. 94 (2009).

⁴⁷ Supra note 44.

⁴⁸ 516 Phil. 561 (2006).

⁴⁹ *The Manila Insurance Co., Inc. v. Sps. Amurao*, supra note 45, at 558-559.

⁵⁰ Id. at 559-560.

⁵¹ Id. at 566-567.

⁵² Id. at 567-568.

⁵³ *Gammon Philippines, Inc. v. Metro Rail Transit Development Corp.*, supra note 48, at 573.



by novation when the client changed the project specifications. Thus, the Court said:

At any rate, the termination of the contract prior to a demand for arbitration will generally have no effect on such demand, provided that the dispute in question either arose out of the terms of the contract or arose when a broad contractual arbitration clause was still in effect. The Court of Appeals, therefore, erred in ruling that there must be a subsisting contract before the jurisdiction of the CIAC may properly be invoked. The jurisdiction of the CIAC is *not* over the contract but the *disputes* which arose therefrom, or are connected thereto, whether such disputes arose before or after the completion of the contract, or after the abandonment or breach thereof.⁵⁴

A close reading of the facts in *Gammon Philippines* shows that it does not support the proposition advanced by the Caramats: that the CIAC has jurisdiction over *any dispute connected with a construction contract*. In fact, the dispute in *Gammon Philippines* directly arose from a construction contract, albeit one that was later novated. Likewise, the contract therein was entered into by the disputing parties themselves; and such contract contains an arbitration clause.

Meanwhile, *Excellent Quality Apparel* revolved around the implications of the contractor's shift from a sole proprietorship to a corporation. It was indisputably proven that there was a construction contract with an arbitration clause which was entered into by the parties in dispute.⁵⁵ Lastly, in *Fort Bonifacio Development*, the suit was filed by an assignee of the contractor's receivables, against the client with whom the contractor entered the construction contract.⁵⁶ This Court held that the CIAC had *no jurisdiction*, as the assignee's cause of action arose not from the construction contract but from the non-payment of the contractor's debts to the assignee.

A thorough reading of the foregoing cases cited by the respondents only bolsters the principle that for the CIAC to acquire jurisdiction, three things must concur: there must be a construction contract; there must be a dispute arising from or connected therewith between the parties, and said parties must agree to submit their dispute to arbitration. Furthermore, the cited cases *even* refute the proposition that the CIAC has jurisdiction over the case filed by the spouses Ang against the respondents, because in *Manila Insurance*, *Excellent Quality Apparel*, and *Gammon Philippines*, all the requisite elements for the acquisition of jurisdiction by the CIAC are present. The case at bar has more similarities with *Fort Bonifacio Development*, as they both involve obligations that are somewhat related to a construction activity but not directly related to a construction contract. This disquisition from said case is illuminating:

⁵⁴ Id.

⁵⁵ Supra note 46, at 97-100.

⁵⁶ Supra note 44, at 556-560; 562.

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Respondent's claim is not even construction-related at all. *Construction* is defined as referring to all on-site works on buildings or altering structures, from land clearance through completion including excavation, erection and assembly and installation of components and equipment. **Petitioner's insistence on the application of the arbitration clause of the Trade Contract to respondent is clearly anchored on an erroneous premise that respondent is seeking to enforce a right under the same.** Again, the right to the receivables of LMM Construction from petitioner under the Trade Contract is not being impugned herein. In fact, petitioner readily conceded that LMM Construction still had receivables due from petitioner, and respondent did not even have to refer to a single provision in the Trade Contract to assert his claim. What respondent is demanding is that a portion of such receivables amounting to P804,068.21 should have been paid to him first before the other creditors of LMM Construction, which, clearly, does not require the CIAC's expertise and technical knowledge of construction.

The adjudication of Civil Case No. 06-0200-CFM necessarily involves the application of pertinent statutes and jurisprudence to matters such as obligations, contracts of assignment, and, if appropriate, even preference of credits, a task more suited for a trial court to carry out after a full-blown trial, than an arbitration body specifically devoted to construction contracts.⁵⁷

Like the respondent in *Fort Bonifacio Development*, the spouses Ang do not seek to enforce a right under the construction contract between the Caramats and respondents Soto and Vilvar. Rather, the spouses are enforcing their right to be compensated from the alleged damage inflicted upon their property by the construction activities of the Caramats. This right, while directly related to the construction activities of respondents, is not a right under the construction contract entered into among the respondents. Hence, the enforcement of such right lies not with the CIAC but with the trial courts.

Meanwhile, respondent Vilvar, citing Sections 35 and 21 of the Republic Act No. 9285⁵⁸ asserts that CIAC jurisdiction is not limited to contractual relations. However, it has already been demonstrated that the presence of a construction contract is an essential requisite for the CIAC to acquire jurisdiction. While it is indeed true that Sections 35 and 21 of the ADR Law confirm CIAC jurisdiction over construction disputes regardless of whether or not they arise from a contract, it must be noted that Section 21 only contemplates "***matters arising from all relationships of a commercial nature***". Therefore, while CIAC may have jurisdiction over non-contractual disputes (for instance, a tortious breach of contract), these disputes must still arise from or be connected with a construction contract entered into by parties in the Philippines who agree to submit such disputes to arbitration, which is not the case here. Furthermore, the relationship between the parties in this case can hardly be considered commercial in nature. Commercial acts have been defined as those acts "*which tend to the satisfaction of necessities by means of exchange or of the rendition of services, effected with a*

⁵⁷ Id. at 564.

⁵⁸ Also known as the "Alternative Dispute Resolution Act of 2004" or the ADR Law.



purpose of gain".⁵⁹ Here, the only relation between the spouses Ang and respondent Caramats is that they are adjoining lot owners; and the spouses do not even have any relation at all to respondents Soto and Vilvar, other than that involving the alleged damage to the Ang residence. The only nexus between the spouses Ang and the respondents in this case is spatial in nature, and this relation is not enough to vest jurisdiction in the CIAC.

III. B.

Both the trial court and the respondents further justify CIAC jurisdiction over the case at bar by citing the construction tribunal's expertise in handling factual circumstances involving construction matters. Such justification loses sight of the fact that a trial court's main function is passing upon questions of fact. Time and again, this Court has held that factual matters are best ventilated before the trial court, as it has the power to receive and evaluate evidence first-hand.⁶⁰ That the dispute at bar involves technical matters does not automatically divest the trial court of its jurisdiction. We remind the court *a quo* that it has ample means of handling such technical matters, as it may utilize expert testimony⁶¹ or appoint commissioners⁶² to handle the technical matters involved in the suit. The core issue of this suit is whether or not the construction activities of respondents caused the damage to the spouses Ang's house; and the resolution of this mixed question of fact and law is well within the jurisdiction of the court *a quo* to decide.

This Court remains cognizant of the State policy to promote and encourage arbitration and alternative dispute resolution; and its importance in achieving speedy justice and decongestion of court dockets. This policy is essentially a bias in favor of arbitration. However, such bias is not applicable when the dispute is clearly outside the jurisdiction of the arbitral tribunal and the parties object to arbitration. It must be reiterated that arbitration is essentially a contract to settle a dispute privately;⁶³ and as such, an arbitral tribunal cannot acquire jurisdiction if one of the parties do not agree to submit their dispute to the arbitral process.

WHEREFORE, premises considered, the petition is hereby **GRANTED**. The November 12, 2014 and February 20, 2015 Orders of the Regional Trial Court of Makati City, Branch 134 in Civil Case No. 09-510 are hereby **ANNULLED** and **SET ASIDE**. Civil Case No. 09-510 is hereby **REINSTATED**. The Regional Trial Court of Makati City, Branch 134 is hereby **ORDERED** to resume the proceedings therein and try the case with utmost dispatch.

⁵⁹ 1 Tolentino, Comments and Jurisprudence on the Commercial Laws of the Philippines 1 (1958), citing 2 Estasen, Derecho Mercantil 9.

⁶⁰ *UST, et al. v. Sanchez*, 640 Phil. 189 (2010); *Pineda v. Heirs of Eliseo Guevara*, 544 Phil. 554 (2007).

⁶¹ Rule 130, Sec. 49.

⁶² REVISED RULES OF COURT, Rule 32.

⁶³ See CIVIL CODE, Articles 2042-2046.



SO ORDERED.

Reyes
ANDRES B. REYES, JR.
Associate Justice

WE CONCUR:

M.P. Bernabe
ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson

Ramon Paul L. Hernando
RAMON PAUL L. HERNANDO
Associate Justice

Henri Jean Paul B. Inting
HENRI JEAN PAUL B. INTING
Associate Justice

Edgardo L. De los Santos
EDGARDO L. DELOS SANTOS
Associate Justice

ATTESTATION

I attest 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.

M.P. Bernabe
ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson, Second Division

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.



DIOSDADO M. PERALTA
Chief Justice