Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

GRANDSPAN DEVELOPMENT CORPORATION, Petitioner,	**G.R. No. 251463**
	Present:
- versus -	CAGUIOA, *J.*, *Chairperson*, INTING, GAERLAN, DIMAAMPAO, and SINGH, *JJ.*
FRANKLIN BAKER, INC. and ADVANCE ENGINEERING CORPORATION, Respondents.	Promulgated: August 2, 2023

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DECISION

GAERLAN, *J.*:

Before the Court is a Petition for Review on *Certiorari*[1] filed to assail the Decision[2] dated March 15, 2019 and the Resolution[3] dated January 15, 2020 of the Court of Appeals (CA) in CA-G.R. CV No. 110751. Said rulings of the CA modified (but basically affirmed) the Orders dated December 13, 2017[4] and March 7, 2018[5] of the Regional Trial Court (RTC) of Makati City, Branch 66 in Civil Case No. R-MKT-17-01339-CV. Said Orders of the trial court essentially dismissed Grandspan Development Corporation's (petitioner) Complaint[6] for Sum of Money against Franklin Baker, Inc. (FBI) and Advance Engineering Corporation (AEC; collectively, respondents) on the ground of the said trial court's lack of jurisdiction over the case.

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1 *Rollo*, pp. 8-27.
2 Id. at 33-46. Penned by Associate Justice Ramon A. Cruz, with Associate Justices Ramon M. Bato, Jr. and Ronaldo Roberto B. Martin, concurring.
3 Id. at 47-49.
4 Id. at 128-130. Penned by Presiding Judge Joselito C. Villarosa.
5 Id. at 137-140.
6 Id. at 66-75.

Factual Antecedents

Respondents entered into a Construction Contract[7] notarized on July 8, 2015 (with Contract No. FBI-ICC-03) for the construction of the Integrated Coconut Products Processing Plant located in *Barangay* Darong, Santa Cruz, Davao del Sur. The terms of the said Construction Contract specified that FBI agreed to award the construction of the plant to AEC, an independent and legitimate job contractor, for the total contract price of ₱465 million. Article VIII[8] of the Construction Contract allowed AEC to assign any component of the scope of work to a subcontractor with FBI's consent, whilst Article XVI[9] thereof had the following stipulation on dispute resolution:

> In any event any dispute shall arise between the Parties with respect to any of the terms and conditions of the CONTRACT, the duly authorized representatives of the Parties shall meet as promptly as practicable after notice of such dispute to resolve in good faith such dispute.
>
> Any dispute, controversy, or claim between the Parties arising from or in relation to the CONTRACT shall first be settled amicably between the Parties, and if the Parties fail thereat, by arbitration in accordance with the Philippine Dispute Resolution Center, Inc. Arbitration Rules. The arbitration panel shall be composed of three (3) arbitrators. Each Party shall designate an arbitrator, and the two arbitrators designated shall select a third arbitrator who will act as the presiding arbitrator. The decision of the arbitration panel shall be final and executory unless properly set aside by a competent court on grounds allowed by law. The costs of arbitration shall be divided between the Parties. The arbitration shall be conducted exclusively in Makati City, Philippines, unless the nature of the hearing and the evidence sought to be presented will require the conduct of arbitral proceedings other than the aforesaid venue [*sic*].[10]

AEC did in fact subcontract to petitioner the provision of labor, materials, tools, equipment, technical supervision, testing, and commissioning of certain structural works on the plant through a Subcontractor's Agreement[11] dated June 9, 2015.[12] The total contract price payable to petitioner for performance of the subcontracted services was ₱59,875,046.52, and critically, Item 29 of the Subcontractor's Agreement stated the following:

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7 Id. at 94-113.
8 Id. at 101.
9 Id. at 107.
10 Id.
11 Id. at 188-198.
12 Said Subcontractor's Agreement seems to have pre-dated the Construction Contract between respondents, but the actual date of the signing of the said Construction Contract is not evident from the pleadings – only its date of notarization (*i.e.*, July 8, 2015).

> 29. GOVERNING LAW AND VENUE. This Contract shall be construed in accordance with the laws of the Republic of the Philippines. If any disagreement or dispute arises between the parties, regarding the work subject matter of this sub-contract or from the interpretation of the contract and the documents appended thereto, and the parties are unable to resolve the disagreement between themselves, the same shall be submitted for arbitration by either party to the Construction Industry Arbitration Commission applying the Construction Industry Arbitration Law of the Philippines. The Arbitration process shall not constitute a reason for the SUB-CONTRACTOR to suspend construction of the work nor shall it affect the contract period/duration.[13]

In its Complaint filed before the trial court on April 25, 2017, petitioner alleged that the total revised contract price for the subcontracted services had ballooned to ₱97,843,917.00 (as of November 2016),[14] with AEC having only paid ₱44,975,009.30 as of October 3, 2016.[15] This supposedly left an unpaid balance of ₱53,206,359.76, exclusive of accompanying interest.[16] The Complaint indicates that petitioner sent its final demand to both Respondents on November 29, 2016.[17] Petitioner also apparently impleaded FBI pursuant to Article 1729 of Republic Act (R.A.) No. 386, otherwise known as the "Civil Code of the Philippines," *viz.*:

> Article 1729. Those who put their labor upon or furnish materials for a piece of work undertaken by the contractor have an action against the owner up to the amount owing from the latter to the contractor at the time the claim is made. However, the following shall not prejudice the laborers, employees and furnishers of materials:
>
> (1) Payments made by the owner to the contractor before they are due;
>
> (2) Renunciation by the contractor of any amount due him from the owner.
>
> ***This Article is subject to the provisions of special laws***.
> (Emphasis, italics, and underscoring supplied)

FBI duly filed its Motion to Dismiss,[18] which outlined among other grounds the fact that jurisdiction over the case properly lied with the Philippine Dispute Resolution Center, Inc. (PDRCI) in accordance with Article XVI of the Construction Contract. Moreover, FBI argued that petitioner failed to prove that the former did indeed owe a sum of money

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13 *Rollo*, p. 197.
14 Id. at 67.
15 Id. at 67-68.
16 Id. at 68-69.
17 Id. at 69-70.
18 Id. at 79-92.

relative to the construction to AEC, which the latter asserts is a condition precedent for the applicability of Article 1729 of the Civil Code.

AEC also duly filed its Answer,[19] which asserted a cross-claim against FBI for the latter's unpaid balance relative to the Construction Contract totaling ₱258,612,291.24,[20] and critically invoked Item 29 of its Subcontractor's Agreement with petitioner for the dismissal of the latter's Complaint. In effect, AEC invoked the primary, exclusive, and original jurisdiction of the Construction Industry Arbitration Commission (CIAC).

Ruling of the Regional Trial Court

In its Order dated December 13, 2017, the RTC dismissed both the Complaint and AEC's cross-claim without prejudice, *viz.*:

> WHEREFORE, premises considered, the Motion to Dismiss and Motion to Dismiss Cross Claim are hereby GRANTED. Accordingly, the instant case and the cross claim of defendant AEC are hereby DISMISSED without prejudice.
>
> SO ORDERED.[21]

The trial court reasoned that both the Construction Contract between respondents and the Subcontractor's Agreement between AEC and petitioner precluded the jurisdiction of the regular courts due to the primary jurisdiction of arbitral bodies duly stipulated by the parties. Said the trial court: "[t]he only sound conclusion is that as of this juncture, this Court has no jurisdiction over the subject matter of the claim as well as the cross-claim. The parties must first undergo arbitration as agreed upon in their respective contracts."[22]

Petitioner duly filed its Motion for Reconsideration,[23] invoking the lack of privity of contract it has *vis-à-vis* respondents' Construction Contract, as well as the primacy of Article 1729 of the Civil Code over the Subcontractor's Agreement. Simply put, petitioner asserted that even if the provisions of Item 29 of the Subcontractor's Agreement are clear, petitioner could still sue respondents before the regular courts.

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19 Id. at 114-124.
20 Id at 122.
21 Id. at 130.
22 Id.
23 Id. at 131-136.

In its Order dated March 7, 2018, the trial court effectively denied petitioner's Motion for Reconsideration in the following manner:

> WHEREFORE, considering that this Court has no jurisdiction over construction disputes, the parties are directed to initiate the proper arbitration proceedings before the CIAC to resolve their respective construction disputes.
>
> In the meantime, the proceedings in the instant case are hereby suspended until the CIAC has made a final determination on the following construction disputes:
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> i. Liability, if any, of defendant AEC to the Plaintiff under their Sub-Contractor Agreement;
> ii. Liability, if any, of defendant AEC to defendant FBI under their Construction Contract; and/or
> iii. Liability, if any, of defendant FBI to defendant AEC under their Construction Contract.
>
> SO ORDERED.[24]

Aggrieved, petitioner appealed the aforementioned Orders to the CA.

Ruling of the Court of Appeals

In its Decision dated March 15, 2019, the CA dismissed petitioner's appeal, *viz.*:

> WHEREFORE, premises considered, the appeal is DISMISSED. The assailed Orders dated December 13, 2017 and March 7, 2018 issued by the RTC of Makati City, Branch 66 in Civil Case No. R-MKT-17-01339-CV are accordingly MODIFIED in that the RTC is directed to dismiss the case and refer the construction dispute/s among GDC, AEC and FBI to arbitration before the CIAC.
>
> SO ORDERED.[25]

The appellate court basically reasoned that the arbitration clauses in both the Construction Contract between respondents and the Subcontractor's Agreement between petitioner and AEC prevailed over the general provisions of Article 1729 of the Civil Code. Additionally, Rule 17.7 of A.M. No. 07-11-08-SC,[26] otherwise known as the "Special Rules of Court on Alternative Dispute Resolution" (ADR), authorizes a trial court to "issue an order directing the inclusion in arbitration of those parties who are bound

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24 Id. at 140.
25 Id. at 45.
26 Approved on September 1, 2009.

by the arbitration agreement directly or by reference thereto." Trial courts are further authorized by the said rule to dismiss cases and make referrals to the CIAC arbitration even if "[n]ot all of the parties to the civil action are bound by the arbitration agreement and referral to arbitration would result in multiplicity of suits." Thus, the CA ruled that the RTC should have ordered the referral to the CIAC along with its dismissal of the case.

Petitioner duly filed its Motion for Reconsideration,[27] which insisted anew that Article 1729 of the Civil Code prevailed over the arbitration clauses, and that it had no privity of contract *vis-à-vis* respondents' Construction Contract. Petitioner clarified that its action against respondents was simply a money claim cognizable before the regular courts, not a construction dispute cognizable before the CIAC.

In its Resolution dated January 15, 2020, the CA denied petitioner's Motion for Reconsideration in the following manner:

> All told, the plaintiff-appellant GDC failed to convince Us to reconsider Our Decision dated March 15, 2019. Accordingly, the Motion for Reconsideration dated April 16, 2019 filed by plaintiff-appellant is DENIED for lack of merit.
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> SO ORDERED.[28]

Hence, the instant petition.

Arguments of the Parties

Petitioner basically reiterates its argument that Article 1729 of the Civil Code gives it a right of action against respondents before the regular courts, despite the arbitration clauses in both the Construction Contract and the Subcontractor's Agreement. Said Article 1729 of the Civil Code, to petitioner, is deemed written into the said agreements, and should prevail over the arbitration clauses in terms of vesting jurisdiction with the regular courts.

In its Comment/Opposition,[29] FBI cited the relatively recent case of *Tourism Infrastructure & Enterprise Zone Authority v. Global-V Builders Co.*,[30] which reiterated the Court's ruling in *Hutama-Rsea Joint Operations,*

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27 *Rollo*, pp. 50-60.
28 Id. at 49.
29 Id. at 176-187.
30 841 Phil. 297 (2018).

Inc. v. Citra Metro Manila Tollways Corp.,[31] that the mere existence of an arbitration clause in a construction contract would already and automatically vest the CIAC with jurisdiction over the related dispute. FBI also asserts that relative to petitioner's invocation of Article 1729 of the Civil Code, any of the former's liability to the latter under said provision is still premised on the determination of any amount due AEC from FBI. This could only be determined in proper proceedings before the CIAC.

AEC's right to file its comment was deemed waived by the Court in its Resolution dated March 29, 2023.

Issues before the Court

For the Court's adjudication are the following two issues:

1) Whether petitioner's Complaint against AEC is subject to the CIAC jurisdiction; and

2) Whether petitioner could validly implead FBI in the same complaint pursuant to Article 1729 of the Civil Code.

At this stage, the Court deems it important to note that the propriety of the trial court's dismissal of AEC's cross-claim against FBI could no longer be raised as an issue, since AEC failed to file its comment. Moreover, said cross-claim is actually irrelevant to the instant petition and without prejudice to AEC's participation in the CIAC arbitration proceedings, as will be discussed below.

The Ruling of the Court

The instant petition merits a denial.

Anent the first issue, there is neither doubt nor dispute that petitioner and AEC entered into their Subcontractor's Agreement, which indeed contained an arbitration clause as embodied in the said Agreement's Item 29. Section 4 of Executive Order No. (E.O.) 1008, which created the CIAC, provides the following:

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[31] 604 Phil. 631 (2009).

> 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, violations 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. (Emphasis supplied)

Said requirement is also reflected in Rule 2, Section 2.3 of the CIAC Revised Rules of Procedure Governing Construction Arbitration, which mandates that "[f]or the CIAC to acquire jurisdiction, the parties to a dispute must be bound by an arbitration agreement in their contract or subsequently agree to submit the same to voluntary arbitration." There being a clear, unambiguous, valid, and subsisting stipulation for the CIAC arbitration here between petitioner and AEC, the trial court was thus correct and justified in dismissing the Complaint with respect to AEC and referring the same to the CIAC pursuant to Rule 17 of the Special Rules of Court on ADR.

The crux of the matter, however, lies in the Court's resolution of the second issue, *i.e.*, the correctness of the appellate court's affirmation of the trial court's interpretation of Article 1729 of the Civil Code – as juxtaposed with the relevant statutory provisions and jurisprudential precedents on the CIAC jurisdiction. Verily, the question is put to bear: Was petitioner's impleading of FBI in the Complaint below anchored on any legal basis?

Jurisprudence provides a guide as to the intent behind the said Civil Code provision. In *Velasco v. Court of Appeals*,[32] the Court said thus:

> x x x The intention of the latter provision is to protect the laborers and the materialmen from being taken advantage of by unscrupulous contractors and from possible connivance between owners and contractors. Thus, a constructive *vinculum* or contractual privity is created by this provision, by way of exception to the principle underlying Article 1311[33] [of the

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32 184 Phil. 335 (1980).

33 Article 1311. Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by

> Civil Code] between the owner, on the one hand, and those who furnish labor and/or materials, on the other.[34]

In *JL Investment & Development, Inc. v. Tendon Philippines, Inc.*,[35] the Court explained the direct and solidary liability created by Article 1729 of the Civil Code and imposed upon both the owner of a piece of work and the contractor in favor of a subcontractor who supplied materials and labor for the creation of the said piece of work, *viz.*:

> This provision imposes a direct liability on an owner of a piece of work in favor of suppliers of materials (and laborers) hired by the contractor "up to the amount owing from the [owner] to the contractor at the time the claim is made." Thus, to this extent, the owner's liability is solidary with the contractor, if both are sued together. By creating a constructive *vinculum* between suppliers of materials (and laborers), on the one hand, and the owner of a piece of work, on the other hand, as an exception to the rule on privity of contracts, Article 1729 protects suppliers of materials (and laborers) from unscrupulous contractors and possible connivance between owners and contractors. As the Court of Appeals correctly ruled, the supplier's cause of action under this provision, reckoned from the time of judicial or extra-judicial demand, subsists so long as any amount remains owing from the owner to the contractor. Only full payment of the agreed contract price serves as a defense against the supplier's claim.[36] (Citations omitted)

Also, in *Noell Whessoe, Inc. v. Independent Testing Consultants, Inc.*,[37] the Court noted that the only defense that can defeat a claim under Article 1729 of the Civil Code is when the subcontractor has already been fully paid for services rendered, to wit:

> However, Article 1729, while serving as an exception to the general rule on the privity of contracts, likewise provides for an exception to this exception. The contractor is solidarily liable with the owner and subcontractor for any liabilities against a supplier despite the absence of contract between the contractor and supplier, *except when the subcontractor has already been fully paid for its services*.[38] (Italics in the original)

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stipulation or by provision of law. The heir is not liable beyond the value of the property he received from the decedent.

If a contract should contain some stipulation in favor of a third person, he may demand its fulfillment provided he communicated his acceptance to the obligor before its revocation. A mere incidental benefit or interest of a person is not sufficient. The contracting parties must have clearly and deliberately conferred a favor upon a third person.

34 *Velasco v. Court of Appeals*, supra note 32 at 355. See also *Del Monte Philippines, Inc. v. Aragones*, 499 Phil. 748 (2005).

35 541 Phil. 82 (2007).

36 Id. at 91, citing *Velasco v. Court of Appeals*, supra note 32.

37 842 Phil. 899 (2018).

38 Id. at 925.

Applying the foregoing principle to the instant petition, FBI's only defense would have been that it had already paid AEC in full under their Construction Contract. However, in its Motion to Dismiss, FBI asserted that the burden of proving said full payment fell on petitioner – an assertion to which the Court most assiduously disagrees.

Since Article 1729 of the Civil Code is in the nature of a solidary obligation, the defense of payment is actually a matter of evidence that rests on the debtor invoking it – not on the creditor filing a claim against a solidary obligor. In *Bognot v. RRI Lending Corp.*,[39] the Court held thus:

> Jurisprudence tells us that one who pleads payment has the burden of proving it; the burden rests on the defendant to prove payment, rather than on the plaintiff to prove non-payment. Indeed, once the existence of an indebtedness is duly established by evidence, the burden of showing with legal certainty that the obligation has been discharged by payment rests on the debtor.[40]

At this point, the Court must emphasize that there is neither statutory nor jurisprudential basis for FBI's assertion that there must first be a determination that it owes AEC any amount before petitioner could file its claim under Article 1729 of the Civil Code. **Properly speaking, it is incumbent upon FBI to assert that it has no more amount due AEC as a defense – not the other way around, whereby petitioner is unduly burdened with proving the fact of said remaining balance precisely because it has no privity of contract relative to the agreement between FBI and AEC under their Construction Contract. Common sense and sound equity dictate that petitioner should not be made to prove FBI's indebtedness to AEC, but instead that FBI be on guard in defending itself by positively asserting and proving that it had already paid AEC in full, or at least up to the amount that petitioner was due at the time of the filing of the Complaint. Otherwise, Article 1729 – as a veritable and equitable protection crafted precisely for entities like petitioner – would essentially become nothing more than hollow words and dead letter. Verily, *interpretatio fienda est ut res magis valeat quam pereat.***

This brings up the next critical question: Was Article 1729 of the Civil Code effectively amended or repealed by the jurisdiction of the CIAC?

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39 744 Phil. 59 (2014).

40 Id. at 69, citing *Sps. Agner v. BPI Family Savings Bank, Inc.*, 710 Phil. 82 (2013); *Vitarich Corp. v. Chona Losin*, 649 Phil. 164 (2010); and *Bank of the Philippine Islands v. Sps. Royeva*, 581 Phil. 188 (2008).

Although E.O. No. 1008 has a general boilerplate repealing clause (*i.e.*, Section 23[41] thereof), there is no specific mention of either the Civil Code or Article 1729 thereof in the entire E.O. In *Mecano v. Commission on Audit*,[42] the Court discussed the nature of such general repealing provisions when it dealt with a conflict between the old and the new (and currently subsisting) Administrative Codes, *viz.*:

> The question that should be asked is: What is the nature of this repealing clause? It is certainly not an express repealing clause because it fails to identify or designate the act or acts that are intended to be repealed. Rather, it is an example of a general repealing provision, as stated in Opinion No. 73, s. 1991. It is a clause which predicates the intended repeal under the condition that a substantial conflict must be found in existing and prior acts. **The failure to add a specific repealing clause indicates that the intent was not to repeal any existing law, unless an irreconcilable inconsistency and repugnancy exists in terms of the new and old laws.**[43] (Citations omitted, emphasis supplied)

The Court also expounded in the said case the doctrine of repeal by implication, to wit:

> Repeal by implication proceeds on the premise that where a statute of later date clearly reveals an intention on the part of the legislature to abrogate a prior act on the subject, that intention must be given effect. **Hence, before there can be a repeal, there must be a clear showing on the part of the lawmaker that the intent in enacting the new law was to abrogate the old one. The intention to repeal must be clear and manifest; otherwise, at least, as a general rule, the later act is to be construed as a continuation of, and not a substitute for, the first act and will continue so far as the two acts are the same from the time of the first enactment**.
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> There are two categories of repeal by implication. The first is where provisions in the two acts on the same subject matter are in an irreconcilable conflict, the later act to the extent of the conflict constitutes an implied repeal of the earlier one. The second is if the later act covers the whole subject of the earlier one and is clearly intended as a substitute, it will operate to repeal the earlier law.
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> Implied repeal by irreconcilable inconsistency takes place when the two statutes cover the same subject matter; they are so clearly inconsistent and incompatible with each other that they cannot be reconciled or harmonized; and both cannot be given effect, that is, that one

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41 Section 23. *Repealing Clause.* – All provisions of existing laws, proclamations, decrees, letters of instructions and executive orders contrary to or inconsistent herewith are hereby repealed or modified accordingly.

42 290-A Phil. 272 (1992).

43 Id at 279-280.

> law cannot be enforced without nullifying the other.[44] (Citations omitted, emphasis and underscore supplied)

As for the doctrine of amendment by implication, the eminent commentator Ruben E. Agpalo (Agpalo) has consistently stated, thus:

> An amendment by implication is neither presumed nor favored. On the contrary, every statute should be harmonized with other laws on the same subject, in the absence of a clear inconsistency between them. The legislative intent to amend a prior law on the same subject is usually shown by a statement in the later act that any provision of law which is inconsistent therewith is modified accordingly. The absence of such a provision in the statute does not, however, mean that the subsequent law may no longer operate to amend or modify a prior act on the same subject; it so operates as long as there is an irreconcilable repugnancy between them.
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> There is an implied amendment where a part of a prior statute embracing the same subject as the later act may not be enforced without nullifying the pertinent provision of the latter, in which event, the prior act is deemed amended or modified to the extent of the repugnancy.[45]

Indeed, Article 1729 of the Civil Code and Section 4 of E.O. No. 1008 both relate to actions and disputes relative to liabilities for unpaid services, materials, and labor in construction contracts. Thus, they are statutory provisions *in pari materia.* Agpalo elucidates thus on how to properly construe such statutory provisions, *viz.*:

> The rule is that a statute should be so construed not only to be consistent with itself but also to harmonize with other laws on the same subject matter, as to form a complete, coherent and intelligible system. The rule is expressed in the maxim, *interpretare et concordare leges legibus est optimus interpretandi modus*, or every statute must be so construed and harmonized with other statutes as to form a uniform system of jurisprudence. Consistency in statutes as in executive issuances is of prime importance, and, in the absence of a showing to the contrary, all laws are presumed to be consistent with each other. Where it is possible to do so, it is the duty of courts, in the construction of statutes, to harmonize and reconcile them, and to adopt a construction of a statutory provision which harmonizes and reconciles it with other statutory provisions.
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> Stated differently, every statute should be construed in such a way that will harmonize it with existing laws. To interpret and to do it in such a way as to harmonize laws with laws is the best mode of interpretation.[46] (Citations omitted)

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44 Id. at 280-281. See Ruben Agpalo, STATUTORY CONSTRUCTION (2009 ed.), pp. 542-554. See also *Commissioner of Internal Revenue v. Semirara Mining Corp.*, 844 Phil. 755 (2018).

45 Ruben Agpalo, STATUTORY CONSTRUCTION (2009 ed.), p. 530.

46 Id. at 376-377.

Agpalo goes on:

> Statutes *in pari materia* should be construed together to attain the purpose of an express national policy. **For the assumption is that whenever the legislature enacts a law, it has in mind the previous statutes relating to the same subject matter, and in the absence of any express repeal or amendment, the new statute is deemed enacted in accord with the legislative policy embodied in those prior statutes.** Provisions in an act which are omitted in another act relative to the same subject matter will be applied in a proceeding under the other act, when not inconsistent with its purpose. **Prior statutes relating to the same subject matter are to be compared with the new provisions, and if possible by reasonable construction, both to be construed that effect is given to every provision of each.** Statutes *in pari materia,* although in apparent conflict, are as far as reasonably possible construed to be in harmony with each other. **Similarly, every new statute should be construed in connection those already existing in relation to the same subject matter and all should be made to harmonize and stand together, if they can be done by any fair and reasonable interpretation.** *Interpretare et concordare leges legibus, est optimus interpretandi modus*, which means that the best method of interpretation is that which makes laws consistent with other laws. Accordingly, courts of justice, when confronted with apparently conflicting statutes, should endeavor to reconcile them instead of declaring outright the invalidity of one against the other. Courts should harmonize them, if this is possible, because they are equally the handiwork of the same legislature.[47] (Citations omitted, emphases supplied)

Finally, and to belabor the point further, Agpalo combines the principles of construing statutes *in pari materia* with the doctrines of implied repeal and amendment, to wit:

> In cases involving harmonization of two or more laws relating to the same subject matter, the usual question is whether the later act has impliedly amended or repealed the earlier statute. A statute will not, however, be construed as repealing [a] prior act or acts on the same subject in the absence of words to that effect, unless there is an irreconcilable repugnancy between them or unless the new law is evidently intended to supersede all prior acts on the matter and to comprise itself the sole and complete system of legislation on the subject. **The rule in this connection is that in case of doubt, the doubt will be resolved against implied amendment or repeal and in favor of harmonization of all laws on the subject.** And assuming that there is an implied amendment, **the latter [*sic*] statute should be so construed as to modify the prior law on the subject no further than may be necessary to effect the specific purpose of the latter [*sic*] enactment.**[48] (Citations omitted, emphases supplied)

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47 Id. at 377-378.

48 Id. at 379.

Indeed, the Court sees no reason to conclude that it was the President's intention in 1985, when he promulgated E.O. No. 1008, to do away with the statutory protection afforded to suppliers of labor and materials for a piece of work as embodied in Article 1729 of the Civil Code. In keeping with the aforementioned principles of statutory construction, the Court deems it proper to construe the provision on CIAC's jurisdiction in harmony with Article 1729 of the Civil Code, since both provisions can indeed exist and operate in harmony together.

To operationalize this *vis-à-vis* the instant petition, the Court recognizes that indeed, petitioner has a valid right under Article 1729 of the Civil Code to proceed against both respondents for the satisfaction of AEC's remaining liabilities under the Subcontractor's Agreement. However, how petitioner may proceed with said claim must be seen to have been modified accordingly by the CIAC's jurisdiction.

This is because petitioner, as subcontractor, is an assignee of the Construction Contract. Even if Article VIII of the Construction Contract between FBI and AEC necessitates the written consent of FBI (as owner) before any assignment of any component of the scope of works could be done by AEC, there is no allegation here of FBI's lack of consent. Thus, FBI is deemed to have admitted to consenting to AEC's subcontracting to petitioner. In relation to petitioner's status as an assignee of the Construction Contract, the commentator Custodio O. Parlade notes the following in two of his seminal treatises, *viz.*:

> **The assignment of a construction contract containing an arbitration clause, executed by a contractor in favor of its subcontractor with the approval of the owner, had the effect of making the subcontractor the owner's contractor, bound by the terms and conditions of the assigned contract. The construction contract contained an arbitration clause under which the owner agreed that disputes arising from the contract shall be submitted to arbitration.** The arbitration agreement provided, however, that it shall [be] applicable to, and may be invoked only by, a foreign contractor, the original contractor being a foreign company. The Commission interpreted the assignment to be limited to the construction contract excluding its arbitration clause as the subcontractor was not a foreign company.[49] (Emphasis supplied)

The Court sees no reason why this interpretation should not be applied to the instant petition. In fact, this would amply facilitate how petitioner could enforce its claim under Article 1729 of the Civil Code whilst keeping

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[49] Custodio Parlade, ALTERNATIVE DISPUTE RESOLUTION ACT OF 2004 (REPUBLIC ACT NO. 9285) ANNOTATED (2004 ed.), pp. 508-509. See also Custodio Parlade, THE LAW AND PRACTICE OF CIAC ARBITRATION (2011 ed.), pp. 104-105. Both treatises cite CIAC Case No. 03-92.

to the letter and spirit of the CIAC's jurisdiction under E.O. No. 1008. Verily, this means that petitioner is effectively subrogated in AEC's place to invoke the arbitration clause of the original Construction Contract. Even if the Construction Contract's arbitration clause explicitly refers to PDRCI as the arbitral body, Rule 4, Section 4.1 of the CIAC Revised Rules of Procedure Governing Construction Arbitration is also explicit, *viz.*:

> Section 4.1. *Submission to CIAC jurisdiction.* – An arbitration clause in a construction contract or a submission to arbitration of a construction dispute shall be deemed an agreement to submit an existing or future controversy to CIAC jurisdiction, notwithstanding the reference to a different arbitration institution or arbitral body in such contract or submission.[50]

Thus, petitioner effectively still had to invoke the CIAC's jurisdiction relative to its claim under Article 1729 of the Civil Code. This is also in keeping with the maxim that any doubt should be resolved and liberally construed in favor of arbitration or arbitrability, as emphasized by the Court in *LM Power Engineering Corp. v. Capitol Industrial Construction Groups, Inc.*[51] and *Camp John Hay Development Corp. v. Charter Chemical & Coating Corp.*[52] The Court also sees this as the wiser route for petitioner's claims against respondents, since severing the claims from each other, *i.e.*, with one being tried before a regular court and the other being adjudicated by the CIAC, would be an unduly burdensome instance of splitting causes of action. It would thus be better in the interest of justice for the CIAC to jointly rule on the solidary liabilities of both respondents, with the parties having every right to appeal the same.

In any case, the CIAC's plenary jurisdiction over the construction dispute at bar prevails due to the fact that petitioner's claim under Article 1729 of the Civil Code against FBI arose ***in relation to, and ultimately on account of***, the Subcontractor's Agreement with AEC. Without said Subcontractor's Agreement, petitioner would have no cause of action at all against FBI. The very terms of Item 29 of the Subcontractor's Agreement are clear: "any dispute arising from the Subcontractor's Agreement is first cognizable before the CIAC." Thus, with the claim being one that emanates directly from a breach of the Subcontractor's Agreement itself, the CIAC properly has primary, exclusive, and original jurisdiction over petitioner's cause of action against FBI under Article 1729 of the Civil Code – even if, and especially because, petitioner has no privity of contract with FBI. Moreover, Section 35 of R.A. No. 9285, otherwise known as the

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50 This rule has been restated to incorporate the Court's disposition in two cases, namely: *National Irrigation Administration v. Court of Appeals*, 376 Phil. 362 (1999); and *China Chang Jiang Energy Corp. (Philippines) v. Rosal Infrastructure Builders*, G.R. No. 125706 (Notice), September 30, 1996.

51 447 Phil. 705 (2003).

52 858 Phil. 970 (2019).

"Alternative Dispute Resolution Act of 2004," provides for the plenary and all-encompassing coverage of construction industry-related disputes arising among parties such as project owners, contractors, and subcontractors, *viz.*:

> Section 35. *Coverage of the Law.* – Construction disputes which fall within the original and exclusive jurisdiction of the Construction Industry Arbitration Commission (the "Commission") shall include those between or **among parties to, or who are otherwise bound by, an arbitration agreement, directly or by reference, whether such parties are project owner, contractor, subcontractor**, quantity surveyor, bondsman or issuer of an insurance policy in a construction project.
>
> The Commission shall continue to exercise original and exclusive jurisdiction over construction disputes although the arbitration is "commercial" pursuant to Section 21 of this Act. (Emphasis supplied)

Again, in order to harmonize this with Article 1729 of the Civil Code and Section 4 of E.O. No. 1008, the Court deems it wise to view this as a veritable jurisdictional "magnet" that pulls in even claims put forth by subcontractors against project owners – even if there be no contractual privity between them. **As long as the project owner's agreement with the contractor provides for (or leads to) the CIAC's arbitral jurisdiction, and as long as the subcontractor's agreement also provides for the same, the CIAC then has arbitral jurisdiction over claims made by the subcontractor against both the project owner and the contractor.**

In effect, the trial court was thus correct in its dismissal of petitioner's Complaint, and the appellate court was thus also correct in amending the dispositive portion of the trial court's Order in order to expressly refer the case to the CIAC. Petitioner cannot proceed independently against FBI before a regular court in enforcing its claim under Article 1729 of the Civil Code. Petitioner has to sue respondents before the CIAC in order to be satisfied with the remaining balance it is due for services rendered, just as AEC has the right to present its claim before the CIAC against FBI for any remaining balance relative to their Construction Contract. Again, the CIAC has jurisdiction over all these claims due to the agreements of the parties and common jurisdictional sense.

WHEREFORE, the instant petition is hereby **DENIED** for lack of merit, and accordingly, the Decision dated March 15, 2019 and the Resolution dated January 15, 2020 of the Court of Appeals in CA-G.R. CV No. 110751 are hereby **AFFIRMED**.

SO ORDERED.

SAMUEL H. GAERLAN
Associate Justice

WE CONCUR:

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

HENRI JEAN PAUL B. INTING
Associate Justice

JAPAR B. DIMAAMPAO
Associate Justice

MARIA FILOMENA D. SINGH
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.

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson, Third 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.

ALEXANDER G. GESMUNDO
Chief Justice