

## FIRST DIVISION

[ G.R. No. 168384, August 07, 2006 ]

**CHARLES BERNARD H. REYES DOING BUSINESS UNDER THE NAME AND STYLE CBH REYES ARCHITECTS, PETITIONER, VS. ANTONIO YULO BALDE II, PAULINO M. NOTO AND ERNESTO J. BATTAD, SR., IN THEIR CAPACITIES AS ARBITRATORS OF THE CONSTRUCTION INDUSTRY ARBITRATION COMMISSION, SPOUSES CESAR AND CARMELITA ESQUIG AND ROSEMARIE PAPAS, RESPONDENTS.**

### *DECISION*

#### **YNARES-SANTIAGO, J.:**

This Petition for Review on Certiorari under Rule 45 of the Rules of Court assails the Decision<sup>[1]</sup> of the Court of Appeals dated February 18, 2005, which sustained the Order<sup>[2]</sup> dated April 23, 2004 of the Arbitral Tribunal<sup>[3]</sup> of the Construction Industry Arbitration Commission (CIAC), denying petitioner's Motion to Terminate Proceedings and its Resolution<sup>[4]</sup> dated May 20, 2005 denying petitioner's motion for reconsideration.

The facts of the case are as follows:

On October 20, 2002, respondent-spouses Cesar and Carmelita Esquig entered into a Design-Build Construction Agreement<sup>[5]</sup> with petitioner Charles Bernard H. Reyes, doing business under the name and style of CBH Reyes Architects, for the architectural design and construction of a 2-storey residence in Tahanan Village, Paranaque City.

In accordance with the contract, spouses Esquig paid the amount of P1,050,000 as down payment.<sup>[6]</sup> Thereafter, construction commenced.

The relationship between petitioner and respondent spouses went on smoothly until sometime in January 2003 when the latter left for the United States and designated their co-respondent, Rosemarie Papas, as their representative. According to petitioner, Papas meddled with the construction works by demanding changes and additional works which entailed additional cost. Papas also refused to pay petitioner's progress billing and the salary of the laborers. Petitioner thereafter prepared an accounting report of all the additional works and their corresponding costs, however, Papas denied all the items in the list and refused to pay the same. Worse, On May 8, 2003, Papas wrote the Board of Directors of Tahanan Village Homeowner's Association requesting for the cancellation of the contractor's work permit.

Thus, on May 26, 2003, petitioner filed a complaint for Accounting, Collection of

Sum of Money, Rescission of Contract with Damages against spouses Esquig and Rosemarie Papas with the Regional Trial Court of Muntinlupa City which was docketed as Civil Case No. 03-110. In the complaint, petitioner prayed that an accounting be rendered to determine the cost of the materials purchased by Papas; that respondents be ordered to pay the cost of the additional works done on the property; that the Design-Build Construction Agreement be ordered rescinded because respondents breached the same; and that respondents be ordered to pay moral and exemplary damages and litigation expenses.

On July 15, 2003, respondents filed a motion to dismiss Civil Case No. 03-110 on the ground that the court has no jurisdiction over the subject matter of the case. They claimed that the Design-Build Construction Agreement contained an arbitration clause, thus any dispute arising therefrom should be brought before the CIAC.

On even date, respondents also filed a complaint before the CIAC against the petitioner, docketed as CIAC Case No. 13-2003. Respondents alleged that petitioner unreasonably delayed the construction and refused to finish the project. Thus, they prayed that petitioner be ordered to finish the project or, in the alternative, to pay the cost to finish the same; to reimburse the overpayments made by respondents; and to pay liquidated damages, attorney's fees and costs of the suit.

Instead of submitting an answer, petitioner filed with the CIAC a motion to dismiss<sup>[7]</sup> on grounds of lack of jurisdiction to hear and decide the case as well as the pendency of the case before the trial court involving the same subject matter.

In an Order dated October 17, 2003, CIAC denied petitioner's motion to dismiss, holding that since the Design-Build Construction Agreement contained an arbitration clause, any dispute arising from said contract is within CIAC's jurisdiction.

Petitioner filed a motion for reconsideration which was denied by CIAC in its Order dated November 27, 2003. Thus, petitioner filed his Answer Ad Cautelam. Thereafter, CIAC constituted the Arbitral Tribunal and directed the same to carry on with the arbitration proceedings in accordance with CIAC Rules.

Meanwhile, on February 27, 2004, the Regional Trial Court of Muntinlupa City, Branch 203 issued an Order<sup>[8]</sup> denying the motion to dismiss filed by respondents. The trial court held that it has jurisdiction over the complaint for accounting, rescission of contract and damages. Petitioner then filed with the CIAC a motion to terminate proceedings but the same was denied<sup>[9]</sup> in an Order dated April 23, 2004.

Thus, petitioner filed a petition for certiorari and prohibition before the Court of Appeals which was docketed as CA-G.R. SP No. 83816. On February 18, 2005, the Court of Appeals rendered the assailed Decision dismissing the petition for lack of merit. It held that CIAC properly acquired jurisdiction over the subject property. Petitioner's motion for reconsideration was denied hence this petition raising the following issues:

## I

THE COURT OF APPEALS ERRED WHEN IT RULED THAT PETITIONER AGREED TO HAVE THE CASE SUBMITTED FOR VOLUNTARY ARBITRATION.

## II

EVEN ASSUMING ARGUENDO THAT PETITIONER AGREED TO HAVE THE PRESENT CASE SUBMITTED FOR ARBITRATION, THE COURT OF APPEALS ERRED IN HOLDING THAT THE CIAC MAY TAKE COGNIZANCE OF THE PRESENT CASE CONSIDERING THAT THE PRESENT CASE INVOLVED ISSUES WHICH ARE OUTSIDE ITS JURISDICTION.

## III

THE COURT OF APPEALS ERRED IN NOT HOLDING THAT ANY PROCEEDING IN THE CIAC MUST BE TERMINATED SINCE THE RTC ALREADY ASSUMED JURISDICTION OVER THE SUBJECT CONTROVERSY AND HAD NOT RELINQUISHED THE SAME TO CIAC.<sup>[10]</sup>

The primordial issue in the instant case is, which body has jurisdiction over the present controversy - the Regional Trial Court or the CIAC?

Petitioner contends that the CIAC has no jurisdiction to entertain the case because it is purely civil in nature and does not involve construction dispute nor require the resolution of highly technical issues. Moreover, petitioner alleges that the trial court acquired jurisdiction prior to the CIAC since petitioner's complaint was filed earlier thus, rendering the arbitration clause moot, unenforceable and revocable.

The petition lacks merit.

Executive Order (EO) No. 1008 entitled, "Construction Industry Arbitration Law"<sup>[11]</sup> provided for an arbitration mechanism for the speedy resolution of construction disputes other than by court litigation. It recognized the role of the construction industry in the country's economic progress as it utilizes a large segment of the labor force and contributes substantially to the gross national product of the country.<sup>[12]</sup>

Section 4 of E.O. No. 1008 provides:

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 provisions; amount of damages and penalties; commencement time and delays; maintenance and defects; payment default of employer or contractor and changes in contract cost.