

ELEVENTH DIVISION

[CA-G.R. SP NO. 126458, March 26, 2014]

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES (DENR), PETITIONER, VS. HON. EDGAR DALMACIO SANTOS, PRESIDING JUDGE OF REGIONAL TRIAL COURT, BRANCH 222, QUEZON CITY AND UNITED PLANNERS CONSULTANTS, INC. (UPCI), RESPONDENTS.

D E C I S I O N

ANTONIO-VALENZUELA, J.:

This is the Petition^[1] under Rule 65 of the Rules of Court, filed by the Department of Environment and Natural Resources ("petitioner DENR"), imputing grave abuse of discretion amounting to lack of jurisdiction on the part of the Regional Trial Court, Branch 222, Quezon City ("RTC"), in issuing the following: 1) the Order dated 12 September 2011 ("assailed Order dated 12 September 2011");^[2] and 2) the Order dated 09 July 2012 ("assailed Order dated 09 July 2012"),^[3] in Civil Case No. Q-07-60321.

THE FACTS

The following facts are undisputed: On 26 July 1993, petitioner DENR and the United Planners and Consultants, Inc. ("respondent UPCI") executed the Agreement for Consultancy Services ("Consultancy Agreement"); under the Consultancy Agreement, petitioner DENR was obliged to pay respondent UPCI based on the predetermined percentage of the contract price corresponding to the particular stage of work accomplished; in December 1994, respondent UPCI completed the work required of it under the Consultancy Agreement, and the petitioner DENR formally accepted the completed work; petitioner DENR paid respondent UPCI the amount of Php 2,038,456.30 (47% of the contract price); on 25 October 1994, the Commission on Audit ("COA") released the Technical Services Office Report ("TSO Report") which stated that the Consultancy Agreement was 84.14% excessive, and thereafter, petitioner DENR suspended payment, but acknowledged its liability to respondent UPCI in the amount of Php 2,239,479.60, and assured respondent UPCI that the payment would be made at the soonest time possible.

Respondent UPCI filed the Complaint against petitioner DENR before the RTC, docketed as Civil Case No. Q-07-60321. The Complaint prayed that petitioner DENR be directed to submit the dispute to arbitration, pursuant to the arbitration clause in the Consultancy Agreement.

Petitioner DENR filed its Answer,^[4] which pleaded as counterclaim that the excess payment of 37.14%, in the amount of Php1,350,585.44, made to respondent UPCI should be returned to the government.

Petitioner DENR's Answer prayed that: the dispute be submitted for arbitration before three arbitrators who would be appointed by the RTC; Engineer Victor Balde ("Engr. Balde") be chosen as one of the arbitrators, and the third arbitrator should come from the COA; the arbitrators who would be appointed, be ordered to include in their adjudication the counterclaim of petitioner DENR against respondent UPCI.
[5]

On 10 January 2010, the RTC issued the Order appointing Attorney Alfredo F. Tadiar ("Atty. Tadiar") and Architect Armando N. Alli ("Arch. Alli"), as the first two members of the Arbitral Tribunal ("Tribunal"). Pursuant to the Order, Atty. Tadiar and Arch. Alli chose Engineer Ricardo B. San Juan, as the third member of the Tribunal.
[6]

The court-referred arbitration before the Tribunal was docketed as Arbitration Case No. A-001.

On 07 May 2010, after several conferences, the Tribunal rendered the Arbitral Award
[7] in favor of respondent UPCI.

On 02 June 2010, petitioner DENR filed the Manifestation and Motion
[8] alleging that: petitioner DENR, through the Office of the Solicitor General ("OSG"), submitted its draft decision to the Tribunal on 07 May 2010, but the OSG received information that the Tribunal had already rendered the Arbitral Award before the draft decision had been received; the arguments and defenses of petitioner DENR contained in the draft decision, were not considered by the Tribunal in arriving at the Arbitral Award; the OSG did not receive a copy of the Arbitral Award, and had to secure a copy from the Legal Department of petitioner DENR.

On 20 September 2010, respondent UPCI filed the Opposition/Motion for Confirmation of the Award before the RTC, which prayed for the confirmation of the Arbitral Award.

However, on 19 November 2010, petitioner DENR filed its Opposition (to the Opposition/Motion for Confirmation dated September 30, 2010),
[9] reiterating its averment that the Tribunal did not consider petitioner DENR's draft decision when it rendered the Arbitral Award, and that the Tribunal did not furnish the OSG copy of the Arbitral Award.

On 30 March 2011, the RTC issued the Order
[10] which, among other things, granted respondent UPCI's Motion for Confirmation of the Award, and ordered petitioner DENR to pay respondent UPCI the amount of Php 50,000.00, representing the cost of confirming the Arbitral Award.

Upon respondent UPCI's Motion for Issuance of a Writ of Execution dated 15 June 2011, the RTC issued the assailed Order dated 12 September 2011,
[11] directing the issuance of a writ of execution to enforce the Arbitral Award dated 7 May 2010.

On 24 November 2011, petitioner DENR filed the Motion to Quash the Writ of Execution,
[12] but the RTC denied the motion in its assailed Order dated 09 July 2012.
[13]

Aggrieved, petitioner DENR files this Petition and makes the following assignment of errors:

I

RESPONDENT JUDGE GRAVELY ABUSED HIS DISCRETION AND ACTED WITHOUT OR IN EXCESS OF JURISDICTION IN CONFIRMING AND ORDERING THE EXECUTION OF THE ARBITRAL AWARD DESPITE OVERWHELMING EVIDENCE THAT THE GOVERNMENT WAS NOT AFFORDED THE RIGHT TO DUE PROCESS.

II

RESPONDENT JUDGE GRAVELY ABUSED HIS DISCRETION AND ACTED WITHOUT OR IN EXCESS OF JURISDICTION IN ORDERING THE EXECUTION OF AN AWARD WHICH IS PREMATURE AND WITHOUT LEGAL BASIS.

At the outset, we find it necessary to discuss the issues being raised by respondent UPCI, to wit: 1) whether this Petition should be dismissed for assailing the merits of the Arbitral Award and 2) whether this Petition should be dismissed for having been filed out of time.

Respondent UPCI avers that this Petition should be dismissed for having been filed out of time, and for assailing the merits of the Arbitral Award, in violation of the Special Rules of Court on Alternative Dispute Resolution^[14] ("Special ADR Rules"). Respondent UPCI thrusts: petitioner DENR, by questioning the propriety of the allowance or disallowance of respondent UPCI's claims, actually assailed the merits of the Arbitral Award, and thus violated Rule 19.7 of the Special ADR Rules; petitioner DENR filed this Petition beyond the 15 day reglementary period provided for under Rule 19.28 of the Special ADR Rules.

Petitioner DENR parries that this Petition should be given due course because it does not fall within the ambit of the Special ADR Rules because it does not assail the merits of the Arbitral Award, but instead assails the irregularities in the procedure committed by the Arbitral Tribunal; it was timely filed, pursuant to Rule 65 of the Rules of Court.

THE COURT'S RULING

With respect to the first and second issues, we rule in the affirmative. This Petition should be dismissed for assailing the merits of the Arbitral Award, in violation of the Special ADR Rules, and for having been filed out of time.

Rule 19.7 of the Special ADR Rules is relevant. It reads:

*Rule 19.7. No appeal or certiorari on the merits of an arbitral award.-- An agreement to refer a dispute to arbitration shall mean that the arbitral award is final and binding. **Consequently, a party to an arbitration is precluded from filing an appeal or a petition for certiorari questioning the merits of an arbitral award.** (Emhphasis supplied.)*

As provided in the above-quoted provision of the Special ADR Rules, as a general rule, a party to arbitration is precluded from filing an appeal or a petition for certiorari to question the merits of an arbitral award.

A perusal of the Petition reveals that it actually assails the merits of the Arbitral Award, which is disallowed under Rule 19.7 above-quoted. Consequently, the