

Title

Transfield Philippines, Inc. vs. Luzon Hydro Corporation, Australia and New Zealand Banking Group Limited and Security Bank Corporation: A Resolution on Forum-Shopping

Facts

Transfield Philippines, Inc. (TPI) and Luzon Hydro Corporation (LHC) were embroiled in a legal and arbitral dispute revolving around the construction delays of a project governed by a Turnkey Contract. The resolution required to address two main issues - the propriety of calling on securities during the pendency of arbitral proceedings and the accusation of forum-shopping by both parties.

TPI filed several actions:

1. Civil Case No. 04-332 for enforcement of the Third Partial Award in the arbitration case (ICC Case No. 11264/TE/MW) at the Regional Trial Court of Makati.
2. The mentioned ICC arbitration to resolve disputes pursuant to the Turnkey Contract.
3. G.R. No. 146717, an appeal concerning the premature calling on securities by LHC, which was an appeal from the Court of Appeals' denial of TPI's petition in CA-G.R. SP No. 61901, itself a review of the RTC decision in Civil Case No. 00-1312, seeking to prevent LHC from calling on the securities.

LHC counter-argued that TPI was forum-shopping by filing similar actions across different fora, seeking essentially the same relief.

Issues

The Supreme Court addressed the key issue of forum-shopping - whether TPI or LHC (or neither) was guilty of such conduct as defined under Philippine jurisprudence.

Court's Decision

The Supreme Court, in its comprehensive analysis, found no forum-shopping by either party. It elucidated that for forum-shopping to exist, there must be identity in parties, rights asserted and relief prayed for, and the condition that judgment in one case will result in res judicata in the other. Analyzing step by step:

- **Arbitration vs. Petition vs. Civil Case No. 04-332**: The Court observed distinct causes of action among these proceedings - the arbitration dealt with contractual performance and damages, the petition concerned the calling of securities during arbitration, and Civil Case No. 04-332 sought enforcement of an arbitral award.

- **Identity of Parties**: Not all cases involved the same set of parties, notably the inclusion

of banks in one of the petitioned actions.

- **Prematurity of Enforcement in Civil Case No. 04-332**: The Supreme Court pointed out TPI's prematurity in seeking enforcement of an arbitral award when the final award had not yet quantified the amounts due.

Doctrine

The decision reiterated principles concerning forum-shopping and clarified circumstances under which parties engaged in arbitration can approach courts seeking provisional reliefs.

Class Notes

- **Forum-Shopping**: Filing of multiple suits involving the same parties, rights, and relief to obtain favorable judgment; identified through: (a) identity of parties or interests, (b) rights asserted and relief prayed for, (c) potential for res judicata.

- **Arbitration vs. Court Relief**: Even during arbitration, parties may seek provisional reliefs from courts under specific circumstances.

Historical Background

This case underscored the intricacies involved in the interaction between court proceedings and arbitration - a method increasingly preferred for its neutrality, efficiency, and flexibility. The scenario was set against the backdrop of the Philippine legal system's recognition of international arbitration as embodied in the Alternative Dispute Resolution Act of 2004 and its alignment with international practices, such as the New York Convention and the UNCITRAL Model Law on International Commercial Arbitration. It highlighted the judiciary's role in not just adjudicating disputes but ensuring that the arbitration mechanism functions within the legal framework, fostering an environment conducive to fair and efficient dispute resolution.