

Title:

Heunghwa Industry Co., Ltd. vs. DJ Builders Corporation: A Jurisdictional Dispute in Construction Arbitration

Facts:

The case revolves around a subcontract agreement to construct Roxas-Langogan Road in Palawan, Philippines, between Heunghwa Industry Co., Ltd. (petitioner), a Korean corporation, and DJ Builders Corporation (respondent), a Philippine-based corporation. The agreement included an arbitration clause, but disputes arose over payments, leading to DJ Builders suing Heunghwa for breach of contract and other claims in the RTC of Puerto Princesa. Both parties later agreed to arbitrate specific issues via a “Joint Motion to Submit Specific Issues To The Construction Industry Arbitration Commission” (CIAC). However, after some procedural intricacies and Heunghwa’s attempts to withdraw from CIAC arbitration, asserting lack of authorization for its counsel’s actions, the CIAC proceeded with the arbitration, and the RTC exhibited uncertainty over its jurisdiction.

Subsequently, both parties filed separate petitions for certiorari in the Court of Appeals (CA), questioning each other’s jurisdiction to proceed with the case—Heunghwa challenging the CIAC’s jurisdiction and DJ Builders challenging the RTC’s. The CA consolidated both petitions, but ruled against Heunghwa, affirming CIAC’s jurisdiction and dismissing procedural objections raised by Heunghwa.

Issues:

1. Was the non-filing of a motion for reconsideration by Heunghwa fatal to its petition for certiorari before the CA?
2. Whether a petition for certiorari was the appropriate remedy to challenge the CIAC’s denial of Heunghwa’s motion to dismiss based on jurisdictional grounds.
3. Did CIAC have jurisdiction over the dispute despite the arbitration clause nominating a different arbitral body?

Court’s Decision:

- ****On the procedural issue****, the Supreme Court held that Heunghwa’s failure to file a motion for reconsideration with the CIAC wasn’t fatal to its certiorari petition, recognizing exceptions to the general rule in circumstances where the issue raised is purely of law. Additionally, the Court found certiorari the proper remedy given the situation.

- ****On CIAC’s jurisdiction****, the Supreme Court affirmed CIAC’s jurisdiction over the

dispute based on the arbitration clause in the subcontract agreement, despite Heunghwa's claims to the contrary. The Court underscored that CIAC gained jurisdiction upon the agreement of the parties to include an arbitration clause in their contract and that jurisdiction is conferred by law, not contingent upon the parties' subsequent consent to arbitrate. The CA's reliance on previous rulings for jurisdictional determinations was deemed inaccurate but did not affect the correctness of CIAC's jurisdiction assertion.

Doctrine:

The presence of an arbitration clause in a construction contract vests the CIAC with original and exclusive jurisdiction over construction disputes, notwithstanding any reference to a different arbitral body in such contracts. Jurisdiction is conferred by law and cannot be waived by the agreement or acts of the parties.

Class Notes:

- **Key Elements for Jurisdiction in Construction Arbitration:**
- Inclusion of an arbitration clause in the construction contract
- Executive Order 1008 grants CIAC original and exclusive jurisdiction over disputes arising from construction contracts in the Philippines, subject to parties agreeing to arbitrate.
- **Important Statutes or Provisions:**
- **Executive Order No. 1008 (1985)** is pivotal in determining CIAC's jurisdiction, stating it acquires "original and exclusive jurisdiction" over disputes involving construction contracts in the Philippines, provided the parties agreed to submit such disputes to arbitration.

Historical Background:

The escalating disputes in the construction industry and the specialized nature of these disputes necessitated the creation of CIAC under Executive Order No. 1008 in 1985. This case exemplifies the complexities surrounding arbitration clauses, jurisdictional authority, and the procedural intricacies of litigation and arbitration in construction contracts in the Philippines.