

****Title:**** BF Corporation vs. Court of Appeals, Shangri-la Properties, et al.

****Facts:****

BF Corporation entered an agreement to construct the “EDSA Plaza Project” for Shangri-la Properties, Inc. (SPI). As the project progressed, SPI expanded it, signing another agreement with BF Corporation. Delays occurred, partly due to a fire disrupting the construction. SPI sought to renegotiate, resulting in a new agreement on May 30, 1991, for the continued construction work. SPI later considered BF Corporation to have abandoned the project, leading to disputes over the contractual obligations and liabilities.

BF Corporation filed a complaint for collection against SPI and its board in the Regional Trial Court (RTC) of Pasig on July 14, 1993. SPI responded with a motion to suspend proceedings, pointing to an arbitration clause in the construction contract, which BF Corporation contested, claiming no formal contract with such a clause existed between them.

The lower court found an arbitration clause in the contract documents but noted the “Conditions of Contract” was not duly signed by both parties. It ruled in favor of proceeding with the case, a decision contested by SPI through a Rule 65 petition to the Court of Appeals, which ruled in SPI’s favor, staying the lower court proceedings and recognizing the arbitration agreement.

****Issues:****

1. Whether an arbitration clause existed in the construction contract between BF Corporation and SPI.
2. Whether SPI was in default for invoking arbitration.
3. The adequacy of certiorari as a remedy over appeal in the procedural posture of the dispute.

****Court’s Decision:****

The Supreme Court upheld the Court of Appeals’ ruling, affirming the existence of an arbitration clause in the construction contract. The Court found that the Articles of Agreement, incorporating by reference all documents related to the contract, was signed by representatives of both parties, satisfying the formality of an arbitration agreement laid out in RA 876. Despite SPI’s appeal for arbitration coming after BF Corporation’s filing of the complaint, the Court deemed SPI’s timeframe reasonable and not in default. Moreover, the Supreme Court held that certiorari was an appropriate remedy considering the question of

premature jurisdiction by the lower court.

****Doctrine:****

- An arbitration agreement must be in writing and subscribed by the parties or their lawful agents. Incorporation by reference within a duly signed and notarized contract satisfies these requirements.
- The principle that certiorari cannot be used as a substitute for an appeal is not absolute and can be relaxed in instances where the rigid application of rules would result in a miscarriage of justice.

****Class Notes:****

- Arbitration Agreement Requirements: Must be in writing and subscribed by parties involved or their representatives.
- Certiorari Over Appeal: Certiorari under Rule 65 is appropriate when errors of jurisdiction, not judgment, are involved or when appeal is not adequate or speedy.
- Incorporation by Reference: Legal documents can incorporate other documents by reference, making them part of the agreement as long as the main document is duly executed.

****Historical Background:****

This case underscored the Philippine judiciary's acknowledgment and support for arbitration as a valid method for resolving disputes, consistent with both local and international trends towards alternative dispute resolution methods. It highlighted the legal standards for arbitration agreements and the procedural nuances in invoking arbitration clauses within the Philippine legal context.