

**\*\*Title:\*\***

Dr. Benjamin D. Adapon et al. vs. Medical Doctors, Inc.: Enforcing an Arbitral Award under Philippine Arbitration Law

**\*\*Facts:\*\***

- The case begins in 2011 when Dr. Benjamin D. Adapon files a complaint for himself and as a minority stockholder of Computerized Imaging Institute, Inc. (CII) against Medical Doctors, Inc. (MDI) for violating a non-compete agreement.
- Dr. Adapon is a specialist in neuroradiology and other medical imaging techniques. In the late 1970s, he was invited by three principal doctors of MDI to establish a computed tomography (CT) facility at Makati Medical Center (MMC) in the Philippines. The CT facility setup was successful, leading to the formation of Computed Tomography Center, Inc. (later CII) in 1978, with 60% of the capital stock held by MDI and 40% by Dr. Adapon and his nominees.
- Their business relationship was largely oral, with MDI referring patients to CII for CT services. In 1988, CII considered expanding its services to include magnetic resonance imaging (MRI) and formalized a non-compete agreement in a Letter of Intent (LOI), which said among other things that MDI would not compete with CII in the imaging fields.
- Despite these agreements, in 1998 MDI acquired a 16-slice CT scanner and later MRI equipment, utilizing them for paying patients at MMC, competing directly with CII. Dr. Adapon raised his concerns, but his grievances were ignored.
- In 2011, MDI installed a 128-slice CT scanner and an MRI scanner in 2012 for paying MMC patients, solidifying their competitive stance against CII. Dr. Adapon sought legal remedies, filing a complaint and seeking preliminary injunctions.
- The Regional Trial Court (RTC) denied the injunction in August 2011 and ordered parties to undergo arbitration per the LOI. Arbitration was conducted by a three-person panel, including former Chief Justice Renato S. Puno.
- On May 8, 2015, the tribunal issued a Final Award in favor of Dr. Adapon, holding that MDI violated the non-compete agreement and awarded damages.
- The RTC confirmed the arbitral award in February 2016. MDI appealed the decision to the

Court of Appeals (CA), which in February 2017 reversed the RTC, vacating the arbitral award. Petitioners then brought the case to the Supreme Court.

**\*\*Issues:\*\***

1. Whether the LOI, including the arbitration clause, was a binding agreement.
2. Whether the action to enforce the non-compete clause was barred by prescription.
3. Whether the RTC, acting as a special commercial court, had jurisdiction over the case and the authority to refer it to arbitration.
4. Whether the arbitral tribunal exceeded its powers in awarding damages to Dr. Adapon.

**\*\*Court's Decision:\*\***

**\*\*Issue 1: Binding Nature of the LOI and Arbitration Clause\*\***

- The Supreme Court ruled that the LOI, despite some of its components appearing incomplete, contained an arbitration clause that clearly indicated the parties' intention to arbitrate disputes.
- The Court emphasized the principle of competence-competence, whereby the arbitral tribunal retains the first opportunity to rule on its jurisdiction. The tribunal's broad terms agreeing to arbitrate any disputes arising from the LOI were upheld.

**\*\*Issue 2: Prescription of the Action\*\***

- The Supreme Court held that the arbitral tribunal's decision on prescription should not be disturbed. The tribunal determined that while claims before 2009 were prescribed, those beyond this period were not.
- The Court observed that rigid application of the statute of limitations was inappropriate given the equitable considerations and ongoing nature of the violations.

**\*\*Issue 3: Jurisdiction of the RTC and Referral to Arbitration\*\***

- The Supreme Court affirmed the RTC's jurisdiction and its duty to stay proceedings and refer the matter to arbitration pursuant to the arbitration agreement and pertinent laws.
- The Court stressed the RTC's correct procedure in ascertaining the parties' arbitration agreement and suspending its own proceedings accordingly.

**\*\*Issue 4: Arbitral Tribunal's Authority to Award Damages\*\***

- The Supreme Court reversed the CA's ruling that the tribunal exceeded its authority. It reasoned that the CA's intervention improperly substituted its judgment on binding arbitral determinations of facts and law.
- The arbitral tribunal found persuasive evidence of MDI's bad faith violations of the non-compete agreement and properly awarded damages to Dr. Adapon.

**\*\*Doctrine:\*\***

- The policy of judicial restraint in arbitration means courts should not substitute their judgment for that of an arbitral tribunal's determination of facts and interpretation of law.
- The principle of competence-competence mandates that an arbitral tribunal is the primary authority to determine its competence.

**\*\*Class Notes:\*\***

- **\*Key Elements:\***
  - Competence-Competence Principle
  - Binding Nature of Arbitration Clauses
  - Judicial Restraint in Arbitration Awards
  - Equitable Considerations in Prescription Laws
- **\*Statutory Provisions:\***
  - Rule 2.4, Special ADR Rules (Competence-competence)
  - Rule 11.9, Special ADR Rules (Presumption of enforceability)
  - Rule 19.7, Special ADR Rules (No appeal or certiorari on merits)
  - Republic Act No. 876 and Alternative Dispute Resolution Act of 2004

**\*\*Historical Background:\*\***

- The significance of the case lies in the reinforcement of the importance and binding nature of arbitration clauses, especially within commercial disputes.
- It reflects the broader global trends of honoring arbitration agreements to provide an efficient alternative to judicial resolution, embracing party autonomy and reducing court congestion.