

**Title:** Philippine Charity Sweepstakes Office (PCSO) vs. DFNN, Inc. (DFNNI)

**Facts:**

1. **Contract Formation:** On April 9, 2003, PCSO and DFNNI entered into an Equipment Lease Agreement (ELA) for the development of a lotto betting platform via Personal Communication Devices (PCD) with DFNNI providing all necessary hardware, software, and technical skills.
2. **Rescission of Agreement:** On March 9, 2005, prior to the system launch, PCSO issued Board Resolution No. 080, Series of 2005, unilaterally rescinding the ELA due to DFNNI's supposed non-compliance with obligations, including securing cooperation from major telecom providers (Smart and Globe).
3. **DFNNI's Reaction:** On April 5, 2005, PCSO informed DFNNI of the rescission. DFNNI sought voluntary proceedings for resolution on December 14, 2007, and subsequently filed for arbitration claiming PhP 1,913,948,850.00 in damages.
4. **Arbitration Proceedings:** An Ad Hoc Arbitration Panel ruled on May 21, 2015 that the rescission was improper and awarded DFNNI PhP 27,000,000 in liquidated damages along with the return of their equipment.
5. **Judicial Proceedings:**
  - **RTC-Mandaluyong (Civil Case No. MC15-9557):** PCSO filed a petition for confirmation of the Arbitral Award.
  - **RTC-Makati (Special Proceedings No. M-7844):** DFNNI filed for correction of the arbitral award alleging miscalculation and seeking additional damages.
  - **RTC-Makati Decision:** On February 17, 2016, RTC-Makati increased the award to PhP 310,095,149.70 including 2% monthly penalty interest.
6. **Court of Appeals Rulings:** Two appeals ensued:
  - **CA-G.R. SP No. 145462:** Court ordered consolidation of the Mandaluyong case to Makati.
  - **CA-G.R. SP No. 145983:** Affirmed the RTC-Makati's revised arbitral award.

**Issues:**

1. Whether the Court of Appeals erred in ordering the consolidation of the cases.
2. Whether the Court of Appeals erred in affirming the RTC-Makati's increase of the arbitral award.

**Court's Decision:**

1. **Consolidation Issue:**

- **Ruling:** The Court determined that consolidation was inappropriate since RTC-Makati had already rendered a decision in Special Proceedings No. M-7844 and thus no pending case existed to consolidate.
- **Conclusion:** The Court reversed the CA's order, reinstating the RTC-Mandaluyong's initial decisions.

2. **Arbitral Award Increase:**

- **Ruling:** The Court found the use of "evident miscalculation of figures" by RTC-Makati to increase the award as erroneous. The increased damages and interest computations were substantive corrections rather than clerical.
- **Conclusion:** The Court sided with the Arbitration Panel's initial award, maintaining the liquidated damages of PhP 27,000,000.00.

**Doctrine:**

- **Finality of Arbitral Awards:** Courts should not intervene in the factual findings or substantive determinations of arbitral tribunals unless there is clear evidence of procedural deficiencies as outlined in special ADR rules.
- **Jurisdiction on Correction of Awards:** Any evident miscalculation must be plainly visible on the face of the award; it should not involve substantive reinterpretation or recalculations of terms.

**Class Notes:**

1. **Arbitration and ADR:**

- Jurisdiction and grounds under **RA No. 876** for modifying or correcting awards.
- The principle that arbitration awards are final and binding and not to be overturned or modified lightly.
- Special ADR rules under which only evident clerical errors on the face of the award can be corrected.

2. **Contract Law:**

- Rights and obligations under lease agreements with arbitration clauses.
- Legal standards for rescission and the remedies available.

**Historical Background:**

- The case contextualizes arbitration's role in resolving commercial disputes in the Philippines, particularly when government entities are involved. It underscores judicial

restraint in matters of arbitration and affirms principles of efficiency and party autonomy in dispute settlements. This backdrop aligns with the global trend favoring arbitration as an alternative means to litigation.

**\*\*Key Statute Cited:\*\***

- **\*\*RA 876 (The Arbitration Law)\*\***: Particularly Sections 23 and 25 on the confirmation and grounds for modifying or correcting arbitral awards.
- **\*\*Special ADR Rules (A.M. No. 07-11-08-SC)\*\***: Rules and specific provisions governing the arbitration process and judicial review in the Philippines.