

****Title:****

Andrew D. Fyfe, Richard T. Nuttall, and Richard J. Wald vs. Philippine Airlines, Inc., G.R. No. 168081

****Facts:****

1. ****1998****: Philippine Airlines, Inc. (PAL) initiated rehabilitation proceedings before the Securities and Exchange Commission (SEC), which suspended all claims for payment against PAL.
2. ****January 4, 1999****: PAL entered into a Technical Services Agreement (TSA) with Regent Star Services Ltd. (Regent Star), with stipulations for technical advisory services to be provided by individuals, including petitioners Andrew D. Fyfe, Richard T. Nuttall, and Richard J. Wald.
3. ****July 26, 1999****: PAL terminated the TSA effective July 31, 1999, and sought to offset penalties against prepaid advisory fees.
4. ****July 1999****: Regent Star sent communications to PAL expressing disagreement and proposed arbitration as specified in the TSA.
5. ****Petitioners****: Filed for arbitration before the Philippine Dispute Resolution Center, Inc. (PDRCI).
6. ****Arbitral Tribunal Ruling****: PDRCI ruled in favor of the petitioners, awarding them termination penalties.
7. ****Regional Trial Court (RTC), Makati****: PAL sought to vacate the arbitral award based on the SEC's suspension order and alleged partiality of arbitrators.
8. ****March 7, 2001****: RTC granted PAL's application and vacated the arbitral award.
9. ****Court of Appeals (CA)****: Petitioners appealed the RTC's decision. CA dismissed the appeal on jurisdictional grounds, directing a review certiorari to the Supreme Court.
10. ****Supreme Court****: Petitioners elevated the case to the Supreme Court after the CA dismissed their repetitive motion for reconsideration.

****Issues:****

1. ****Constitutionality of Section 29 of the Arbitration Law****: Whether Section 29 requiring appeals by certiorari under Rule 45 is unconstitutional for expanding Supreme Court jurisdiction without its concurrence.
2. ****Appropriate Appellate Procedure****: Whether the CA acted appropriately in requiring the appeal to be through certiorari under Rule 45.
3. ****Jurisdiction over Persons****: Whether the trial court properly acquired jurisdiction over the petitioners despite alleged improper service of summons.
4. ****Validity of Arbitration Proceedings****: Whether the SEC's suspension order invalidated

the arbitration panel's jurisdiction.

Court's Decision:

1. **Constitutionality of Section 29:** The Supreme Court upheld Section 29, holding that its enactment pre-dated the 1987 Constitution, which means it cannot be declared unconstitutional for reasons posited. The Appeals regarding arbitration must be directed to the Supreme Court through certiorari under Rule 45.
2. **Proper Appellate Procedure:** Petitioners' appeal should not have been dismissed on incorrect grounds, yet the correct procedure exigently mandates a certiorari appeal under Rule 45. The judgment of the CA in emphasizing an appeal to the Supreme Court was corroborated by existing legal precedents.
3. **Jurisdiction Over Persons:** The RTC validly acquired jurisdiction since personal service of the application and active participation in the case by the petitioners' counsel equated to proper jurisdiction adherence.
4. **Validity of Arbitration Proceedings:** SEC's suspension order was ruled effective, rendering the arbitration proceedings null and void since claims against the respondent were suspended under direct SEC mandate.

Doctrine:

- **Sole Recourse Through Certiorari:** Section 29 of the Arbitration Law mandates all appeals on points of law regarding decisions on arbitration to be presented through a certiorari appeal to the Supreme Court.
- **SEC-Suspension Orders:** Once an SEC receivership or rehabilitation order is in place, a moratorium suspending claims impedes the jurisdiction of arbitration panels.
- **Appeal Remedial Laws:** Special proceedings such as arbitration require exclusive statutory adherence for appeals, notably by certiorari under Rule 45 for questions of law.

Class Notes:

- **Key Elements/Concepts:**
 - **Arbitration Law:** Section 29, Special Proceedings, Certiorari under Rule 45.
 - **SEC Receivership:** Suspension of Claims.
 - **Jurisdiction:** Personal Service, Active Participation.
 - **Contract Law:** Terms of Agreement, Termination Clauses.
- **Relevant Statutes:**
 - **Presidential Decree No. 902-A:** Expansion of SEC powers in suspending claims during rehabilitation.

- **RA 9285**: Alternative Dispute Resolution Act, modifying arbitral appeal procedures.
- **Rules of Court**: Rule 14 (Summons), Rule 43 (Appeals).

Historical Background:

The case occurred during a period of economic restructuring, where many Philippine corporations undertook rehabilitation to stabilize financially. The SEC's intervention in PAL's rehabilitation emphasized prioritizing the preservation and restructuring of distressed corporations due to the prevailing financial climate. Arbitration and alternative dispute resolution were increasingly promoted to manage commercial disputes efficiently against the judicial backlog. The altercations in appealing arbitral awards amid such corporate rehabilitation underscored evolving interpretations of jurisdiction and procedural norms.