

****Title:**** Asset Privatization Trust vs. Court of Appeals, et al.

****G.R. No.:**** 120252

****Date of Decision:**** November 6, 1998

****Facts:****

Marinduque Mining and Industrial Corporation (MMIC) entered into a mortgage trust agreement with the Philippine National Bank (PNB) and Development Bank of the Philippines (DBP), signaling deep financial difficulties by 1984 with outstanding loans amounting to PHP 22.66 billion. Various plans, including a Financial Restructuring Plan (FRP), intended to convert debt into equity, failed to alleviate financial woes. Consequently, PNB and DBP opted to foreclose MMIC's assets, transferring these to petitioner Asset Privatization Trust (APT) in 1986.

In response, MMIC minority shareholders asserted a derivative suit for annulment of the foreclosure, specific performance of the FRP, and damages against PNB and DBP (later APT). Both parties agreed to arbitrate under a "Compromise and Arbitration Agreement," reducing claims to purely financial terms. The Makati RTC dismissed the original suit, substituting PNB and DBP with APT. The Arbitration Committee eventually ruled in MMIC's favor, awarding damages amounting to PHP 2.53 billion.

Upon confirmation application by MMIC with the Makati RTC, APT moved to vacate, claiming jurisdictional and procedural errors. The RTC confirmed the committee's award, prompting APT's certiorari petition to the Court of Appeals (CA), which dismissed it for form and timeliness.

****Issues:****

1. ****Jurisdiction to Confirm Arbitral Award:****

- Did the Makati RTC retain jurisdiction to confirm the arbitral award after dismissing Civil Case No. 9900?

2. ****Estoppel:****

- Was APT estopped from contesting the RTC's jurisdiction, having sought remedial actions within the same forum?

3. ****Exceeding Issues:****

- Did the Arbitration Committee exceed its jurisdiction by ruling on matters beyond the scope of the Compromise and Arbitration Agreement, particularly declaring the Financial

Restructuring Plan (FRP) valid?

4. **Correct Procedural Path:**

- Was the Court of Appeals correct in interpreting APT's certiorari petition as an improper substitute for the lost appeal course?

Court's Decision:

1. **Jurisdiction to Confirm Arbitral Award:**

- The Supreme Court ruled that the RTC lost jurisdiction upon dismissing Civil Case No. 9900. Confirmation should have been initiated as a special proceeding, not merely by motion under the same case number.

2. **Estoppel:**

- The court held that APT consistently maintained its jurisdictional objection, not barring itself from challenging the RTC's authority while concurrently opposing the arbitral award's scope.

3. **Exceeding Issues:**

- The Supreme Court found that the Arbitration Committee indeed exceeded its authority by declaring the invalidated foreclosure and by considering the FRP validity—issues improperly expanded beyond the agreed arbitration mandate. It nullified MMIC awards including unwarranted moral damages to minority stockholder Jesus S. Cabarrus, Sr.

4. **Correct Procedural Path:**

- The Supreme Court distinguished appeals from certiorari, affirming that the certiorari was validly pursued given RTC's jurisdictional overstep and procedural lapse meriting review.

Doctrine:

The case elucidates that final dismissal by a trial court terminates the court's authority over the case unless revived in compliance with proper procedural requisites, emphasizing careful distinction between suspension and full cessation of judicial action under arbitration agreements. The discretion of arbitration is limited strictly to the issues submitted before it. Equitable doctrines like estoppel cannot override explicit jurisdictional boundaries.

Class Notes:

- **Arbitration Law (R.A. 876):** Sections 24 (vacating award), 25 (modifying/correcting

award)**

- **Corporation Law:** In derivative suits, the corporation is the real party in interest.
- **Jurisdiction:** Once a trial court dismisses a case with finality, it loses authority over ensuing actions.
- **Estoppel:** Does not confer jurisdiction outside expressed legislative delineation.

Historical Context:

This decision reflects a period of increased privatization and restructuring of government assets in the Philippines during the 1980s and 1990s. It underscores the transition from public-sector dominance in key industries to private-sector participation and highlights legal and procedural complexities arising from large-scale financial restructuring of distressed state-owned enterprises.