

Philippine Textile Research Institute v. Court of Appeals and E.A. Ramirez Construction, Inc.

Facts

On February 11, 2013, E.A. Ramirez Construction, Inc. (E.A. Ramirez), filed a Complaint for Breach of Contract with Damages against the Philippine Textile Research Institute (PTRI) and several of its employees before the Regional Trial Court (RTC) of Taguig City. E.A. Ramirez alleged that in 2012, it entered into a Contract of Works with PTRI to rehabilitate the electrical facilities of PTRI's main building and three pilot plants. PTRI issued a notice to proceed, but soon thereafter, PTRI's consultant, Diaz, demanded ₱500,000 allegedly as a standard fee "for the boys." E.A. Ramirez refused, leading to multiple changes in project instructions and numerous delays. Despite substantial project completion, PTRI terminated the contract citing absent test results, which E.A. Ramirez claimed were not initial billing requirements. E.A. Ramirez sought actual, moral, exemplary damages, and attorney's fees totaling P2,807,025.85.

PTRI moved to dismiss the case, invoking state immunity and asserting CIAC jurisdiction over the construction dispute due to contractual stipulations referring the matter to arbitration. The RTC denied the motion to dismiss, prompting PTRI to seek certiorari and prohibition before the CA. The CA denied PTRI's prayers for injunctive relief but eventually dismissed the RTC case for lack of jurisdiction, asserting CIAC's original and exclusive jurisdiction.

Issues

1. Whether PTRI, as a government agency, is immune from suit.
2. Whether the RTC had jurisdiction to hear the breach of contract complaint filed by E.A. Ramirez.

Court's Decision

****Issue 1: State Immunity from Suit****

- The Supreme Court disagreed with the CA's holding that PTRI, as a line agency of the Department of Science and Technology (DOST), enjoyed immunity from suit for the contract in question.
- While PTRI is typically protected by immunity absent express or implied consent by the

state, the Court held that the state had waived immunity by entering into a contract. WRIT Act No. 3083 stipulates that the government consents to be sued over contractual matters, and such consent can be implied from the nature of the contract.

- The subject contract for the rehabilitation of electrical facilities was a proprietary function, not a governmental one, thus divesting PTRI of immunity. Furthermore, the contract inherently recognized the possibility of legal disputes and included pertinent provisions for dispute resolution.

****Issue 2: Jurisdiction of CIAC****

- The Supreme Court affirmed the CA's ruling that the RTC lacked jurisdiction. CIAC holds original and exclusive jurisdiction over construction disputes as mandated by E.O. 1008 (Construction Industry Arbitration Law).

- The subject Contract specifically contained clauses referring disputes to CIAC arbitration, conforming to the processes prescribed by Republic Act No. 9184 and its revised IRR.

- Statutory provisions in R.A. 9285 require that construction disputes be submitted to CIAC, precluding RTC jurisdiction. Section 6.3 of the Contract, which referred to legal actions in Taguig courts, did not override the contractual obligation to CIAC arbitration.

Doctrine

1. **State Immunity from Suit:**

- Government agencies performing proprietary functions may be sued, especially when they have entered into a contractual agreement that implies consent to litigation.

- Laws such as Act No. 3083 provide a statutory basis for waiving immunity in contractual disputes.

2. **CIAC Jurisdiction Over Construction Disputes:**

- Under E.O. 1008 and reinforced by R.A. 9285, the CIAC has original and exclusive jurisdiction over construction disputes when parties incorporate an arbitration clause in their agreements.

- Contractual provisions for legal dispute resolution must be harmonized with statutory mandates for arbitration.

Class Notes

Key Elements:

- ****State Immunity:****

- Article XVI, Section 3 of the 1987 Constitution.
- Act No. 3083 (waiver of immunity for contractual disputes).
- ****CIAC Jurisdiction:****
- E.O. 1008 (Construction Industry Arbitration Law).
- R.A. 9184 (Government Procurement Reform Act).
- R.A. 9285 (Alternative Dispute Resolution Act).

Application in Case:

- Immunity is not granted when the government acts in a proprietary capacity and expressly or impliedly consents to be sued.
- Disputes falling under the purview of specific statutory mandates for arbitration must be referred to the designated arbitrating body (CIAC), regardless of forum stipulations in contracts.

Historical Background

The case of Philippine Textile Research Institute v. E.A. Ramirez Construction Inc. reflects the balancing act courts must perform between upholding state immunity principles and enforcing legitimate contractual obligations. It underscores how E.O. 1008 and relevant legislative frameworks have delineated specific jurisdictions to expedite and specialize dispute resolution in the construction industry. These legal structures modernize and streamline how public and private contractual disputes are mediated, reinforcing the patterned predictability critical to fostering trust in commercial engagements with government entities.

Conclusion

The Supreme Court denied the appeal of E.A. Ramirez and affirmed the CA's ruling that the CIAC had exclusive jurisdiction. It clarified the limits of state immunity, especially in contractual settings, and reiterated the statutory authority of CIAC over construction disputes.