

Philippines Restricts Judicial Review of Construction Arbitral Awards

November 2021 | [Philippines](#)



Introduction

The Philippines' Construction Industry Arbitration Commission ("**CIAC**") exercises original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines. Previously, CIAC awards could be challenged on appeal on both questions of fact and law before the Court of Appeals, and thereafter the Supreme Court.

However, in *Ross Systems International, Inc. ("RSII") v. Global Medical Center of Laguna, Inc. ("GMCLI")* (G.R. No. 230119, May 11, 2021), the Supreme Court limited the scope of permitted judicial review of CIAC awards and amended the procedural course for appeals against these awards.

Background

The dispute in *Ross Systems International, Inc.* stems from GMCLI's withholding of full payment on a progress billing issued by RSII. RSII initiated arbitration proceedings with CIAC, which rendered an arbitral award. RSII filed an appeal with the Court of Appeals, which modified the CIAC award. Dissatisfied with the Court of Appeals' ruling, RSII and GMCLI both filed their respective appeals with the Philippine Supreme Court.

Legal Context

Prior to the promulgation of the Supreme Court's decision in *Ross Systems International, Inc.*, CIAC awards could be appealed to the Court of Appeals via Rule 43 of the Philippine Rules of Court on both questions of fact and law. The Court of Appeals' decision could in turn be appealed to the Supreme Court on questions of law pursuant to Rule 45 of the Rules of Court.

In *Ross Systems International, Inc.*, the Supreme Court revisited the substantive laws and procedural rules governing appeals from awards issued by CIAC. The Supreme Court noted that Philippine laws on construction industry arbitration, chiefly Executive Order No. 1008 and Republic Act No. 9285, or the Alternative Dispute Resolution Act of 2004, underscored the autonomy of CIAC arbitral awards from the judicial process, and CIAC's specialised knowledge and expertise on the subject of construction disputes.

On this basis, the Supreme Court ruled that, henceforth, CIAC awards may generally be challenged only on questions of law via direct appeal from CIAC to the Supreme Court pursuant to Rule 45 of the Rules of Court.

By way of exception, judicial review of CIAC's factual findings may be allowed only on grounds involving:

1. the integrity of the arbitral tribunal, i.e. if:
 - a. the award was procured by corruption, fraud or other undue means;
 - b. there was evident partiality from or corruption of one or more of the arbitrators;
 - c. the arbitrators were guilty of misconduct in refusing to postpone the hearing upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy;
 - d. one or more of the arbitrators were disqualified to act as such under law and wilfully refrained from disclosing such disqualifications or of any other misbehaviour by which the rights of any party have been materially prejudiced; or
 - e. the arbitrators exceeded their powers, or so imperfectly executed them, that a mutual, final, and definite award upon the subject matter submitted to them was not made; or
2. the arbitral tribunal's violation of the Constitution or positive law.

In these limited cases, an appeal may be filed with the Court of Appeals pursuant to Rule 65 of the Rules of Court, with a further available appeal to the Supreme Court on questions of law pursuant to Rule 45.

Concluding Remarks

Ross Systems International, Inc. strengthens CIAC's position in construction disputes as it affirms the body's industry expertise. In light of the narrowly-tailored exceptions to the general prohibition against appellate factual review of CIAC awards, evidentiary proceedings before CIAC become even more crucial in determining the outcome of a case. This decision also significantly reduces the time and costs associated with the resolution of construction disputes through CIAC arbitration.

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