

SECOND DIVISION

[G.R. No. 172712, March 21, 2012]

**STRADCOM CORPORATION, PETITIONER, VS. HONORABLE
HILARIO L. LAQUI AS ACTING PRESIDING JUDGE OF THE
REGIONAL TRIAL COURT OF QUEZON CITY, BRANCH 97 AND
DTECH MANAGEMENT, INC., RESPONDENTS.**

D E C I S I O N

PEREZ, J.:

Assailed in this petition for review on *certiorari* filed pursuant to Rule 45 of the 1997 *Rules of Civil Procedure* is the Decision dated 8 May 2006^[1] rendered by the Fourteenth Division of the Court of Appeals (CA) in CA-G.R. SP No. 87233, dismissing for lack of merit the petition for *certiorari* and prohibition filed by petitioner Stradcom Corporation (**STRADCOM**) which sought the nullification of the Resolutions dated 3 March 2004 and 16 August 2004 in turn issued in Civil Case No. Q03-49859 by public respondent, the Hon. Hilario Laqui, as Acting Presiding Judge of the Regional Trial Court (**RTC**), Branch 97, Quezon City.^[2]

On 19 June 2003, respondent DTech Management Incorporated (**DTECH**), filed a complaint for injunction, with prayer for Issuance of a Preliminary Injunction and Temporary Restraining Order against the Land Transportation Office (**LTO**), represented by Assistant Secretary Robert T. Lastimoso. Docketed as Civil Case No. Q03-49859 before the RTC,^[3] the complaint alleged that, in May 2001, DTECH submitted to the LTO a proposal to remedy problems relating to Compulsory Third Party Liability (**CTPL**) insurance of motor vehicles, specifically the proliferation of fake or duplicate CTPL insurance policies or Certificates of Cover (**COC**) which resulted in non-payment of claims thereon and loss of government revenues. To determine the viability of the proposal which entailed the computerization of all CTPL insurance transactions, the LTO conducted consultations with the Insurance Commission (**IC**), the Insurance and Surety Association of the Philippines, Inc. (**ISAP**) and DTECH. An acceptable information technology (**IT**) solution denominated as the COC Authentication System (**COCAS**) was eventually approved whereby COCs issued by insurance companies would undergo authentication and verification by IT service providers chosen by ISAP. Through its own selection and bidding process, ISAP hired DTECH to undertake the COC verification process while SQL Wizard, Inc. (**SQL**) likewise engaged to handle the COC authentication process.^[4]

DTECH further averred that, on 1 July 2002, a Memorandum of Understanding (**MOU**) was executed by the LTO, IC and ISAP which affirmed, among other matters, DTECH's accreditation and qualification "as an entity that could effectively and efficiently provide the required IT services in the verification end of the COCAS." Consistent with the MOU, the LTO, IC, ISAP and DTECH also executed a Memorandum of Agreement (**MOA**) on the same date, specifying the terms and

conditions of DTECH's engagement as "the sole IT service provider for the verification of COC for a term of five (5) years commencing on July 24, 2002 until July 24, 2007." Under the MOA, verification was defined as "the act of having an authenticated COC validated through the process of the on-line verification via the internet, SMS and other present day information technology and telecommunications applications." For each and every verification, DTECH was allowed to charge a fee of P20.00, exclusive of VAT, payable by the insurance company concerned within thirty (30) days from receipt of the billing therefor. After purportedly investing millions of pesos and exerting diligent effort to comply with its obligations under the MOA, DTECH maintained that, without any burden on public coffers, its initial operations yielded dramatic improvements and huge benefits to the government and the public.^[5]

Despite the foregoing factual antecedents, however, DTECH claimed that, on 17 January 2003, LTO wrote ISAP, suggesting the termination of DTECH's services in view of its supposed failure to interconnect with the LTO IT Motor Vehicle Registration System (**LTO IT MVRS**) owned and operated by STRADCOM under a Build Operate and Own (BOO) contract with the Department of Transportation and Communication (**DOTC**)/LTO. LTO further issued a Memorandum Circular directing that all COCs must be registered and verified under the LTO IT MVRS and that only COCs thus authenticated and verified would be thereafter accepted. The strict implementation of the foregoing directive was required in the 10 March 2003 Memorandum Circular issued by LTO, in blatant disregard of the meetings conducted by the parties to discuss the recall and/or postponement of the implementation thereof. Although the implementation of the directive was briefly suspended, the LTO went on to issue yet another Memorandum Circular on 28 April 2003, instructing all its officials and employees to accept COCs **"that have been verified and authenticated on-line, real time either by [STRADCOM's] CTPL COC Authentication Facility or ISAP-[SQL]-[DTECH]."** On 26 May 2003, the LTO notified the IC, ISAP and DTECH of its termination of the 1 July 2002 MOA, in view of the latter's failure to integrate the COCAS with the existing workflow of the LTO and its offices nationwide.^[6]

DTECH maintained that LTO's termination of its services and cancellation of the COCAS is violative of its contractual rights, the law as well as principles of fairness and due process. Since it was never a part of the parties' agreement, DTECH's alleged failure to interconnect with LTO MVRS is neither a valid ground for the termination of its services nor a reason to give undue advantage to STRADCOM. Emphasizing its considerable investments in the setting up the IT infrastructure required nationwide for the COCAS as well as its hiring of hundreds of personnel, installation of facilities and entry into service contracts required by the endeavor, DTECH argued that the pre-termination of the five-year term for which it was designated the sole IT provider for the verification of COCs and/or the performance of its functions by another private IT service would not only cause injustice and irreparable damage but would also engender confusion in the insurance industry and to the general public.^[7]

Over the opposition interposed by the LTO, the RTC issued the 25 June 2003 order granting DTECH's application for the issuance of a temporary restraining order (**TRO**) against the termination of the implementation of the parties' 1 July 2002 MOA.^[8] Contending that the complaint was fatally defective and failed to state a

cause of action, LTO filed an urgent motion to dismiss dated 8 July 2003, with opposition to DTECH's application for a writ of preliminary injunction for lack of showing of a right *in esse* and the resultant irreparable injury from the act complained against.^[9] On 1 August 2003, the RTC issued two (2) resolutions, denying LTO's motion to dismiss^[10] and granting DTECH's application for a writ of preliminary injunction which was deemed necessary pending the determination of the validity of the MOA's termination at the trial of the case on the merits.^[11] Upon DTECH's posting of the bond which was fixed at P1,500,000.00, the RTC went on to issue the corresponding writ of preliminary prohibitory injunction dated 4 August 2003, restraining LTO from implementing the termination of the MOA.^[12]

On 6 August 2003, STRADCOM filed a motion for leave to admit its answer-in-intervention, manifesting its legal interest in the matter in litigation and its intent to unite with LTO in resisting the complaint. In its attached answer-in-intervention, STRADCOM averred that, on 26 March 1998, it executed with the DOTC a BOO Agreement for the implementation of infrastructure facilities in accordance with Republic Act (**R.A.**) No. 6957, as amended by R.A. 7718. Having been authorized to design, construct and operate the IT system for the DOTC/ LTO, STRADCOM argued that the 1 July 2002 MOU and MOA breached the BOO Agreement which included the verification of COCs granted to DTECH without the requisite public bidding. With the latter's failure to comply with its contractual undertakings despite repeated warnings, STRADCOM claimed that LTO validly terminated the MOA on 26 May 2003 and effectively mooted DTECH's cause of action for injunction. STRADCOM likewise called attention to the prohibition against the issuance of a TRO and/or preliminary injunction against national infrastructure^[13] projects like those Covered by R.A. Nos. 6957^[14] and 7718.^[15]

On 21 August 2003, LTO moved for the reconsideration of the RTC's 1 August 2003 Resolution.^[16] With the admission of its answer-in-intervention, STRADCOM, in turn, filed its 15 October 2003 motion for the dissolution of the preliminary injunction issued in the case.^[17] On 3 March 2004, the RTC issued a resolution, denying the motions filed by LTO and STRADCOM upon the following findings and conclusions: (a) the pleadings so far filed required factual issues which can only be determined after trial of the case on the merits; (b) as LTO's agents insofar as the COCAS is concerned, the IC and ISAP are not indispensable parties to the case; (c) in the absence of government capital investment thereon, the COCAS do not come within the purview of the prohibition against injunctive orders and writs under R.A. 8975; (d) there is no adequate showing that the verification of the COCs is included in the BOO Agreement between DOTC/LTO and STRADCOM which even participated in the bidding ISAP conducted for the COCAS; and, (e) DTECH was able to demonstrate that the damage it would suffer as a consequence of the pre-termination of the MOA went beyond monetary injury.^[18] STRADCOM's motion for reconsideration of the foregoing resolution was denied for lack of merit in the RTC's Resolution dated 16 August 2004.^[19]

Aggrieved, STRADCOM filed the Rule 65 petition for *certiorari* and prohibition which, docketed before the CA as CA-G.R. SP No. 87233, was dismissed for lack of merit in the herein assailed Decision dated 8 May 2006. In affirming the RTC's Resolutions dated 3 March 2004 and 16 August 2004, the CA's then Fourteenth Division ruled that the writ of preliminary prohibitory injunction issued *a quo* was directed against

the pre-termination of the 1 July 2002 MOA and not STRADCOM's BOO Agreement with the LTO. Finding that the scope of the BOO Agreement had yet to be threshed out in the trial of the case on the merits, the CA discounted the grave abuse of discretion STRADCOM imputed against the RTC which, in issuing the injunctive writ, was found to be exercising a discretionary act outside the ambit of a writ of prohibition. Absent showing of manifest abuse, the CA desisted from interfering with the RTC's exercise of its discretion in issuing the injunctive writ as it involved determination of factual issues which is not the function of appellate courts.^[20]

Unfazed, STRADCOM filed the petition at bench, urging the reversal of the CA's 8 May 2006 Decision on the following grounds:

A.

THE HONORABLE APPELLATE COURT SERIOUSLY ERRED IN SUSTAINING RESPONDENT JUDGE HILARIO L. LAQUI'S PATENT GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF OR EXCESS OF JURISDICTION IN RULING THAT THE "COCAS" SUBJECT OF THE MEMORANDUM OF AGREEMENT IS NOT A "GOVERNMENT INFRASTRUCTURE PROJECT" WITHIN THE CONTEMPLATION OF THE LAW PARTICULARLY COVERED BY THE BAN ON COURTS FROM ISSUING TRO/PRELIMINARY INJUNCTION CONTEMPLATED BY P.D. 1818 AS AMENDED BY R.A. 8975 AND ADMINISTRATIVE CIRCULAR NO. 07-99 DATED JUNE 25, 1999, BY NOT TAKING INTO ACCOUNT THE BUILD-OWN-AND-OPERATE AGREEMENT EXECUTED BETWEEN THE REPUBLIC OF THE PHILIPPINES THROUGH THE DEPARTMENT OF TRANSPORTATION AND COMMUNICATION (DOTC/LTO) AND PETITIONER STRADCOM CORPORATION COVERED BY R.A. 6957, AS AMENDED BY R.A. 7718.

B.

THE HONORABLE APPELLATE COURT GRIEVOUSLY ERRED IN SUSTAINING RESPONDENT JUDGE HILARIO L. LAQUI'S OBVIOUS GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF OR EXCESS OF JURISDICTION IN RULING THAT PETITIONER STRADCOM IS IN ESTOPPEL FOR HAVING PARTICIPATED IN THE BIDDING CONDUCTED BY ISAP FOR THE PURPOSE OF CHOOSING THE INFORMATION TECHNOLOGY (IT) SERVICE PROVIDER FOR THE COCAS WHICH IS IN VIOLATION OF THE BOO AGREEMENT.

C.

THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN AFFIRMING RESPONDENT JUDGE HILARIO L. LAQUI'S PATENT GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF OR EXCESS OF JURISDICTION IN ISSUING A WRIT OF PRELIMINARY INJUNCTION AGAINST AN ACCOMPLISHED ACT, AN ACT IN CLEAR VIOLATION OF THE RULE ON FAIT ACOMPLI.