

Title:

Yu Kimteng Construction Corporation vs. Manila Railroad Company, et al.

Facts:

Yu Kimteng Construction Corporation (plaintiff and appellant) purchased reinforced steel bars in New York, which were shipped to Manila, Philippines, and completely unloaded on May 31, 1957. The cargo was transferred to the custody of Manila Port Service, a subsidiary of Manila Railroad Company (defendants and appellees) responsible for arrastre services. The plaintiff applied and obtained delivery permits for the steel bars and was billed for arrastre charges. However, when taking delivery on June 20, 1957, only three out of eight lifts of steel bars were present, with the remaining five lifts missing. The plaintiff filed provisional claims on the same day and submitted formal claims on July 12. Manila Port Service denied liability based on a contractual provision within the Management Contract with the Bureau of Customs, which barred claims not filed within a specified period.

The trial court dismissed the complaint, siding with the defendants, stating that since the claim was filed beyond the contractually mandated 15-day period from the date of cargo discharge, the defendants were released from liability. The plaintiff appealed, arguing that the filing of their claim was within the allowable time frame provided by the contract.

Issues:

1. Whether the 15-day period for filing a claim with the Manila Port Service should commence from the date of the goods' discharge from the vessel or from the date when the consignee learns of the loss or misdelivery.
2. The amount of damages recoverable by the plaintiff.
3. Whether the claim for attorney's fees and litigation expenses is justified and if so, how much should be awarded.

Court's Decision:

The Supreme Court held that the 15-day period to file a claim with Manila Port Service should start not from the date of discharge of the goods from the carrying vessel but from the date the consignee or claimant becomes aware of the loss, damage, or misdelivery. The Court reasoned that it would be inequitable to enforce the contract provision strictly, as this would provide an opportunity for arrastre contractors to escape liability simply by withholding knowledge of a loss from the consignee.

Regarding the amount of damages, the Court reversed the trial court's findings and based

the compensation on the replacement cost incurred by the plaintiff, which amounted to P7,955.00. The claim for attorney's fees and litigation expenses was determined to be reasonable at P1,000.00.

**Doctrine:**

The established doctrine in this case is that the time frame within which a claim for lost, damaged, or misdelivered cargo must be filed commences from the date the consignee or claimant becomes aware of the loss or damage, not from the date of discharge of the goods from the carrying vessel.

**Historical Background:**

The historical context of this case hinges upon the management of cargo within the Philippine port system, specifically regarding the contractual arrangements between arrastre operators and the Bureau of Customs, and the challenges that face consignees in claiming losses due to misdelivery or non-delivery of goods. The decision emphasizes the need for equitable treatment of consignees and holds arrastre service contractors accountable by preventing them from evading liability through provisions that may be considered unjust in certain circumstances. The case reiterates the principle established in previous rulings that the conditions set forth in management contracts should not be applied in such a way that would unjustly prejudice consignees who are unaware of the status of their shipments.