

Title: Eastern Shipping Lines, Inc. v. Court of Appeals and Mercantile Insurance Company, Inc.

Facts: The case arose from damages sustained by two fiber drums of riboflavin which were shipped from Yokohama, Japan to Manila on December 4, 1981, aboard the vessel SS EASTERN COMET owned by petitioner Eastern Shipping Lines under Bill of Lading No. YMA-8. The shipment was insured by respondent Mercantile Insurance Company. Upon the vessel's arrival in Manila, the cargo was discharged into the custody of Metro Port Service, Inc. which noted one drum in bad order. The cargo was later received by Allied Brokerage Corporation, where one drum was found opened and without seal, leading to spillages and adulteration of the contents. Mercantile Insurance paid the consignee for the damage and sought reimbursement from Eastern Shipping Lines, Metro Port Service, and Allied Brokerage, all of whom refused to pay. Mercantile then filed a claim in court. The trial court and Court of Appeals found that the shipment sustained damages while in the successive possession of the appellants (Eastern Shipping Lines, Metro Port Service, and Allied Brokerage) and held them jointly and severally liable for the damages.

Issues:

1. Whether the liability for the damage sustained by the shipment can be a solidary (joint and several) liability among the common carrier, the arrastre operator, and the customs broker.
2. The proper computation of legal interest on the award for loss or damage, specifically, from when it should be computed and at what rate.

Court's Decision:

The Supreme Court partly granted the petition. It affirmed the joint and several liabilities of Eastern Shipping Lines, Metro Port Service, and Allied Brokerage for the damages to the shipment. The Court also modified the computation of the legal interest awarded by the appellate court, holding that interest should be at the rate of 6% per annum from the decision of the court a quo and 12% interest per annum from the finality of the decision until its satisfaction.

Doctrine:

The Court elucidated principles concerning the obligations of common carriers, arrastre operators, and customs brokers regarding cargo under their custody. The ruling underscored the presumption of negligence on the part of the carrier when shipped goods are lost or arrive in damaged condition. The Court also provided guidelines for the

computation and imposition of legal interest on damages awarded for breach of an obligation, distinguishing between obligations arising from a loan or forbearance of money and other types of obligations.

Class Notes:

- Common carriers are presumed negligent for the loss, destruction, or deterioration of goods unless they prove otherwise (Article 1735, Civil Code).
- The relationship between the arrastre operator and the consignee is akin to that of a depositor and warehouseman; the duty of the arrastre is to take good care of the goods and deliver them in good condition (Fireman's Fund Insurance vs. Metro Port Services).
- For breach of an obligation not constituting a loan or forbearance of money, interest on damages may be imposed at 6% per annum, from judicial or extrajudicial demand until the decision; and 12% per annum from finality of the decision until fully paid (Eastern Shipping Lines ruling).

Historical Background:

This case reflects the evolving jurisprudence on the liabilities of carriers and arrastre operators in the shipping industry and the computation of legal interest on damages. It consolidates several doctrinal rulings and provides a comprehensive guideline on awarding interests on damages due to breach of obligations, marking a significant enforcement of contract laws and obligations in the Philippines.