

Title:

Liability in the Transport and Loss of Goods: The Case of Keihin-Everett Forwarding Co., Inc. vs. Tokio Marine Malayan Insurance Co., Inc. and Sunfreight Forwarders & Customs Brokerage, Inc.

Facts:

In 2005, Honda Trading Phils. Ecozone Corporation ordered 80 bundles of Aluminum Alloy Ingots from PT Molten Aluminum Producer Indonesia. PT Molten shipped the goods, which were insured under Policy No. 83-00143689 by Tokio Marine & Nichido Fire Insurance Co., Inc. (TMNFIC), to Manila via Nippon Express Co., Ltd. Keihin-Everett Forwarding Co., Inc. was tasked by Honda Trading to clear, transport, and deliver the cargo from the pier to its warehouse. Keihin-Everett had an Accreditation Agreement with Sunfreight Forwarders for common carrier services within the Philippines.

The shipment arrived in Manila and was stored temporarily at the port. Upon release, the containers were handed over to Sunfreight Forwarders for delivery. En route, one container was hijacked, resulting in the loss of half the shipment. Tokio Marine, having paid the insurance claim to Honda Trading, filed a complaint for damages against Keihin-Everett, invoking subrogation rights. Keihin-Everett denied liability, shifting the blame to Sunfreight Forwarders, who in turn denied liability, citing the Accreditation Agreement's liability limit with Keihin-Everett.

The RTC found Keihin-Everett and Sunfreight jointly and severally liable to pay Tokio Marine, a decision Keihin-Everett appealed. The CA modified the RTC's decision, ruling that Keihin-Everett was liable but had a right of reimbursement from Sunfreight Forwarders. Dissatisfied, Keihin-Everett appealed to the Supreme Court.

Issues:

1. Whether the CA erred in holding Keihin-Everett liable for Tokio Marine's claim.
2. Whether failure to attach the insurance policy in the complaint was fatal to Tokio Marine's cause of action.
3. The capacity of Tokio Marine to sue considering it was TMNFIC that issued the insurance policy.
4. The validity of legal subrogation in favor of Tokio Marine.
5. The liability of Keihin-Everett considering the goods were lost while under Sunfreight Forwarders' custody.

Court's Decision:

The Supreme Court affirmed the CA's decision, addressing each issue as follows:

1. Keihin-Everett's failure to attach the insurance policy was not fatal since the policy was presented during the trial.
2. Tokio Marine, having an Agency Agreement with TMNFIC, was the rightful party to file the suit.
3. Subrogation was valid and correctly applied, allowing Tokio Marine to sue Keihin-Everett.
4. Keihin-Everett, as the common carrier engaged by Honda Trading, was responsible for the lost cargoes regardless of Sunfreight Forwarders' temporary custody.
5. Keihin-Everett's liability wasn't solidary with Sunfreight Forwarders due to the lack of privity between Honda Trading and Sunfreight. Nevertheless, Keihin-Everett had the right to reimbursement from Sunfreight for the paid claim.

Doctrine:

The case reinforced the principle of subrogation under Article 2207 of the Civil Code, whereby an insurance company becomes subrogated to the rights of the insured against the wrongdoer upon payment of the insurance claim. It also reiterated the extraordinary responsibility of common carriers over goods under their custody, highlighting that liability arises unless they prove observance of extraordinary diligence.

Class Notes:

- **Subrogation**: Applies upon payment by the insurance company of the insurance claim, enabling it to exercise legal remedies otherwise available to the insured.
- **Common carriers' liability**: Presumed when goods are lost, destroyed, or deteriorated unless extraordinary diligence is proven (Civil Code, Art. 1733, 1735).
- **Privity of contract**: Necessary to directly hold a party liable for breach of contract. Third parties can only be targeted through subrogation or based on specific contracts, like accreditation agreements.
- **Doctrine of Equitable Assignment**: The payment by an insurer operates as an equitable assignment of all rights the insured may have against third parties responsible for the loss.

Historical Background:

The relational dynamics between shipping companies, forwarding agencies, and insurance companies in maritime logistics involve complex legal principles, especially concerning liability and contractual obligations. This case illustrates the implementation of these principles, underscoring the judiciary's role in resolving disputes arising from such relationships and the enforcement of contractual and statutory obligations in the

Philippines.