

Title: Telengtan Brothers & Sons, Inc. vs. United States Lines, Inc. and the Court of Appeals

Facts:

The situation began when respondent United States Lines, Inc. (U.S. Lines), a foreign corporation engaged in overseas shipping, sued petitioner Telengtan Brothers & Sons, Inc. (Telengtan), a domestic corporation operating as La Suerte Cigar & Cigarette Factory, for demurrage charges amounting to P94,000. These charges accrued between 1979 and 1980 for goods shipped from U.S. ports to Manila that were not withdrawn by Telengtan within the 10-day free period post-arrival. Heeding U.S. Lines' demands for payment, which Telengtan refused, U.S. Lines initiated litigation (Civil Case No. R-81-1196) in the Regional Trial Court (RTC) of Manila, Branch 38. Telengtan, in its defense, argued that it never agreed to any demurrage rule or contractual obligation to incur such charges and contested the legality of U.S. Lines' demands. During proceedings, it was revealed that certain goods were removed from the shipping containers by U.S. Lines and placed in warehouses, a move Telengtan argued was unauthorized. However, the RTC found in favor of U.S. Lines, a decision affirmed by the Court of Appeals (CA).

Issues:

1. Whether Telengtan was liable for the demurrage charges.
2. The propriety of the dismissal of Telengtan's counterclaim.
3. Legality of U.S. Lines depositing goods in warehouses instead of delivering them to Telengtan.
4. Application of Article 1250 of the Civil Code concerning the recomputation of charges due to fluctuation in currency value.

Court's Decision:

The Supreme Court partly favored Telengtan. It upheld the CA's stance that Telengtan's failure to withdraw its cargo within the free period justified the demurrage charges and validated U.S. Lines' subsequent depositing of cargo in warehouses under the authority of the Bureau of Customs. Conversely, the Court found the CA's application of Article 1250 for recomputation of the judgment award based on currency fluctuation as erroneous, as U.S. Lines failed to demonstrate the occurrence of an extraordinary inflation warranting such adjustment.

Doctrine:

- A consignee's failure to take timely possession of goods may incur legitimate demurrage charges and justify a carrier's decision to deposit cargo in warehouses for the consignee's

account when authorized by relevant authorities.

- The onus is on the party alleging extraordinary inflation or deflation affecting contractual obligations to provide evidence supporting the claim.

Class Notes:

- Demurrage Charges: Compensation payable due to delayed cargo claim, binding if implicit in trade practices or previous transactions.
- Warehouse Storage: Authorized by customs, holds consignee liable for additional fees.
- Extraordinary Inflation: Requires clear evidence to adjust contract values; Article 1250 of the Civil Code applies only if proven.

Historical Background:

This case reflects the legal complexities of shipping contracts, particularly on issues of demurrage, cargo delivery, and currency value fluctuation's impact on financial obligations. It underscores the judiciary's role in interpreting and applying contractual terms against established practices and legislative provisions.