

**\*\*Title: Keng Hua Paper Products Co. Inc. vs. Court of Appeals and Sea-Land Service, Inc.\*\***

**\*\*Facts:\*\***

On June 29, 1982, Sea-Land Service, Inc. (plaintiff/private respondent), a shipping company, received 76 bales of unsorted waste paper in a sealed container for shipment from Hong Kong to Keng Hua Paper Products Co. (defendant/petitioner) in Manila, issuing a bill of lading for the same. Upon its arrival in Manila on July 9, 1982, the petitioner failed to retrieve the shipment from July 29, 1982, accruing demurrage charges over 481 days, amounting to P67,340.00. Despite demands from Sea-Land, Keng Hua refused to settle, prompting Sea-Land to initiate a civil action for collection and damages. Keng Hua defended itself citing overshipment and the potential violation of local laws as reasons for non-acceptance, claiming no contract existed between them and Sea-Land.

**\*\*Procedural Posture:\*\***

The Regional Trial Court (RTC) sided with Sea-Land, a decision affirmed by the Court of Appeals (CA). Keng Hua's motion for reconsideration was denied by the CA, leading to a petition for review to the Supreme Court.

**\*\*Issues:\*\***

1. Did Keng Hua accept the bill of lading?
2. Was the P67,340.00 demurrage charge award to Sea-Land proper?
3. Was Keng Hua correct in not accepting the overshipment?
4. Was the awarding of legal interest from the date of Sea-Land's extrajudicial demand proper?

**\*\*Court's Decision:\*\***

The Supreme Court partially granted the petition, affirming Keng Hua's liability for demurrage but modifying the interest rate thereon. The Court held that a bill of lading, once delivered and accepted, constitutes a binding contract. Keng Hua, by not promptly objecting to the terms and allowing a considerable amount of time to pass without action, was deemed to have accepted the contract. The Court also distinguished the bill of lading from other arrangements like letters of credit, asserting Keng Hua's obligation under the bill of lading remained unaffected by any discrepancy regarding the amount of goods in the invoice versus the bill of lading. The Court adjusted the legal interest rate to six percent per annum from the date of the trial court's decision until full payment before judgment finality, changing to twelve percent per annum post-finality until satisfaction.

**\*\*Doctrine:\*\***

1. Acceptance of a bill of lading, explicit or implied, constitutes a binding contract among the shipper, carrier, and consignee.
2. Discrepancies in the amount of goods stated in commercial invoices and the bill of lading do not invalidate contractual obligations established by the bill of lading.

**\*\*Class Notes:\*\***

- Bill of Lading: A dual-function document that serves as a receipt for shipped goods and a contract between the shipper, carrier, and consignee.
- Demurrage Charges: Compensatory payments for the detention of a vessel beyond the agreed period.
- Legal Interest: Established at six percent per annum on obligations not arising from loans or forbearance of money, calculated from the time of judicial or extrajudicial demand; increased to twelve percent upon judgment finality until satisfaction.

**\*\*Historical Background:\*\***

This case highlights the complexities of international shipping law and the enforceability of contractual obligations through bills of lading within the Philippine legal system. It emphasizes the legal principle that contracts, once entered into, must be honored unless specifically voided or voidable under the law, showcasing the balance between commercial expediency and legal compliance in the global trade context.