

****Title:**** Phoenix Assurance Company vs. Macondray & Co., Inc.: Limitation of Liability in the Carriage of Goods by Sea

****Facts:****

On October 24, 1961, the SS Fernbank received a shipment of textile machinery spare parts, including ball bearings, consigned to the order of the Commercial Bank and Trust Company of the Philippines, with arrival notice to Floro Spinning Mills in Manila. This shipment, weighing 930 pounds, was insured by Phoenix Assurance Company of New York for \$5,450 against all risks. The shipment was tied to a letter of credit opened by Floro Spinning Mills for \$4,183.74, set to expire on October 31, 1961. Upon arrival in Manila on November 23, 1961, it was discovered that one of the cartons was almost empty, missing cargo valued at \$1,512.78. Phoenix Assurance Company, having paid the claim to Floro Spinning Mills, sought recovery from Macondray & Co., Inc., the vessel's agent, based on the actual value of the cargo, but was met with a defense limiting the carrier's liability to \$500 per package unless a higher value was declared.

****Procedural Posture:****

Phoenix Assurance Company initiated an action in the Court of First Instance against Macondray & Co., Inc., based on the actual value of the missing cargo. The lower court ruled in favor of limiting the liability to \$500, in accordance with the bill of lading and the Carriage of Goods by Sea Act. The insurance company appealed to the Supreme Court on a question of law, challenging the validity of the limitation of liability.

****Issues:****

1. Whether the stipulation limiting the carrier's liability to \$500 per package, unless a higher value is declared, is valid under the law.
2. If the stipulated limitation of liability applies when the nature and value of the goods were noted in the bill of lading.
3. Whether the court erred in adjudging costs against Phoenix Assurance Company.

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

The Supreme Court affirmed the lower court's decision, holding that the limitation of liability to \$500 per package is valid and enforceable unless a higher value is declared and extra freight is paid based on that higher valuation. The notation about the letter of credit in the bill of lading did not constitute a proper declaration of value that would override the stipulated limitation. On the issue of costs, while the application of section 9, Rule 5, was incorrect due to its reference to trials in inferior courts, costs were nevertheless adjudged

against Phoenix Assurance Company as the defeated party.

****Doctrine:****

The case reiterates the valid legality of limitations of liability stipulations in bills of lading under the Carriage of Goods by Sea Act, provided such stipulations fall within the third category, allowing for liability beyond set limits when a higher value is declared and additional freight paid.

****Class Notes:****

- ****Limitation of Liability in Carriage of Goods:**** Carriers can limit their liability to a specified amount (e.g., \$500 per package) unless the shipper declares a higher value and pays additional freight accordingly.
- ****Declaration of Value:**** A proper declaration involves expressly stating the value in the bill of lading and paying additional freight if necessary. Notations for convenience (e.g., for a letter of credit) do not constitute a valid declaration.
- ****Costs Against the Plaintiff:**** In civil cases, the defeated party is generally responsible for the costs of suit, emphasizing the significance of a well-founded legal basis for claims.
- ****Carriage of Goods by Sea Act (COGSA):**** Section 4 of COGSA supports the enforceability of stipulations limiting the carrier's liability, forming an integral part of the contract as evidenced by the bill of lading.
- ****Conversion Rate for Damages:**** When awarding damages in foreign currency, the conversion rate applicable should be that prevailing at the time of payment.

****Historical Background:****

This case highlights the longstanding principles surrounding carriers' limitations of liability for goods lost or damaged at sea, a critical aspect of maritime and commercial law which balances the interests of carriers and shippers, ensuring predictability and the ability to insure against risks effectively. It exemplifies the judicial reinforcement of established maritime legal norms in the context of mid-20th-century international trade practices within the Philippine jurisdiction.