

Title: National Development Company vs. Court of Appeals and Development Insurance & Surety Corporation (Maritime Company of the Philippines vs. Court of Appeals and Development Insurance & Surety Corporation)

Facts:

The case originates from a complaint filed by the Development Insurance and Surety Corporation (DISC) against the National Development Company (NDC) and Maritime Company of the Philippines (MCP) for the recovery of PHP 364,915.86 with legal interest and attorney's fees amounting to PHP 10,000.00. This amount was paid by DISC as insurer to the consignees for the loss and damage of cargoes loaded on the vessel 'Dona Nati,' which collided with the 'SS Yasushima Maru' at Ise Bay, Japan. The cargoes consisted of American raw cotton and other goods consigned from San Francisco, California, and Tokyo, Japan to Manila.

MCP filed a motion to dismiss, which was initially deferred and later on, MCP, along with NDC, filed their respective answers. MCP also filed a cross-claim against NDC. A series of legal maneuvers followed, including NDC being declared in default for its failure to comply with certain procedural requirements. Eventually, after the evidence was presented, the trial court rendered a decision ordering NDC and MCP to jointly and severally pay DISC. Both MCP and NDC appealed to the Court of Appeals, which affirmed the trial court's decision.

Issues:

1. The application of the Code of Commerce versus the Carriage of Goods by Sea Act in determining liability for loss of cargo resulting from a ship collision outside the territorial jurisdiction of the Philippines.
2. The right of DISC to file the reimbursement complaint against NDC and MCP as the insurer who paid for the lost or damaged cargo.
3. The nature of MCP's liability, whether as a mere manager-operator or as a ship agent/naviero, solidarily liable with NDC.
4. The extent of MCP and NDC's liability, particularly the applicability of the limitation of liability per package or the application of the law on averages.
5. The determination of fault in the collision of the vessels.
6. The issue of prescription concerning the filing of the claim.

Court's Decision:

The Supreme Court affirmed the decision of the Court of Appeals in totality, highlighting the

following resolutions:

1. ****Application of Laws****: It was held that the laws of the Philippines, i.e., the Civil Code and the Code of Commerce, as supplemented by special laws like the Carriage of Goods by Sea Act, govern the liability of the carrier for losses in transit from Japan to the Philippines, irrespective of where the collision occurred.
2. ****Right to File Complaint****: DISC, having indemnified the consignees for the loss, has the right to recover the amounts from NDC and MCP based on subrogation principles.
3. ****Nature of MCP's Liability****: MCP, as the appointed agent with powers conferred by NDC, is considered a ship-agent/naviero and is thus solidarily liable with NDC.
4. ****Extent of Liability****: The declared value of the cargoes, rather than a per-package limitation, was upheld as the basis for determining liability, underlining that carriers cannot limit liability for negligence.
5. ****Determination of Fault****: Both pilots of the vessels were at fault for the collision due to their negligence; the specific allocation of blame was unnecessary for determining solidary liability for cargo loss.
6. ****Issue of Prescription****: The claim was filed within the prescriptive period considering the actual and potential delays in the delivery of cargo made necessary by the circumstances of transit and collision.

Doctrine:

The decision reiterates the doctrine that the laws of the Philippines govern the liability of carriers for cargo shipped from foreign ports to the Philippines, and that common carriers are presumed negligent for loss unless they prove observance of extraordinary diligence. The Code of Commerce's provisions on collision and the solidary liability of shipowners and agents for damages apply, without prejudice to the application of the Carriage of Goods by Sea Act as supplementary law.

Class Notes:

- ****Common Carriers' Duty****: The observance of extraordinary diligence in the vigilance over goods and for the safety of passengers (Civil Code, Art. 1733).
- ****Presumed Fault****: In case of loss, destruction, or deterioration of goods, carriers are

presumed at fault or to have acted negligently unless extraordinary diligence is proven (Civil Code, Art. 1735).

- ****Collision and Liability****: Provisions covering collision (Code of Commerce, Arts. 826 to 839); solidary liability for cargo loss due to collision if both vessels are at fault.

- ****Legal Statutes****:

- Civil Code (Art. 1733, 1735, 1753, 1766)

- Code of Commerce (Art. 826, 827)

- Carriage of Goods by Sea Act (Com. Act No. 65, Sect. 1, 4(2))

Historical Background:

The Supreme Court decision in this case refines and reaffirms the application of the Civil Code, Code of Commerce, and the Carriage of Goods by Sea Act concerning maritime commerce, particularly in the context of international shipping and liabilities arising from collisions in international waters, demonstrating the Philippines' adaptation of its maritime laws to the complexities of modern global trade.