

### Title:

Everett Steamship Corporation vs. Court of Appeals and Hernandez Trading Co., Inc.: A Study on Bill of Lading Limitations and Carrier's Limited Liability

### Facts:

In this case, Hernandez Trading Co., Inc. (the private respondent), imported three crates of bus spare parts from Maruman Trading Company, Ltd., based in Japan. These crates were shipped from Nagoya, Japan, to Manila on board the "ADELFAEVERETTE," owned by Everett Orient Lines, represented by Everett Steamship Corporation (the petitioner). Upon arrival in Manila, it was discovered that one crate was missing. The petitioner confirmed the loss and offered to settle based on a limited liability clause in the bill of lading, offering only Y100,000.00, contrary to the lost cargo's value at Y1,552,500.00 as demanded by the respondent.

The case escalated from the Regional Trial Court of Caloocan City to the Court of Appeals, which affirmed the RTC's decision holding the petitioner liable for the full value of the lost goods. The petitioner then brought the case to the Supreme Court on the grounds that the limited liability clause should apply and that the private respondent, as consignee and not a signatory to the contract of carriage, should not be entitled to the full value of the cargo.

### Issues:

The Supreme Court was tasked with examining the validity of the carrier's limitation of liability clause in the bill of lading, and whether a consignee not a party to the contract of carriage is bound by the terms and conditions of the bill of lading, including the limitation of liability clause.

### Court's Decision:

The Supreme Court reversed the decision of the Court of Appeals, upholding the carrier's limited liability clause as valid under the circumstances and consistent with Articles 1749 and 1750 of the Civil Code. It emphasized that the consignee, by seeking to enforce the contract (bill of lading), accepted its terms, thereby binding itself to the contract's stipulations, including the limitation of liability. Therefore, the carrier's liability was limited to Y100,000.00 as stipulated in the bill of lading.

### Doctrine:

This case reaffirms the binding nature of contracts of adhesion, like the bill of lading, and the validity of limited liability clauses within them when they are reasonable and freely

agreed upon. It illustrates the principle that a non-signatory consignee, by claiming under said contract, subjects itself to its provisions, including any limitations to liability.

### ### Class Notes:

- **Contracts of Adhesion**: Contracts prepared by one party and signed by another (adhering party). The adhering party has the option to accept or reject the contract in its entirety.
- **Bill of Lading**: A key document in transportation law that serves as a contract of carriage and a receipt of goods.
- **Limited Liability Clause**: A provision that limits the carrier's liability for loss or damage to goods based on a predetermined value, unless a higher value is declared.
- **Relevant Statutes**:
  - Civil Code, Article 1749: Validates stipulations limiting a common carrier's liability if the shipper declares a higher value.
  - Civil Code, Article 1750: Requires any limitation on liability to be reasonable, just, and agreed upon.
  - In cases of adhesion contracts, courts exert vigilance to protect the interests of weaker parties, though such contracts are not invalid per se.

### ### Historical Background:

This case is situated within the broader context of commercial transactions and maritime law, highlighting the conflict between standard commercial practices (e.g., issuance of a bill of lading with a boilerplate limited liability clause) and the rights of consignees who may not directly participate in the drafting of such contracts. The evolving jurisprudence around contracts of adhesion and limitation of liability clauses serves to balance the interests of commercial efficiency against protection from unfair contract terms.