

Title:

Eastern Shipping Lines, Inc. vs. Intermediate Appellate Court, Development Insurance & Surety Corporation, Nisshin Fire & Marine Insurance Co., and Dowa Fire & Marine Insurance Co., Ltd.

Facts:

This case stemmed from the sinking of the M/S ASIATICA, a vessel operated by Eastern Shipping Lines, Inc. (Petitioner Carrier), which caught fire en route from Kobe, Japan, to Manila, leading to the total loss of ship and cargo. The cargoes included calorized lance pipes and spare parts insured by Development Insurance & Surety Corporation, and garments and surveying instruments insured by Nisshin Fire & Marine Insurance Co. and Dowa Fire & Marine Insurance Co., Ltd., respectively. The insurers, having compensated the consignees, were subrogated to their rights and filed claims against the carrier.

In G.R. No. 69044, Development Insurance pursued recovery through the Court of First Instance of Manila, resulting in a decision for the payment by Eastern Shipping of the insured values plus legal interest, attorney's fees, and costs. The decision was upheld by the Court of Appeals and escalated to the Supreme Court on certiorari.

Similarly, in G.R. No. 71478, Nisshin and Dowa sought recovery for their respective insured cargoes. The Trial Court decided in favor of the insurers, a decision affirmed with modification by the Court of Appeals concerning the liability limitation per package under COGSA, and subsequently reviewed by the Supreme Court.

Eastern Shipping contested the rulings, arguing limitations on liability and challenging the legal basis for determining the degree of diligence required and the burden of proof for negligence.

Issues:

1. The applicable law governing the liability of the carrier: the Civil Code provisions on common carriers vs. the Carriage of Goods by Sea Act (COGSA).
2. The burden of proof to establish the carrier's negligence.
3. The validity of the COGSA's \$500 per package limitation on the carrier's liability.

Court's Decision:

The Supreme Court held that:

1. The Civil Code governs the carrier's liability, supplemented by COGSA for matters not covered by the Code. The losses were not due to an exempting natural disaster under the

Civil Code, as fire is typically man-made and not considered an act of God.

2. The onus was on Eastern Shipping to prove it exercised extraordinary diligence once the loss was demonstrated, which it failed to do. The trials found a lack of diligence on the carrier's part, failing to regularly inspect or control the spread of the fire.

3. The limitation of liability to \$500 per package under COGSA applies, but the definition of a "package" was interpreted in favor of the detailed enumeration of cargo units (e.g., cartons) over containers unless otherwise stipulated or declared in value and documented in the bill of lading.

Doctrine:

The case reiterates the doctrine that carriers are bound by an extraordinary obligation of diligence in the safeguarding of goods. Loss attributed to "an act of God" requires incontrovertible proof that no human agency was involved. Moreover, it establishes that cargo containers are not necessarily considered "packages" under COGSA unless the bill of lading expressly designates them as such or unless there's a clear declaration of the shipped goods' higher value.

Class Notes:

- **Common Carriers**: Obligated to observe extraordinary diligence; liable for losses unless due to exempted causes (Civil Code, Art. 1733)
- **COGSA's Limitation**: \$500 per package unless higher value declared (COGSA, Sec. 4(5))
- **Burden of Proof**: Shifts to the carrier upon proof of loss not due to exempted causes
- **"Package" Determination**: Influenced by the bill of lading's disclosure of container contents and unit count

Historical Background:

The dichotomy between the Civil Code's provisions on common carrier obligations and the specific rules under COGSA epitomizes the evolving landscapes of maritime transport law. This case underscores the judiciary's role in interpreting these laws amidst technological advancements in cargo transport and the perennial challenge of harmonizing domestic legislation with international norms, especially concerning containerization in the shipping industry.