

### Title:

**Philippine Charter Insurance Corporation vs. Neptune Orient Lines and Overseas Agency Services, Inc.**

### Facts:

- Initial Shipment**: On September 30, 1993, L.T. Garments Manufacturing Corp. Ltd. shipped three sets of warp yarn on returnable beams from Hong Kong to Manila aboard the vessel M/V Baltimar Orion, owned by respondent Neptune Orient Lines. The cargo was destined for Fukuyama Manufacturing Corporation.
- Insurance and Bill of Lading**: Fukuyama insured the shipment with petitioner Philippine Charter Insurance Corporation (PCIC) for PHP 228,085 under Marine Cargo Policy No. RN55581. The cargo was documented under Bill of Lading No. HKG-0396180.
- Loss of Cargo**: During the voyage, the container holding the cargo fell overboard and was lost. Fukuyama claimed the value of the lost cargo from the respondent's agent, Overseas Agency Services, Inc. When the claim was ignored, Fukuyama sought and obtained payment from PCIC.
- Subrogation**: Fukuyama issued a Subrogation Receipt to PCIC on February 17, 1994, allowing PCIC to step into Fukuyama's shoes to claim damages from the respondents.
- Legal Actions**: PCIC filed a complaint for damages with the Regional Trial Court (RTC) of Manila on March 21, 1994. Respondents argued that the loss was due to a fortuitous event (heavy seas and strong winds) and limited their liability to US\$500 per package under the bill of lading.
- RTC Decision**: On January 12, 1996, the RTC ruled that the respondents did not exercise the requisite extraordinary diligence and ordered them to pay PCIC PHP 228,085.
- Appeals**: Respondents' motion for reconsideration was denied. They appealed to the Court of Appeals (CA). The CA initially affirmed the RTC decision on February 15, 2000, but modified it considering the \$500 per package liability limit.
- Further Appeals**: The respondents moved for reconsideration, emphasizing the limited liability provision of the Carriage of Goods by Sea Act (COGSA). On April 13, 2000, the CA ruled in favor of applying the US\$500 per package limit, prompting PCIC to petition the Supreme Court.

### Issues:

- Whether the respondents' liability is subject to the US\$500 per package limitation under COGSA and the bill of lading.
- Whether the respondents committed a "quasi-deviation" that would invalidate the limited liability provision.

### ### Court's Decision:

#### \*\*Issue 1: Limitation of Liability\*\*

- The Supreme Court upheld the application of the US\$500 per package limitation. They cited Article 1749 and 1750 of the Civil Code and Section 4(5) of COGSA, affirming that a stipulation limiting a carrier's liability is binding if no greater value is declared and included in the bill of lading.

#### \*\*Issue 2: Quasi-Deviation\*\*

- The Supreme Court found no merit in the petitioner's claim of "quasi-deviation." The RTC and CA factual findings, supported by the Survey Report and Note of Protest, indicated that the container fell overboard due to heavy seas and not intentional jettisoning. The Supreme Court reaffirmed it is not a trier of facts and upheld the lower courts' determinations.

### ### Doctrine:

- **Limitation Clause in Bill of Lading**: Article 1749 and 1750 of the Civil Code alongside Section 4(5) of COGSA allow common carriers to limit liability through bills of lading unless a higher value is declared. This principle was upheld by the Supreme Court, reiterating prior rulings such as in *Everett Steamship Corporation vs. Court of Appeals and Sea-Land Service, Inc. vs. Intermediate Appellate Court*.

### ### Class Notes:

#### 1. **Common Carrier Liability**:

- Extraordinary diligence over goods (Art. 1733).  
- Presumption of fault for loss unless due to exceptions like natural disasters, acts of public enemy, fault of shipper, etc. (Art. 1734).

#### 2. **Limitation of Liability**:

- Binding nature of limitation clauses unless higher value declared (Art. 1749, 1750; COGSA §4(5)).

#### 3. **Quasi-Deviation**:

- Intentional deviation from agreed route can void limitations (not applicable in this case due to lack of evidence and confirmation of heavy weather incident).

### ### Historical Background:

- **COGSA Adoption**: The case reflects the international maritime laws applied in Philippine jurisdictions, specifically through the adoption of the US COGSA via Commonwealth Act No. 65, signifying the global uniformity and recognition in maritime conduct.

- **\*\*Judicial Precedent\*\***: This case fits within a series of precedents upholding the validity of limited liability clauses in maritime transport, providing continuity and predictability in the enforcement of shipping contracts within the Philippines' judicial system.