

Title: Federal Express Corporation vs. American Home Assurance Company and Philam Insurance Company, Inc.

Facts: On January 26, 1994, SmithKline Beecham (SmithKline) of Nebraska delivered 109 cartons of veterinary vaccines to Burlington Air Express for delivery to Consignee SmithKline and French Overseas Company in Makati City, Philippines. Burlington issued Airway Bill No. 11263825 and insured the shipment for \$39,339.00 with American Home Assurance Company (AHAC). Federal Express Corporation transported the cargo to Manila, with the first shipment arriving on January 29, 1994, and the second on January 31. Both were stored at a warehouse operated by Cargohaus, Inc.

Dario C. Dioneda, assigned by GETC Cargo International Corporation to facilitate the cargo's customs clearance, discovered on February 10, 1994, that the vaccines were improperly stored in a room with air conditioners, not a refrigerator. SMITHKLINE, upon testing, found the vaccines unusable, declared them a total loss, and claimed insurance from AHAC, which was fulfilled by Philam Insurance Co. Subsequently, Philam filed an action for damages against Federal Express, alleging negligence.

The Regional Trial Court ruled Federal Express liable, and the Court of Appeals affirmed, leading Federal Express to petition the Supreme Court, arguing respondents lacked standing, and that the claim was time-barred under the Warsaw Convention and the airway bill terms.

Issues:

1. Whether the case was a proper subject for Supreme Court review under Rule 45.
2. Whether American Home Assurance Company and Philam Insurance had the standing to file the claim against Federal Express.
3. Whether Federal Express was liable for the damage to the shipment.
4. Whether the claim was barred by prescription according to the Warsaw Convention and the airway bill stipulations.
5. Admissibility of evidence related to the condition of the cargo upon delivery.

Court's Decision:

1. ****Propriety of Review****: The Supreme Court affirmed that legal issues raised by undisputed facts are proper for review under Rule 45, arguing over conclusions rather than facts themselves.
2. ****Standing to Sue****: The Court found the subrogation receipt valid, where SmithKline

authorized AHAC and Philam to claim damages from Federal Express, thereby having legal standing.

3. **Liability for Damages**: Despite the cargo reaching its final destination, respondents failed to prove Federal Express's liability conclusively. The airway bill stated specific terms for claims against carriers in case of damaged cargo, none of which were adhered to by the respondents.

4. **Prescription of Claim**: The Court emphasized the respondents' failure to notify the carrier within the stipulated time frame of the airway bill or the Warsaw Convention. The failure to file a claim within those periods barred the respondents' recovery against Federal Express for the damaged shipment.

5. **Admissibility of Evidence**: The complaint within the required timeline is crucial in determining whether respondents fulfilled the condition precedent for the carrier's liability; however, the actual demonstration of the condition of the goods was not necessarily revisited due to prescription.

Doctrine: The case emphasizes the condition precedent for filing claims against carriers for goods damage and the necessity to fulfill notice requirements within specified periods as stipulated in the Warsaw Convention and airway bills for a right of action to accrue.

Class Notes:

- **Condition Precedent**: Notice of claim is a statutory requirement, a condition precedent to action against a carrier.
- **Subrogation Right**: Insurers can assume rights of the policyholder post-indemnification.
- **Warsaw Convention**: International treaty governing carrier liability included a timeline for claims, which must be adhered to for action maintenance.
- **Airway Bill Terms**: Contractual obligations within bills can limit actions if not fulfilled, per contract stipulations.

Historical Background: In the broader context of transportation law, this case reaffirmed existing doctrines associated with carrier liability and loss claims under international conventions, such as the Warsaw Convention. It also demonstrates the intricate relationships and responsibilities among consignors, carriers, consignees, and insurers within global trade frameworks. This case further highlights the importance of abiding by contractual and international agreement stipulations in protecting logistical operations and

liability assumptions.