

Title: Luzon Stevedoring Corporation vs. Court of Appeals, Hijos de F. Escano, Inc., and Domestic Insurance Company of the Philippines

Facts

On May 30, 1968, at approximately 6:00 AM, a maritime collision occurred near the entrance to North Harbor, Manila. The tanker LSCO “Cavite,” owned by Luzon Stevedoring Corporation (LSC), and passenger ship MV “Fernando Escano,” owned by Hijos de F. Escano, Inc., collided, resulting in the sinking of the “Fernando Escano.”

Hijos de F. Escano, Inc., and Domestic Insurance Company of the Philippines (respondents) filed an admiralty action against LSC (petitioner) in the Court of First Instance of Cebu.

Proceedings Before Trial Courts

- During the trial, two commissioners were appointed to determine the value of LSCO “Cavite,” concluding it to be PHP 180,000.
- On January 24, 1974, the trial court found LSCO “Cavite” solely at fault and ordered LSC to pay:
 - PHP 514,000 to Domestic Insurance Company
 - PHP 68,819 to Hijos de F. Escano, Inc.
 - PHP 252,346.70 with interest from August 7, 1972
 - PHP 163,721.91 as trustee for claimants
 - Costs against the defendant
- The trial court dismissed LSC’s defense based on Art. 837 of the Code of Commerce, limiting liability to the vessel’s value.

Appeals to Higher Courts

- Displeased, LSC appealed to the Court of Appeals, which affirmed the trial court’s decision on June 30, 1981, and denied a motion for reconsideration on November 7, 1981.
- LSC filed a petition for certiorari in the Supreme Court, raising the following grounds:
 1. The lower court erred in finding LSCO “Cavite” at fault.
 2. The collision was due to the negligence of the MV “Fernando Escano.”
 3. Limitation of LSC’s liability to the vessel’s value under Art. 837 of the Code of Commerce.

Procedural Posture in Supreme Court

- On February 26, 1982, the Supreme Court denied the petition for lack of merit.
- LSC’s motion for reconsideration, focusing on whether abandonment is required under Art. 837, was denied on September 29, 1982.

- A second motion for reconsideration had limited issues:
 1. Whether abandonment is required under Art. 837.
 2. Timing of abandonment.
 3. Applicability of *Manila Steamship Co. v. Abdulhaman* regarding abandonment.
- On November 28, 1983, the Supreme Court granted due course to the petition for review.

Issues

1. ****Whether the LSCO “Cavite” was solely at fault for the collision.****
2. ****Whether the collision was solely due to the negligence and lack of skill of the MV “Fernando Escano”’s master.****
3. ****Whether the liability of the petitioner should be limited to the vessel’s value, its appurtenances, and freight earned, under Art. 837.****
4. ****Whether abandonment is required under Art. 837 to limit liability.****
5. ****Timing of abandonment if required.****
6. ****Applicability of the precedent established in *Manila Steamship Co. v. Abdulhaman*.**

Court’s Decision

****Resolution of Issues:****

1. ****Fault Determination:****

- The Court upheld earlier findings that LSCO “Cavite” was solely at fault for the collision. No convincing evidence was presented to overturn this finding.

2. ****Negligence of MV “Fernando Escano”:****

- The Court dismissed the claim that the collision was due to the negligence of the MV “Fernando Escano.” The trial court’s finding remained unchallenged on factual bases.

3. ****Limitation of Liability:****

****Art. 837 of Code of Commerce:****

- The Court reiterated that according to Art. 837, liability is limited to the vessel’s value only if the shipowner/agent abandons it.

****Necessity of Abandonment:****

- The requirement for abandonment remained necessary for a shipowner to assert limited liability.

****Condition of Total Loss:****

- The exception to the abandonment requirement is when the vessel is completely lost, extinguishing obligations since there is nothing to abandon.

4. **Abandonment Requirement:**

- The Court confirmed that abandonment must occur for the shipowner to invoke limited liability under Art. 837, barring cases where the vessel itself is destroyed.

5. **Timing of Abandonment:**

- Given the decision, the timing of abandonment was deemed not necessary for determination.

6. **Manila Steamship Co. v. Abdulhaman Applicability:**

- The Court noted that abandoning the vessel to claim limited liability did not apply where the shipowner was directly at fault, echoing the principle established in Manila Steamship Co. v. Abdulhaman.

Ultimately, the petition was denied, affirming the findings of fault and the necessity of abandonment required under the Code of Commerce for limited liability claims.

Doctrine

The important doctrines established include:

- **Requirement of Abandonment:**

- Under Art. 837 of the Code of Commerce, to claim limited liability, abandonment of the vessel is necessary unless it is totally lost, in which case liability extinguishes.

- **Owner's Fault:**

- A shipowner directly at fault cannot claim limited liability through abandonment, reflecting principles from Manila Steamship Co. v. Abdulhaman.

- **Real and Hypothecary Nature:**

- The shipowner's liability under maritime law has a real and hypothecary nature, limiting liability to the vessel's value, appurtenances, and freight earned, contingent on abandonment.

Class Notes

Central Legal Elements:

1. **Maritime Law:**

- **Code of Commerce Articles:**

- **Art. 587, 590, 837:**

- Limited liability contingent on abandoning the vessel.

- **Abandonment Requirement:**

- Necessary unless vessel is totally lost.
- **Exceptions:**
 - Workmen's Compensation Act claims, repairs completed before vessel loss.
 - Direct fault of shipowner negates limited liability.

Relevant Statutes:

- **Code of Commerce:**
 - **Art. 587:**
 - Abandonment to limit liability for captain's conduct.
 - **Art. 590:**
 - Co-owners' liability limited to vessel share, subject to abandonment.
 - **Art. 837:**
 - Limits civil liability in collisions to vessel's value, its appurtenances, and freight.
- **Philippine Jurisprudence:**
 - **Philippine Shipping Company vs. Garcia:**
 - Limitations on liability post-collision.
 - **Yangco vs. Laserna:**
 - Extending limited liability to negligent or illicit acts of the captain if abandonment is done.

Historical Background

The case context revolves around the maritime law framework within the Philippines during a period recognizing the inherent risks and fostering the growth of maritime commerce. The principles involved limit the financial exposure of shipowners, creating economic incentives, and establishing clear legal procedures for risk management in maritime operations. This collision case further emphasizes the enduring relevance of the "real and hypothecary" nature of maritime liability under Philippine law, aligning with global maritime legal standards.