

LEXAL PURE DRUG LABORATORIES, PLAINTIFF AND APPELLEE, VS. MANILA RAILROAD COMPANY AND MANILA PORT SERVICE, DEFENDANTS AND APPELLANTS.

G.R. No. L-20155. April 30, 1966

Ponente: BARRERA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/06ae80c9b0ce/>

BARRERA, J.:

From the decision of the Court of First Instance of Manila (in Civil Case No. 46269), ordering it to pay to the Lexal Drug Laboratories, the value of the undelivered articles belonging to the latter, the Manila Port Service filed the present appeal, mainly on the issue of whether or not the appellee-consignee of the undelivered goods is bound by Section 15 of the Management Contract between the appellant and the Bureau of Customs, fixing a prescriptive period of 15 days for the filing of claims in case of loss, damage, misdelivery or non-delivery of goods, and limiting appellant's liability to P500.00 in case of undeclared value of the merchandise.

The case was originally Instituted by the Lexal Drug Laboratories in the Municipal Court of Manila, for recovery of the sum of P1,818.61, the value of 100 kilos of Methyl Cellulose of special grade type MC-6,000, discharged to the defendant Manila Port Service on November 11, 1959, but which goods were never located. Upon a favorable decision to the plaintiff, defendant appealed to the Court of First Instance of Manila. Here the stipulation of facts submitted in the municipal court was reproduced, later supplemented by an additional stipulation of facts which, together, establish the basis of each party's respective contention, admitting for the plaintiff, the fact of discharge and receipt of the goods in Manila, their value at P1,818.61, and their non-delivery to the plaintiff; and for the defendant, the existence and due execution of the Management Contract between the defendant Manila Port Service and the Bureau of Customs for the operation of the arrastre service in the Port of Manila in the execution of which, plaintiff did not participate; the fact that claim for the value of the goods was filed more than 15 days from the date of discharge of the last cargo from the carrying vessel. An attempt was made to include in the additional stipulation of fact a statement that the provision of paragraph 15 of the Management Contract enjoining the presentation of claims within 15 days from the discharge of the last package from the carrying vessel, was stamped at the dorsal portion of the original of the Delivery Permit issued in the name of plaintiff's broker, but plaintiff objected contending it or its broker had no knowledge of such a fact. In view of this opposition, paragraph 3 of the additional stipulation was ordered deleted, but the defendant was authorized to present evidence in support of its contention.

The pertinent provisions of the questioned paragraph 15 of the Management Contract read as follows:

"x x x and the Contractor shall be solely responsible as an independent contractor for, and promptly pay to the steamship company, consignee, consignor, or other interested party or parties the invoice value of each package but which in no case shall be more than five hundred pesos (P500.00) for each package unless the value is otherwise specified or manifested, and the corresponding arrastre charges had been paid, including all damages that may be suffered on account of loss, destruction, or damage of any merchandise while in the custody or under the control of the contractor upon any pier, wharf or other designated place under the

supervision of the Bureau, x x x. In any event the Contractor shall be relieved and released of any and all responsibility or liability for loss, damage, misdelivery, and/or non-delivery of goods, unless suit in the court of proper jurisdiction is brought within a period of one (1) year from the date of the discharge of the goods, or from the date when the claim for the value of such goods have been rejected or denied by the Contractor, provided that such claim shall have been filed with the Contractor within fifteen (15) days from the date of discharge from the carrying vessel. x x x."

After due hearing, the court rendered the decision now on appeal, holding that plaintiff is not bound by the aforequoted Section 15 of the Management Contract, and ordering the defendants to pay to the plaintiff-importer the value of the undelivered goods in the sum of P1,818.61, with legal interest thereon from the filing of the complaint, plus the sum of P1,000.00, as attorney's fees.

There is no controversy as to the fact that the goods discharged from the vessel to the custody of the appellant were never located. There can also be no question as to the validity of Section 15 of the Management Contract between the Bureau of Customs and the arrastre contractor, the Manila Port Service. It has been consistently ruled by this Court that the provision limiting the liability of the arrastre contractor to claims filed within 15 days from the discharge unto its custody of the goods lost, destroyed or misdelivered, and for an amount not exceeding P500.00 unless the actual value thereof is given and the corresponding charges thereon paid, is binding upon consignees or third persons who are not signatories thereto, as long as the latter have knowledge of that limitation of liability.[1] Thus, we have held that the management contract is binding upon the consignee who is not a party thereto, but who has taken delivery of the goods upon presentation of a gate pass and delivery permit wherein the provision of Section 15 was stamped and constituted as one of the conditions for the issuance thereof.[2] In other words, knowledge and acceptance, even tacit, by the importer or his agent, of the provisions of paragraph 15 oft-cited, is essential to bind the importer. This is as it should be because, firstly the contract, contrary to ordinary rule, is sought to bind a party who did not participate in its execution, and secondly, it is intended to limit the liability of one of the contracting parties, the arrastre contractor. To successfully invoke its protective provisions, the beneficiary, (the arrastre contractor) must discharge its duty to prove such knowledge on the part of the importer.

In the case at bar, not only does the plaintiff vehemently disclaim knowledge of this limitation, but also the record discloses circumstances that indicate the plaintiff had no occasion to have in its possession any document containing the provision in question. It is true that the delivery permit presented by plaintiff's broker to the defendant now contains stamped on its dorsal portion, the provision in question. However, plaintiff's broker insists that when it secured the official form[3] from the Bureau of Customs for presentation to the Manila Port Service, no such stamped provision appeared thereon. This is corroborated by the testimony of witness Vicente Borres of the Manila Port Service to the effect that the stamping of the questioned provision on the delivery permit was done at the office of the defendant after the same has been presented by the consignee for processing.[4] Since this delivery permit has never been returned to the plaintiff because the goods were never located, (in fact the same was produced and presented as evidence by the defendant), it can not be said that plaintiff learned about the incorporation of the notice of limitation of liability. Nor has there been any gate pass (usually containing the same provision) given to the plaintiff for the reason that the goods were never delivered to the plaintiff.

Since the plaintiff-consignee is not bound by Section 15 of the Management Contract, the filing of its provisional claim 20 days after the release of the articles was not barred by any period of limitation. Considering further that the value of the articles lost was admitted to be P1,818.61, and as the limitation on the arrastre operator's liability to only P500.00 is not binding on the herein consignee, the appellant must be held liable to the full value of the amount being claimed by appellee.

Wherefore, the decision appealed from is hereby affirmed, with costs against the appellants. So ordered.

Bengzon, C.J., Concepcion, Reyes, J.B.L., Dizon, Regala, Makalintal, and Bengzon, J.P., JJ., concur.

[1] Insurance Company of North America vs. Manila Port Service, 113 Phil. 553, and cases cited therein.

[2] Insurance Company of North America vs. United States Lines, Co., 119 Phil. 783.

[3] The printed official form is in the nature of a communication addressed to the Manila Port Service from the Bureau of Customs authorizing the delivery of the goods upon payment of arrastre charges (see Exh. 3).

[4] pp. 28-30, t.s.n. Regala.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.