SULPICIO LINES, INC. PETITIONER, VS. FIRST LEPANTO-TAISHO INSURANCE CORPORATION, RESPONDENTS.

G.R. NO. 140349. June 29, 2005

Ponente: CHICO-NAZARIO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-140349/

CHICO-NAZARIO, J.:

Before Us is a Petition for Review on Certiorari assailing the Decision[1] of the Court of Appeals reversing the Decision[2] of the Regional Trial Court (RTC) of Manila, Branch XIV, dismissing the complaint for damages for failure of the plaintiff to prove its case with a preponderance of evidence. Assailed as well is the Resolution[3] of the Court of Appeals denying petitioner's Motion for Reconsideration.

THE FACTS

On 25 February 1992, Taiyo Yuden Philippines, Inc. (owner of the goods) and Delbros, Inc. (shipper) entered into a contract, evidenced by Bill of Lading No. CEB/SIN-008/92 issued by the latter in favor of the owner of the goods, for Delbros, Inc. to transport a shipment of goods consisting of three (3) wooden crates containing one hundred thirty-six (136) cartons of inductors and LC compound on board the V Singapore V20 from Cebu City to Singapore in favor of the consignee, Taiyo Yuden Singapore Pte, Ltd.

For the carriage of said shipment from Cebu City to Manila, Delbros, Inc. engaged the services of the vessel M/V Philippine Princess, owned and operated by petitioner Sulpicio Lines, Inc. (carrier). The vessel arrived at the North Harbor, Manila, on 24 February 1992.

During the unloading of the shipment, one crate containing forty-two (42) cartons dropped from the cargo hatch to the pier apron. The owner of the goods examined the dropped cargo, and upon an alleged finding that the contents of the crate were no longer usable for their intended purpose, they were rejected as a total loss and returned to Cebu City.

The owner of the goods filed a claim with herein petitioner-carrier for the recovery of the value of the rejected cargo which was refused by the latter. Thereafter, the owner of the goods sought payment from respondent First Lepanto-Taisho Insurance Corporation (insurer) under a marine insurance policy issued to the former. Respondent-insurer paid the claim less thirty-five percent (35%) salvage value or P194, 220.31.

The payment of the insurance claim of the owner of the goods by the respondent-insurer subrogated the latter to whatever right or legal action the owner of the goods may have against Delbros, Inc. and petitioner-carrier, Sulpicio Lines, Inc. Thus, respondent-insurer then filed claims for reimbursement from Delbros, Inc. and petitioner-carrier Sulpicio Lines, Inc. which were subsequently denied.

On 04 November 1992, respondent-insurer filed a suit for damages docketed as Civil Case No. 92-63337 with the trial court against Delbros, Inc. and herein petitioner-carrier. On 05 February 1993, petitioner-carrier filed its Answer with Counterclaim. Delbros, Inc. filed on 15 April 1993 its Answer with Counterclaim and Cross-claim,

alleging that assuming the contents of the crate in question were truly in bad order, fault is with herein petitioner-carrier which was responsible for the unloading of the crates.

Petitioner-carrier filed its Answer to Delbros, Inc.'s cross-claim asserting that it observed extraordinary diligence in the handling, storage and general care of the shipment and that subsequent inspection of the shipment by the Manila Adjusters and Surveyors Company showed that the contents of the third crate that had fallen were found to be in apparent sound condition, except that "2 cello bags each of 50 pieces ferri inductors No. LC FL 112270K-60 (c) were unaccounted for and missing as per packaging list."

After hearing, the trial court dismissed the complaint for damages as well as the counterclaim filed by therein defendant Sulpicio Lines, Inc. and the cross-claim filed by Delbros, Inc. According to the RTC:

> The plaintiff has failed to prove its case. The first witness for the plaintiff merely testified about the payment of the claim based on the documents accompanying the claim which were the Packing List, Commercial Invoices, Bill of Lading, Claims Statement, Marine Policies, Survey Report, Marine Risk Note, and the letter to Third Party carriers and shipping lines (Exhibit A-J).
>
> The check was paid and delivered to the assured as evidenced by the check voucher and the subrogation receipt.
>
> On cross-examination by counsel for the Sulpicio Lines, he said that their company paid the claim less 35% salvage value based on the adjuster report. This testimony is hearsay.
>
> The second witness for the plaintiff, Arturo Valdez, testified, among others, that he, together with a co-surveyor and a representative of Sulpicio Lines had conducted a survey of the shipment at the compound of Sulpicio Lines. He prepared a survey report (Exhibits G and G-1) and took a picture of shipment (Exhibit G-2).
>
> On cross-examination, he said that two cartons were torn at the sides with top portion flaps opened and the 41 cartons were properly sealed and in good order conditions. Two cartons were already opened and slightly damaged. He merely looked at them but did not conduct an inspection of the contents. What he was referring to as slightly damaged were the cartons only and not the contents.
>
> From the foregoing evidence, it is apparent that the plaintiff had failed to prove its case with a preponderance of evidence.
>
> ....
>
> WHEREFORE, in view of the foregoing considerations, judgment is hereby rendered dismissing the Complaint, defendant Sulpicio Lines' counterclaim and defendant Delbros Inc.'s cross-claim.[4]

A Motion for Reconsideration was then filed by herein respondent-insurer and subsequently denied by the trial court in an Order dated 07 February 1995 on the ground that it did not raise any new issue. Thus, respondent-insurer instituted an appeal with the Court of Appeals, which reversed the dismissal of the complaint by the lower court, the decretal portion of which reads:

> WHEREFORE, the appeal is granted. The decision appealed from is REVERSED. Defendants-appellees Delbros and Sulpicio Lines are hereby ordered to pay, jointly and severally, plaintiff-appellant the sum of P194,220.31 representing actual damages, plus legal interest counted from the filing of the complaint until fully paid.[5]

The appellate court disposed of the issues in the case in this wise:

> Furthermore, the evidence shows that one of the three crates fell during the unloading at the pier in Manila. The wooden crate which fell was damaged such that this particular crate was not anymore sent to Singapore

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

> and was instead shipped back to Cebu from Manila. Upon examination, it was found that two (2) cartons of the forty-two (42) cartons contained in this crate were externally damaged. They were torn at the sides and their top portions or flaps were open. These facts were admitted by all the parties. Defendant-appellees, however, insist that it was only the external packaging that was damaged, and that there was no actual damage to the goods such that would make them liable to the shipper. This theory is erroneous. When the goods are placed at a common carrier's possession for delivery to a specified consignee, they are in good order and condition and are supposed to be transported and delivered to the consignee in the same state. In the case herein, the goods were received by defendant-appellee Delbros in Cebu properly packed in cardboard cartons and then placed in wooden crates, for delivery to the consignee in Singapore. However, before the shipment reached Singapore (while it was in Manila) one crate and 2 cartons contained therein were not anymore in their original state. They were no longer fit to be sent to Singapore.
>
> ....
>
> As We have already found, there is damage suffered by the goods of the shipper. This consists in the destruction of one wooden crate and the tearing of two of the cardboard boxes therein rendering then unfit to be sent to Singapore. Defendant-appellee Sulpicio Lines admits that this crate fell while it was being unloaded at the Manila pier. Falling of the crate was negligence on the part of defendant-appellee Sulpicio Lines under the doctrine of res ipsa loquitur. Defendant-appellee Sulpicio Lines cannot exculpate itself from liability because it failed to prove that it exercised due diligence in the selection and supervision of its employees to prevent the damage.[6]

On 21 June 1999, herein petitioner-carrier filed its Motion for Reconsideration of the decision of the Court of Appeals which was subsequently denied in a Resolution dated 13 October 1999. Hence, the instant petition.

During the pendency of the appeal before this Court, Delbros, Inc. filed a manifestation stating that its appeal[7] filed before this Court had been dismissed for being filed out of time and thus the case as against it was declared closed and terminated. As a consequence, it paid in full the amount of the damages awarded by the appellate court to the respondent-insurer. Before this Court, Delbros, Inc. prays for reimbursement, contribution, or indemnity from its co-defendant, herein petitioner-carrier Sulpicio Lines, Inc. for whatever it had paid to respondent-insurer in consonance with the decision of the appellate court declaring both Delbros, Inc. and petitioner-carrier Sulpicio Lines, Inc. jointly and severally liable.

ISSUES

Petitioner-carrier raises the following issues in its petition:

- The Court of Appeals erred in not holding that the trial court justly and correctly dismissed the complaint against Sulpicio Lines, which dismissal is already final.

- The Court of Appeals erred in not dismissing the appeal for failure of appellant to comply with the technical requirement of the Rules of Court.

RULING OF THE COURT

We shall first address the procedural issue raised by petitioner-carrier, Sulpicio Lines, Inc. that the Court of Appeals should have dismissed the appeal for failure of respondent-insurer to attach a copy of the decision of the trial court to its appellant's brief in violation of Rule 44, Section 13(h) of the Rules of Civil Procedure.[8]

A perusal of the records will show, however, that in a Resolution[9] dated 13 August 1996, the Court of Appeals required herein respondent-insurer to submit seven (7) copies of the questioned decision within five (5) days from notice. Said Resolution was properly complied with.

As a rule, the right to appeal is a statutory right and one who seeks to avail of that right must comply with the manner required by the pertinent rules for the perfection of an appeal. Nevertheless, this Court has allowed the filing of an appeal upon subsequent compliance with the requirements imposed by law, where a strict application of the technical rules will impair the proper administration of justice. As enunciated by the Court in the case of Jaro v. Court of Appeals:[10]

> There is ample jurisprudence holding that the subsequent and substantial compliance of an appellant may call for the relaxation of the rules of procedure. In Cusi-Hernandez vs. Diaz [336 SCRA 113] and Piglas-Kamao vs. National Labor Relations Commission [357SCRA 640], we ruled that the subsequent submission of the missing documents with the motion for reconsideration amounts to substantial compliance. The reasons behind the failure of the petitioners in these two cases to comply with the required attachments were no longer scrutinized.[11]

We see no error, therefore, on the part of the Court of Appeals when it gave due course to the appeal after respondent-insurer had submitted copies of the RTC decision, albeit belatedly.

We now come to the substantial issues alleged by petitioner-carrier. The pivotal question to be considered in the resolution of this issue is whether or not, based on the evidence presented during the trial, the owner of the goods, respondent-insurer's predecessor-in-interest, did incur damages, and if so, whether or not petitioner-carrier is liable for the same.

It cannot be denied that the shipment sustained damage while in the custody of petitioner-carrier. It is not disputed that one of the three (3) crates did fall from the cargo hatch to the pier apron while petitioner-carrier was unloading the cargo from its vessel. Neither is it impugned that upon inspection, it was found that two (2) cartons were torn on the side and the top flaps were open and that two (2) cello bags, each of 50 pieces ferri inductors, were missing from the cargo.

Petitioner-carrier contends that its liability, if any, is only to the extent of the cargo damage or loss and should not include the lack of fitness of the shipment for transport to Singapore due to the damaged packing. This is erroneous. Petitioner-carrier seems to belabor under the misapprehension that a distinction must be made between the cargo packaging and the contents of the cargo. According to it, damage to the packaging is not tantamount to damage to the cargo. It must be stressed that in the case at bar, the damage sustained by the packaging of the cargo while in petitioner-carrier's custody resulted in its unfitness to be transported to its consignee in Singapore. Such failure to ship the cargo to its final destination because of the ruined packaging, indeed, resulted in damages on the part of the owner of the goods.

The falling of the crate during the unloading is evidence of petitioner-carrier's negligence in handling the cargo. As a common carrier, it is expected to observe extraordinary diligence in the handling of goods placed in its possession for transport.[12] The standard of extraordinary diligence imposed upon common carriers is considerably more demanding than the standard of ordinary diligence, i.e., the diligence of a good paterfamilias established in respect of the ordinary relations between members of society.[13] A common carrier is bound to transport its cargo and its passengers safely "as far as human care and foresight can provide, using the utmost diligence of a very cautious person, with due regard to all circumstances."[14] The extraordinary diligence in the vigilance over the goods tendered for shipment requires the common carrier to know and to follow the required precaution for avoiding the damage to, or destruction of, the goods entrusted to it for safe carriage and delivery.[15] It requires common carriers to render service with the greatest skill and foresight and "to use all reasonable means to ascertain the nature and characteristic of goods tendered for shipment, and to exercise due care in the handling and stowage, including such methods as their nature requires."[16]

Thus, when the shipment suffered damages as it was being unloaded, petitioner-carrier is presumed to have been negligent in the handling of the damaged cargo. Under Articles 1735[17] and 1752[18] of the Civil Code, common carriers are presumed to have been at fault or to have acted negligently in case the goods transported by them are lost, destroyed or had deteriorated. To overcome the presumption of liability for loss, destruction or deterioration of goods under Article 1735, the common carrier must prove that they observed extraordinary diligence as required in Article 1733[19] of the Civil Code.[20]

Petitioner-carrier miserably failed to adduce any shred of evidence of the required extraordinary diligence to overcome the presumption that it was negligent in transporting the cargo.

Coming now to the issue of the extent of petitioner-carrier's liability, it is undisputed that respondent-insurer paid the owner of the goods under the insurance policy the amount of P194,220.31 for the alleged damages the latter has incurred. Neither is there dispute as to the fact that Delbros, Inc. paid P194,220.31 to respondent-insurer in satisfaction of the whole amount of the judgment rendered by the Court of Appeals. The question then is: To what extent is Sulpicio Lines, Inc., as common carrier, liable for the damages suffered by the owner of the goods?

Upon respondent-insurer's payment of the alleged amount of loss suffered by the insured (the owner of the goods), the insurer is entitled to be subrogated pro tanto to any right of action which the insured may have against the common carrier whose negligence or wrongful act caused the loss.[21] Subrogation is the substitution of one person in the place of another with reference to a lawful claim or right, so that he who is substituted succeeds to the rights of the other in relation to a debt or claim, including its remedies or securities.[22] The rights to which the subrogee succeeds are the same as, but not greater than, those of the person for whom he is substituted, that is, he cannot acquire any claim, security or remedy the subrogor did not have.[23] In other words, a subrogee cannot succeed to a right not possessed by the subrogor.[24] A subrogee in effect steps into the shoes of the insured and can recover only if the insured likewise could have recovered.[25]

As found by the Court of Appeals, there was damage suffered by the goods which consisted in the destruction of one wooden crate and the tearing of two (2) cardboard boxes therein which rendered them unfit to be sent to Singapore.[26] The falling of the crate was negligence on the part of Sulpicio Lines, Inc. for which it cannot exculpate itself from liability because it failed to prove that it exercised extraordinary diligence.[27]

Hence, we uphold the ruling of the appellate court that herein petitioner-carrier is liable to pay the amount paid by respondent-insurer for the damages sustained by the owner of the goods.

As stated in the manifestation filed by Delbros, Inc., however, respondent-insurer had already been paid the full amount granted by the Court of Appeals, hence, it will be tantamount to unjust enrichment for respondent-insurer to again recover damages from herein petitioner-carrier.

With respect to Delbros, Inc.'s prayer contained in its manifestation that, in case the decision in the instant case be adverse to petitioner-carrier, a pronouncement as to the matter of reimbursement, indemnification or contribution in favor of Delbros, Inc. be included in the decision, this Court will not pass upon said issue since Delbros, Inc. has no personality before this Court, it not being a party to the instant case. Notwithstanding, this shall not bar any action Delbros, Inc. may institute against petitioner-carrier Sulpicio Lines, Inc. with respect to the damages the latter is liable to pay.

WHEREFORE, premises considered, the assailed Decision of the Court of Appeals dated 26 May 1999 and its Resolution dated 13 October 1999 are hereby AFFIRMED. No costs.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

SO ORDERED.

Puno, (Chairman), Austria-Martinez, Callejo, Sr., and Tinga, JJ., concur.

---

[1] CA-G.R. CV No. 49977, dated 26 May 1999, penned by Associate Justice Buenaventura J. Guerrero with Associate Justices Portia Alino-Hormachuelos and Eloy R. Bello, Jr., concurring.

[2] Civil Case No. 92-63337, dated 20 December 1994.

[3] Dated 13 October 1999.

[4] Rollo, pp. 66-67.

[5] Rollo, p. 35.

[6] Rollo. pp. 33-34.

[7] G.R. No. 140467, First Division.

[8] Rule 44, Section 13(h). In cases not brought up by record on appeal, the appellant's brief shall contain, as an appendix, a copy of the judgment or final order appealed from.

[9] CA records, p. 37.

[10] G.R. No. 127536, 19 February 2002, 377 SCRA 282.

[11] Id., p. 297.

[12] Philippine Civil Code, Article 1733.

[13] Gatchalian v. Delim, G.R. No. 56487, 21 October 1991, 203 SCRA 126, 134.

[14] Ibid.
[15] Compania Maritima v. Court of Appeals, G.R. No. L-31379, 29 August 1988, 164 SCRA 685, 692.

[16] Ibid., citing The Ensley City DC, Ma; 71 F. Suppl. 444, citing Schnell v. The Vallascura, 293 U.S. 296, 55 Sct. 194, 79 L. Ed. 373; The Nichiyo Maru, 4 Cri, 89 F. 2d 593; Bank Line v. Porter, 4 Cir., 25 F. 2d. 843.

[17] Art. 1735. In all cases other than those mentioned in Nos. 1, 2, 3, 4, and 5 of the preceding article, if the goods are lost, destroyed or deteriorated, common carriers are presumed to have been at fault or to have acted negligently, unless they prove that they observed extraordinary diligence as required in Article 1733.

[18] Art. 1752. Even when there is an agreement limiting the liability of the common carrier in the vigilance over the goods, the common carrier is disputably presumed to have been negligent in case of loss, destruction or deterioration.

[19] Art. 1733. Common carriers, from the nature of their business and for reasons of public policy, are bound to observe extraordinary diligence in the vigilance over the goods and for the safety of the passengers transported by them, according to all circumstance of each case.

[20] Compania Maritima v. Court of Appeals, supra, note 5.

[21] See Malayan Insurance Co., Inc. v. Court of Appeals, G.R. No. L-36413, 26 September 1988, 165 SCRA 536, 545.

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

[22] Lorenzo Shipping Corp. v. Chubb and Sons, Inc., G.R. No. 147724, 08 June 2004, 431 SCRA 266, 275.

[23] Ibid., citing Heritage Mut. Ins. Co. v. Truck Ins. Exchange, 184 Wis. 2d 247, 516 N.W. 2d 8 (Ct. App. 1994).

[24] Id., pp. 275-276, citing Columbia Pictures, Inc. v. Court of Appeals, G.R. No. 110318, 28 August 1996, 261 SCRA 144.

[25] Ibid.

[26] CA Decision, p. 9.

[27] Ibid.

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

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.