

PIONEER INSURANCE AND SURETY CORPORATION, PETITIONER, VS. APL CO. PTE. LTD., RESPONDENT.*G.R. No. 226345. August 02, 2017*

Ponente: MENDOZA, J.

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This petition for review on certiorari seeks to reverse and set aside the May 26, 2016 Decision[1] and August 8, 2016 Resolution[2] of the Court of Appeals (CA) in CA-G.R. SP No. 143912, which reversed the November 3, 2015 Decision[3] of the Regional Trial Court, Branch 137, Makati City (RTC). The RTC affirmed in toto the March 9, 2015 Decision[4] of the Municipal Trial Court, Branch 65, Makati City (MTC).

On January 13, 2012, the shipper, Chillies Export House Limited, turned over to respondent APL Co. Pte. Ltd. (APL) 250 bags of chili pepper for transport from the port of Chennai, India, to Manila. The shipment, with a total declared value of \$12,272.50, was loaded on board M/V Wan Hai 262. In turn, BSFIL Technologies, Inc. (BSFIL), as consignee, insured the cargo with petitioner Pioneer Insurance and Surety Corporation (Pioneer Insurance).[5]

On February 2, 2012, the shipment arrived at the port of Manila and was temporarily stored at North Harbor, Manila. On February 6, 2012, the bags of chili were withdrawn and delivered to BSFIL. Upon receipt thereof, it discovered that 76 bags were wet and heavily infested with molds. The shipment was declared unfit for human consumption and was eventually declared as a total loss.[6]

As a result, BSFIL made a formal claim against APL and Pioneer Insurance. The latter hired an independent insurance adjuster, which found that the shipment was wet because of the water which seeped inside the container van APL provided. Pioneer Insurance paid BSFIL P195,505.65 after evaluating the claim.[7]

Having been subrogated to all the rights and cause of action of BSFIL, Pioneer Insurance sought payment from APL, but the latter refused. This prompted Pioneer Insurance to file a complaint for sum of money against APL.

MTC Ruling

In its March 9, 2015 decision, the MTC granted the complaint and ordered APL to pay Pioneer Insurance the amount claimed plus six percent (6%) interest per annum from the filing of the complaint until fully paid, and P10,000.00 as attorney's fees. It explained that by paying BSFIL, Pioneer Insurance was subrogated to the rights of the insured and, as such, it may pursue all the remedies the insured may have against the party whose negligence or wrongful act caused the loss. The MTC declared that as a common carrier, APL was bound to observe extraordinary diligence. It noted that because the goods were damaged while it was in APL's custody, it was presumed that APL did not exercise extraordinary diligence, and that the latter failed to overcome such presumption. The dispositive portion reads:

WHEREFORE, premises considered, judgment is hereby rendered ordering defendant APL Co. Pte Ltd. to pay plaintiff the amount of P195,505.65 plus 6% interest per annum from the filing of this case (01 February 2013)

until the whole amount is fully paid and the amount of P10,000.00 as attorney's fees; and the costs.

SO ORDERED.[8]

Aggrieved, APL appealed to the RTC.

The RTC Ruling

In its November 3, 2015 decision, the RTC concurred with the MTC. It agreed that APL was presumed to have acted negligently because the goods were damaged while in its custody. In addition, the RTC stated that under the Carriage of Goods by Sea Act (COGSA), lack of written notice shall not prejudice the right of the shipper to bring a suit within one year after delivery of the goods. Further, the trial court stated that the shorter prescriptive period set in the Bill of Lading could not apply because it is contrary to the provisions of the COGS A. It ruled:

WHEREFORE, PREMISES CONSIDERED, the Decision dated March 9, 2015 of the Metropolitan Trial Court Branch 65, Makati City is hereby AFFIRMED in toto, with costs against defendant-appellant APL.

SO ORDERED.[9]

Undeterred, APL appealed before the CA.

The CA Ruling

In its May 26, 2016 decision, the CA reversed the decisions of the trial courts and ruled that the present action was barred by prescription. The appellate court noted that under Clause 8 of the Bill of Lading, the carrier shall be absolved from any liability unless a case is filed within nine (9) months after the delivery of the goods. It explained that a shorter prescriptive period may be stipulated upon, provided it is reasonable. The CA opined that the nine-month prescriptive period set out in the Bill of Lading was reasonable and provided a sufficient period of time within which an action to recover any loss or damage arising from the contract of carriage may be instituted.

The appellate court pointed out that as subrogee, Pioneer Insurance was bound by the stipulations of the Bill of Lading, including the shorter period to file an action. It stated that the contract had the force of law between the parties and so it could not countenance an interpretation which may undermine the stipulations freely agreed upon by the parties. The fallo reads:

WHEREFORE, premises considered, the instant Petition for Review is hereby GRANTED. The assailed Decision dated November 3, 2015 of the RTC, Branch 137, Makati City in Civil Case No. 15-403 is hereby REVERSED and SET ASIDE. Respondent Pioneer Insurance & Surety Corporation's Complaint is accordingly DISMISSED.

SO ORDERED.[10]

Pioneer Insurance moved for reconsideration, but the CA denied its motion in its August 8, 2016 Resolution.

Hence, this petition.

ISSUES

I

WHETHER THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED WHEN IT RULED THAT PETITIONER'S CLAIM AGAINST THE RESPONDENT IS ALREADY BARRED BY PRESCRIPTION; AND

II

WHETHER THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN HOLDING THAT THE

ONE YEAR PRESCRIPTIVE PERIOD PROVIDED UNDER THE CARRIAGE OF GOODS BY SEA ACT (COGSA) IS NOT APPLICABLE IN THE INSTANT CASE.[11]

Pioneer Insurance insists the action, which was filed on February 1, 2013, was within the one year prescriptive period under the COGSA after BSFIL received the goods on February 6, 2012. It argues that the nine-month period provided under the Bill of Lading was inapplicable because the Bill of Lading itself states that in the event that such time period is found to be contrary to any law compulsorily applicable, then the period prescribed by such law shall then apply. Pioneer Insurance is of the view that the stipulation in the Bill of Lading is subordinate to the COGSA. It asserts that while parties are free to stipulate the terms and conditions of their contract, the same should not be contrary to law, morals, good customs, public order, or public policy.

Further, Pioneer Insurance contends that it was not questioning the validity of the terms and conditions of the Bill of Lading as it was merely pointing out that the Bill of Lading itself provides that the nine-month prescriptive period is subservient to the one-year prescriptive period under the COGSA.

In its Comment,[12] dated November 3, 2016, APL countered that Pioneer Insurance erred in claiming that the nine-month period under the Bill of Lading applies only in the absence of an applicable law. It stressed that the nine-month period under the Bill of Lading applies, unless there is a law to the contrary. APL explained that "absence" differs from "contrary." It, thus, argued that the nine-month period was applicable because it is not contrary to any applicable law.

In its Reply,[13] dated February 23, 2017, Pioneer Insurance averred that the nine-month period shall be applied only if there is no law to the contrary. It noted that the COGSA was clearly contrary to the provisions of the Bill of Lading because it provides for a different prescriptive period. For said reason, Pioneer Insurance believed that the prescriptive period under the COGSA should be controlling.

The Court's Ruling

The petition is meritorious.

It is true that in *Philippine American General Insurance Co., Inc. v. Sweet Lines, Inc. (Philippine American)*,[14] the Court recognized that stipulated prescriptive periods shorter than their statutory counterparts are generally valid because they do not affect the liability of the carrier but merely affects the shipper's remedy. The CA, nevertheless, erred in applying *Philippine American* in the case at bench as it does not fall squarely with the present circumstances.

It is elementary that a contract is the law between the parties and the obligations it carries must be complied with in good faith.[15] In *Norton Resources and Development Corporation v. All Asia Bank Corporation*,[16] the Court reiterated that when the terms of the contract are clear, its literal meaning shall control, to wit:

The cardinal rule in the interpretation of contracts is embodied in the first paragraph of Article 1370 of the Civil Code: "[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control." This provision is akin to the "plain meaning rule" applied by Pennsylvania courts, which assumes that the intent of the parties to an instrument is "embodied in the writing itself, and when the words are clear and unambiguous the intent is to be discovered only from the express language of the agreement". It also resembles the "four corners" rule, a principle which allows courts in some cases to search beneath the semantic surface for clues to meaning. A court's purpose in examining a contract is to interpret the intent of the contracting parties, as objectively manifested by them. The process of interpreting a contract requires the court to make a preliminary inquiry as to whether the contract before it is ambiguous. A contract provision is ambiguous if it is susceptible of two reasonable alternative interpretations. Where the written terms of the contract are not ambiguous and can only be read one way, the court will

interpret the contract as a matter of law. If the contract is determined to be ambiguous, then the interpretation of the contract is left to the court, to resolve the ambiguity in the light of the intrinsic evidence.[17] [Emphases supplied]

After a closer persual of the the Bill of Lading, the Court finds that its provisions are clear and unequivocal leaving no room for interpretation.

In the Bill of Lading, it was categorically stated that the carrier shall in any event be discharged from all liability whatsoever in respect of the goods, unless suit is brought in the proper forum within nine (9) months after delivery of the goods or the date when they should have been delivered. The same, however, is qualified in that when the said nine-month period is contrary to any law compulsory applicable, the period prescribed by the said law shall apply.

The present case involves lost or damaged cargo. It has long been settled that in case of loss or damage of cargoes, the one-year prescriptive period under the COGSA applies.[18] It is at this juncture where the parties are at odds, with Pioneer Insurance claiming that the one-year prescriptive period under the COGSA governs; whereas APL insists that the nine-month prescriptive period under the Bill of Lading applies.

A reading of the Bill of Lading between the parties reveals that the nine-month prescriptive period is not applicable in all actions or claims. As an exception, the nine-month period is inapplicable when there is a different period provided by a law for a particular claim or action—unlike in Philippine American where the Bill of Lading stipulated a prescriptive period for actions without exceptions. Thus, it is readily apparent that the exception under the Bill of Lading became operative because there was a compulsory law applicable which provides for a different prescriptive period. Hence, strictly applying the terms of the Bill of Lading, the one-year prescriptive period under the COGSA should govern because the present case involves loss of goods or cargo. In finding so, the Court does not construe the Bill of Lading any further but merely applies its terms according to its plain and literal meaning.

WHEREFORE, the petition is GRANTED. The November 3, 2015 Decision of the Regional Trial Court, Branch 137, Makati City in Civil Case No. 15-403 is REINSTATED.

SO ORDERED.

[1] Penned by Associate Justice Remedios A. Salazar-Fernando with Associate Justice Priscilla J. Ballazar-Padilla and Associate Justice Melchor Quirino C. Sadang, concurring; rollo, pp. 16-26.

[2] Id. at 27-31.

[3] Penned by Presiding Judge Ethel V. Mercado-Gutay; id. at 82-89.

[4] Penned by Presiding Judge Henry E. Laron; id. at 74-81.

[5] Id. at 6.

[6] Id.

[7] Id. at 6-7.

[8] Id. at 81.

[9] Rollo, p. 89.

[10] Id. at 26.

[11] Id. at 8.

[12] Id. at 94-99.

[13] Id. at 103-105.

[14] 287 Phil. 212 (1992).

[15] *Morla v. Belmonte et al.*, 678 Phil. 102, 117 (2011).

[16] 620 Phil. 381 (2009), citing *Benguet Corporation v. Cabildo*, 585 Phil. 23 (2008).

[17] Id. at 388.

[18] *Mitsui O.S.K. Lines Ltd. v. CA*, 350 Phil. 813, 817-818 (1998); *Belgian Overseas Chartering and Shipping N. V. v. Philippine First Insurance Co., Inc.*, 432 Phil. 567, 585 (2002); *Asian Terminals, Inc. v. Philam Insurance Co., Inc.*, 715 Phil. 78, 98 (2013).

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