The Malcolm Baxter, Jr.

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Appeal No. : 277 U.S. 323

Appellant : The Malcolm Baxter, Jr.

Judgement :

The Malcolm Baxter, Jr. - 277 U.S. 323 (1928)
U.S. Supreme Court The Malcolm Baxter, Jr., 277 U.S. 323 (1928)

The Malcolm Baxter, Jr.

No. 459

Argued April 16, 1928

Decided May 21, 1928

277 U.S. 323

CERTIORARI TO THE CIRCUIT COURT OF APPEALS

FOR THE SECOND CIRCUIT

SYLLABUS

A schooner bound with cargo from New Orleans to Bordeaux developed leaks because of unseaworthiness existing when she broke ground, and was forced to take refuge in Havana for repairs. Before the repairs were completed, an embargo was put into effect by the United States. Prevented by this from continuing to Bordeaux, she proceeded to New York, and was there libeled by the cargo owners. The unseaworthiness was unknown to her owner or master when the voyage began, but could have been discovered by due diligence.

HELD

Page 277 U. S. 324

1. That recovery was rightly limited to actual damage to the cargo due to unseaworthiness and to the difference between the value of the cargo at Bordeaux had it arrived there on the contract voyage and its value on arrival had the vessel proceeded there from Havana when she was repaired and ready for sea. Pp. 277 U. S. 330 , 277 U. S. 333 .

2. Clauses in the bill of lading entitling the ship owner to retain the prepaid freight in case of forced interruption or abandonment of the voyage, and exempting the vessel from liability for "restraint of princes," etc., were not displaced by the departure, so that the freight and the damage due to the embargo were not recoverable by the cargo owners. P. 277 U. S. 333 .

3. The rule that a voluntary deviation from the prescribed voyage displaces the contract of affreightment is not to be extended to deviation to avoid perils of the sea, even in a case where the deviation would not have been necessary if the owner had used reasonable diligence to start the voyage with a seaworthy vessel. P. 277 U. S. 332 .

4. In the absence of any showing that the embargo could reasonably have been foreseen by the ship owner, or of special circumstances charging the ship owner with the knowledge or expectation that the unseaworthiness, or consequent delay, would bring the vessel within its operation, the damage resulting from it to cargo

owners is not attributable to the negligence of the ship owner, but to the embargo itself. P. 277 U. S. 333 .

5. The ship owner having brought itself within the exception of the bill of lading, the burden was on the cargo owners to show that the negligence was the cause of or contributed to the loss. P. 277 U. S. 334 .

20 F.2d 304 affirmed.

Certiorari, 275 U.S. 517, to a decree of the circuit court of appeals, reversing a decree awarding damages in a suit begun by libel against the schooner above named. The present respondent petitioned for exoneration and limitation of liability. *

Page 277 U. S. 329

MR. JUSTICE STONE delivered the opinion of the Court.

Petitioners, in July, 1917, shipped a cargo on the schooner *Malcolm Baxter,* owned by respondent, from New Orleans to Bordeaux, and prepaid the freight. The bill of lading stipulated:

"prepaid freight is to be considered as earned in shipment of goods, and is to be retained by vessel's owner . . . if there be forced interruption or abandonment of the voyage at a port of distress or elsewhere."

In addition, there was the usual clause exempting the vessel from "restraints of princes, rulers, and peoples." After departure from New Orleans, the *Baxter* developed leaks due to unseaworthiness which caused her to put in at Key West, where she was surveyed. In order to effect the necessary repairs, she was towed to Havana, where she was unladen and repaired, remaining there for that purpose until January 14, 1918. Before the completion of the repairs, the United States Export Administrative Board put into effect its ruling of November

Page 277 U. S. 330

18, 1917, that sailing vessels would not be permitted to clear for points beyond the war zone. This ruling remaining in force when the repairs were completed, the *Baxter,* being unable to secure a clearance for Bordeaux, took her cargo on board and proceeded to New York, where the petitioners libeled the vessel in the District Court for Southern New York to recover freight money, damages to cargo, and damages for failure to perform the contract voyage from New Orleans to Bordeaux.

Respondent, as owner, filed a petition for exoneration and limitation of liability and enjoined further proceedings on the libels. Petitioners filed claims in the limitation proceedings, claiming damages as in the original libels, setting up the deviation and the abandonment of the voyage by reason of the ship's unseaworthiness on sailing.

The district court denied the petition to limit liability, but allowed the claim for freight money and for damages sustained by petitioners, including damage to cargo. A special master, appointed to take proof of damage, found that the measure of damages was the excess cost of the substituted carriage and incidental expenses, and, in the case of goods which could not be sent forward, the damage was measured by the difference between the value of the goods at the time when and in the condition in which they should have arrived at destination and their value at the place where and in the condition in which they actually were received, less charges saved plus incidental expenses. Final decree was given to the petitioners for the damage as found.

The Circuit Court of Appeals for the Second Circuit upheld the ruling of the district court denying exoneration and limitation of liability, but reversed the judgment, holding there could be no recovery of the prepaid freight or excess cost of transportation over prepaid freight; that the recovery of damages must be limited to actual damages to

cargo resulting from unseaworthiness, and the difference between the value of the cargo had it arrived in Bordeaux on a straight voyage on August 16, 1917, the date when the *Baxter* sailed, and on a voyage leaving Havana January 14, 1918, the date when the repairs were completed and the *Baxter* was ready for sea. *The Malcolm Baxter, Jr.,* 20 F.2d 304.

Both courts below agreed that the *Baxter* was unseaworthy on sailing, and that respondent failed to exercise due diligence to ascertain her condition before sailing. This was sufficient ground for denying the petition for exoneration and limitation of liability under the Harter Act (Act Feb. 13, 1893), c. 105, 27 Stat. 445, and acts permitting limitation of liability to the vessel and pending freight. R.S. 4282-4289. The correctness of this determination is not raised on the petition here, *Federal Trade Commission v. Pacific Paper Assn.,* 273 U. S. 52 , 273 U. S. 66 , but petitioners urge that the *Baxter's* putting in first at Key West, and later at Havana, must be deemed a voluntary deviation because due to the negligence of the owner in failing to discover the unseaworthiness and to make the vessel seaworthy before sailing.

Unseaworthiness alone, or deviation caused by it, displaces the contract of affreightment only insofar as damage is caused by the unseaworthiness. *The Caledonia,* 157 U. S. 124 ; *The Europa,* [1908] P. 84; *Thorley v. Orchis S.S. Col, Ltd.,* [1907] 1 K.B. 660; *Kish v. Taylor,* [1912] A.C. 604, 618. But if the deviation here is to be classed with voluntary deviations, respondent may not claim the benefit of the clauses of the bill of landing and is responsible for the cargo as insurer. *The Willdomino,* 272 U. S. 718 ; *St. Johns Corp. v. Companhia Geral, etc.,* 263 U. S. 119 ; *Mobile & Montgomery Ry. v. Jurey,* 111 U. S. 584 ; *Lawrence v. Minturn,* 17 How. 111. *And see The Indrapura,* 171 F. 929. In any case it is contended that respondent's negligent failure to discover the unseaworthiness

Page 277 U. S. 332

of the vessel resulted in the delay which brought her within the operation of the embargo, and that the shipowners are for that reason liable for damages for all the

delay, including that immediately resulting from the embargo.

Respondents had purchased the vessel about one month before she sailed. At that time, she was unseaworthy due to a hog or camber in her keel, a structural weakness dangerous to the ship in heavy weather, which later caused the leak and made necessary the repairs at Havana. Following the purchase and before sailing from New Orleans, a survey was made by the owner which appears not to have disclosed her condition, but both courts below agree that the fact of her unseaworthiness could have been discovered by due diligence.

The evidence supports the finding of the court of appeals that the master of the *Baxter*

"did not leave New Orleans with knowledge that he would have to make port for repairs, and honestly thought he could make the trip in safety, and tried unsuccessfully to do so."

The case is therefore not one where the master set sail with the knowledge that the deviation from the voyage, as described in the bill of lading, would ensue, and with the purpose and intent to deviate, as in *The Willdomino, supra.* There, the officers of the vessel, under direction of the owner, sailed from Ponta Delgada, bound for New York, all knowing that the supply of fuel was insufficient for the voyage, and intending to take the vessel to North Sidney, and we held that the deviation under the circumstances was voluntary and inexcusable.

But here, the deviation was not voluntary, and the point to be determined is whether a like effect is to be given to a deviation to avoid perils of the sea where the deviation would not have been necessary if the owner had used reasonable diligence to start the voyage with a seaworthy vessel.

No sufficient reason is suggested to us for thus extending the rule, nor do we perceive any. Petitioner, without

resort to it, is entitled to recover all damages caused by the unseaworthiness. The basis of the privilege of deviation to avoid perils of the sea is humanitarian. *See* Carver, Carriage by Sea (7th ed.) 291, 292. To hold that the master whose ship is in a perilous position must choose between the hazard of continuing the voyage and gaining safety only by forfeiting the contract of affreightment would be a departure from that principle for no purpose except to give the shipper an added and unnecessary protection. "It is the presence of the peril, and not its cause," which justifies the deviation. *See Strang v. Scott,* 14 App.Cas. 801. This is the conclusion reached in other circuits (*The Turret Crown,* 297 F. 766; *The Turret Crown,* 284 F. 439, 445; *The Turret Crown,* 282 F. 354, 360; *see The Thessaloniki,* 267 F. 67), and by the House of Lords in *Kish v. Taylor, supra,* holding that a deviation caused by unseaworthiness due to improper and negligent loading of the ship by the master did not displace the bill of lading. This rule we adopt as most consonant with the reason and consequences of the rule that a voluntary deviation displaces the contract of affreightment. It follows that the clauses of the bill of lading remain effective, and that petitioner may not recover the freight money. *Allanwilde Corp. v. Vacuum Oil Co.,* 248 U. S. 377 .

But for all damages legally attributable to the breach of warranty of seaworthiness petitioners may recover. *The Caledonia, supra.* For the delay caused by the embargo alone, petitioners may not recover, both because it was within the exception of the bill of lading and because, while it continued, performance of the contract of affreightment would have been illegal. *See Allanwilde Corp. v. Vacuum Oil Co., supra,* 385; Carver, Carriage by Sea (7th ed.) 237, 238, 343, 344.

It was the embargo, and not the unseaworthiness of the vessel, which delayed the voyage after the *Baxter* was repaired and ready for sea on January 14, 1918, and the unseaworthiness of the vessel did not cause the embargo.

Page 277 U. S. 334

But it is urged that it is enough to sustain the recovery for the failure to complete the voyage that it was the unseaworthiness, for which respondent was responsible, that brought the vessel within the excepted peril. This view, although

not without support (*Green-Wheeler Shoe Co. v. Chicago, Rock Island & P. R. Co.,* 130 Iowa, 123; *Michaels v. New York Central R. Co.,* 30 N.Y. 564; *Condict v. Grand Trunk Ry.,* 54 N.Y. 500), does not generally prevail. *See* 2 Williston, Contracts 1906, and cases cited.

It was rejected by this Court in *Railroad Co. v. Reeves,* 10 Wall. 176. There, negligent delay in the transportation of goods by the carrier brought them within the path of a flood, which caused their destruction. The Court held that the flood, and not the negligent delay, was the proximate cause of the damage, and that the rule " *causa proxima non remota spectatur* " applied to contracts of common carriers as to others. There has been no departure from this rule, and we see no reason for departing from it now. *See Milwaukee & St. Paul Ry. v. Kellogg,* 94 U. S. 469 ; *Atchison, Topeka & Santa Fe Ry. v. Calhoun,* 213 U. S. 1 ; *The Indrapura, supra; The Lusitania,* 251 F. 715, 732; *The Turret Crown,* 282 F. 354, 360. There is no finding, nor is it suggested, that at the time when the contract of affreightment was entered into, or when the vessel broke ground, that the embargo could reasonably have been foreseen, or that there were any special circumstances charging petitioners with the knowledge or expectation that the unseaworthiness or consequent delay would bring the vessel within its operation. The respondent having brought itself within the exception under its bill of lading, the burden is on petitioners to show that respondents' negligence was the cause of or contributed to the loss. *Railroad Co. v. Reeves, supra,* 77 U. S. 190 ; *Transportation Co. v. Downer,* 11 Wall. 129. *See Southern Ry. v. Prescott,* 240 U. S. 632 , 240 U. S. 641 ; *Kohlsaat v. Parkersburg & Marietta Sand Co.,* 266 F. 283, 285.

Affirmed.

* The docket title of the case in this Court was *Republic of France et al. v. French Overseas Corporation, as owner, etc.*