Life Salvage or Restitution: Peninsular & Oriental Steam Navigation Co. v. Overseas Oil Carriers

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Life Salvage or Restitution?:  
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The maritime tradition of heroism in rescue at sea has long been considered a symbol of the most admirable qualities of altruism and brotherhood. Despite the unanimous praise bestowed upon such lifesavers, however, U.S. law has refused to award pecuniary compensation for the rescue of life alone if such rescue is not accompanied by the simultaneous salvage of the ship's property.\(^1\) A significant break with this rule was recently made by the U.S. Court of Appeals for the Second Circuit in *The Peninsular & Oriental Steam Navigation Co. v. Overseas Oil Carriers, Inc.*\(^2\)

In this case, the court heard the claim of a rescuing ship for reimbursement of substantial expenses incurred when, at the request of another vessel, she diverted from her original course, transferred a stricken seaman on board, and brought him quickly to port.\(^3\) Significantly, the court ruled that the law of salvage and its attendant body of case law limiting recovery for life salvage were inapplicable to the present facts. Instead it concluded that the rescuing ship was entitled to reimbursement from the shipowner according to a theory of quasi-contract.\(^4\) The conflict between the doctrines of restitution and "pure life salvage," their application to the facts of this case, and the holding's foreseeable effect on the law of compensation for life salvors are the principal points demanding inquiry.

The specific facts of the *P. & O. Steam Navigation Co.* case varied from the usual pattern in cases involving life rescue at sea, and therefore enabled the court to circumvent the traditional rules preventing recovery for the rescue of life alone. The defendant's oil tanker, the *S. T. Overseas Progress*, was in the mid-Atlantic when her fireman suffered a severe heart attack demanding immediate medical treatment. Not having a hospital or ship's doctor on board, the captain sent out a radio

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\(^3\) *Id.* at 832-33.
\(^4\) *Id.* at 834-46.
message to which the S.S. Canberra replied as the nearest medically equipped vessel in the area. The Canberra, a British passenger ship owned by the plaintiff, had a hospital and complete medical staff on board and was also significantly faster than the Overseas Progress.\(^5\) The Canberra changed her course and increased her speed to rendezvous with the other ship, took the fireman on board and treated him, and proceeded at full speed to her destination, New York.

At the time of the seaman's transfer to the Canberra, the Canberra's master presented a letter to the master of the Overseas Progress and had it countersigned by him. This communication stated that the plaintiff owner "may look" to the defendant for "reimbursement of diversion costs, medical and out of pocket expenses" accrued in rendering aid.\(^6\) Later the defendant paid the Canberra's physician $248.00 for the patient's medical expenses on board ship. The defendant refused, however, to pay the plaintiff's bill of $12,108.95, charged primarily for the additional fuel used but also for the patient's accommodation and nursing expenses on the Canberra.\(^7\)

In the suit for the unpaid amount brought in the Southern District of New York, Judge Goettel rejected plaintiff's claim for fuel expenses on the grounds that such recovery was prohibited by the traditional admiralty doctrine of "pure life salvage." He cited the prevailing interpretation of 46 U.S.C. § 729 (1912) which allows recovery for life salvage only as a portion of the award given property salvors, and only when both life and property were imperiled and salvaged at substantially the same time.\(^8\) He rejected plaintiff's arguments that recovery of fuel costs could be based on the theory of quasi-contract or unjust enrichment, holding that this theory necessarily requires an element of injustice or fault not present here. Nevertheless, the court did allow recovery of five hundred dollars for the defendant's unjust enrichment as to the "accommodation and nursing" expenses.\(^9\)

The district court was reversed by the court of appeals on the issue of the plaintiff's recovery of fuel expenses. Judge Kaufman, writing for the court, held that according to an accepted doctrine of restitution,\(^10\)

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\(^5\) The Canberra had a maximum speed of 25 knots, as opposed to the Overseas Progress' top speed of 13.8 knots. The meeting of the two ships enabled the fireman to receive treatment aboard the Canberra after only six and one-half hours, while it would have taken the Overseas Progress fifty-seven hours to reach the nearest port. \textit{Id.} at 832-33.
\(^6\) \textit{Id.}
\(^7\) \textit{Id.} The extra fuel was expended by the Canberra both in travelling a total of 232 miles off her planned route to meet the Overseas Progress and in increasing her speed.
\(^9\) \textit{Id.} at 659.
\(^10\) \textit{Restatement of Restitution} § 114 (1937):
A person who has performed the duty of another by supplying a third person with necessaries, although acting without the other's knowledge or consent, is entitled to restitution from the other therefor if
the plaintiff may recover in quasi-contract for his services. The plaintiff
had performed the defendant's legal duty of "maintenance and cure" to
secure proper medical care for a stricken seaman in the latter's employ
and had thereby saved the defendant considerable expense. The doc-
trine cited by the court applies only to situations such as this one in
which the services were necessary to prevent immediate injury or suffer-
ing. The aider furthermore must have acted voluntarily and with an
intent to charge for his services. The court's application of this doctrine
to the present case is based on two important distinctions made by
Judge Kaufman which had been rejected by the lower court, namely,
that

\[
\text{P. & O. is not seeking a reward; it merely requests reimbursement}
\text{for its expenses. And, we do not confront a daring 'rescue at sea,'}
\text{but the transfer of an ailing seaman from one seaworthy vessel to}
\text{another.}^{12}
\]

In this way the court held the doctrine of pure life salvage to be inappli-
cable to the present facts, and therefore no bar to the plaintiff's claim.

The holding of the court of appeals was based on the body of gen-
eral maritime law defining the extent of the duty owed by a shipmaster
and owner to a seaman when the latter becomes ill while in their
employ. The court cited the admiralty doctrine of "maintenance and
cure," which imposes upon the shipmaster the duty "in the sound
exercise of his reasonable judgment ... to have [the seaman] taken
speedily to a hospital or the nearest port where hospital or surgical care
can be produced."^{13} Thus the defendant's captain did have a duty to

(a) he acted unofficially and with the intent to charge therefor, and
(b) the things or services supplied were immediately necessary to prevent
serious bodily harm to or suffering by such person.

Applying this principle to the present case, the master of the Canberra on behalf of his
ship's owner, clearly intended to charge for at least a portion of the expenses incurred, and
an emergency did exist. Moreover, the master acted not only with the other's consent, but
at his request.

11 553 F.2d at 834.
12 Id. at 836. As for the distinction drawn by the court that plaintiff seeks only reim-
bursement, admiralty courts have long made awards to property salvors for reasonable
expenses incurred. Furthermore, extra fuel expended in the course of property salvage is
frequently reimbursed to salvors by the courts. M. Norris, Law of Salvage § 211 (1958).
This precept was recently affirmed in Tracor Marine Inc. v. The M/V Margoth, 403 F. Supp.
392 (D.C.Canal Zone 1975), in which salvors were allowed both reasonable expenses and a
salvage award. Notably, this theory of recovery conflicts with, and perhaps has replaced,
the traditional rationale for awarding salvage. The early cases stated that a salvage award
was an inducement for seamen to save property, and was to be calculated according to the
value of the property saved, the danger to which the rescuers and their property were
subjected, and the labor and skill required of the salvors. The Blackwall, 77 U.S. (10 Wall.)
14 (1870).
13 M. Norris, Law of Seamen § 584 (3d ed. 1970). The doctrine of maintenance and
cure places a duty on a ship's owner and master to pay for the care, treatment and wages
of a seaman who becomes ill or injured not through his own willful misconduct while in
summon help, considering the gravity of the seaman’s condition and the lack of medical personnel on the Overseas Progress. The court of appeals concluded that the defendant was liable for the reasonable value of the services provided by the Canberra in performing his duty. The court calculated the reasonable value of these services according to the expenses actually incurred.

The real significance of the court’s holding lies less in its imposition of a duty of maintenance and cure than in its bearing on the law of life salvage. However, the law compensating life salvage is inextricably bound to its direct ancestor, the law of property salvage. An oft-cited passage defines salvage as

the compensation allowed to persons by whose assistance a ship or her cargo has been saved, in whole or in part, from impending peril on the sea, or in recovering such property from actual loss ....

Early case law established the requirements for such compensation: that the property is in marine peril, that the salvors are acting voluntarily without a preexisting duty owed to the property, and that they are successful in saving the property or a portion of it. Although these rules provided awards for rescuing property, the early cases refused to allow recovery for life salvage except in the case of slaves, who were legally considered chattels. Largely to alleviate the rule’s severity, the Anglo-American courts developed the doctrine of “pure life salvage.”

This principle stated that when property has been saved concurrently with lives, the life salvors can recover a reward, with their compensation coming from the property award. While U.S. law has adhered to this rule for many years, the British Parliament recognized the inadequacies of this area of the general maritime law in 1894 and enacted the Mer-

the ship’s employ for the duration of the voyage and a reasonable time thereafter. Id. § 539.

See also The Bouker No. 2, 241 F. 831 (2d Cir. 1917). This duty may require the master to seek medical aid from other vessels, Wittekoppe v. New York & P.S.S. Co., 189 F. 920 (S.D.N.Y. 1911), or to put into the nearest port to obtain treatment, The Iroquois, 194 U.S. 240 (1904). In the landmark case The Iroquois, the U. S. Supreme Court noted the factors to be considered in judging the appropriateness of the master’s decision not to put into port: the seriousness of the injury, the care available on the ship, the proximity of the intermediate port, whether a surgeon could be found there, and the consequences of delay to the interests of the shipowner. The master can only be held to the exercise of reasonable care in balancing these different considerations. Id. at 240-41. Many of these same factors would apply to a master’s decision to call another vessel for aid as in the present case.

14 553 F.2d at 835-36.
15 Id.
16 77 U.S. (10 Wall.) at 12.
17 The Clarita and The Clara, 90 U.S. (23 Wall.)1 (1874).
18 Bockrath, supra note 1, at 211.
19 See The Zephyrus, 1 W. Rob. 329 (1842); The Mullhouse, 17 Fed. Cas. 962 (D. C. Fla. 1859). This rule was based on a belief that the shipowner should not be unduly burdened by claims for lifesaving awards, and that putting a value on life would be very difficult. Bockrath, supra note 1, at 210.
chant Shipping Act. This statute gave salvors of life a claim to compensation independent of property rescue, awarding not only "actual expenses," but also a "reasonable" award regardless of whether or not property had also been saved. 20

Stimulated by the impetus of the International Salvage Convention of 1910 in Brussels, the United States Congress in 1912 passed the Salvage Act. It adopted in toto the language proposed by the international convention. 21 Section 729 remains as it was when first adopted:

Salvors of human life, who have taken part in the services rendered on the occasion of the accident giving rise to salvage, are entitled to a fair share of the remuneration awarded to the salvors of the vessel, her cargo, and accessories.

Unfortunately, the courts have nearly unanimously construed the statute to reinforce the old rule that the property and life salvage operations must occur at substantially the same time in order for the life salvor to recover. On many occasions courts have refused to read the statute on its face to enable recovery when lives were saved "on the occasion of the accident" but not at the often subsequent time of the property's salvage.

Several district court decisions had particular significance in shaping the construction of the 1912 statute. Of primary importance was In re St. Joseph-Chicago Steamship Co. The Eastland, 22 in which the court held that when the saving of lives and property occurred at different times and the life salvors could not have saved the ship if they had wanted to, the Salvage Act of 1912 did not apply and no recovery could be allowed. 23 Thus the statutory language rewarding rescue of lives "on the occasion of the accident" was construed to permit recovery only when the property salvage operation was performed at substantially the same time. The application of the statute was further narrowed in The Admiral Evans, 24 in which the District Court for the Western District of Washington held that "taking passengers from a sinking ship, [but] rendering no service in rescuing the vessel, is not a salvage." The plaintiff who saved passengers and baggage (i.e., cargo) but who did not actually help save the ship therefore had no claim in rem against the vessel for any services rendered. On the other hand, two noteworthy

20 Under the Merchant Shipping Act of 1894, 57 & 58 Vict., c. 60, life salvors were given a claim to the property award, if any, equal to other salvage claims when any property was recovered. If no property survived or it was insufficient to satisfy a reasonable award, then the Board of Trade could draw an appropriate sum from a Mercantile Marine Fund. Jarett, The Life Salvor Problem in Admiralty, 63 Yale L.J. 779, 782-83 (1954). In his article Professor Jarett proposes legislation for this country which would go still further. Id. at 787-89.
21 For complete text see M. Norris, supra note 12, at 517.
22 262 F. 535 (N.D. Ill. 1919).
23 Id. at 539.
cases during the same era, *The Annie Lord* and *The Shreveport*, both gave a much broader interpretation to the statute.\(^{25}\) Several recent decisions, however, have simply reinforced the restrictive view adopted in *The Eastland*.\(^ {26}\)

The express language of section 729 may actually give added force to Judge Kaufman's argument that the character of this particular "rescue at sea" renders the Act and the entire salvage doctrine inapplicable. His conclusion holds true when the statute is considered in light of the traditional definition of "salvage" as an award to those saving "a ship or her cargo ... from impending peril on the sea."\(^ {27}\) There having been no real "salvage," the Salvage Act would not apply to these facts. The Act would not offer the plaintiff relief in any event, since it provides for an award to life salvors only out of the compensation awarded to the property salvors. Recovery for the plaintiff depended upon the application of a theory totally independent of the law of life salvage, due to that law's inextricable connection with property salvage.

The court in *P. & O. Steam Navigation Co.* attempted to avoid the entire salvage issue which would bar plaintiff's claim, by invoking the equitable doctrine of "quasi-contract" as a basis for recovery. Principles of quasi-contract, however, raise problems because lower federal courts have held that due to its lack of general equitable jurisdiction, "admiralty has jurisdiction over maritime contracts, but it has none over contracts leading up to the execution of maritime contracts." This principle was first stated by the Second Circuit Court of Appeals in *United Transp.*

\(^{25}\) The district court in Massachusetts in *The Annie Lord* held that saving the crew and notifying the authorities of the deserted ship's location upon return to port was sufficient to merit a "fair share" of the award under the Salvage Act, despite plaintiff's unsuccessful attempts at rescue and the difference in time. *The Annie Lord. The Flora L. Oliver*, 251 F. 157, 160 (D.C. Mass. 1917). Noticeably this decision came prior to *The Eastland*, but unfortunately it did not have the latter's value as precedent. In *The Shreveport*, the court awarded a "fair share" of the property award to the plaintiff life salvors even though the distressed ship itself was saved by another vessel at a later time. The court ruled that under the Salvage Act the life salvors merited an award for rendering services at the time of the accident, and that "the statute should be liberally construed with the humane object in view." *The Shreveport*. Strachan Shipping Co. v. Cities Service Refining Transp. Co., 42 F. 2d 524, 537-38 (E.D.S.C. 1930).

\(^{26}\) Accordingly, the district court in Oregon held in 1969 that a life salvor has a claim against a property reward only when the property salvage was "pure" and not arranged by contract as in the facts of that case. Even if the saving of the ship had not been contractual, the court stated that under *The Eastland* decision the difference in time between the two rescues would prevent recovery. In *re Yamashita-Shinnihou Kisen*. In *re Hellenic International Shipping, S. A.*, 305 F. Supp. 796, 800 (D. C. Ore. 1969). In a yet more restrictive holding, the district court in Hawaii held that a life salvor under 46 U.S.C. § 729 must actually forego an opportunity to participate in salvage of property to recover; if he had no such capability, then the statute was not meant to apply since added incentive to the life salvor would be unnecessary. St. Paul Marine Transp. Corp. v. Cerro Sales Corp., 313 F. Supp. 377, 379 (D. C. Hawaii 1970).

\(^{27}\) 77 U.S. (10 Wall.) at 12.
Judge Learned Hand relied on the premise that an implied promise to repay money is not a maritime contract in *Israel v. Moore & McCormack Co. Inc.* In that case Judge Hand ruled that the *United Transportation* decision was controlling and thus dismissed the claim even though the plaintiff admittedly had a valid cause of action at law in quasi-contract.

The U.S. Supreme Court has curtailed and all but extinguished the harsh consequences of this rule. The Court took the first step in this direction in *Krauss Bros. Lumber Co. v. Dimon S.S. Corp.* In allowing recovery for an overpayment of freight charges, the Court rejected the contention that such a claim lies only at common law and stated that "[a]dmiralty is not concerned with the form of the action, but with its substance." The *Krauss* decision was given its broadest interpretation in *Sword Line v. United States*, which was affirmed by the Supreme Court without opinion. Upon rehearing Chief Judge Clark refuted the arguments for refusing jurisdiction, and stated that the Supreme Court's opinion in *Krauss* "is taken quite generally by commentators as overruling the earlier line of cases barring quasi-contractual claims in admiralty." Accordingly, he held that admiralty jurisdiction should be based on "the inherent maritime character of the underlying transaction" rather than on the legal fiction of implied contract.

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28 185 F. 386, 389 (2d Cir. 1911). Here the court dismissed a cross-libel which sought recovery of excessive charges paid on a contract for lighterage services, on grounds that the claim did not arise out of the same subject matter as the original libel. The opinion went on to state that admiralty had no jurisdiction over a nonmaritime transaction following a maritime contract; but the court failed to cite any authority for this novel proposition. *Id.* at 387-88, 390.

29 295 F. 919, 920 (S.D.N.Y. 1920). This case involved facts very similar to those in *United Transp.*; here plaintiff, having shipped his cargo of coffee on defendant's vessel, had paid defendant the entire freight bill, not knowing that part of the shipment had been jettisoned en route. *Id.* at 919. See also *Morrison, The Remedial Powers of the Admiralty, 43 Yale L.J.* 1, 25 (1933). The rule in *Israel* was restated in the Ninth Circuit in *Home Insurance Co. v. Merchants' Transp. Co.*, 16 F.2d 372 (9th Cir. 1926). Here the court emphasized that the proper remedy is one of the common law *indebitatus assumpsit* for money wrongfully had and received. The cause of action is not merely a suit on a maritime contract, but "an action growing out of certain alleged inequitable acts of appellee." *Id.* at 374.

30 290 U.S. 117 (1933).

31 *Id.* at 124.

32 230 F.2d 75 (2d Cir. 1956), on rehearing from 228 F.2d 344 (2d Cir. 1955), cert. granted and aff'd as to the question whether admiralty has jurisdiction over the alleged unjust enrichment from a maritime contract, 351 U.S. 976 (1956). The Court cited *Archawski v. Hanioti*, 350 U.S. 532 (1956). *Sword Line* involved a suit in quasi-contract to recover plaintiff's alleged overpayment for the charter of government vessels; the court held the cause of action to be barred by both the statute of limitations and a release made to the Federal Government. 230 F.2d at 75.

33 Thus Chief Judge Clark declared that despite the arguments to the contrary, which have been inconsistently applied by some courts, quasi-contract is not an equitable proceeding, and admiralty does apply equitable principles "rather widely." 230 F.2d at 76.

34 *Id.* at 76-77.

35 *Id.*
In Archawski v. Hanioti, 36 decided shortly after Sword Line v. United States, the Supreme Court clarified this recurring question of admiralty jurisdiction. Archawski involved a group of libelants who paid for passage on respondent's passenger steamer but were subsequently defrauded by respondent, who abandoned the voyage and left the country with the money.37 The court held that "[t]he problem is to prevent unjust enrichment from a maritime contract; ... so long as the claim asserted arises out of a maritime contract, the admiralty court has jurisdiction over it."38 Thus the Supreme Court rejected both the legal fiction of a separate, nonmaritime contract and the old rule that admiralty had no jurisdiction in equity as grounds barring recovery. Admiralty's traditional jurisdiction over salvage closely resembles unjust enrichment.39 Justice Douglas approved one severe limitation espoused by Judge Hand in his dissent in Sword Line: that "admiralty has jurisdiction ... provided that the unjust enrichment arose as a result of the breach of a maritime contract."40 By including this condition, the Court limited Chief Judge Clark's broader opinion in Sword Line v. United States. The decision failed to clarify the uncertain status of those claims of unjust enrichment not based on actual maritime contract.

The Supreme Court may have impliedly broadened the scope of Archawski in Wyandotte Transp. Co. v. United States.41 In that case the owner of a barge which sank in the Mississippi River refused to perform his statutory duty to remove it from a navigable channel. The Federal Government raised the barge at a cost of over three million dollars and then recovered its expenses by a suit in admiralty.42 Although the court never discussed the question of jurisdiction, recovery was allowed based upon the theory of unjust enrichment in performing the legal duty of another, a theory much like that in the present case.

Judge Kaufman suggested a number of salutary consequences which may result from the court's decision in the P. & O. Steam Navigation Co. case. He explained that the holding will encourage masters of large vessels to come to the aid of imperiled seamen "without fear that their benevolence will result in unreasonable expenses."43 Conversely, his belief that the ruling will not discourage a ship with an ill crewman from seeking aid is not nearly as certain, since considerable expenses

37 Id. at 533.
38 Id. at 535.
40 230 F. 2d at 78.
42 Id. at 194-95, 204.
43 553 F.2d at 836.
may result. The district court's suggestion that perhaps such recovery should be allowed but limited by some sort of legislation or international compact is reasonable, though it would be difficult to achieve. The most likely effect may be that shipmasters will still have a duty to make reasonable efforts to obtain medical aid, but that the added possibility of substantial fuel costs will be weighed against a decision to call another vessel for help. The extent to which a foreseeably great expenditure could justify a master's decision not to seek outside aid would, of course, be determined by the courts according to the "reasonableness" of the decision. A master would undoubtedly be held strictly accountable in an action for wrongful death if the gravity of the crewman's condition had been clearly evident at the time.

The applicability of this holding to the standard lifesaving situation is considerably less clear. The court has not held that a ship participating in a rescue at sea, where both life and property are endangered, can look to the shipowner for remuneration independent of the award for property salvage. Under such circumstances 46 U.S.C. § 729 (1912) and its accompanying body of case law would presumably still apply. Instead, the court's holding points out the gross inadequacies in our law of life salvage and the need for a just and practical solution, such as the one found here. Yet a much broader change than that wrought by this case is imperative as well. The Salvage Act of 1912 took the first step by attempting "to place human life and property on a par" and to encourage salvors to save lives as well as property. Unfortunately the Act failed to liberate recovery for life salvage from its dependence upon the saving of property, which necessarily renders it second in priority. An equal system of incentives can be achieved only by an independent source of funds for compensating life salvors, as in the British system. In this way our moral preference for the saving of life over property would be firmly grounded in our system of compensating salvors.

The Second Circuit Court of Appeals must be applauded for not bringing the present fact situation into the realm of "salvage" and thus avoiding the harsh restrictiveness of the pure life salvage doctrine. If in the process Judge Kaufman has unduly limited such terms as "rescue at sea" and "salvage," it is doubtful that such precedent will wreak injustice on life salvors considering their current legal status. Yet this decision does bequeath to admiralty case law the paradox that if the ailing seaman had been rescued not from a sturdy ship but from a sinking one which was subsequently lost, then the Salvage Act would prevent recovery. The court here was able to reach a fair and just result based on

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44 418 F. Supp. at 660.
45 553 F.2d at 836.
46 286 F. at 443.
47 See note 20, supra, and accompanying text.
the given facts, and its decision will remain an equitable precedent for similar cases, however restricted its scope may be. Perhaps over time this holding will either awaken the need for broader judicial construction of the Salvage Act or demonstrate the need for legislative change in the law of life salvage.

— Wilson Hayman