

A INDUS MOBILE DISTRIBUTION PRIVATE LIMITED

v.

DATAWIND INNOVATIONS PRIVATE LIMITED & ORS.

(Civil Appeal Nos. 5370-71 of 2017)

B

APRIL 19, 2017

[PINAKI CHANDRA GHOSE AND R. F. NARIMAN, JJ.]

Arbitration and Conciliation Act, 1996 – s.20 – Jurisdiction for regulating arbitral proceedings – Seat of arbitration fixed at Mumbai – Whether exclusive jurisdiction clause in an agreement stating that the courts at Mumbai alone would have jurisdiction in respect of dispute arising between the parties under the agreement would oust all other courts – Held: Once the seat of arbitration is fixed, it would be in nature of an exclusive jurisdiction clause as to the courts which exercise supervisory powers over the arbitration – Any claim for remedy is agreed to be made only in the courts of the place designated as the seat of arbitration – On facts, the moment “seat” is determined, the fact that the seat is at Mumbai would vest Mumbai courts with exclusive jurisdiction for purpose of regulating arbitral proceedings arising out of the agreement between the parties – Jurisdiction.

E

Words and Phrases – ‘Place’, ‘juridical seat’, ‘venue’, ‘seat’ – Meaning of – In terms of s.20 of Arbitration and Conciliation Act, 1996 – Discussed.

Disposing of the appeals, the Court

F

HELD: 1. A conspectus of all the relevant provisions of the Arbitration and Conciliation Act, 1996 shows that the moment the seat is designated, it is akin to an exclusive jurisdiction clause. On the facts of the present case, it is clear that the seat of arbitration is Mumbai and Clause 19 further makes it clear that jurisdiction exclusively vests in the Mumbai courts. Under the Law of Arbitration, unlike the Code of Civil Procedure which applies to suits filed in courts, a reference to “seat” is a concept by which a neutral venue can be chosen by the parties to an arbitration clause. The neutral venue may not in the classical sense have jurisdiction – that is, no part of the cause of action

H

may have arisen at the neutral venue and neither would any of the provisions of Section 16 to 21 of the CPC be attracted. In arbitration law however, the moment “seat” is determined, the fact that the seat is at Mumbai would vest Mumbai courts with exclusive jurisdiction for the purposes of regulating arbitral proceedings arising out of the agreement between the parties. [Para 20] [759-B-D]

A

B

Bharat Aluminium Co. v. Kaiser Aluminium Technical Services Inc., (2012) 9 SCC 552 : [2012] 12 SCR 327; *Enercon (India) Ltd. v. Enercon GmbH* (2014) 5 SCC 1 : [2014] 2 SCR 855 – relied on.

C

Reliance Industries Ltd. v. Union of India (2014) 7 SCC 603 : [2014] 6 SCR 456; *Harmony Innovation Shipping Limited v. Gupta Coal India Limited and Another* (2015) 9 SCC 172 : [2015] 2 SCR 697; *Union of India v. Reliance Industries Limited and Others* (2015) 10 SCC 213 : [2015] 10 SCR 85; *Eitzen Bulk A/S v. Ashapura Minechem Limited and Another* (2016) 11 SCC 508 : [2016] 2 SCR 634; *Swastik Gases Private Limited v. Indian Oil Corporation Limited* (2013) 9 SCC 32 : [2013] 7 SCR 581; *B.E. Simoese Von Staraburg Niedenthal and Another v. Chhattisgarh Investment Limited* (2015) 12 SCC 225 – referred to.

D

E

Case Law Reference

[2012] 12 SCR 327	relied on	Para 10
[2014] 2 SCR 855	relied on	Para 13
[2014] 6 SCR 456	referred to	Para 15
[2015] 2 SCR 697	referred to	Para 15
[2015] 10 SCR 85	referred to	Para 15
[2016] 2 SCR 634	referred to	Para 16
[2013] 7 SCR 581	referred to	Para 21
(2015) 12 SCC 225	referred to	Para 21

F

G

H

A CIVIL APPELLATE JURISDICTION: Civil Appeal Nos. 5370-5371 of 2017.

From the Judgment and Order dated 03.06.2016 of the High Court of Delhi at New Delhi in Arbitration Petition No. 592 of 2015 and O. M. P. (I) No. 531 of 2015.

B K. S. Mahadevan, Krishna Kumar R. S., Rajesh Kumar, Advs. for the Appellant.

Mohit Chaudhary, Ms. Puja Sharma, Kunal Sachdeva, Imran Ali, Advs. for the Respondents.

C The Judgment of the Court was delivered by
R. F. NARIMAN, J. 1. Leave granted.

2. The present appeals raise an interesting question as to whether, when the seat of arbitration is Mumbai, an exclusive jurisdiction clause stating that the courts at Mumbai alone would have jurisdiction in respect of disputes arising under the agreement would oust all other courts including the High Court of Delhi, whose judgment is appealed against.

3. The brief facts necessary to appreciate the controversy are that Respondent No.1 is engaged in the manufacture, marketing and distribution of Mobile Phones, Tablets and their accessories. Respondent No.1 has its registered office at Amritsar, Punjab. Respondent No.1 was supplying goods to the appellant at Chennai from New Delhi. The appellant approached Respondent No.1 and expressed an earnest desire to do business with Respondent No.1 as its Retail Chain Partner. This being the case, an agreement dated 25.10.2014 was entered into between the parties. Clauses 18 and 19 are relevant for our purpose, and are set out hereinbelow:

“Dispute Resolution Mechanism:

G Arbitration: In case of any dispute or differences arising between parties out of or in relation to the construction, meaning, scope, operation or effect of this Agreement or breach of this Agreement, parties shall make efforts in good faith to amicably resolve such dispute.

If such dispute or difference cannot be amicably resolved by the parties (Dispute) within thirty days of its occurrence, or such longer

H

time as mutually agreed, either party may refer the dispute to the designated senior officers of the parties. A

If the Dispute cannot be amicably resolved by such officers within thirty (30) days from the date of referral, or within such longer time as mutually agreed, such Dispute shall be finally settled by arbitration conducted under the provisions of the Arbitration & Conciliation Act 1996 by reference to a sole Arbitrator which shall be mutually agreed by the parties. Such arbitration shall be conducted at Mumbai, in English language. B

The arbitration award shall be final and the judgment thereupon may be entered in any court having jurisdiction over the parties hereto or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be. The Arbitrator shall have the power to order specific performance of the Agreement. Each Party shall bear its own costs of the Arbitration. C

It is hereby 'agreed between the Parties that they will continue to perform their respective obligations under this Agreement during the pendency of the Dispute. D

19. All disputes & differences of any kind whatever arising out of or in connection with this Agreement shall be subject to the exclusive jurisdiction of courts of Mumbai only." E

4. Disputes arose between the parties and a notice dated 25.9.2015 was sent by Respondent No.1 to the appellant. The notice stated that the appellant had been in default of outstanding dues of Rs.5 crores with interest thereon and was called upon to pay the outstanding dues within 7 days. Clause 18 of the Agreement was invoked by Respondent No.1, and one Justice H.R. Malhotra was appointed as the Sole Arbitrator between the parties. By a reply dated 15.10.2015, the appellant objected to the appointment of Justice Malhotra and asked Respondent No.1 to withdraw its notice. By a further reply dated 16.10.2015, the averments made in the notice were denied in toto. F G

5. Two petitions were then filed by Respondent No.1 – the first dated September 2015, under Section 9 of the Arbitration and Conciliation Act, 1996 asking for various interim reliefs in the matter. By an order dated 22.9.2015, the Delhi High Court issued notice in the interim H

A application and restrained the appellant from transferring, alienating or creating any third party interests in respect of the property bearing No.281, TK Road, Alwarpet, Chennai-600018 till the next date of hearing. By an application dated 28.10.2015, Respondent No.1 filed a Section 11 petition to appoint an Arbitrator.

B 6. Both applications were disposed of by the impugned judgment. First and foremost, it was held by the impugned judgment that as no part of the cause of action arose in Mumbai, only the courts of three territories could have jurisdiction in the matter, namely, Delhi and Chennai (from and to where goods were supplied), and Amritsar (which is the registered office of the appellant company). The court therefore held that the exclusive jurisdiction clause would not apply on facts, as the courts in Mumbai would have no jurisdiction at all. It, therefore, determined that Delhi being the first Court that was approached would have jurisdiction in the matter and proceeded to confirm interim order dated 22.9.2015 and also proceeded to dispose of the Section 11 petition by appointing Justice S.N. Variava, retired Supreme Court Judge, as the sole Arbitrator in the proceedings. The judgment recorded that the conduct of the arbitration would be in Mumbai.

C
D
E 7. Learned counsel on behalf of the appellant has assailed the judgment of the Delhi High Court, stating that even if it were to be conceded that no part of the cause of action arose at Mumbai, yet the seat of the arbitration being at Mumbai, courts in Mumbai would have exclusive jurisdiction in all proceedings over the same. According to him, therefore, the impugned judgment was erroneous and needs to be set aside.

F 8. In opposition to these arguments, learned counsel for Respondent No.1 sought to support the judgment by stating that no part of the cause of action arose in Mumbai. This being the case, even if the seat were at Mumbai, it makes no difference as one of the tests prescribed by the Civil Procedure Code, 1908, to give a court jurisdiction must at least be fulfilled. None of these tests being fulfilled on the facts of the present case, the impugned judgment is correct and requires no interference.

G 9. The relevant provisions of the Arbitration and Conciliation Act, 1996 are set out hereinbelow:

H **"2. Definitions.** - (1) In this Part, unless the context otherwise requires, -

(e) "Court" means the principal Civil Court of original jurisdiction in a district, and includes the High Court in exercise of its ordinary original civil jurisdiction, having, jurisdiction to decide the questions forming the subject-matter of the arbitration if the same had been the subject-matter of a suit, but does not include any civil court of a grade inferior to such principal Civil Court, or any Court of Small Causes;

(2) This Part shall apply where the place of arbitration is in India.

20. Place of arbitration. – (1) The parties are free to agree on the place of arbitration.

(2) Failing any agreement referred to in sub-section (1), the place of arbitration shall be determined by the arbitral tribunal having regard to the circumstances of the case, including the convenience of the parties.

(3) Notwithstanding sub-section (1) or sub-section (2), the arbitral tribunal may, unless otherwise agreed by the parties, meet at any place it considers appropriate for consultation among its members, for hearing witnesses, experts or the parties, or for inspection of documents, goods or other property.

31. Form and contents of arbitral award. –

(4) The arbitral award shall state its date and the place of arbitration as determined in accordance with section 20 and the award shall be deemed to have been made at that place."

10. The concept of juridical seat has been evolved by the courts in England and has now been firmly embedded in our jurisprudence. Thus, the Constitution Bench in **Bharat Aluminium Co. v. Kaiser Aluminium Technical Services Inc.**, (2012) 9 SCC 552, has adverted to "seat" in some detail. Paragraph 96 is instructive and states as under:-

"Section 2(1)(e) of the Arbitration Act, 1996 reads as under:

"**2. Definitions.**—(1) In this Part, unless the context otherwise requires—

(a)-(d)***

(e) 'Court' means the Principal Civil Court of Original Jurisdiction in a district, and includes the High Court in exercise

H

- A of its ordinary original civil jurisdiction, having jurisdiction to decide the questions forming the subject-matter of the arbitration if the same had been the subject-matter of a suit, but does not include any civil court of a grade inferior to such Principal Civil Court, or any Court of Small Causes;”
- B We are of the opinion, the term “*subject-matter of the arbitration*” cannot be confused with “*subject-matter of the suit*”. The term “*subject-matter*” in Section 2(1)(e) is confined to Part I. It has a reference and connection with the process of dispute resolution. Its purpose is to identify the courts having supervisory control over the arbitration proceedings. Hence, it
- C refers to a court which would essentially be a court of the seat of the arbitration process. In our opinion, the provision in Section 2(1)(e) has to be construed keeping in view the provisions in Section 20 which give recognition to party autonomy. Accepting the narrow construction as projected by the learned counsel for the appellants would, in fact, render Section 20 nugatory. In our
- D view, the legislature has intentionally given jurisdiction to two courts i.e. the court which would have jurisdiction where the cause of action is located and the courts where the arbitration takes place. This was necessary as on many occasions the agreement may
- E provide for a seat of arbitration at a place which would be neutral to both the parties. Therefore, the courts where the arbitration takes place would be required to exercise supervisory control over the arbitral process. For example, if the arbitration is held in Delhi, where neither of the parties are from Delhi, (Delhi having been
- F chosen as a neutral place as between a party from Mumbai and the other from Kolkata) and the tribunal sitting in Delhi passes an interim order under Section 17 of the Arbitration Act, 1996, the appeal against such an interim order under Section 37 must lie to the courts of Delhi being the courts having supervisory jurisdiction over the arbitration proceedings and the tribunal. This would be
- G irrespective of the fact that the obligations to be performed under the contract were to be performed either at Mumbai or at Kolkata, and only arbitration is to take place in Delhi. In such circumstances, both the courts would have jurisdiction i.e. the court within whose
- H jurisdiction the subject-matter of the suit is situated and the courts within the jurisdiction of which the dispute resolution i.e. arbitration is located.” [para 96]

11. Paragraphs 98 to 100 have laid down the law as to “seat” thus: A

“We now come to Section 20, which is as under:

“20. *Place of arbitration.*—(1) The parties are free to agree on the place of arbitration. B

(2) Failing any agreement referred to in sub-section (1), the place of arbitration shall be determined by the Arbitral Tribunal having regard to the circumstances of the case, including the convenience of the parties. C

(3) Notwithstanding sub-section (1) or sub-section (2), the Arbitral Tribunal may, unless otherwise agreed by the parties, meet at any place it considers appropriate for consultation among its members, for hearing witnesses, experts or the parties, or for inspection of documents, goods or other property.” D

A plain reading of Section 20 leaves no room for doubt that where the place of arbitration is in India, the parties are free to agree to any “place” or “seat” within India, be it Delhi, Mumbai, etc. In the absence of the parties’ agreement thereto, Section 20(2) authorises the tribunal to determine the place/seat of such arbitration. Section 20(3) enables the tribunal to meet at any place for conducting hearings at a place of convenience in matters such as consultations among its members for hearing witnesses, experts or the parties. E

The fixation of the most convenient “venue” is taken care of by Section 20(3). Section 20, has to be read in the context of Section 2(2), which places a threshold limitation on the applicability of Part I, where the place of arbitration is in India. Therefore, Section 20 would also not support the submission of the extra-territorial applicability of Part I, as canvassed by the learned counsel for the appellants, so far as purely domestic arbitration is concerned. F

True, that in an international commercial arbitration, having a seat in India, hearings may be necessitated outside India. In such circumstances, the hearing of the arbitration will be conducted at the venue fixed by the parties, but it would not have the effect of changing the seat of arbitration which would remain in India. The legal position in this regard is summed up by Redfern and Hunter, G

H

A *The Law and Practice of International Commercial Arbitration*
(1986) at p. 69 in the following passage under the heading “The
Place of Arbitration”:

B “The preceding discussion has been on the basis that there is
only one ‘place’ of arbitration. This will be the place chosen by or
on behalf of the parties; and it will be designated in the arbitration
agreement or the terms of the reference or the minutes of
proceedings or in some other way as the place or ‘seat’ of the
arbitration. This does not mean, however, that the Arbitral Tribunal
must hold all its meetings or hearings at the place of arbitration.
C International commercial arbitration often involves people of many
different nationalities, from many different countries. In these
circumstances, it is by no means unusual for an Arbitral Tribunal
to hold meetings—or even hearings—in a place other than the
designated place of arbitration, either for its own convenience or
for the convenience of the parties or their witnesses.... It may be
D more convenient for an Arbitral Tribunal sitting in one country to
conduct a hearing in another country—for instance, for the purpose
of taking evidence.... In such circumstances, each move of the
Arbitral Tribunal does not of itself mean that the seat of arbitration
changes. The seat of the arbitration remains the place initially
E agreed by or on behalf of the parties.”

This, in our view, is the correct depiction of the practical
considerations and the distinction between “seat” [Sections 20(1)
and 20(2)] and “venue” [Section 20(3)]. We may point out here
that the distinction between “seat” and “venue” would be quite
crucial in the event, the arbitration agreement designates a foreign
country as the “seat”/“place” of the arbitration and also selects
the Arbitration Act, 1996 as the curial law/law governing the
arbitration proceedings. It would be a matter of construction of
the individual agreement to decide whether:

G (i) the designated foreign “seat” would be read as in fact
only providing for a “venue”/“place” where the hearings would
be held, in view of the choice of the Arbitration Act, 1996 as being
the *curial law*, OR

(ii) the specific designation of a foreign seat, necessarily
carrying with it the choice of that country’s arbitration/*curial law*,

H

would prevail over and subsume the conflicting selection choice by the parties of the Arbitration Act, 1996.” [paras 98 – 100] A

12. In an instructive passage, this Court stated that an agreement as to the seat of an arbitration is analogous to an exclusive jurisdiction clause as follows:

“Thus, it is clear that the regulation of *conduct* of arbitration and *challenge* to an award would have to be done by the courts of the country in which the arbitration is being conducted. Such a court is then the supervisory court possessed of the power to annul the award. This is in keeping with the scheme of the international instruments, such as the Geneva Convention and the New York Convention as well as the UNCITRAL Model Law. It also recognises the territorial principle which gives effect to the sovereign right of a country to regulate, through its national courts, an adjudicatory duty being performed in its own country. By way of a comparative example, we may reiterate the observations made by the Court of Appeal, England in *C v. D* [2008 Bus LR 843 : 2007 EWCA Civ 1282 (CA)] wherein it is observed that: B C D

“It follows from this that a choice of seat for the arbitration must be a choice of forum for remedies seeking to attack the award.”

(emphasis supplied) E

In the aforesaid case, the Court of Appeal had approved the observations made in *A v. B* [(2007) 1 All ER (Comm) 591 : (2007) 1 Lloyd’s Rep 237] wherein it is observed that:

“... an agreement as to the seat of an arbitration is analogous to an exclusive jurisdiction clause. Any claim for a remedy ... as to the validity of an existing interim or final award is agreed to be made only in the courts of the place designated as the seat of arbitration.” F

(emphasis supplied) [para 123]

13. The Constitution Bench’s statement of the law was further expanded in **Enercon (India) Ltd. v. Enercon GmbH**, (2014) 5 SCC 1. After referring to various English authorities in great detail, this Court held, following the Constitution Bench, as follows: G

“It is accepted by most of the experts in the law relating to international arbitration that in almost all the national laws, H

- A arbitrations are anchored to the *seat/place/situs* of arbitration. *Redfern and Hunter on International Arbitration* (5th Edn.; Oxford University Press, Oxford/New York 2009), in Para 3.54 concludes that “the *seat* of the arbitration is thus intended to be its centre of gravity”. In *BALCO [Bharat Aluminium Co. v. Kaiser Aluminium Technical Services Inc.]*, (2012) 9 SCC 552 : (2012) 4 SCC (Civ) 810] , it is further noticed that this does not mean that all proceedings of the arbitration are to be held at the *seat* of arbitration. The arbitrators are at liberty to hold meetings at a place which is of convenience to all concerned. This may become necessary as arbitrators often come from different countries. Therefore, it may be convenient to hold all or some of the meetings of the arbitration in a location other than where the *seat* of arbitration is located. In *BALCO*, the relevant passage from Redfern and Hunter has been quoted which is as under: (SCC p. 598, para 75)
- B
- C
- D “75. ... ‘The preceding discussion has been on the basis that there is only one “place” of arbitration. This will be the place chosen by or on behalf of the parties; and it will be designated in the arbitration agreement or the terms of reference or the minutes of proceedings or in some other way as the place or “seat” of the arbitration. This does not mean, however, that the Arbitral Tribunal *must* hold all its meetings or hearings at the place of arbitration. International commercial arbitration often involves people of many different nationalities, from many different countries. In these circumstances, it is by no means unusual for an Arbitral Tribunal to hold meetings—or even hearings—in a place other than the designated place of arbitration, either for its own convenience or for the convenience of the parties or their witnesses.... It may be more convenient for an Arbitral Tribunal sitting in one country to conduct a hearing in another country — for instance, for the purpose of taking evidence.... In such circumstances each move of the Arbitral Tribunal does not of itself mean that the seat of arbitration changes. The seat of arbitration remains the place initially agreed by or on behalf of the parties.’ (*Naviera case [Naviera Amazonica Peruana S.A. v. Compania Internacional De Seguros Del Peru]*, (1988) 1 Lloyd’s Rep 116 (CA) , Lloyd’s Rep p. 121)”
- E
- F
- G
- H (emphasis in original)

These observations have also been noticed in *Union of India v. McDonnell Douglas Corpn.* [(1993) 2 Lloyd's Rep 48]" [para 134] A

14. This Court reiterated that once the seat of arbitration has been fixed, it would be in the nature of an exclusive jurisdiction clause as to the courts which exercise supervisory powers over the arbitration. (See: paragraph 138). B

15. In **Reliance Industries Ltd. v. Union of India**, (2014) 7 SCC, 603, this statement of the law was echoed in several paragraphs. This judgment makes it clear that "juridical seat" is nothing but the "legal place" of arbitration. It was held that since the juridical seat or legal place of arbitration was London, English courts alone would have jurisdiction over the arbitration thus excluding Part I of the Indian Act. (See: paragraphs 36, 41, 45 to 60 and 76.1 and 76.2). This judgment was relied upon and followed by **Harmony Innovation Shipping Limited v. Gupta Coal India Limited and Another**, (2015) 9 SCC 172 (See: paragraphs 45 and 48). In **Union of India v. Reliance Industries Limited and Others**, (2015) 10 SCC 213, this Court referred to all the earlier judgments and held that in cases where the seat of arbitration is London, by necessary implication Part I of the Arbitration and Conciliation Act, 1996 is excluded as the supervisory jurisdiction of courts over the arbitration goes along with "seat". C D E

16. In a recent judgment in **Eitzen Bulk A/S v. Ashapura Minechem Limited and Another**, (2016) 11 SCC 508, all the aforesaid authorities were referred to and followed. Paragraph 34 of the said judgment reads as follows:

"As a matter of fact the mere choosing of the juridical seat of arbitration attracts the law applicable to such location. In other words, it would not be necessary to specify which law would apply to the arbitration proceedings, since the law of the particular country would apply ipso jure. The following passage from *Redfern and Hunter on International Arbitration* contains the following explication of the issue: F G

"It is also sometimes said that parties have selected the procedural law that will govern their arbitration, by providing for arbitration in a particular country. This is too elliptical and, as an English court itself held more recently in *Breas of Doune Wind* H

A Farm it does not always hold true. What the parties have done is
to choose a place of arbitration in a particular country. That choice
brings with it submission to the laws of that country, including any
mandatory provisions of its law on arbitration. To say that the
parties have “chosen” that particular law to govern the arbitration
is rather like saying that an English woman who takes her car to
B France has “chosen” French traffic law, which will oblige her to
drive on the right-hand side of the road, to give priority to vehicles
approaching from the right, and generally to obey traffic laws to
which she may not be accustomed. But it would be an odd use of
language to say this notional motorist had opted for “French traffic
C law”. What she has done is to choose to go to France. The
applicability of French law then follows automatically. It is not a
matter of choice.

Parties may well choose a particular place of arbitration
precisely because its *lex arbitri* is one which they find attractive.
D Nevertheless, once a place of arbitration has been chosen, it brings
with it its own law. If that law contains provisions that are
mandatory so far as arbitration are concerned, those provisions
must be obeyed. It is not a matter of choice any more than the
notional motorist is free to choose which local traffic laws to obey
and which to disregard.” [para 34]

E 17. It may be mentioned, in passing, that the Arbitration and
Conciliation Act, 1996 has been amended in 2015 pursuant to a detailed
Law Commission Report. The Law Commission specifically adverted
to the difference between “seat” and “venue” as follows:

F “40. The Supreme Court in *BALCO* decided that Parts I and II
of the Act are mutually exclusive of each other. The intention of
Parliament that the Act is territorial in nature and sections 9 and
34 will apply only when the seat of arbitration is in India. The seat
is the “centre of gravity” of arbitration, and even where two
foreign parties arbitrate in India, Part I would apply and, by 24
G virtue of section 2(7), the award would be a “domestic award”.
The Supreme Court recognized the “seat” of arbitration to be the
juridical seat; however, in line with international practice, it was
observed that the arbitral hearings may take place at a location
other than the seat of arbitration. The distinction between “seat”

H

and “venue” was, therefore, recognized. In such a scenario, only if the seat is determined to be India, Part I would be applicable. If the seat was foreign, Part I would be inapplicable. Even if Part I was expressly included “it would only mean that the parties have contractually imported from the Arbitration Act, 1996, those provisions which are concerned with the internal conduct of their arbitration and which are not inconsistent with the mandatory provisions of the [foreign] Procedural Law/Curial Law.” The same cannot be used to confer jurisdiction on an Indian Court. However, the decision in BALCO was expressly given prospective effect and applied to arbitration agreements executed after the date of the judgment.

A

B

C

41. While the decision in BALCO is a step in the right direction and would drastically reduce judicial intervention in foreign arbitrations, the Commission feels that there are still a few areas that are likely to be problematic.

(i) Where the assets of a party are located in India, and there is a likelihood that that party will dissipate its assets in the near future, the other party will lack an efficacious remedy if the seat of the arbitration is abroad. The latter party will have two possible remedies, but neither will be efficacious. First, the latter party can obtain an interim order from a foreign Court or the arbitral tribunal itself and file a civil suit to enforce the right created by the interim order. The interim order would not be enforceable directly by filing an execution petition as it would not qualify as a “judgment” or “decree” for the purposes of sections 13 and 44A of the Code of Civil Procedure (which provide a mechanism for enforcing foreign judgments). Secondly, in the event that the former party does not adhere to the terms of the foreign Order, the latter party can initiate proceedings for contempt in the foreign Court and enforce the judgment of the foreign Court under sections 13 and 44A of the Code of Civil Procedure. Neither of these remedies is likely to provide a 25 practical remedy to the party seeking to enforce the interim relief obtained by it.

D

E

F

G

That being the case, it is a distinct possibility that a foreign party would obtain an arbitral award in its favour only to realize that the entity against which it has to enforce the award has been stripped of its assets and has been converted into a shell company.

H

A (ii) While the decision in BALCO was made prospective to ensure that hotly negotiated bargains are not overturned overnight, it results in a situation where Courts, despite knowing that the decision in Bhatia is no longer good law, are forced to apply it whenever they are faced with a case arising from an arbitration agreement executed pre-BALCO.

B 42. The above issues have been addressed by way of proposed Amendments to sections 2(2), 2(2A), 20, 28 and 31.”

18. In amendments to be made to the Act, the Law Commission recommended the following:

C “Amendment of Section 20

12. In section 20, delete the word “Place” and add the words “Seat and Venue” before the words “of arbitration”.

D (i) In sub-section (1), after the words “agree on the” delete the word “place” and add words “seat and venue”

(ii) In sub-section (3), after the words “meet at any” delete the word “place” and add word “venue”.

E [NOTE: The departure from the existing phrase “place” of arbitration is proposed to make the wording of the Act consistent with the international usage of the concept of a “seat” of arbitration, to denote the legal home of the arbitration. The amendment further legislatively distinguishes between the “[legal] seat” from a “[mere] venue” of arbitration.]

Amendment of Section 31

F 17. In section 31

(i) In sub-section (4), after the words “its date and the” delete the word “place” and add the word “seat”.

G 19. The amended Act, does not, however, contain the aforesaid amendments, presumably because the BALCO judgment in no uncertain terms has referred to “place” as “juridical seat” for the purpose of Section 2(2) of the Act. It further made it clear that Section 20(1) and 20 (2) where the word “place” is used, refers to “juridical seat”, whereas in Section 20 (3), the word “place” is equivalent to “venue”. This being the settled law, it was found unnecessary to expressly incorporate what the

H

Constitution Bench of the Supreme Court has already done by way of construction of the Act. A

20. A conspectus of all the aforesaid provisions shows that the moment the seat is designated, it is akin to an exclusive jurisdiction clause. On the facts of the present case, it is clear that the seat of arbitration is Mumbai and Clause 19 further makes it clear that jurisdiction exclusively vests in the Mumbai courts. Under the Law of Arbitration, unlike the Code of Civil Procedure which applies to suits filed in courts, a reference to “seat” is a concept by which a neutral venue can be chosen by the parties to an arbitration clause. The neutral venue may not in the classical sense have jurisdiction – that is, no part of the cause of action may have arisen at the neutral venue and neither would any of the provisions of Section 16 to 21 of the CPC be attracted. In arbitration law however, as has been held above, the moment “seat” is determined, the fact that the seat is at Mumbai would vest Mumbai courts with exclusive jurisdiction for purposes of regulating arbitral proceedings arising out of the agreement between the parties. B
C
D

21. It is well settled that where more than one court has jurisdiction, it is open for parties to exclude all other courts. For an exhaustive analysis of the case law, see **Swastik Gases Private Limited v. Indian Oil Corporation Limited**, (2013) 9 SCC 32. This was followed in a recent judgment in **B.E. Simoese Von Staraburg Niedenthal and Another v. Chhattisgarh Investment Limited**, (2015) 12 SCC 225. Having regard to the above, it is clear that Mumbai courts alone have jurisdiction to the exclusion of all other courts in the country, as the juridical seat of arbitration is at Mumbai. This being the case, the impugned judgment is set aside. The injunction confirmed by the impugned judgment will continue for a period of four weeks from the date of pronouncement of this judgment, so that the respondents may take necessary steps under Section 9 in the Mumbai Court. Appeals are disposed of accordingly. E
F