



JUDICIAL INTERVENTION IN ARBITRAL PROCESS

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Best Citation – RISHAV NARWARIYA, JUDICIAL INTERVENTION IN ARBITRAL PROCESS, *ILE JOURNAL OF ALTERNATIVE DISPUTE RESOLUTION LAW REVIEW (ILE JADRLR)*, 1 (1) of 2023, Pg. 24-30, APIS – 3920 – 0046 | ISBN – 978-81-964391-3-2.

Abstract

People in India are becoming more dependent on alternative dispute resolution mechanisms as a result of the numerous cases that are currently pending before the Indian judiciary. The most practical way to get speedy results is through out-of-court settlements, which avoid the unnecessary delay of the courts Resolution of conflicts. As a result, there are some obstacles in the way of arbitration's ability to successfully deliver justice as a result of its upward rise. Through the use of legal loopholes, the judiciary is frequently perceived as having to intervene during the arbitration procedures. Such an intervention is seen at various points during the arbitral procedure, from the beginning of the arbitration to its conclusion and even after the arbitral award has been made. The law's intention to lighten the load on the courts and provide swift justice is defeated by the uncalled-for involvement.

As a result, the purpose of this paper is to identify and examine the provisions of the Arbitration and Conciliation Act of 1996 in order to determine which provisions permit court intervention in arbitration proceedings and to what extent this intervention is permitted in accordance with the Act's goal.

KEYWORD – ARBITRATION, JUDICIAL INTERVENTION, SECTION 5, SECTION 9, SECTION 34

Introduction

This is not unknown to anyone that Indian traditional judicial system is struggling with problem of delivering the justice on time. Due to increase in population and economic activities in country the actionable disputes are also increasing rapidly, and due to which the traditional court can be seen overburden with the files of dispute pending in them. There can be seen that some time it takes more than a decade to solve a dispute, it is said that "Justice delayed is justice denied", taking 10 year to solve a dispute is exactly the same thing "Denial of justice". To overcome this problem of overburden of disputes in court there was need of some alternate method of solving the cases and hence there come Alternative dispute resolution mechanism to solve the dispute before it goes to court, out of these mechanism

the Arbitration is most preferred mechanism which is widely accepted method for solving the dispute before it goes to court. Today Arbitration is guided by "Arbitration and conciliation act 1996" which is made in accordance with the "UNCITRAL model on international commercial Arbitration".

The purpose of this act is to govern the Arbitration process and make it free from court interference and for that continuous efforts are made to make it free from court interference but in India it is almost impossible to make anything free from court interference, the 246th law commission report suggested some amendment to reduce the courts interference in the Arbitration which come as Arbitration and conciliation (Amendment) Act 2015 which was completely oriented to promote Arbitration and make it free from courts interference.



The section 5 of Arbitration and conciliation act 1996 which is inspired by the Article 5 of “UNCITRAL model on international commercial Arbitration” clearly shows the intention of this Act, this section says “notwithstanding anything contained in any other law for the time being in force, in matters governed by this Part, no judicial authority shall intervene except where so provided in this Part”

This shows that the attempts are made to reduce the judicial interference but as said before it is impossible to do so. There are many stages and instances where court can interfere in the process of arbitration. This article is aim to bring those stages where court can interfere in the Arbitration and put forth whether this interference is needed or not.

Importance of arbitration and why judicial intervention is needed

The amount of cases that are pending in Indian litigation is frightening and unpleasant, according to statistics. In India, litigation is incredibly expensive and time-consuming. Indian civil courts frequently experience long wait times. Public trust in the rule of law has been seriously damaged by an estimated 30 million case backlog and typical delays in processing a single case. Due to the fact that arbitration spares parties from protracted and stressful court proceedings, situations like this draw attention to it.

Specialized Arbitration Panels Institutional Arbitration is lacking

When taking into account the nature of cases, arbitration also gains significance. Arbitral proceedings guarantee a neutral forum, confidentiality, and procedural flexibility, which is ideal for resolving disputes resulting from international trade and transactions. It is also vital to take international litigation possibilities into account. Foreign parties are typically involved in international transactions, and arbitration becomes more dependable by giving them total party autonomy. The effectiveness of a law must be evaluated by its

application and in the case of the arbitration and conciliation act, the reality differs greatly from what the law's objectives promised. Due to different issues the country faces, arbitration proceedings often result in the parties knocking on the doors of justice courts or the courts being forced to intervene during the proceedings. The absence of institutional arbitration courts and experienced, qualified arbitrators who could resolve disputes quickly and effectively while preserving the fundamental principles of arbitration. The majority of the time, arbitrators is court-appointed workers of the government who are likely to be prejudiced for one reason or another. One of the main causes of arbitration processes requiring court involvement is the absence of institutions to provide arbitration facilities under their rules. The majority of the time, retired judges serves as arbitration tribunals because they have experience with lengthy litigation processes involving procedure and evidence. As a result, arbitration proceedings are prolonged and parties engage in a pleading war in an effort to delay the process until it is in their favour.

Bone of contention

The purpose of introducing the Alternative dispute resolution mechanism or Arbitration was to reduce the burden on the traditional courts and solve the matter at initial stages without the interference of the judiciary, so that judicial court only deal with the matter which could not be solved by this alternate method, and this was also intention of Law maker while making the “Arbitration and conciliation act 1996”. But before 2015 Amendment there was lots of judicial intervention in the arbitration process which completely surpasses the purpose of the Act.

This become the bone of contention because it is against the sprite of Law to have judicial interference in process of interference also the Arbitration cannot be made completely free from judicial interference because this will make Arbitration above the courts and this might lead



to some decision which might be arbitrary but nothing could be done because that is not subjected to judicial interference or review. Hence it becomes very difficult to deal with this problem because one is against the intention of Act while other is against the spirit of justice. Let's understand how court can interfere in arbitration process step by step

Interference of court in Arbitration process before the commencement of Arbitration proceeding.

As the section 5 of "Arbitration and conciliation act 1996" says "notwithstanding anything contained in any other law for the time being in force, in matters governed by this Part, no judicial authority shall intervene except where so provided in this Part" this non- obstante clause limits the judicial intervention in Arbitration process but still there is lots of intervention in the proceeding.

In the matter of "P Anand Gajapathi Raju v. PVG Raju²⁹" the court interpreted the term "No judicial authority" and "Shall intervene". The court said that the term "no judicial authority" has been used to limit judicial intervention in areas involving no judicial discretion and that the words "shall intervene" has been used in aspects where the legislature intended an intervention.

The word "judicial authority" has been broadly accepted and interpreted by court at various instances, in the matter of "Fair Air Engineers Pvt. Ltd., v. NK Modi³⁰" the supreme court broaden the scope of this term and held that State Commission and the National Commission under the Consumer Protection Act, 1986 are to be treated as "Judicial Authority". Also the commission under the monopolies and restrictive trade practice Act, 1969 was also declared as the judicial authority. Further court also declared company law board as the judicial authority in the matter of Canara bank. V nuclear corporation of India Ltd.

The supreme court in the matter of *Surya dev rai v ram Chandra rai*³¹ said that if the judicial intervention is allowed in Arbitration process than there would be delay in proceedings while on other hand if judicial intervention is completely removed than there are chances of arbitrary decision made which even get chances of getting corrected by the judicial courts. There for the while doing the judicial intervention the principle of "the dictates of judicial conscience enriched by the judicial experience and practical wisdom of the Judge". Must be followed for having the reasonable interference so that purpose of Act is fulfilled and no arbitrariness happens while delivering the justice.

But if there is any conflict in Arbitration Agreement in such situation one can file application in court and court have to entertain the dispute, the court cannot force the arbitration on any party it is right of individual to adjudicate the dispute through the court. Thought the section 8 of the Arbitration and conciliation act 1996 puts legal obligation on adjudicator to refer the pending matters for Arbitration but this should be done with the intentions of parties.

The supreme court in the matter of "Hindustan Petroleum Corpn. Ltd v. M/S. Pinkcity Midway Petroleums³²" held while referring to the section 8 and matter of *Konkan Rly. Corpn. Ltd. v. Rani Construction (P) Ltd*³³ that it is mandatory for the judicial authority to refer parties to Arbitration also on the konkan rly case it was held the arbitral tribunal has the power to overturn it's on jurisdiction under the section 16 of said act. While in *Hindustan petroleum case* the sc also held that the civil court has no power to examine the applicability of Arbitration agreement to the fact of the case.

When there is conflict on the appointment of arbitrator, than under the section 11 of said act

²⁹ P Anand Gajapathi Raju v. PVG Raju, 2000 (4) SCC 539.

³⁰ Fair Air Engineers Pvt Ltd., v. NK Modi AIR 1997 SC 533

³¹ Surya Dev Rai V. Ram Chander Rai, AIR 2004 SC 3044

³² Hindustan Petroleum Corpn. Ltd v. M/S. Pinkcity Midway Petroleums, (2003) 6 SCC 503.

³³ Konkan Rly. Corpn. Ltd. v. Rani Construction (P) Ltd, (2002) 2 SCC 388.

the parties can approach the High court in case of domestic arbitration agreement while in matter of international arbitration they can approach the Supreme court for the appointment of arbitrator

Judicial interference during the arbitral proceedings.

Judicial interference during the arbitral proceedings directs us to interim measure, the section 9 of arbitration act deals with the ability of the court to grant the interim measure in arbitral proceeding, it should be kept in mind that the application under section 9 is not a fresh law suit and the relief given is not a contractual right, also the section 17 gives the authority to arbitral tribunal to make interim order as per the section. Further the tribunal also can take help of court in getting the evidence under section 23 of the Act. In the matter of Ashok traders & anr v. Gurumukh Das Saluja & others³⁴ the court held that the sole aim of the such relief is to make sure that right to solve issue right through Arbitration is not taken away, the purpose of section 9 is to make sure that there exist an intention between the parties to resort the arbitration and by such interim order no delay should cause which may lead to violation of some ones right.

It is found that section 9 is purposely used by some party to cause delay in the proceeding, this was observe in the matter of "M/S. Sundaram Finance Ltd. v. M/S. N.E.P.C. India Limited³⁵" the supreme court asked that this should not become medium for the parties to delay the proceedings.

While in the matter of ITI Ltd v Siemens public communication network Ltd³⁶, the SC held that the section 9 is made accordance with the interim provision given in CPC, 1908. So that it align with the provision followed in civil court and doesn't violates them.

After the amendment made in 2015 the interim order made by arbitral tribunal are made similar to the passed by courts under section 9 and with this the intervention of court has been reduced because before that the tribunal lacks the power and had to depend on courts to grant the order.

Judicial intervention after the arbitral proceedings

Judicial intervention after the arbitral proceedings means court interfering in dispute after the arbitral award is given, generally the court is prohibited to do so in any arbitral proceeding but under some special circumstances it is allowed to set aside the arbitral award as given in section 34 of arbitration and conciliation act 1996. The section 34(2) (a) gives the grounds on which the courts can set aside the arbitral awards. The following grounds are given on section 34(2) (a) on which the arbitral award can be set aside

- A. The party was not competent.
- B. The arbitral agreement was not valid as per the law to which it was subjected to party
- C. No proper notification was given about the proceeding and appointment of arbitrator was given
- D. The matter does not fall under category that can be refer to the arbitration or the arbitral award contain award which beyond the scope of arbitral tribunal
- E. The tribunal was not as per the arbitral agreement.

Just because there is alternative view on the fact and the some other interpretation of agreement is available, this doesn't give court the liberty to set aside the award. This was held in the matter of Dyna Technologies Pvt. Ltd. v. Crompton Greaves Ltd³⁷ by supreme court further it was added that the court need to be very cautious while setting aside the award and should comply with all the condition given in

³⁴ Ashok Traders & Anr. v. Gurumukh Das Saluja & Ors., AIR 2004 SC 1433.

³⁵ M/S. Sundaram Finance Ltd., v. M/S. N.E.P.C. India Limited, AIR 1999 SC 565

³⁶ ITI Ltd V. Siemens Public Communications Network Ltd, 2002 (5) SC 510

³⁷ Dyna Technologies Pvt. Ltd. v. Crompton Greaves Ltd 2019 SCC OnLine SC 1656



section 34 of the act. It was also added by Supreme Court that the courts interference in the arbitral proceeding should be limited because the party which opted for such proceeding only choose such mechanism so that they can solve the dispute outside the court without courts interference.

Supreme Court in the matter of McDermott International Inc. v. Burn Standards Co. Ltd³⁸. Held that court has supreme power to set aside the arbitral award but only on ground given in section 34 of the act, the court can only set aside the award it doesn't have power to correct the error.

Under the section 34(2) (b) the court can also set aside the award if- the subject matter is not in scope of the arbitration or the award is against the Public policy.

The term public policy has always been in question that what can be consider as against the public policy because it is not defined anywhere in the act the section 34 makes very precise ground on which the court can interfere and public policy is one of them but the scope of term is not given anywhere, the judges try to bring the this term in sink in many cases to understand this we need to go through the matter of Renusagar Power Co. Ltd. v. General Electric Co³⁹ and ONGC Ltd. v. Saw Pipes Ltd⁴⁰. In the matter of Renusagar the court held that the award would be consider as against the public policy if it is against the

- a. Fundamental policy of India.
- b. The interest of India.
- c. Justice and the morality.

The apex court expanded the purview of public policy in the 2003 case of ONGC Ltd. v. Saw Pipes Ltd. The court added the new ground of "patent illegality" to the reasons outlined in Renusagar's case by stating that the word "public policy" relates to a matter concerning

the public good and public interest that varies with time.

Due to the fact that any judgement including a statutory provision error may now be contested, this sparked a flood of lawsuits under section 34. In ONGC v. Western GECO International Ltd⁴¹, the court next considered what "fundamental policy of Indian law" actually meant. The court continued by defining "fundamental policy of Indian law" as consisting of three separate heads:

- A. The tribunal must take a judicial stance
- B. Observing the natural justice principles.
- C. No reasonable person would come to the same conclusion if the tribunal's decision were so twisted or irrational.

The award was also declared to be a "miscarriage of justice" that might be reversed or changed by the court.

In Associate Builders v. Delhi Development Authority⁴², the court further established the scope of how "most basic norms of justice and morality" are to be interpreted. An award may be revoked for the same reasons if it would offend the court's sensibilities.

Following the 2015 amendment, courts have recently refrained from giving the word "public policy" broad interpretations. The court ruled in Venture Global Engineering LLC and Ors. V. Tech Mahindra Ltd. and Ors⁴³. That "the award of an arbitral tribunal can be set aside only on the grounds enumerated in section 34 of the AAC Act and no other ground." For instance, a similar view was taken in Sutlej Construction v. The Union Territory of Chandigarh⁴⁴.

As a result, the Supreme Court's interpretation of the definition of "public policy" in section 34 of the Act was obviously unclear. The Supreme Court ruled in 2018 that "public policy" as used in

³⁸ McDermott International Inc. v. Burn Standard Co. Ltd., (2006) 11 SCC 181.

³⁹ Renusager Power Co. v. General Electric Co, (1994) 1 SCC 644.

⁴⁰ Oil & Natural Gas Corporation Ltd v. Saw Pipes Ltd, (2003) 5 SCC. 705.

⁴¹ ONGC v. Western GECO International Ltd 2006 152 TAXMAN 96 Bom
⁴² Associate Builders v. Delhi Development Authority 2014 SCC OnLine SC 937

⁴³ Venture Global Engineering LLC and Ors. v. Tech Mahindra Ltd. and Ors 2017 SCC Online SC 1272

⁴⁴ Sutlej Construction v. The Union Territory of Chandigarh.2018 (1) SCC 718

Section 34 relates to both central and state laws." However, allowing for more participation than is necessary will defeat the purpose of arbitration, and as a result, every other award will be contested in court.

Conclusion

Our legal system is overworked as there are hundreds of cases that need to be resolved. Legal processes in India are a protracted process that takes a lot of time and money. We are aware that a prompt dispute resolution process is essential for better business. Development and the environment. All disputes between the parties to an arbitration agreement are resolved through arbitration. One of the best alternative dispute resolution methods is arbitration. According to the Arbitration Act of 1996, courts have a limited ability to interfere with arbitration proceedings even though arbitration is a wholly independent method of resolving disputes. The courts have a supervisory role in making sure that those who have been harmed receive justice in a fair and equitable manner. However, in practice, courts still disobey it, as can be seen in a few of the incidents mentioned above. The court has a duty and a legislative obligation to help arbitration in order to shift its own burden. If the right changes are implemented with forward-looking judicial support, arbitration might attain unthinkable relevance in the Indian environment. The court's intervention may be justified by arguing that it protects the parties' legal rights or that it monitors the arbitration procedures to guard against unfairness.

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