

## LEGAL UPDATES

### **SC: SC EXAMINES THE SCOPE OF GROUNDS FOR REJECTING THE ARBITRAL AWARD UNDER SEC. 37 OF THE ARBITRATION ACT**

A division bench consisting of Justice M.R. Shah and Justice B.V. Nagarathna, while probing the scope of Sec 34/37 of the Arbitration Act("the act"), held that an arbitral decision can only be overturned if it violates Indian public policy. An appeal against the final order of Punjab and Haryana HC whereby the HC quashed the arbitral award passed by the Arbitrator and order passed by ADJ, Chandigarh under Sec.34 of the Act was preferred before the bench. The Appellant had invited tenders for supplying soft drinks/beverages and the respondents had won the final bid. However, a dispute arose between the parties and the appellant terminated the contract. Subsequently, the matter was referred to arbitration whereby the sole arbitrator passed an award and directed respondents to pay INR 9.5 Lakhs. The respondents filed an objection under Sec.34 of the Act before ADJ, Chandigarh which was dismissed. Thereafter, the respondents preferred an appeal under Sec. 37 the Act before HC. The HC after considering the case on its merits approved the appeal and quashed the award passed by the sole arbitrator and order of ADJ, Chandigarh passed under Sec.34 of the Act. The top court noted that HC has erred by considering the case on its merit and thereby overreaching the jurisdiction as prescribed under Sec. 37 the Act. The apex court further noted that it is an established principle that an arbitral award can only be set aside when the award is contravening - (a) Indian law's fundamental policy (b) India's interest (c) morality or justice (d) or the award is patently illegal. Lastly, the Supreme Court held that no such case was made out by respondents before HC and hence the order passed by HC was unsustainable and therefore liable to be set aside.