

REPORTABLE**IN THE SUPREME COURT OF INDIA****CIVIL ORIGINAL/APPELLATE JURISDICTION****ARBITRATION PETITION (CIVIL) NO. 15/2020**

Balasore Alloys Limited Petitioner(s)

Versus

Medima LLC Respondent(s)

WITH

SPECIAL LEAVE PETITION (CIVIL) NO. 10264 OF 2020**J U D G M E N T**

1. The Applicant - Balasore Alloys Limited is before this Court in this petition filed under Section 11(6) read with Section 11(12)(a) of the Arbitration and Conciliation Act, 1996 ('Act, 1996' for short) praying that a sole arbitrator be appointed to adjudicate upon all disputes that have arisen between the parties in connection with the 37 purchase orders referred to in the application. Alternatively, it is prayed that the second arbitrator be appointed on account

of the failure of the respondent – Medima LLC to nominate an arbitrator in terms of the contracts.

2. The applicant is a manufacturer of High Carbon Ferro Chrome. The applicant and the respondent accordingly, entered into transactions whereby the applicant agreed to supply the High Carbon Ferro Chrome manufactured by them to the respondent for sale of the same in the territory of USA and Canada. Initially an Agreement dated 19.06.2017 limited to the sale of 2000 MT was entered into. Pursuant to such transaction 37 purchase orders were placed by the respondent in favour of the applicant specifying details of the supply to be made under each of the purchase orders. The parties had also entered into an Agreement dated 31.03.2018 relating to the same transaction whereunder certain terms as enumerated therein were agreed upon. In respect of the said transactions certain disputes have arisen between the parties which is required to be resolved through arbitration.

3. The applicant, therefore, while seeking for appointment of an arbitrator to resolve such disputes has sought to rely on Clause-7 in the said 37 purchase orders providing for

resolution of disputes through arbitration by the Arbitral Tribunal to be constituted as provided therein. Since according to the applicant, the respondent had failed to appoint their arbitrator, despite the petitioner having nominated Mr. Justice Amitava Lala, Retired High Court Judge, the applicant is before this Court seeking the appointment of an arbitrator.

4. The respondent, on being notified in this petition has entered appearance and filed its detailed counter affidavit. The nature of transaction entered into between the parties is not disputed. The fact that certain arbitrable disputes have arisen between the parties is also not controverted. However, it is the case of the respondent that the entire transaction is governed under the Agreement dated 31.03.2018 which is referred to by the respondent as an "Umbrella Agreement". It is their further case that the said agreement dated 31.03.2018 vide Clause-23 thereof provides for resolution of disputes through arbitration in the manner as indicated therein and as such the respondent had already invoked the same by issue of notice. Further, as per the procedure contemplated in Clause-23 the

respondent had filed a petition before the International Chamber of Commerce ('ICC' for short) and the Arbitral Tribunal has been duly constituted. The respondent, therefore, contends that the instant application filed by the applicant seeking appointment of the Arbitral Tribunal in terms of Clause-7 of the purchase order is not bonafide; the application is liable to be dismissed. The applicant has filed the rejoinder to the counter affidavit filed on behalf of the respondent whereby the contentions put forth by the respondent is sought to be disputed and the averments in the application are reiterated.

5. In the above background, we have heard Shri Maninder Singh, learned senior counsel for the applicant, Shri S.N. Mookherjee and Shri Ritin Rai, learned senior counsel for the respondent and perused the application papers.

6. Having taken note of the averments contained in the pleading and the contentions urged by the learned senior counsel for the respective parties, it is evident that the parties having entered into a business transaction; certain disputes have arisen between them which is to be resolved

through arbitration. To that extent the parties are also in agreement. The issue for consideration however, is with regard to the appropriate clause that will operate providing for arbitration and will be applicable in the factual matrix herein. Since the applicant is before this Court invoking the arbitration clause in the purchase order (37 separate purchase orders), it is necessary to take note of the arbitration clause relied upon, which reads as hereunder:

“7. ARBITRATION: Disputes and differences arising out of or in connection with or relating to the interpretation or implementation of this contract/order shall be referred to the Arbitral Tribunal consisting of 3 Arbitrators of which each party shall appoint one Arbitrator, and the two appointed Arbitrators shall appoint the third Arbitrator who shall act as the Presiding Arbitrator as per the provisions of the Arbitration and Conciliation Act, 1996 and any modification or re-enactment thereto. The venue of the arbitration proceedings shall be at Kolkata and language of the arbitration shall be English. The arbitration award shall be final and binding upon the parties and the parties agree to be bound thereby and to act accordingly. When any dispute has been referred to arbitration, except for the matters in dispute, the parties shall continue to exercise their remaining respective rights and fulfil their remaining respective obligations.”

7. Since the transaction entered into between the parties and the dispute having arisen not being in dispute; further

the above extracted arbitration clause being explicit; in a normal circumstance no other consideration would have been necessary in the limited scope for consideration in an application under Section 11 of the Act, 1996. However, in the case on hand the fact remains that undisputedly an Agreement dated 31.03.2018 is also entered into between the parties relating to the very same transaction which is referred to as the “Umbrella Agreement” by the respondent and as “Pricing Agreement” by the applicant. The said agreement also makes provision for resolution of disputes through arbitration in the manner as indicated therein. It would be appropriate to take note of the arbitration clause which reads as hereunder:

“23. GOVERNING LAW; DISPUTES

This Agreement shall be governed by and construed in accordance with the laws of the United Kingdom. Any claim, controversy or dispute arising out of or in connection with this Agreement or the performance hereof, after a thirty calendar day period to enable the parties to resolve such dispute in good faith, shall be submitted to arbitration conducted in the English language in the United Kingdom in accordance with the Rules of Arbitration of the International Chamber of Commerce by 3 (Three) arbitrators appointed in accordance with the said Rules, to be conducted in the English language in London in accordance with British Law. Judgment on the award may be entered

and enforced in any court having jurisdiction over the party against whom enforcement is sought.”

8. At this stage, it is necessary for us to refer to the decision rendered in the case of ***Olympus Superstructures Pvt. Ltd. vs. Meena Vijay Khetan & Ors.*** (1999) 5 SCC 651 wherein this Court was confronted with the issue of there being two different arbitration clauses in two related agreements between the same parties. This Court while dealing with the same had harmonised both the clauses and had on reconciliation held that the parties should get the disputes resolved under the main agreement. In that context it was held as hereunder: -

“30. If there is a situation where there are disputes and differences in connection with the main agreement and also disputes in regard to “other matters” “connected” with the subject-matter of the main agreement then in such a situation, in our view, we are governed by the general arbitration clause 39 of the main agreement under which disputes under the main agreement and disputes connected therewith can be referred to the same arbitral tribunal. This clause 39 no doubt does not refer to any named arbitrators. So far as clause 5 of the Interior Design Agreement is concerned, it refers to disputes and differences arising from that agreement which can be referred to named arbitrators and the said clause 5, in our opinion, comes into play only in a situation where there are no disputes and differences in relation to the

main agreement and the disputes and differences are solely confined to the Interior Design Agreement. That, in our view, is the true intention of the parties and that is the only way by which the general arbitration provision in clause 39 of the main agreement and the arbitration provision for a named arbitrator contained in clause 5 of the Interior Design Agreement can be harmonised or reconciled. Therefore, in a case like the present where the disputes and differences cover the main agreement as well as the Interior Design Agreement, - (that there are disputes arising under the main agreement and the Interior Design Agreement is not in dispute) - it is the general arbitration clause 39 in the main agreement that governs because the questions arise also in regard to disputes relating to the overlapping items in the schedule to the main agreement and the Interior Design Agreement, as detailed earlier. There cannot be conflicting awards in regard to items which overlap in the two agreements. Such a situation was never contemplated by the parties. The intention of the parties when they incorporated clause 39 in the main agreement and clause 5 in the Interior Design Agreement was that the former clause was to apply to situations when there were disputes arising under both agreements and the latter was to apply to a situation where there were no disputes or differences arising under the main contract but the disputes and differences were confined only to the Interior Design Agreement. A case containing two agreements with arbitration clauses arose before this Court in *Agarwal Engg. Co. v. Technoimpex Hungarian Machine Industries Foreign Trade Co.* There were arbitration clauses in two contracts, one for sale of two machines to the appellant and the other appointing the appellant as sales representative. On the facts of the case, it was held that both the clauses operated separately and this conclusion was based on the specific clause in the sale contract that it was the “sole repository” of the

sale transaction of the two machines. Krishna Iyer, J. held that if that were so, then there was no jurisdiction for travelling beyond the sale contract. The language of the other agreement appointing the appellant as sales representative was prospective and related to a sales agency and “later purchases”, other than the purchases of these two machines. There was therefore no overlapping. The case before us and the above case exemplify contrary situations. In one case the disputes are connected and in the other they are distinct and not connected. Thus, in the present case, clause 39 of the main agreement applies. Points 1 and 2 are decided accordingly in favour of the respondents.”

9. Having taken note of the arbitration clause existing in two different set of documents between the same parties relating to the same transaction; in order to harmonise or reconcile and arrive at a conclusion as to which of the clauses would be relevant in the instant facts; it would be necessary for us to refer to the manner in which the arbitration clause was invoked and the nature of the dispute that was sought by the parties to be resolved through arbitration. In that regard a perusal of the documents will reveal that in the case on hand the applicant had not initiated the process of invoking the arbitration clause. On the other hand a notice dated 13.03.2020 (Annexure A-41) was issued on behalf of the respondent by its attorney to the

applicant referring to the breach of the agreement dated 31.03.2018 (Umbrella agreement/Pricing agreement) and as per the procedure provided under Clause-23 of the said agreement an opportunity was provided to amicably resolve the matter; failing which it was indicated that the respondent would approach the International Chamber of Commerce (ICC) in 30 days. It is in reply to the said notice dated 13.03.2020 issued by the Respondent on 13.04.2020, the applicant herein disputed the claim put forth by the respondent under the Agreement dated 31.03.2018 referring to it as the Pricing Agreement. Further, the applicant thereafter referred to the nature of their claim and thereon proceeded to indicate that the constitution of the Arbitral Tribunal and conduct of arbitration proceeding shall be in accordance with Clause-7 of the contract terms forming part of and governing all individual contracts.

10. In the above backdrop, when both, the purchase order as also the Pricing Agreement subsists and both the said documents contain the arbitration clauses which are not similar to one another, in order to determine the nature of the arbitral proceedings the said two documents will have to

be read in harmony or reconciled so as to take note of the nature of the dispute that had arisen between the parties which would require resolution through arbitration and thereafter arrive at the conclusion as to whether the instant application filed under Section 11 of the Act, 1996 would be sustainable so as to appoint an arbitrator by invoking Clause-7 of the purchase order; more particularly in a situation where the Arbitral Tribunal has already been constituted in terms of Clause-23 of the agreement dated 31.03.2018.

11. To determine this aspect, apart from the fact that the respondent was the first to invoke the arbitration clause with reference to the Agreement dated 31.03.2018, it is noticed that in the reply dated 13.04.2020 issued by the applicant it is in the nature of invocation of the arbitration clause by the applicant. It would be appropriate to take note of the contents in paras 6, 7, 8 and 9 thereof which is the crux of the dispute that would require resolution through arbitration and reads as hereunder:

“6. Under the Pricing Agreement, which contains the price and terms of payment governing individual contracts, the Products are

purchased by Medima at the Provisional Sales Price arrived at by applying a discount on CRU/Ryan's notes. Where the Final Sales Price to the customer after deduction of expenses and fees as specified in the Pricing Agreement is higher than the Provisional Price, Medima is liable to remit the difference between the two. However, the Pricing Agreement unequivocally stipulates that all risks for sale to customers shall be borne by Medima and as such, confers no right upon Medima to recover losses from Balasore.

7. Balasore is, on the other hand, entitled to recovery of 100% of the Provisional Price and any amount recovered by Medima in addition thereto.

8. In this context, Balasore has repeatedly pointed out to Medima that the statements issued by Medima are incomplete and do not contain necessary details customer-wise for the purposes of reconciliation.

9. Even on the basis of the incomplete and inaccurate statements provided by Medima from time to time, it is clear that Medima has been making much high deductions than permissible under the Pricing Agreement and thereby depriving Balasore of amounts lawfully owing to it under the individual contracts. Some of the issues repeatedly raised by Balasore are:

1. The allegedly actual secondary costs are nearly twice as high as the budgets and estimates projected by Medima at the time of booking the contracts;

2. The quantity and quality of Products invoiced by Medima to the customers are different from the contracts signed by Medima and Balasore;

3. Interest for availing credit for delay in recovery beyond 60 days cannot be deducted as an expense;

4. Commission has to be charged on the net sales price and not the Final Sales Price.”

12. A close perusal of the extracted portion would indicate that the reference made by the applicant with regard to the price and the terms of the payment governing individual contracts is with reference to the Pricing Agreement which in fact is the Agreement dated 31.03.2018. In that context, the terms 5, 8, 9 and 10 of the Pricing Agreement would indicate that it provides for the mechanism relating purchases and sales; final price, payment of provisional price and adjustment of advance, determination of the final sale price and monthly accounting and payment. On taking note of the same, a perusal of the contract terms in the purchase order relied upon by the applicant does not provide for such determination of pricing except the purchase order referring to the price of the quantity ordered for and the special terms relating to provisional price etc. Therefore, in that circumstance the nature of dispute raised by the applicant themselves in the reply notice dated 13.04.2020 will indicate that those aspects are to be determined in terms of the provisions contained in the

Agreement dated 31.03.2018 which resultantly will be relevant for payment to be made under each of the purchase order. Therefore, even if disputes are raised relating to the contract terms, the pricing, deductions etc. will relate to the main agreement and the Arbitral Tribunal constituted thereunder can go into other issues if any arises under the contract terms of the individual purchase order as well.

13. However, in an attempt to dispel such understanding, Mr. Maninder Singh, learned senior counsel sought to contend that while the respondent relies on the Pricing Agreement dated 31.03.2018, the transaction in fact had commenced as far back as on 08.08.2017 and 21 purchase orders were placed up to 30.03.2018 i.e. prior to 31.03.2018, the date on which the Pricing Agreement was executed and as such the same cannot be deemed to have applied to the earlier purchase orders. Though such contention is put forth we are unable to accept the same since Clause-20(a) of the Agreement dated 31.03.2018 provides that the Agreement shall commence on 31.03.2017 and end on 31.03.2021 which clearly indicates that it was the intention of the parties that the terms contained in the

Agreement would govern all transactions, including those which had commenced from 08.08.2017. Further it is noticed that the parties were earlier governed by an Agreement dated 19.06.2017 which was for a fixed quantity of 2000 MT of the produce while the present agreement, according to the parties was on a long term basis fixing the time period for which it was valid and the individual purchase orders will have to be taken note for the specific quantity ordered for under each of the transactions, the price of which was to be ultimately determined as provided under the Pricing Agreement.

14. In that view of the matter, when admittedly the parties had entered into the agreement dated 31.03.2018 and there was consensus *ad-idem* to the terms and conditions contained therein which is comprehensive and encompassing all terms of the transaction and such agreement also contains an arbitration clause which is different from the arbitration clause provided in the purchase order which is for the limited purpose of supply of the produce with more specific details which arises out of Agreement dated 31.03.2018; the arbitration clause

contained in Clause-23 in the main agreement dated 31.03.2018 would govern the parties insofar as the present nature of dispute that has been raised by them with regard to the price and the terms of payment including recovery etc. In that view, it would not be appropriate for the applicant to invoke Clause-7 of the purchase orders more particularly when the arbitration clause contained in the Agreement dated 31.03.2018 has been invoked and the Arbitral Tribunal comprising of Mr. Jonathan Jacob Gass, Mr. Gourab Banerji and Ms. Lucy Greenwood has already been appointed on 22.06.2020.

SLP(C) No.10264/2020

15. The instant Special Leave Petition is filed by the petitioner who is the plaintiff in the Commercial Suit No.59/2020 pending before the High Court of Calcutta. The petitioner herein is the petitioner in Arbitration Application No.15/2020 which is dealt with hereinabove. The facts noticed above while dealing with Arbitration application also discloses that the Arbitral Tribunal comprising of three arbitrators has been appointed by the ICC through the communication dated 22.06.2020. The Tribunal has been

constituted based on the clause providing for arbitration under the Agreement dated 13.03.2018. The petitioner claiming to be aggrieved by the constitution of the Arbitral Tribunal has filed the suit seeking a decree of declaration that the arbitration clause-23 of the Pricing Agreement dated 31.03.2018 is null and void and in that context has sought for the ancillary relief in the suit. In the said suit the petitioner has moved the 'Notice of Motion' seeking for an interlocutory order of injunction against the Arbitral Tribunal constituted by the ICC. The learned Single Judge through a detailed judgment dated 12.08.2020 has rejected the prayer for interim order and the 'Notice of Motion' has been dismissed. The petitioner claiming to be aggrieved by the said order had preferred an appeal to the Division Bench, which on consideration has declined grant of interim order though the appeal has been admitted for consideration.

16. Having heard the learned senior counsel and having perused the orders impugned we see no reason to interfere with the same, more particularly keeping in view our

conclusion on the same subject matter while addressing the rival contentions in the Arbitration Application No.15/2020.

17. In the result, the Arbitration Application No.15/2020 and SLP No.10264/2020 stand dismissed with no order as to costs.

.....**CJI.**
(S. A. Bobde)

.....**J.**
(A. S. Bopanna)

.....**J.**
(V. Ramasubramanian)

September 16, 2020
New Delhi