

**HAKAM SINGH**

v.

**M/S. GAMMON (INDIA) LTD.**

January 8, 1971

**[J. C. SHAH, C.J. AND K. S. HEGDE, J.]**

*Contract Act 1872, s. 28—Code of Civil Procedure, 1908, s. 20(a) Explanation II—Arbitration Act 1940, s. 41—Defendant a company registered under the Indian Companies Act having its principal place of business at Bombay—Contract providing for arbitration of disputes and further providing that disputes were to be adjudicated only in Bombay Courts—Restriction whether binding or against public policy.*

On October 5, 1960 the appellant agreed to do certain construction work for the respondent—a company registered under the Indian Companies Act and having its principal place of business at Bombay—on the terms and conditions of a written tender. Clause 12 of the tender provided for arbitration in case of dispute. Clause 13 provided that notwithstanding the place where the work under the contract was to be executed the contract shall be deemed to have been entered into by the parties at Bombay and the court in Bombay alone shall have jurisdiction to adjudicate thereon. On disputes arising between the parties the appellant submitted a petition to the court at Varanasi for an order under s. 20 of the Arbitration Act, 1940 that the agreement be filed and an order of reference be made to an arbitrator or arbitrators appointed by the court. The respondent contended that in view of cl. 13 of the arbitration agreement only the courts at Bombay had jurisdiction. The trial court held that the entire cause of action had arisen at Varanasi and the parties could not by agreement confer jurisdiction on the courts of Bombay which they did not otherwise possess. The High Court at Allahabad in exercise of its revisional jurisdiction held that the courts at Bombay had jurisdiction under the general law and hence could entertain the petition. It further held that in view of cl. 13 of the arbitration agreement the petition could not be entertained at Varanasi. Against the order of the High Court directing the petition to be returned for presentation to the proper court, the appellant appealed to this Court by special leave. The questions that fell for consideration were: (i) whether the courts at Bombay alone had jurisdiction over the dispute; (ii) whether Explanation II to s. 20(a) of the Code of Civil Procedure refers only to Government corporations and not to companies registered under the Indian Companies Act.

**HELD:** (i) The Code of Civil Procedure in its entirety applies to proceedings under the Arbitration Act by virtue of s. 41 of the latter Act. The jurisdiction of the courts under the Arbitration Act to entertain a proceeding for filing an award is accordingly governed by the provisions of the Code of Civil Procedure. By the terms of s. 20(a) of the Code of Civil Procedure read with Exp. II thereto, the respondent company which had its principal place of business at Bombay, was liable to be sued at Bombay. [316 G]

It is not open to the parties by agreement to confer jurisdiction on any court which it did not otherwise possess under the Code. But where two courts have under the Code of Civil Procedure jurisdiction to try a suit or proceeding an agreement between the parties that the dispute between

**A** them shall be tried in one of such courts is not contrary to public policy. Such an agreement does not contravene s. 28 of the Contract Act. [316 H]

Since in the present case the courts at Bombay had jurisdiction under the Code of Civil Procedure the agreement between the parties that the courts in Bombay alone shall have jurisdiction to try the proceedings relating to arbitration was binding between them. [318 A]

**B** (ii) Order 29 of the Code of Civil Procedure deals with suits by or against a corporation and there is nothing in the Code to support the contention that a Corporation referred to under s. 20 means only a statutory corporation and not a company registered under the Indian Companies Act. [317 G-H]

**C** CIVIL APPELLATE JURISDICTION : Civil Appeal No. 646 of 1967.

Appeal by special leave from the judgment and order dated December 1, 1966 of the Allahabad High Court in Civil Revision No. 721 of 1964.

*J. P. Goyal* and *G. S. Chatterjee*, for the appellant.

**D** *V. S. Desai* and *B. R. Agarwala*, for the respondent.

The Judgment of the Court was delivered by

**E** *Shah, C.J.* On October 5, 1960 the appellant agreed to do certain construction work for the respondent on the terms and conditions of a "written tender". Clauses 12 & 13 of the tender were :

"12. In the event of any dispute, arising out of this sub-contract, the parties hereto agree that the matter shall be referred to arbitration by two Arbitrators under the Arbitration Act of 1940 and such amendments thereto as may be enacted thereafter.

**F** 13. Notwithstanding the place where the work under this contract is to be executed, it is mutually understood and agreed by and between the parties hereto that this Contract shall be deemed to have been entered into by the parties concerned in the City of Bombay and the Court of law in the City of Bombay alone shall have jurisdiction to adjudicate thereon."

**G** Disputes arose between the parties and the appellant submitted a petition to the Court of the Subordinate Judge at Varanasi for an order under s. 20 of the Indian Arbitration Act 10 of 1940 that the agreement be filed and an order of reference be made to an Arbitrator or Arbitrators appointed by the Court to settle the dispute between the parties in respect of the construction works done by him. The respondent contended that the Civil Courts in Bombay alone had because of the terms contained in cl. 13

**H**

jurisdiction to entertain the petition. The Trial Judge rejected that contention observing that the condition in cl. 13 that "the contract shall be deemed to have been entered into by the parties concerned in the city of Bombay has no meaning unless the contract is actually entered into in the city of Bombay", and that there was no evidence to establish that it was entered into in the city of Bombay. The Trial Judge concluded that the entire cause of action had arisen at Varanasi and the parties could not by agreement confer jurisdiction on the Courts at Bombay, which they did not otherwise possess.

The High Court of Allahabad in exercise of its revisional jurisdiction set aside the order passed by the Subordinate Judge and declared that the Courts in Bombay had jurisdiction under the general law to entertain the petition, and by virtue of the covenant in the agreement the second branch of cl. 13 was applicable and binding between the parties and since the parties had agreed that the Courts in Bombay alone had jurisdiction to adjudicate upon the contract, the petition to file the arbitration agreement could not be entertained by the Courts at Varanasi. Against the order of the High Court directing that the petition be returned for presentation to the proper Court, the appellant has appealed to this Court with special leave.

Section 41 of the Arbitration Act 1940 provides in so far as it is relevant :

"Subject to the provisions of this Act and of rules made thereunder :

- (a) the provisions of the Code of Civil procedure, 1908, shall apply to all proceedings before the court, and to all appeals under this Act."

The Code of Civil Procedure in its entirety applies to proceedings under the Arbitration Act. The jurisdiction of the Courts under the Arbitration Act to entertain a proceeding for filing an award is accordingly governed by the provisions of the Code of Civil Procedure. By cl. 13 of the agreement it was expressly stipulated between the parties that the contract shall be deemed to have been entered into by the parties concerned in the City of Bombay. In any event the respondent have their principal office in Bombay and they were liable in respect of a cause of action arising under the terms of the tender to be sued in the Courts at Bombay. It is not open to the parties by agreement to confer by their agreement jurisdiction on a Court which it does not possess under the Code. But where two courts or more have under the Code of Civil Procedure jurisdiction to try a suit or proceeding an agreement between the parties that the dispute between them shall

A be tried in one of such Courts is not contrary to public policy. Such an agreement does not contravene s. 28 of the Contract Act.

B Counsel for the appellant contended that merely because the respondent carried on business in Bombay the Courts at Bombay were not invested with jurisdiction to entertain any suit or a partition for filing an arbitration agreement. Section 20 of the Code of Civil Procedure provides :

C “Subject to the limitations aforesaid, every suit shall be instituted in a Court within the local limits of whose jurisdiction—

(a) the defendant, or each of the defendants where there are more than one, at the time of the commencement of the suit, actually and voluntarily resides, or carries on business, or personally works for gain; or

D (b) . . . . .  
(c) the cause of action, wholly or in part, arises.

E “Explanation II.—A corporation shall be deemed to carry on business at its sole or principal office in India, or, in respect of any cause of action arising at any place where it has also a subordinate office, at such place.”

F Plainly by the terms of s. 20(a) read with Explanation II, the respondent Company was liable to be sued at Bombay where it had its principal place of business.

G The argument of counsel for the appellant that the expression “corporation” in Explanation II includes only a statutory corporation and not a company registered under the Indian Companies Act is, in our judgment, without substance. The Code of Civil Procedure uses the expression “corporation” as meaning a legal person and includes a company registered under the Indian Companies Act. Order 29 of the Code of Civil Procedure deals with suits by or against a corporation and there is nothing in the Code of Civil Procedure that a corporation referred to under s. 20 means only a statutory corporation and not a company registered under the Indian Companies Act.

H Since an application for filing an award in respect of a dispute arising out of the terms of the agreement could be filed in the Courts in the City of Bombay, both because of the terms of cl. 13

of the agreement and because the respondents had their. Head Office where they carry on business at Bombay, the agreement between the parties that the Courts in Bombay alone shall have jurisdiction to try the proceeding relating to arbitration was binding between them. A

The appeal fails and is dismissed with costs. B

G.C.

*Appeal dismissed.*