

India: Arbitration Clause Binding Even If Subsequent Agreements Do Not Contain It: Omega Finvest LLP v Direct News Pvt Ltd¹

03 January 2023

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ARBITRATION CLAUSE BINDING EVEN IF SUBSEQUENT AGREEMENTS DO NOT CONTAIN IT: *OMEGA FINVEST LLP v DIRECT NEWS PVT LTD*¹

The Delhi High Court has held that an arbitration clause in an earlier agreement remains binding on the parties even after they enter into subsequent agreements which do not contain an arbitration clause.

Facts

The parties entered into 2 agreements for the lease of premises. Differences arose between them which were settled by way of settlement agreements. One of the parties failed to honour its obligations under the settlement agreements and the aggrieved party invoked arbitration under the lease agreements.

This was opposed on the grounds that: (i) the lease agreements containing the arbitration clause had expired, and (ii) the disputes between the parties were governed by the settlement agreements, which were independent contracts devoid of any arbitration clause.

Delhi High Court

The Court held that in the settlement agreements there was no stipulation rescinding the arbitration clause in the lease agreements. The existence of the arbitration clause was thus confirmed.

The Court further relied on precedents² to conclude that a §11 Court cannot adjudicate on whether the arbitration clause in the lease agreements had been superseded or novated by the settlement agreements. It could only examine the existence of an arbitration agreement, and not its validity.

Conclusion

The scope of the Court's enquiry under §11 of the Arbitration & Conciliation Act 1996 is limited only to examining the existence of an arbitration agreement.

Footnotes

1. Decision dated 11 October 2022 passed by the Delhi High Court in Arbitration Petition No. 818/2021

2. *Vidya Drolia v Durga Trading Corporation* (2021) 2 SCC 1; *Sanjiv Prakash v Seema Kukreja and Ors.* (2021) 9 SCC 732

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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