



Bill for Quick Resolution of Commercial Disputes Passed in Lok Sabha

Replacing an ordinance, a Commercial Division and Commercial Appellate Division of High Courts (Amendment) Bill, 2018 has been passed by Lok Sabha to resolve commercial disputes worth Rs 3 lakh or more. The law will be given prospective effect so that the authority of the judicial forum at present adjudicating the commercial disputes is not affected.

Need for Legislation

- There has been a **steep rise in the number of commercial disputes** at domestic and international levels.
- **Growing Foreign Direct Investment (FDI)** and **overseas commercial transactions** have also contributed to a significant increase in commercial disputes.
- Bringing down the specified value of commercial disputes would reduce the time taken for resolution of such disputes and **improve India's ranking in the ease of doing business.**
- Over the years, the Law Commission and Parliamentary Standing Committees have observed that due to high pendency of cases the judicial system is unable to dispose of cases in a timely manner.
- The Law Commission in 2003 and 2015 recommended that a law be enacted to establish commercial courts to resolve commercial disputes of high value. They argued that adjudication of high value commercial disputes requires specialised expertise, and has a larger impact on foreign investments and economic growth of the country.

Highlights of the Bill

- The Commercial Courts Act, 2015 provides for **commercial courts** and **commercial divisions of high courts** to adjudicate commercial disputes with a value of at least one crore rupees. The Bill reduces this limit to three lakh rupees.
- The Bill allows state governments to establish commercial courts at the district level, even in territories where high courts have ordinary original civil jurisdiction.
- In areas where high courts do not have original jurisdiction, state governments may set up **commercial appellate courts** at the district level to consider appeals from commercial courts below the level of a district judge.
- A provision for **mandatory mediation** has been provided in those cases where no urgent relief is being sought by the parties to the dispute. The mediation may be conducted by authorities constituted under the Legal Services Authorities Act, 1987 (such as the National and District Legal Services Authority). The mediation process is required to be completed within a period of three months (may be extended by another two months). A signed settlement between the parties will have the same effect as an arbitral award under the Arbitration and Conciliation Act, 1996.
- Under the Act, if a counterclaim was filed in a commercial dispute of at least one crore rupees in a civil court, the civil court could transfer the suit to a commercial court. The Bill removes this provision in relation to transfer of suits.

