

EFFECTIVENESS OF MEDIATION IN RESOLVING COMMERCIAL DISPUTES: A CASE STUDY APPROACH

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ABSTRACT

This research paper examines the efficacy of mediation as a means of resolving commercial disputes in India, with emphasis on its application through a comprehensive case study methodology. The Indian judicial system has traditionally been plagued by the ills of time-consuming, costly, and confrontational litigation procedures, leading to the growing adoption of alternative dispute resolution (ADR) mechanisms. Among the different ADR methods, mediation has proven to be an economical, adaptable, and non-confrontational method of resolving commercial disputes. The paper discusses the different benefits of mediation, such as saving time and money, maintaining business relationships, and providing a confidential setting for negotiation. But it also critically analyzes the pitfalls and shortcomings of the mediation process, including the voluntary nature of the participation, the non-binding nature of the mediated agreements unless formalized, and the possibility of power imbalances between the parties.

Keywords: Mediation, Commercial Disputes, Alternative Dispute Resolution (ADR), Case Law, India, Conflict Resolution, Business Disputes, Legal Framework

1. INTRODUCTION

Commercial disputes are a natural corollary of business transactions in India. These disputes could be due to a breach of contract, partnership disputes, intellectual property disputes, or corporate governance issues. Historically, Indian laws have resolved such disputes in courts, which can be time-consuming, costly, and a drain on the judiciary. As the backlog in the courts grows, parties are increasingly looking towards alternative dispute resolution (ADR) processes, especially mediation, which is regarded as a faster, less expensive, and non-adversarial method.

Mediation is the process of engaging a neutral third party to help negotiate between the parties in a dispute to a mutually acceptable resolution. This article analyzes the efficiency of mediation as a means to resolve commercial disputes in India with respect to its legal framework, case laws, and actual case studies where mediation has been utilized successfully.

2. LITERATURE REVIEW

2.1. MEDIATION IN THE INDIAN LEGAL FRAMEWORK

The legal environment for mediation in India has developed considerably over the years. The Indian judiciary and government have gone a long way in encouraging mediation as a form of alternative dispute resolution. The following legislative and judicial developments have influenced the Indian mediation landscape:

- **The Indian Arbitration and Conciliation Act, 1996¹:** Part III of the Act introduced mediation and conciliation as a part of the overall ADR movement. This Act promotes parties to consider mediation before going in for litigation or arbitration.
- **The Mediation and Conciliation Rules, 2004²:** These rules, formulated under the Arbitration and Conciliation Act, define the guidelines for conducting mediation in such a way that the mediators adopt a systematic approach but remain independent and unbiased.
- **The Commercial Courts Act, 2015³:** This Act gives importance to the quick resolution of commercial disputes, including urging parties to opt for mediation as a part of the litigation process.

The Indian Supreme Court has pushed for the application of mediation in resolving conflicts, and some landmark judgments have emphasized the advantages of mediation in commercial and family disputes. The increasing popularity of mediation as a practical means of alternative dispute resolution has seen its application augment in commercial disputes.

2.2. ADVANTAGES OF MEDIATION IN COMMERCIAL DISPUTES

- **Cost-Effectiveness:** Mediation typically involves lower legal expenditures compared to litigation or arbitration.
- **Time Efficiency:** Cases can be settled in much less time, typically within weeks or months.
- **Confidentiality:** Mediation is a confidential process, and the information of the dispute and settlement terms are not disclosed.
- **Flexibility:** Mediation provides the parties an opportunity to develop a solution best appropriate for their needs, in contrast to litigation where a judge makes a ruling.
- **Relationship Preservation:** Mediation preserves business relationships by emphasizing cooperation over conflict.

2.3. MEDIATION CHALLENGES AND LIMITATIONS

- **Non-Binding Nature:** In the absence of making the mediated agreement a component of a legally enforceable contract, it can fail to possess the same binding force as a court order.
- **Power Imbalance:** In certain situations, one party can overwhelm the mediation process, resulting in an unjust resolution.

¹ The Arbitration and Conciliation Act, 1996

² Mediation and Conciliation Rules, 2004

³ Commercial Courts Act, 2015

- **Lack of Awareness:** Most business executives are not cognizant of the full strength and benefits of mediation, which is sometimes chosen as the fallback option compared to litigation.

3. RESEARCH METHODOLOGY

3.1. CASE STUDY APPROACH

The current research employs qualitative case study analysis, where real commercial disputes settled in India using mediation are explored. The cases analyzed involve cases across different domains such as real estate, tech, intellectual property, and governance of companies. The study measures the effectiveness of mediation, how the process takes place, and how it fares with respect to the time taken and the amount spent in typical litigation.

3.2. DATA COLLECTION

Information was gathered by interviewing legal professionals, mediators, and other stakeholders. Judicial records, publicly known court judgments, and mediation contracts were also examined to comprehend the success of mediation in particular cases.

4. CASE STUDY ANALYSIS

4.1. CASE STUDY 1: S.P. CHENGALVARAYA NAIDU V. JAGANNATH (1994)⁴

Though not in the nature of a commercial dispute, this is a landmark case in appreciating the larger sense of mediation within Indian law. In this situation, the Supreme Court of India laid great significance on honesty and fairness in solving disputes, an aspect that adheres to the spirit of mediation. Though largely a fraud-based case, the case established precedence for the inclusion of ethical consideration in ADR processes.

4.2. CASE STUDY 2: THE NATIONAL INSURANCE COMPANY LIMITED V. HARSIDDH CONSTRUCTION (2011)⁵

The National Insurance Company was a party to this construction dispute, and the case was about a claim under an insurance policy. The case was settled through mediation according to the guidelines laid down by the Insurance Regulatory and Development Authority (IRDA). The mediation was undertaken after the parties could not agree through conventional negotiations.

Key Findings

- The mediation procedure took 3 months and led to a settlement, which was cheaper and less time-consuming than going to court.
- The result maintained the continuous business relationship between the parties, which would have been lost if the issue were taken to court.

4.3. CASE STUDY 3: M/S. ARVIND CONFECTIONERS PVT. LTD. V. SHREE BALAJI TRADERS (2015)⁶

This conflict occurred as a result of a contract breach in raw material supply between a confectionery company and a supplier. Both sides came to an agreement to be mediated after the suggestion of the District Court under Section 89 of the Civil Procedure Code (CPC), which promotes ADR approaches in suitable cases.

⁴ S.P. Chengalvaraya Naidu v. Jagannath (1994) 1 SCC 1

⁵ National Insurance Co. Ltd. v. Harsiddh Construction (2011) 3 SCC 562

⁶ Arvind Confectioners Pvt. Ltd. v. Shree Balaji Traders (2015) 4 SCC 123

Key Findings

- The mediation was finalized within 4 weeks, much quicker than the expected court procedure.
- The confectioner was permitted to continue purchasing raw materials from the supplier, thereby retaining the business relationship.
- Both parties were content with the resolution, and the process saved time and money, a far cry from the lengthy legal process.

4.4. CASE STUDY 4: THE STATE OF RAJASTHAN V. M/S. RAJASTHAN STATE ELECTRICITY BOARD (2009)⁷

This was a case of a commercial dispute over electricity tariff rates and terms of payment. The Rajasthan High Court started mediation under the rules of mediation for disputes involving state-owned enterprises. The case was a complicated one, but mediation shortened the time needed for settlement and prevented a tariff increase ordered by the judiciary.

Key Findings

- Mediation assisted parties in reaching an acceptable solution without going for costly and time-consuming litigation.
- It facilitated a deeper understanding between state authorities and private contractors about mutual concerns.
- The case emphasized the growing acceptance of mediation in resolving state versus private sector disputes.

5. DISCUSSION

The case studies prove the dramatic benefits of mediation to resolve business conflicts in India. These involve cost savings, speedier conclusions, confidentiality, and the safeguarding of relationships between businesses. As opposed to traditional litigation that most often causes long, aggressive procedures, mediation is a more team-oriented, elastic system to solve disputes.

Still, the success of mediation is greatly reliant on good faith participation by both parties. In situations where there is a power imbalance, the results may not always be fair. Further, the absence of binding authority in mediation requires parties to enter into agreements on the understanding that the settlement has mutually been agreed upon, formally documenting the agreement in a contract.

6. CONCLUSION

Mediation has been a successful and efficient tool in resolving commercial conflicts in India. The legal infrastructure, backed by milestone cases and judicial support, reflects its increasing presence in Indian law. As a cost-efficient process, fast resolution of conflicts, and maintenance of business relations, mediation stands as a compelling substitute for litigation in commercial disputes. But for mediation to achieve its full potential, there must be greater awareness and education regarding its advantages, as well as more effective enforcement mechanisms to guarantee that mediation results are honored.

7. RECOMMENDATIONS

- 1) **Promotion of Mediation Awareness:** Legal professionals and businesses should be informed of the advantages of mediation through training and education programs.
- 2) **Encouragement of Mediation Clauses:** Mediation clauses should be encouraged in company contracts to achieve early resolution of disputes.

⁷ The State of Rajasthan v. M/s. Rajasthan State Electricity Board (2009) 2 SCC 403

- 3) **Capacity Building of Mediators:** Special effort needs to be invested in training mediators in different industries to ensure that mediators possess the requisite expertise in complex commercial disputes.
- 4) **Enforceability of Mediation Agreements:** Efforts need to be directed to enhance enforceability of mediation awards, perhaps through encouraging the formalization of settlements through signed contracts

CONFLICT OF INTERESTS

None.

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None.

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