TERRITORIAL JURISDICTION: TO SITUATE, OR TO BE SITUATED? AN ANALYSIS ON HARSHAD CHIMAN LAL MODI VS. DLF UNIVERSAL LTD.[1]

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Facts:

A "plot buyer agreement" was signed on August 14, 1985, between DLF Universal Ltd. and Anr., the respondent in the present case (henceforth referred to as the "respondent"), the first defendant, and the original plaintiff, Harshad Chiman Lal Modi, the appellant in the present case (henceforth referred to as the "appellant"). The arrangement was for the acquisition of a Gurgaon, Haryana, residential land. This agreement was allegedly negotiated and finalized in Delhi and was in the Standard Form Contract of the first respondent, according to the appellant. Additionally, the agreement stated that the first respondent's head office was located in Delhi, where all payments were to be made.

One of the most important clauses in the agreement was Clause 28, which made it clear that the Delhi courts would have jurisdiction over any legal issues resulting from the purchase. The appellant believed that this condition would allow the Delhi courts to decide any disagreements pertaining to the agreement, including those affecting the acquisition of the residential land. But when the appellant's payment to the second defendant became a source of disagreement, things got complicated.

According to the respondent, the appellant's unilateral and, according to the appellant, unjust termination of the agreement was caused by the appellant's failure to provide the second defendant with the required payments. The appellant filed a lawsuit in the Delhi High Court after this termination in an attempt to pursue legal action. Three main remedies were sought in the appellant's suit: (1) a permanent injunction to stop the agreement from being canceled; (2) specific performance of the agreement, which would require the respondent to abide by the provisions of the contract; and (3) possession of the contested property.

[1] Harshad Chiman Lal Modi v. DLF Universal Ltd. (2005) 7 SCC 791

At first, the Delhi Court handled the proceedings. On the other hand, the defendants filed an application under Order 6 Rule 17 of the Code of Civil Procedure (CPC) more than eight years after they had filed their written statement. Pleadings may be amended in specific situations according to this clause. In their plea, the defendants raised a significant question of jurisdiction, claiming that the Delhi Court lacked power to decide the case because the immovable property at issue was situated in Gurgaon, Haryana.

The Delhi Court determined that it lacked jurisdiction over the case after accepting the defendants' contention. The legal precept that issues involving immovable property should be adjudicated in the court where the property is situated—in this case, Gurgaon, not Delhi—served as the foundation for this ruling.

The appellant requested that the Delhi High Court reconsider its decision since they felt wronged by it. The appellant's plea was denied by the Court, which maintained its prior ruling that it lacked jurisdiction. Dismayed with this result, the appellant filed a plea for special leave with the Indian Supreme Court, contesting the Delhi High Court's decision to decline jurisdiction.

The legal issue between statutory rules establishing geographical jurisdiction for disputes involving immovable property and contractual jurisdiction terms was at the heart of the case that was brought before the Supreme Court. The Supreme Court was specifically entrusted with deciding whether Clause 28 of the agreement could grant the Delhi Court jurisdiction despite the immovable property's location outside of Delhi.

Contentions of parties:

Appellants contentions: - Lower Courts erred in permitting the amendment of written statements regarding jurisdiction, holding that the Gurgaon Court has jurisdiction instead of the Delhi Court. Given that the Defendant's head office was in Delhi, where the agreement was entered into and subsequently breached, and where the payment was to be made, Delhi should have jurisdiction over the case at hand rather than Gurgaon. Additionally, the parties had agreed that the Delhi Court would have jurisdiction should an issue arise during the transaction.

- The appellant suffered from the eight-year wait between the filing of the written statement in 1989 and the raising of the jurisdictional objection, which was made after this time. It was improper for the lower court to approve the change and for the High Court to confirm it after the defendants explicitly acknowledged that the Delhi Court had jurisdiction over them.

Respondents' contentions: -It was argued that since the property in question was in Gurgaon, the Delhi court lacked jurisdiction because the suit pertained to immovable property and should instead have initially been filed in a Gurgaon District court. A lawsuit for immovable property must be filed in the location where the property is located, in this case, Gurgaon, in accordance with Section 16 of the CPC.

- In this case, the parties were not required to select one court from among those with authority over two or more courts. In the event that two courts are involved, and the parties cannot agree on which court should have jurisdiction, Section 20 of the CPC would be applicable. Clause 28 and Section 20 of the CPC do not need to be considered for determining the jurisdiction of the Delhi Court.

Issue:

1. Where does the jurisdiction lie for a suit for an agreement relating to an immovable property? In the present case, does it lie in Delhi as per the agreement or in Gurgaon, where the property is situated?

In this case, the jurisdiction is the primary area of contention between the two parties. Given that most the agreement's underlying events occurred in Delhi, the appellant argued that Delhi must have jurisdiction. As opposed to this, the respondent contended that Gurgaon is the correct jurisdiction because that is where the immovable property in dispute is located. According to the respondent, the issue must be brought before the court where the immovable property is in accordance with Section 16 of the CPC.

Rule:

Sections 16–20 of the CPC address the Civil Courts' territorial jurisdiction. While Sections 16 and 20 discuss territorial jurisdiction, primarily Section 16 addresses jurisdiction regarding immovable property.

Section 16 of the Code of Civil Procedure, 1908[2]: All lawsuits pertaining to immovable

[2] The Code of Civil Procedure, 1908, § 16, No. 5, Acts of Parliament, 1908 (India)

property, including those involving claims of ownership, possession, or other rights, are required by Section 16 of CPC, to be filed in the court where the property is located. This Section guarantees that local courts, who are most qualified to resolve issues pertaining to property, will handle such cases because they are knowledgeable about local laws and property particulars. According to the proviso to Section 16, the suit may also be brought in the defendant's actual or voluntary place of residence, place of employment, or place of business if the relief sought can be achieved by means of personal obedience on the part of the defendant.

Section 20 of the Code of Civil Procedure, 1908[3]: All that is not covered by Sections 15 through 19 is covered by this residuary section. Cases involving non-immovable property are subject to jurisdiction rules outlined in Section 20 of the CPC. This provides flexibility in selecting the jurisdiction of the lawsuit by enabling it to be filed in courts where the defendant lives, works for profit, or conducts business, or where the cause of action, in whole or in part, originates.

The Court heavily relies on Sections 16 and 20 of the CPC, although it also mentions Sections 17, 18, 19, and 21 in its ruling.

Held:

The case was decided by a two-judge bench in the Supreme Court. The central issue concerned an agreement between the parties that included a jurisdictional clause stating that in the event of a dispute, the courts of Delhi would have jurisdiction. The Supreme Court found this clause redundant, holding that jurisdiction could be established clearly based on the facts and circumstances of the case. The Supreme Court addressed the arguments raised by both the appellants and the defendants, carefully examining relevant provisions of the Code of Civil Procedure (CPC) and the Indian Contract Act, 1872, along with pertinent case laws, arrived at the conclusion that the Delhi Court did not, in fact, have jurisdiction over the matter.

The court stressed that the parties are not free to contractually choose an alternate court to the exclusion of the one that would have jurisdiction in circumstances where jurisdiction is clearly established by the facts. Since the subject of this dispute was an immovable property, Section 16 of the CPC governs jurisdiction in matters involving such property. Section 16 gives a clear legal framework for identifying the appropriate court based on the location of the property and

[3] The Code of Civil Procedure, 1908, § 20, No. 5, Acts of Parliament, 1908 (India)

addresses the territorial jurisdiction for disputes pertaining to immovable property.

Alternatively, the appellants contended that this matter should fall under the broader jurisdiction provided by Section 20 of the CPC, which applies whenever the cause of action originates, or the defendant resides. But the Supreme Court disregarded this claim, concluding that Section 20 is a residual provision and that it is more expansive than Section 16 in scope. The court determined that Section 16 superseded Section 20, holding the latter inapplicable in this case because it dealt expressly with issues involving immovable property. In view of the more precise terms of Section 16, it was decided that Section 20 was unnecessary.

Additionally, the appellants stated that there was an excessive delay in objecting to the Delhi Court's jurisdiction. That argument, however, was also rejected by the court. The decision stipulated that challenges related to jurisdiction have to be voiced as soon as possible, ideally before the resolution of case issues. As the objection was made in this case within the allotted period, the court determined that there had been no excessive delay that would have prevented the defendants from contesting the jurisdiction.

The Delhi Court lacked jurisdiction to deal with the matter for specific performance of an immovable property, the Supreme Court found in its final decision. Since the property in question was in Gurgaon, the court determined that the only court with the sufficient jurisdiction to hear and decide the case was the Gurgaon Court, which is the court whose territorial bounds the property was located inside. This ruling upheld the general rule that, in cases involving immovable property, jurisdiction is established by the physical location of the property, independent of any jurisdictional provisions in the parties' agreements. Thus, it was decided that the contractual provision granting Delhi jurisdiction was invalid, and the case was sent to the proper Gurgaon court for consideration.

Analysis:

Jurisdiction, in simple terms, means the ability or authority of a certain Court to adjudicate or decide a matter. The word "Jurisdiction" has been understood in legal terminology as relating to subject-matter jurisdiction, territorial jurisdiction and pecuniary jurisdiction, and there has been no conflict about this meaning.[4] A crucial component of every case is jurisdiction, which must be established at the preliminary stage. For the administration of justice to be competent

[4] C. F. Alvares, Revisional Powers Of The High Courts, 1, SCC, (1972)

and effective, it is imperative to determine whose jurisdiction applies to a certain case. Sections 15-20 of India's Code of Civil Procedure mostly address the jurisdiction of civil courts. Sections 16–20 deal with territorial jurisdiction, which is concerned with the physical limits of the subject matter, while Section 15 deals with pecuniary jurisdiction, which is tied to the monetary worth of a case. The law divides assets into two categories: movable and immovable properties, allowing territorial jurisdiction to be exercised with greater efficiency. Just as the name implies, immovable refers to a property that is attached to the earth and cannot be shifted. The court's territorial jurisdiction is at the centre of the current case's contention.

To effectively carry out the administration of justice, each court in the legal system is built to handle kinds of cases. A court runs a danger of administering justice incorrectly when it takes on a matter that it is not authorized to handle. Indian courts have consistently maintained this approach in several decisions, including this one. The Indian judiciary places great emphasis on the fact that jurisdiction is a matter of law and not something that should be decided by the parties involved; this is especially important when it comes to cases involving immovable property. The present case centres on the property's location in Gurgaon, Haryana, even if it is true that a number of events pertaining to the agreement between the appellant and respondent occurred in Delhi. The matter under dispute pertains to the specific performance of a contract concerning immovable property. Section 16 of the Code of Civil Procedure (CPC) establishes explicit principles and governs jurisdiction in these types of cases. According to a straightforward interpretation of Section 16, a lawsuit involving immovable property must be filed in the court where the property is located, not in any other jurisdiction. Section 16 has a clear reasoning: because local courts are more familiar with the laws, customs, and conditions of the area, they are more suited to resolve disputes involving immovable property. Thus, the likelihood of an incorrect decision is decreased because the case will be considered and decided by a court that is qualified to handle such cases. Accordingly, any agreement reached by the parties that conflicts with this legislative requirement is superseded when the law expressly specifies where a case is to be tried. In this instance, Clause 28 of the agreement between the respondent and appellant said that any issues resulting from the transaction would be heard by the Delhi courts. This clause cannot take the place of the unambiguous legal provisions outlined in Section 16 of the CPC, even though its insertion may have been done so to make things more plain or convenient for the parties. The location of the immovable property, not any private agreement between the parties, determines jurisdiction when it comes to disputes involving it.

As seen in the *Hakam Singh v. Gammon (India) Ltd.*[5] case, the courts have consistently backed this view. The court decided in that instance that the parties could not provide jurisdiction to a court that is not legally authorized to have it. This case laid down the principle for such instances. In essence, statutory laws pertaining to jurisdiction cannot be superseded by a contract. Clause 28, which grants the Delhi courts authority, is unlawful when this concept is applied to the present case. As a result, even though the agreement was signed in Delhi and certain associated activities might have happened there, the Gurgaon court has exclusive jurisdiction over the case due to the immovable property's location. The only situation in which the parties have the authority to decide a jurisdiction of choice is when the subject-matter lies in two separate jurisdictions, which is not the case here. This further weakens the case of the appellant. Since Gurgaon is the only officially designated by law as the appropriate forum for adjudication, the parties cannot voluntarily assign Delhi jurisdiction over one other.

For centuries, courts and legal commentators defined "jurisdiction" by reference to a court's "power." A court that lacked jurisdiction, under this conception, simply lacked the ability to bind the parties, and its resulting rulings could therefore be regarded by both litigants and later courts as void and of no legal effect.[6] The judgment of a court that lacks jurisdiction is deemed null and void when it rules on a matter outside of its jurisdiction, a jurisdiction objection being raised by any party and accepted. This was established in the case of *Kiran Singh & Ors. v. Chaman Paswan*[7], where the lower courts' jurisdiction was contested. According to the court in the aforementioned case, any order issued by a court without jurisdiction is void and cannot confer any legal rights. The court's stance is correct because it could make an incorrect decision that violates the idea of free and fair justice if a court is not equipped to handle a particular case. Subject-matter jurisdiction was at question in the Kiran Singh case, and it was decided that jurisdiction might be contested at any level in these situations. But when it comes to disputes over pecuniary and territorial jurisdiction, a dispute over jurisdiction can only be raised in the early going, before the issues are framed. In the case of *Hiralal v. Kalianth*, the topic of whether jurisdiction can be contested during the execution phase was brought up. The court answered that the challenge would only be taken into consideration if it was made prior to the framing of the issues. In this instance, the jurisdiction was not one of the questions when the issues were first posed. It appears somewhat contradictory to the ruling in the Hiralal case

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[5] Hakam Singh v. Gammon (India) Ltd., (1971) 1 SCC 286
[6] Ryan C. Williams, Jurisdiction as Power, 7, The University of Chicago Law Review, 1718, (2022)
[7] Kiran Singh v. Chaman Paswan, (1954) 1 SCC 710

because issues had previously been framed and did not include anything pertaining to jurisdiction. The appellant's argument regarding the delay in submitting an objection ought to have been granted by the court.

Lastly, comprehension of the interplay between the two sections is necessary to resolve the dispute over the application of Section 20 or Section 16. In contrast to Section 20, which is a residuary clause that addresses anything not covered by the preceding Sections, Section 16 specifically addresses the jurisdiction over immovable property. The more specific provision should be considered where two provisions appear to have similar applications. A number of significant rulings, including the seminal one in *R. S. Raghunath v. State of Karnataka and Anr.*[8], have affirmed this position, holding that the general rule is that a special law always takes precedence over a general law. In this case, Section 20 will be the general law while Section 16 will be regarded as the special law because it deals with immovable property. Considering these factors, Section 16 will take precedence over Section 20, and the respondent's argument was successful while the appellants was rejected.

The ruling has certain shortcomings even if it follows accepted guidelines. First, the appellant claimed that the respondent waited too long to raise the jurisdictional objection, a point the court failed to sufficiently examine. The objection was brought up after a considerable amount of time had passed, but the court accepted it without giving the appellant's case due consideration. This compromises procedural justice, particularly in view of earlier decisions that mandate jurisdictional challenges be brought up as soon as possible.

Notwithstanding the stringent provisions of Section 16 of the CPC, the court may have considered whether the parties may have some discretion in selecting the jurisdiction that best suits their needs and does not contravene fundamental legal precepts. In situations where corporate operations and agreements cover different locations, this would introduce a degree of contractual independence.

Conclusion:

This case highlights the importance of statutory provisions over contractual agreements when determining jurisdiction, particularly when immovable property is involved. The Supreme Court stressed that private jurisdictional clauses, like Clause 28 in this case, are superseded by

[8] R.S. Raghunath v. State of Karnataka, (1992) 1 SCC 335

Section 16 of the CPC, which requires that disputes pertaining to immovable property be decided where the property is located. Although the appellant's argument regarding procedural delays in raising the jurisdictional objection was noteworthy, the Court rejected this argument, emphasizing that these sorts of challenges remain enforceable if raised within a reasonable time frame, even if a significant amount of time has passed.

In the case of immovable property in particular, the decision upholds the premise that parties cannot contractually evade statutorily assigned jurisdiction when unambiguous legal rules are in place. While the ruling adheres to recognized legal frameworks, the Court's disregard for procedural justice concerns, specifically, the delayed jurisdictional challenge, indicates a possible imbalance in the ratio between procedural justice and legal technicalities. In the end, this ruling guarantees that jurisdiction is based on the law rather than expediency or a party's consent, advancing consistency and fairness in judicial processes involving immovable property.