



## ARBITRATION AND CONCILIATION

# Arbitration Through Conduct: Recognition of Arbitration Clauses Incorporated in Commercial Invoices

Introduction The evolution of arbitration jurisprudence in India has consistently reflected a judicial inclination toward promoting party autonomy and minimizing unnecessary judicial intervention in commercial disputes. A recent illustration of this approach is the decision of the Allahabad High Court in *M/s Ganesha Ecosphere Limited v. Goodcore Spintex Pvt. Limited* (2026), where the Court examined [...]

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## Introduction

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## Factual Background

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The dispute arose out of a series of commercial transactions between Ganesh Ecosphere Limited and Goodcore Spintex Private Limited. The applicant, engaged in the manufacture and supply of recycled polyester staple fibre, supplied goods to the respondent pursuant to various purchase orders. Following the supply of goods, the applicant raised several tax invoices containing terms and conditions governing the transactions.

One of the conditions printed on the invoices provided that any dispute arising between the parties would be compulsorily referred to arbitration under the provisions of the Arbitration and Conciliation Act, 1996. The goods supplied under these invoices were duly received and accepted by the respondent. The respondent also made part payments towards the outstanding dues but subsequently defaulted in clearing the remaining liability. Consequently, the applicant invoked arbitration and sought appointment of a sole arbitrator under Section 11 of the Arbitration and Conciliation Act, 1996.

The respondent opposed the application on the ground that no formal written agreement containing an arbitration clause existed between the parties. It was argued that a clause printed unilaterally on invoices could not bind the parties to arbitration and that, in the absence of a signed arbitration agreement, the Court lacked jurisdiction to appoint an arbitrator.

## Issues Before the Court

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The principal issue before the Court was whether an arbitration clause incorporated in tax invoices could constitute a valid and enforceable arbitration agreement when the invoices had been accepted and acted upon by the parties during the course of their business dealings. The Court was also required to determine the extent of scrutiny permissible under Section 11 proceedings while considering the appointment of an arbitrator.

## Judicial Analysis

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The Allahabad High Court undertook a detailed examination of the factual circumstances and the prevailing legal position. The Court noted that the respondent had not merely received the invoices but had accepted the goods supplied thereunder and had made part payments towards the invoices. Significantly, no objection had ever been raised regarding the terms and conditions printed on the invoices, including the arbitration clause.

The Court observed that commercial transactions cannot be viewed in isolation from the conduct of the parties. Acceptance of goods, maintenance of a running account, and partial discharge of liability collectively demonstrated that the parties intended to be governed by the terms contained in the invoices. Such conduct, according to the Court, established mutual assent to the

contractual terms.

In reaching its conclusion, the Court relied extensively upon the recent decision of the Supreme Court in *Concrete Additives and Chemicals Pvt. Ltd. v. S.N. Engineering Services Pvt. Ltd.* In that case, the Supreme Court recognized that an arbitration clause incorporated in invoices could constitute a valid arbitration agreement where the invoices had been acknowledged and acted upon by the parties. The Court also referred to the Supreme Court's decision in *Caravel Shipping Services Pvt. Ltd. v. Premier Sea Foods Exim Pvt. Ltd.*, which clarified that an arbitration agreement need not necessarily be signed if the surrounding circumstances and conduct of the parties demonstrate acceptance of the arbitration arrangement.

The judgment further reflects the growing influence of the doctrine of competence-competence, which empowers arbitral tribunals to determine their own jurisdiction. The Court emphasized that at the stage of Section 11 proceedings, the inquiry is limited to determining whether a prima facie arbitration agreement exists. Questions concerning the validity, scope, enforceability, or interpretation of the arbitration agreement are matters that should ordinarily be left to the arbitral tribunal.

The Court also relied upon the principles laid down by the Supreme Court in *Vidya Drolia v. Durga Trading Corporation*, *Mayavati Trading Pvt. Ltd. v. Pradyut Deb Burman*, and *Cox & Kings Ltd. v. SAP India Pvt. Ltd.* These authorities collectively establish that judicial intervention at the referral stage must remain minimal and that doubts regarding the existence of an arbitration agreement should generally be resolved in favour of arbitration.

## Decision of the Court

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Applying these principles, the Allahabad High Court held that a prima facie arbitration agreement existed between the parties. The Court concluded that the arbitration clause contained in the invoices was binding because the respondent had accepted the goods supplied under those invoices, made part payments, and never objected to the contractual terms. The absence of a separately signed agreement was therefore not fatal to the existence of a valid arbitration agreement.

Accordingly, the Court allowed the application under Section 11 of the Arbitration and Conciliation Act, 1996 and appointed former Allahabad High Court Judge Justice Vivek Kumar Birla as the sole arbitrator to adjudicate the disputes between the parties.

## Significance of the Judgment

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The decision reinforces the pro-arbitration approach adopted by Indian courts in recent years. It recognizes the realities of contemporary commercial practice, where transactions are frequently concluded through invoices, purchase orders, and electronic communications rather than detailed written contracts. By acknowledging that consent may be inferred from conduct and commercial dealings, the judgment strengthens the enforceability of arbitration agreements in business transactions.

The ruling also reiterates the limited scope of judicial review at the stage of appointment of arbitrators. Courts are not expected to conduct a detailed examination of contractual disputes at the referral stage. Instead, once a prima facie arbitration agreement is shown to exist, the matter should ordinarily be referred to arbitration, leaving substantive questions to be determined by the arbitral tribunal.

## Conclusion

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The judgment in *M/s Ganesha Ecosphere Limited v. Goodcore Spintex Pvt. Limited* represents another important step in the development of arbitration law in India. The decision affirms that an arbitration clause incorporated in invoices can become binding when the conduct of the parties demonstrates acceptance of those terms. By prioritizing commercial realities and respecting party autonomy, the Court has further strengthened India's arbitration-friendly legal framework. The ruling serves as a valuable precedent for businesses and legal practitioners by clarifying that mutual assent may be inferred not only from signatures but also from the practical conduct of parties engaged in commercial transactions.

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