
Presumption Of Validity And Separability: Delhi High Court Affirms Continuity Of Arbitration Clauses Upon Lease Renewal

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Introduction

The Delhi High Court recently delivered an important judgment in ***WTC Noida Development Company Pvt. Ltd. v. Arti Khattar*** [2025:DHC:228-DB], examining the scope of arbitration agreements in lease-related disputes and the judicial intervention permissible under Section 9 of the Arbitration and Conciliation Act, 1996 ("**Arbitration Act**"). The case involved a commercial lease dispute where the Appellant sought interim protection against eviction and disconnection of essential utilities.

In this article, we navigate through the facts of the case and the findings rendered by the High Court.

Brief Facts

The dispute arose from a lease agreement dated 1 November 2013, under which WTC Noida Development Company Pvt. Ltd. ("**Appellant**") leased commercial premises from the Respondents. The agreement included an arbitration clause, Clause 7(e), stipulating that disputes would be resolved through arbitration. Initially, the lease was for three years, with extensions granted in 2016, 2020, and 2021. However, in December 2024, the Respondents directed the Appellant to vacate the premises, leading to the present litigation.

On 5 December 2024, the Respondents sent a notice to the Appellant asking them to vacate the premises. On 4 January 2025, the Respondents instructed the maintenance agency to disconnect the utilities, which was executed the following day. The Appellant, claiming ongoing negotiations for lease continuation and a proposed transfer of lease to an associated entity, approached the District Judge under Section 9 of the Arbitration Act, seeking restoration of possession and restoration of essential services pending arbitration.

The District Judge dismissed the application on 13 January 2025, holding that the arbitration agreement contained in the lease deed was no longer binding. The Appellant then filed an appeal before the Delhi High Court, challenging this ruling.

Arguments from Both Sides

The Appellant contended that the arbitration agreement remained binding and enforceable, as the lease renewals did not expressly revoke or replace it. Relying on ***Vidya Drolia v. Durga Trading Corporation*** [(2021) 2 SCC 1], the Appellant argued that Courts should intervene against arbitration agreements only in rare cases where the clause is manifestly inapplicable.

The Appellant further relied on *SBI General Insurance Co. Ltd. v. Krish Spinning* [2024 SCC OnLine SC 1754], which reaffirmed that disputes regarding the discharge or termination of a contract are arbitrable unless expressly excluded.

It was also argued that the Respondents' unilateral act of terminating utilities, despite ongoing negotiations, violated principles of natural justice and contractual good faith. The Appellant submitted that arbitration should be allowed to determine whether the lease remained valid rather than being prematurely dismissed at the interim stage.

The Respondents, although not appearing in the High Court, had previously argued that the arbitration clause had ceased to be effective after the original lease term expired. They relied on *Mukesh Khurana v. Rahul Chaudhary* [2024 SCC OnLine Del 4686], where the Delhi High Court held that an arbitration clause does not automatically extend beyond the expiry of a contract unless explicitly stated.

They argued that, in this case, the subsequent lease extensions were silent on arbitration and did not reaffirm the previous dispute resolution mechanism. The District Judge had relied on this precedent in dismissing the Section 9 petition.

Findings of the Delhi High Court

The High Court, after examining the lease documents and the parties' submissions, held that the District Judge had prematurely dismissed the Section 9 petition without affording the Respondents an opportunity to clarify their position. The High Court observed that when a contract is extended on the same terms and conditions, an arbitration clause contained therein is presumed to continue unless there is an express exclusion. The High Court placed reliance on *SBI General Insurance Co. Ltd. (supra)* to reinforce the principle that arbitration clauses have a presumption of separability from the main contract and survive contractual disputes unless expressly repudiated.

The High Court further criticised the District Judge for dismissing the petition without issuing notice to the Respondents. It held that a judicial authority must exercise caution before rejecting an application under Section 9 at the threshold stage, particularly where contractual ambiguities exist.

The High Court noted that the Respondents had not expressly contested the existence of the arbitration agreement, making the District Judge's finding premature and unjustified.

Referring to *Vidya Drolia (supra)*, the High Court reiterated that Courts should not engage in an extensive review of arbitrability at the interim stage and should instead leave such determinations to the arbitral tribunal unless the arbitration agreement is manifestly void or inapplicable. The High Court held that in this case, there was no clear finding that the arbitration clause had been extinguished. Consequently, the District Judge's order dismissing the Section 9 petition was set aside, and the matter was remanded for reconsideration.

While doing so, the High Court clarified that it was not expressing any conclusive view on the existence or validity of the arbitration agreement. It left it open for the District Judge to determine the issue after seeking a response from the Respondents.

Comment

This ruling reinforces the Delhi High Court's commitment to upholding arbitration as the preferred mode of dispute resolution while ensuring that Courts do not dismiss arbitration-related applications prematurely.

The judgment reiterates the longstanding legal principle that arbitration clauses generally survive contractual disputes unless expressly repudiated.

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