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Supreme Court of India rules on unconditional stay of money decree

In a significant decision, the Hon'ble Supreme Court of India ("**Supreme Court**"), in *Lifestyle Equities C.V. vs. Amazon Technologies Inc.*¹, examined whether a court could grant an unconditional stay on execution of a money decree without requiring deposit or security under Order XLI Rules 1(3), 5(3) and 5(5) of the Civil Procedure Code, 1908 ("**CPC**"). The Supreme Court held that making a monetary deposit is not mandatory for stay of execution of the decree. The Supreme Court further held that an arbitral award can be unconditionally stayed not just on the grounds of fraud or corruption but also if a compelling and exceptional case is shown to exist.

Brief facts

1. Lifestyle Equities C.V. ("**Petitioner**") instituted a civil suit against Amazon Technologies Inc. ("**Respondent**"), before the Delhi High Court ("**Delhi HC**") seeking permanent injunction and damages for alleged infringement of their registered trademark.
2. The suit was proceeded *ex -parte* against the Respondent and subsequently came to be decreed in favour of the Petitioner by way of a judgment passed by the learned Single Judge.
3. The Respondent challenged the judgment before the Division Bench of the Delhi HC ("**Division Bench**") and filed an application under Order XLI Rule 5(1) and Rule 5(3) of the CPC, seeking stay of the operation of judgment and money decree.
4. The Division Bench of the Delhi HC passed an order allowing the application ("**Impugned Order**") and stayed the operation of the judgment and money decree without insisting for the deposit of the decretal amount.
5. The Petitioner, being dissatisfied with the Impugned Order, filed a special leave petition before the Supreme Court, alleging violation of the mandatory provisions of Order XLI Rules 1(3) and 5(3) of the CPC.

Issues

The Supreme Court dealt with the issues set out below:

1. whether the provisions of Order XLI Rules 1(3) and 5(5) of the CPC are mandatory in nature?
2. whether the Division Bench of the Delhi HC erred in granting an unconditional stay on execution of a money decree?

¹ 2025 INSC 1190

- whether extending the analogy of Section 36 of the Arbitration and Conciliation Act, 1996 (“**Arbitration Act**”) to the present case or rather to the provisions of Order XLI Rule 3 and 5 of the CPC, is inappropriate?

Findings and analysis

While affirming the Impugned Order, the Supreme Court made the following observations:

Re: Interpretation of Order XLI Rules 1(3) and 5(5) of the CPC

The Supreme Court observed that while interpreting a statute, the intention of the legislature must be gathered from the language used. Consequently, a construction which results in rejection of words as meaningless, must be avoided.

The Supreme Court referred to *Mithilesh Singh vs. Union of India*² to highlight that the legislature is deemed not to waste its words, or to say anything in vain. Further, if the language is plain and unambiguous, there is no necessity of external aid for gathering the real intention of the legislature.

Applying the aforesaid principles, the Supreme Court interpreted Order XLI Rule 1 sub-rule (3) of the CPC and noted that: (a) the clear intention of the legislature in the said provision is that deposit of the decretal amount, or giving security thereof is not a condition precedent for maintaining a money appeal; (b) the court is vested with the discretion to grant time for depositing such amount and giving security before disposal of the appeal; and (c) at the same time, the appellate court also has the power to extend the time by taking aid of Section 148 of the CPC. On the other hand, a less grave consequence for non-compliance of such condition was envisaged, namely, to disentitle the appellant to the benefit of stay of execution of the decree as provided in Rule 5(5) of Order XLI of the CPC.

Thus, the Supreme Court arrived at the conclusion that the deposit of the decretal amount or giving security thereof is not a condition precedent for maintaining an appeal against a decree. However, the consequence may be disentitlement to the benefit of stay on the execution of the decree.

In arriving at the above conclusion, the Supreme Court also relied on *Malwa Strips Private Limited vs. Jyoti Limited*³ and *Kayamuddin Shamsuddin Khan vs. State Bank of India*⁴ and held that the obligation under Order XLI Rule 1(3) of the CPC is not mandatory but directory in nature.

Re: Meaning and import of ‘sufficient cause’ under Order XLI Rule 5 of the CPC

Order XLI Rule 5 of the CPC confers jurisdiction upon the appellate court to order stay of execution of a decree on ‘sufficient cause’ being shown. The Supreme Court observed that the power of the appellate court to order stay of execution of a decree is not fettered if there is ‘sufficient cause’ for passing such an order.

The court has to determine ‘sufficient cause’ as per Order XLI Rule 5(3) of the CPC where the court has to see:

- whether there will be substantial loss to the party applying for stay;
- whether the application has been made without unreasonable delay; and
- whether security has been given by the applicant for due performance of the decree.

The Supreme Court further observed that in most cases where money decree is passed, the court does not grant stay unless the appellant deposits the amount in court, but that is a rule of prudence and not a principle of law of universal application. While execution should ordinarily require deposit/security, exceptional cases may justify an unconditional stay.⁵

² (2003) 3 SCC 309

³ (2009) 2 SCC 426

⁴ (1998) 8 SCC 676

⁵ *Central Bank of India vs. State of Gujarat* (1987) 4 SCC 407

It was held that the benefit of unconditional stay of execution of a money decree may be granted by an appellate court if it:

1. is egregiously perverse;
2. is riddled with patent illegalities;
3. is facially untenable; and
4. such other exceptional causes similar in nature.

Re: Reading of Section 36 of the Arbitration Act vis-à-vis Order XLI Rules 3 and 5 of the CPC

An argument was raised before the Supreme Court that, under the second proviso to Section 36(3) of the Arbitration Act, the only ground for grant of an unconditional stay of a money award is to show that the award was induced or effected by fraud or corruption. It was thus argued that the same interpretation must also be given to the provisions of the CPC. The Supreme Court rejected this argument and clarified that the analogy of Section 36 of the Arbitration Act cannot be drawn into the provisions of Order XLI Rules 3 and 5 of the CPC. Having clarified that, the Supreme Court also held that in any case, under the amended Sections 36(2) and (3) of the Arbitration Act, the court has the power and the discretion to pass an order to unconditionally stay the operation of a money award (if the facts and circumstances of the case so warrant).

In other words, the Supreme Court held that unconditional stays can be granted even in cases falling outside the second proviso to Section 36(3) of the Arbitration Act.

Conclusion

The decision of the Supreme Court authoritatively clarifies that the requirement of deposit or furnishing security under Order XLI Rules 1(3), 5(3) and 5(5) of the CPC is not mandatory but directory, and that non-compliance does not automatically bar the grant of a stay.

The Supreme Court has also significantly re-affirmed that the power to grant stay is rooted in judicial discretion, to be exercised on the touchstone of 'sufficient cause'. However, in exceptional circumstances where the decree is prima facie unsustainable or results from serious irregularities such as lack of proper service, an unconditional stay may be justified.

The judgment has further settled and put to rest the conflicting decisions being made by the Bombay and Calcutta High Courts on the circumstances under which a money award can be stayed. While the Calcutta High Court has been taking a view that an award cannot be unconditionally stayed unless it is shown that the making of the award was induced or effected by fraud or corruption, the Delhi and Bombay High Courts have granted unconditional stays on awards even in cases where compelling and exceptional circumstances have been shown to exist. With this judgment, this confusion concerning applicability of the second *proviso* to Section 36(3) of the Arbitration Act has been removed.

Lastly, the Supreme Court's express direction to circulate the judgment to all High Courts further underlines its authoritative and binding character. It ensures uniform application of these principles and providing clear guidance for adjudication of stay applications.

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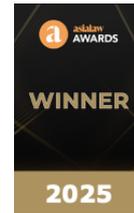
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