

Polish Supreme Court judgment
dated 13 December 1967
Case No. I CR 445/67

Summary by arbitraz.laszczuk.pl:

In 1950, Stanisław S. entered into a contract with a chemicals cooperative under which S. provided industrial assets (fixed assets and current assets) to the cooperative for use without a fee for three years. The contract included a clause calling for arbitration of disputes arising out of the contract. After the contract expired, the cooperative continued to use the assets and refused to return them to S. In 1960, the parties entered into a submission to arbitration.

In the arbitration, S. sought over PLZ 358,000 as the value of the unreturned equipment and PLZ 320,000 for non-contractual use of the equipment from 1953 to 1963. The arbitration court found that the parties should have entered into a sale agreement for the equipment in 1956. The arbitration court relied on amortization regulations to determine the value of the equipment at that time, and on that basis issued an award for S. for about PLZ 158,000. The arbitration court further ruled that S. was not entitled to any compensation for non-contractual use of the equipment, and denied his other claims.

S. filed a petition with the Warsaw Province Court to set aside the award as contrary to public policy. Meanwhile, S. obtained an enforcement clause for the award and the amount awarded in his favour was paid.

The province court denied the motion to set aside the award, holding that the method used by the arbitration court to value the equipment did not violate public policy.

S. sought review by the Polish Supreme Court. The court found no grounds to disturb the ruling below with respect to valuation of the equipment, but found that the province court had failed to address the issue of denial of an award for non-contractual use of the equipment. Therefore the court vacated the judgment below and remanded the matter to the province court for reconsideration, with instructions to consider whether the award denying compensation for non-contractual use of the equipment violated public policy.

Excerpts from the text of the court's ruling:

1. Because when considering and ruling on a dispute the arbitration court is not bound by provisions of substantive or procedural law, so long as it does not violate the rule of law or principles of social coexistence, it thus also follows from the essence of a petition to set aside an arbitration award that the state court with jurisdiction to consider the petition may not review the merits of the dispute. This means that the state court will not examine whether the arbitration award is contrary to substantive law or is based on the facts stated in the award, or whether such facts were properly determined. The state court will consider the case only from the perspective of the grounds for setting aside the award, exhaustively listed in Civil Procedure Code Art. 712.

2. Attention should be paid to the fundamental distinction between consideration of a case on the basis of Civil Procedure Code Art. 711 §3 and Art. 712. It is clear from a comparison of these two provisions that when ruling pursuant to Art. 711 §3, the state court relies only on the file of the arbitration court and does not admit any evidence in order to determine the factual circumstances necessary to assess whether the substance of the arbitration award violates the rule of law or principles of social coexistence, and thus this provision authorizes the court to find that the substance of the arbitration award violates the rule of law or principles of social coexistence only when this appears from the arbitration file submitted to the court. However, pursuant to a petition to set aside an arbitration award, a normal adversarial proceeding is held (Civil Procedure Code Art. 715), in the course of which it is possible to conduct an evidentiary proceeding under general rules, and thus to admit evidence in order to determine the factual circumstances necessary for an assessment of the grounds asserted in the petition.

3. In the event of the legally final setting aside of an arbitration award, the way is open to the parties to assert a claim on the same subject matter before the state court, or for the parties to conclude a new clause and again submit the matter to a designated arbitration court for resolution.