

Polish Supreme Court judgment
dated 6 January 1961
Case No. 2 CR 532/59

Summary by arbitraz.laszczuk.pl:

Kazimierz M. and Władysława M. owned premises on the ground floor of a building adjoining a building belonging to a state grocery cooperative, sharing a common wall. The food cooperative occupied the premises belonging to the couple. The couple obtained an arbitration award against the cooperative for rent and other relief. In 1958, the arbitration court issued an award in their favour for 5 years' back rent for refrigeration equipment and 5 years' back rent for the premises. The arbitration court also established a servitude for 10 years on the property belonging to the claimants, subject to a one-time fee. Under the servitude, the cooperative was to break through the wall and join the spaces, and also connect to the utilities (electricity, water and sewer) in the space belonging to the claimants. The arbitration court also ordered the cooperative to pay a one-time fee for the servitude.

The award was served on the parties in July 1958. The cooperative filed a petition in August 1958 with the province court to set aside the award as contrary to public policy, arguing that it was based on a non-existent contractual relationship between the parties and granted relief beyond that specifically demanded by the claimants. At the hearing in October 1958, the cooperative also alleged that it was not duly notified of the final arbitration hearing and that the arbitration clause was invalid. The province court denied the petition to set aside the award, and the cooperative sought review by the Polish Supreme Court.

The Supreme Court set aside the sections of the award concerning back rent for the premises and concerning the servitude as contrary to public policy. The rental rate for service premises was fixed by government decree and could not be negotiated by the parties, nor could the parties resolve any dispute concerning the rent for the premises through a settlement. Thus the arbitration court had no jurisdiction to resolve such dispute.

The award of back rent for refrigeration equipment did not violate public policy because it involved "auxiliary equipment," and thus the parties were free to negotiate the rent, and a dispute over such rent could be resolved through arbitration.

The award concerning the servitude violated public policy, the court held, because the fee which the cooperative was required to pay (out of state assets) was disproportionate to the value of the servitude, particularly since the claimants themselves had been willing to settle for a smaller fee than that finally set by the arbitration court.

Excerpts from the text of the court's ruling:

1. A petition [to set aside an arbitration award] must state specifically what allegations the petitioner is asserting against the arbitration award, and must be filed within the time provided in Civil Procedure Code Art. 511. Upon expiration of such period, the right to file the petition lapses, and if a petition was filed on time, the ability to extend the petition to include other grounds also lapses.

2. If a petition [to set aside an arbitration award] was filed on time (Civil Procedure Code Art. 511 §1), the issue of whether the arbitration award violates the rule of law or principles of social coexistence in the People's State must be taken into consideration by the court at its own initiative, and thus also when the petition does not include an allegation in this respect or if the petitioner in raising such allegation perceives such defectiveness of the arbitration award in some respect other than that in which it actually occurred.

3. If in a proceeding pursuant to a petition to set aside an arbitration award a party raises further allegations against the arbitration award after the deadline under Civil Procedure Code Art. 511, such new allegations, because they are precluded, may not constitute additional grounds for the petition, but nonetheless must be considered by the court at its own initiative insofar as they are relevant to a determination which the court must make at its own initiative, namely a determination of whether the arbitration award violates the rule of law or principles of social coexistence in the People's State.

4. It follows from the fact that the code lists exhaustively the grounds for the petition [to set aside an arbitration award] (Civil Procedure Code

Art. 510 §1) that the scope of such grounds may not be interrelated logically in such a manner that some of them are controlling and others are subordinate to them. If the grounds were interrelated in that way, the code would not have listed one of the grounds separately if all of it could be subsumed under another of the grounds.

5. The fact that the code permits arbitration (Civil Procedure Code Art. 8) and ascribes legal force to arbitration awards equal to state court judgments (Civil Procedure Code Art. 508 §2) even though arbitration awards may not be consistent with provisions of substantive law excludes acceptance of the position that any inconsistency with provisions of substantive law in and of itself disqualifies an arbitration award. As long as the substance of the award does not violate the rule of law or principles of social coexistence (Civil Procedure Code Art. 509 and 510 §1(4)), the issue of whether the award is consistent with provisions of substantive law is not subject to any review.