Doctrine of 'transnational issue estoppel' applies to enforcement proceedings under Section 48 of the Arbitration and Conciliation Act, 1996, barring an enforcement court from undertaking a merits-based review or reopening factual issues that have been conclusively settled by the seat court

The **Supreme Court** in the case of **Nagaraj V. Mylandla vs PI Opportunities Fund-I [Special Leave Petition (Civil) Nos. 31866-68 of 2025] dated March 25, 2026**, has ruled that the doctrine of 'transnational issue estoppel' applies to enforcement proceedings under Section 48 of the Arbitration and Conciliation Act, 1996, barring an enforcement court from undertaking a merits-based review or reopening factual issues that have been conclusively settled by the seat court. While an enforcement court must independently evaluate challenges raised on the ground of the 'public policy of India', a party cannot camouflage a rejected factual or contractual interpretation dispute as a public policy violation to circumvent the legislative policy of minimal interference and 'one bite at the cherry' in foreign award enforcement.

The Apex Court noted that the substantial relief that was granted to the Investors is award of damages at the 'exit price', and the FSSPL and the Mylandlas were held jointly and severally liable to pay the same. However, in the event they failed to do so, the entitlement given to the Investors to realise such damages was by way of resorting to a strategic sale. The Court pointed out that this relief, in the alternative, which was to arise only if FSSPL and the Mylandlas failed to make the payment, cannot be said to be 'specific performance' of a strategic sale, but it was only to secure the interests of the investors that the option of strategic sale was provided as a means of the last resort in Clause 19.6 of the a Share Acquisition and Share Holders Agreement (SASHA).

The Court observed that the doctrine of 'transnational issue estoppel' extends the principle underlying the concept of 'issue estoppel' to international commercial arbitrations and the arbitral awards that arise therefrom. The application of this doctrine would effectively curb the propensity of parties to relitigate settled factual issues taking advantage of the fact that they are before a different court in a different jurisdiction, viz., the enforcement court.

The Court explained that in the guise of mounting an attack on 'public policy' grounds, it is not open to a party whose contentions on the merits of a particular issue on facts have been rejected by the seat court to seek review thereof by the enforcement court. Such a 'merits-based' evaluation is beyond the scope of the enforcement court's jurisdiction under Section 48 of the Arbitration Act and would be barred by application of the doctrine of 'transnational issue estoppel'.

Moving ahead, the Court observed that the distinction drawn by the Judge of the Madras High Court between 'surrender of shares' and 'buy-back of shares' is unexceptionable. The Investors themselves made the offer that they would surrender their shares upon payment of the damages, so as to pre-empt an argument being advanced of unjust enrichment. There was neither a buy-back of shares by FSSPL nor was there any reduction of capital, whereby the Mylandlas can fall back on the provisions of the Companies Act and allege violation thereof. The absence of such violation being the specific finding of the arbitral tribunal, which has attained finality, it cannot be reopened for a 'merits-based' evaluation by the enforcement court.

The Court also noted that the arbitral tribunal was fully justified in holding that Clause 19 visited an absolute obligation upon FSSPL and the promoters to provide an exit to the Investors. The interpretation of the clauses of the SASHA by the arbitral tribunal, being a plausible and possible one, cannot be subjected to examination by the enforcement court and, in consequence, by this Court by way of a 'merits-based' evaluation. The arbitral tribunal was correct in its approach in treating the termination of the rights of the Mylandlas as an interim measure, which would no longer survive after the damages were paid to the Investors. Accordingly, the Court dismissed the special leave petitions with further costs of Rs. 25 lakhs to be paid by the Mylandlas jointly to each of the Investors.