

Proteus Ventures LLP v. Archilab Designs

Commercial Arbitration Petition (L) NO. 28606 OF 2024 [with Interim application (L) NO. 29321 OF 2024]

Bench: Justice Somasekhar Sundaresan

Case Background

The above case highlights the dispute between Proteus Ventures LLP and Archilab Designs entered into a contract dated 16th August 2018 that included an arbitration clause. Archilab completed work worth about Rs. 3.93 crores but was paid only Rs. 2.04 crores. But despite repeated assurances and part payments from Proteus about 1.88 crores remained unpaid. Archilab invoked arbitration before the Council of Architecture. The arbitrator ruled in Archilab's favor, awarding unpaid dues and interest. Later, Proteus challenged the award in the Bombay High Court.

Facts of the case:

Proteus Ventures LLP hired Archilab Designs in 2018 to design and build offices under the mesh brand. Total project value was about ₹3.93 crores, but ₹1.88 crores remained unpaid despite Proteus admitting the dues. Archilab invoked arbitration before the Council of Architecture as per the contract. The arbitrator awarded ₹88.08 lakhs as unpaid dues and ₹24 lakhs as damages with interest to Archilab. Proteus challenged the award in the Bombay High Court under *Section 34 of the Arbitration and Conciliation Act, 1996*.

Core Issue:

1. Whether an LLP's partners could be held personally responsible for the payment awarded against the LLP in arbitration despite the LLP structure providing limited liability protection.

Liability of the LLP partners was the central legal issue under an arbitral award.

Observations by the court:

The Court held that the architect or design creator retains copyright ownership unless there is an explicit written assignment transferring those rights to the client. Proteus Ventures had used Archilab's designs without proper authorization, claiming ownership as a client. The Court held that where only a part of an arbitration award is vulnerable (here, the imposition of personal liability on partners), that part can be severed while preserving the rest of the award. This is in line with the doctrine of severability as cited in *Gayatri Balsamy v ISG Nova soft [2025 INSC 605]* case. Further the Court affirms that even in a commercial contract, compensation for mental anguish/hardship can be awarded when the facts justify it (in context of protracted non-payment, dishonest conduct, etc).

Judgements Applied upon:

The judgement held that the arbitration clause was valid and the appointment of the arbitrator by the Council of Architecture was proper. The court emphasized that under the **Limited**

Liability Partnership Act of 2008, partners enjoy limited liability. The arbitrator's decision on the contrary to the LLP framework and was therefore set aside. The judicial interference under *section 34* of the Arbitration and Conciliation Act, 1996, the court reaffirmed that interference with arbitral awards is permissible only if the award is perverse, patently illegal, or against public policy. And since the arbitrator's conclusions were based on evidence and reasoning the award could not be disturbed. The judgment reinforces that the limited-liability shield of an LLP is meaningful and an arbitral award cannot automatically pierce it to fix individual partner liability unless there is very clear justification or statutory basis. The judgment underscores that even when the arbitrator is a domain expert rather than legal expert, awards should be given deference unless manifestly wrong.

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