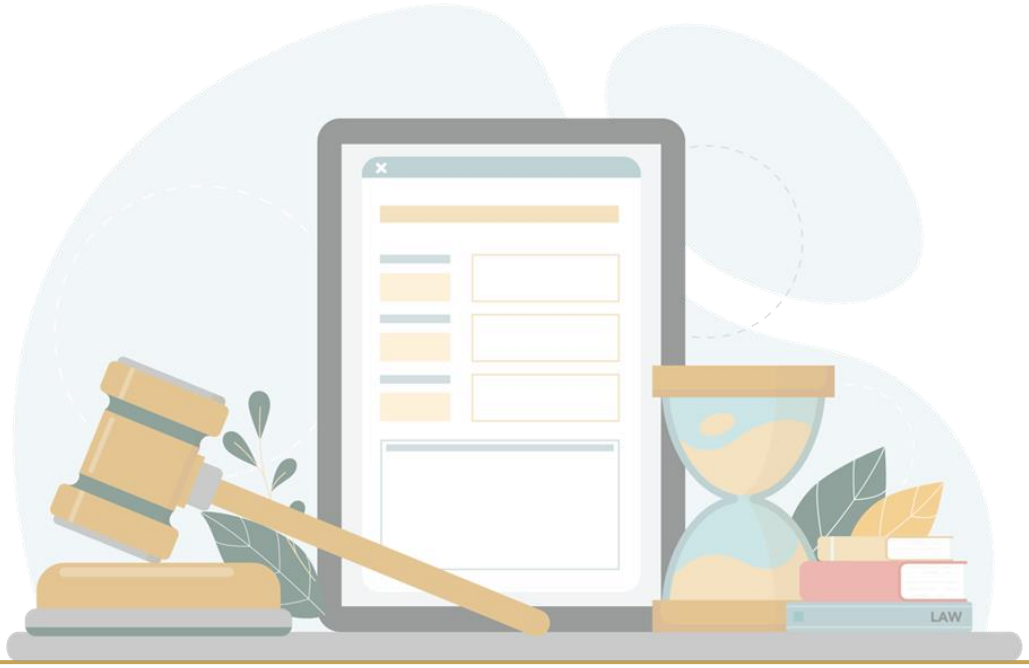
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DISPUTE RESOLUTION

Newsletter – July 2026 Edition



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We are pleased to present the July 2026 edition of the Luthra *and* Luthra Law Offices India Dispute Resolution Newsletter. This edition highlights recent legal developments across Constitutional Law, Property Law, Technology Law, Electricity Law, Insolvency Law and allied areas. It covers key judgments delivered by the Hon'ble Supreme Court of India and various High Courts during May 2026 and June 2026. We hope this edition provides useful insights and an engaging read.

SUPREME COURT

Existence of a regulation framed under the act cannot fetter the legislative power to amend the act in a way that it overrides the regulation

In *Rajesh Sharma v. North Delhi Municipal Corporation and Anr.*, the Hon'ble Supreme Court held that the existence of a regulation framed under a statute cannot fetter the legislature's power to amend the parent enactment in a manner that overrides such regulation.

The case arose on account of dismissal of an executive engineer from service with North Delhi Municipal Corporation, which was challenged before the Central Administrative Tribunal **("CAT")** on the ground that the competent authority for disciplinary action was the "Corporation" as per Delhi Municipal Corporation Service (Control and Appeal) Regulations 1959 **("1959 Regulation")** and not the "Commissioner" as per the Delhi Municipal Corporation (Amendment) Act, 1993 **("1993 Amendment")**, which amended the Delhi Municipal Corporation Act 1957 **("1957 Act")**. The CAT held that the "Corporation" and not the "Commissioner" was the competent authority under the 1959 Regulation. The decision of the CAT was challenged before the Hon'ble Delhi High Court, wherein it was held that the Commissioner was the disciplinary authority in view of the 1993 Amendment.

The issue before the Hon'ble Supreme Court arose from the fact that the 1957 Act did not originally specify the disciplinary authority. Subsequently, the 1959 Regulation designated the "Corporation" as the disciplinary authority. Thereafter, the 1957 Act was amended in 1993 to specify the "Commissioner" as the disciplinary authority in relation to municipal officers and employees, albeit "subject to any regulation that may be made in this behalf."

In view of the aforesaid, the Hon'ble Supreme Court observed that the use of the expression "may be made" in the 1993 Amendment indicated the legislature's intent to refer to future regulations, and not to existing or prior regulations such as the 1959 Regulation. The Court further held that a regulation framed under an Act cannot restrict the legislature's authority to amend the Act in a manner that overrides the regulation. Accordingly, the Supreme Court held that the "Commissioner" is the disciplinary authority under the 1957 Act and is competent to impose the punishment of dismissal from service.

Natural gas movement via common carrier is inter-State sale

In *State of Uttar Pradesh & Ors. v. Reliance Industries Limited & Ors.*[1], the Supreme Court has clarified the legal framework governing the taxation of fungible goods, such as natural gas, transported through common carrier pipelines. The Hon'ble Court held that where a contract of sale occasions the movement of goods from one State to another, the transaction constitutes an inter-State sale under Section 3(a) of the Central Sales Tax Act, 1956. This characterization remains undisturbed even if the goods are co-mingled with other supplies during transit, provided that an equivalent quantity introduced in one state is taken out in another. The Hon'ble Court further clarified that the delivery point specified in the Gas Sales and Purchase Agreement **("GSPA")** determines when title and risk pass, and that subsequent processing, or re-metering for operational efficiency does not relocate the taxable situs to the destination State.

"Failure to demonstrate declared capacity" attracts strict liability and is distinct from "gaming"

In *Punjab State Power Corporation Limited v. Talwandi Sabo Power Limited & Ors.*[2], the Supreme Court held that a generating station's failure to demonstrate its declared power generation capacity upon being called by the State Load Despatch Centre **("SLDC")** attracts a penalty under the principle of strict civil liability, without requiring proof of *mens rea*, deliberate intent, or unlawful profiteering. Restoring the findings of the Punjab State Electricity Regulatory Commission **("SERC")**, the Court clarified that "gaming" of the grid system and failure to demonstrate declared capacity constitute two distinct violations under the Punjab State Grid Code, 2013 **("SG Code")**, each governed by a separate regulatory framework. The Court observed that allegations of gaming require proof of intentional misdeclaration and undue commercial gain, following an inquiry conducted in compliance with the principles of natural justice. By contrast, penalties for failure to demonstrate declared capability under Regulation 11.3.13 of the SG Code operate independently as a strict liability mechanism. The Bench clarified that the provision is intended to ensure the integrity and reliability of power scheduling and grid operations in real time.

P. Mohanraj precedent on the nature of cheque bounce proceedings questioned; PART III IBC moratorium issue referred to a larger Bench

In the matter of *Dineshchand Surana v. UCO Bank*[3], a significant ruling concerning the interplay between cheque dishonour proceedings and insolvency law, the Supreme Court has referred to a larger Bench the question of whether proceedings under Section 138 of the Negotiable Instruments Act, 1881 can be stayed during the moratorium period imposed under Part III of the Insolvency and Bankruptcy Code, 2016.

A Bench comprising Hon'ble Justice J.B. Pardiwala and Hon'ble Justice K.V. Viswanathan observed that proceedings for cheque dishonour cannot be viewed merely as mechanisms for debt recovery. The Court emphasised that the primary objective of Section 138 is to maintain public confidence in cheque-based commercial transactions by attaching criminal consequences to the dishonour of cheques. At the same time,

[1] *State of Uttar Pradesh & Ors. v. Reliance Industries Limited & Ors., Supreme Court of India, 2026 INSC 491,*
[2] *Civil Appeal No. 7432 of 2025 (judgment dated May 20, 2026), Supreme Court of India, 2026 INSC 515*
[3] *Arising out of Special Leave Petition (Crl) No. 12135 of 2024, Supreme Court of India, 2026 INSC 579*

it acknowledged that such proceedings also carry a compensatory dimension intended to provide relief to the complainant.

Adopting a two-tier framework, the Court distinguished between: (i) the criminal prosecution aspect, which includes punishment by way of imprisonment or fine, and (ii) the compensatory relief that may be awarded to the complainant. The Bench held that an insolvency moratorium cannot be used as a shield against criminal prosecution under Section 138. However, it noted that the recovery of compensation may require separate consideration during insolvency proceedings, as such payments could diminish the debtor's assets and adversely affect the interests of other creditors.

Recognising the broader implications of the issue, the Court referred key questions to a three-Judge Bench, including whether proceedings under Section 138 are quasi-criminal in nature with a tilt towards the criminal side and whether the moratorium under the IBC applies to the entire Section 138 proceedings or only to its compensatory aspect.

HIGH COURTS

Section 69A of Information Technology Act 2000 empowers the centre to block public access to the entire intermediary platform

In *Telegram FZ LLC & Anr. v. Union of India & Ors.*[4], the Hon'ble Delhi High Court dismissed Telegram's challenge to the temporary blocking of its platform. The Hon'ble Delhi High Court upheld the Central Government's power under Section 69A of the Information Technology Act 2000 **("IT Act")** to block public access to Telegram, and not merely the specific content hosted on it.

The Hon'ble Delhi High Court held that the expression "information" appearing in Section 69A of the IT Act, and defined under Section 2(1)(v) of the IT Act, is broad and must be construed expansively. The Court observed that adopting a restrictive interpretation/construction would unduly narrow the scope of Section 69A and may render the provision otiose. Accordingly, the Court found no basis to exclude an application or platform from the ambit of the expression "information".

The Hon'ble Delhi High Court also considered the issue whether blocking public access to Telegram satisfied the test of proportionality. The Court noted that the Government had initially attempted narrower, entry-specific interventions, including the reporting and removal of channels, groups, bots and accounts. However, these measures were repeatedly found to be ineffective and inadequate, as offending entities continued to re-emerge, establish networks and, continued with illicit activities, particularly in view of Telegram's design and operating mechanism. The Court further observed that the temporary blocking of Telegram and disabling of the message-editing feature were operative only for a limited period. In these circumstances, the Court held that the requirements of proportionality were satisfied and that the blocking of public access to Telegram could not be considered disproportionate.

[4] *W.P.(C) 8259/2026 & CM APPL. 39036/2026, Dated 19 June 2026, In the High Court of Delhi at New Delhi*

Madras High Court strikes down Section 34C of the Registration Act, 1908 as unconstitutional

In *M/s. Dugars v. State of Tamil Nadu and other connected matters*[5], the petitioners filed writ petitions before the Hon'ble Madras High Court challenging the constitutional validity of Section 34C of the Registration Act 1908 **("Registration Act")**, on the grounds that it violated Articles 14, 21 and 300A of the Constitution. Accordingly, the primary question for consideration before the High Court was whether Section 34C of the Registration Act, inserted *vide* Registration (Tamil Nadu Amendment) Act, 2026 infringes constitutional rights or violates the provisions of the Constitution.

Section 34 of the Registration Act reintroduced the contents of Rule 55A of the Tamil Nadu Registration Rules, 1949, which was originally introduced for the purpose of deciding the title of a person to the property and was declared as *ultra vires* by the Supreme Court in *K. Gopi vs. Sub-Registrar*[6] for introducing substantive conditions beyond the framework of the parent Registration Act.

The High Court allowed the writ petitions and held Section 34C of the Registration Act to be unconstitutional. The Court observed that, although the objective of preventing wrongful registration constitutes a legitimate public purpose, the restrictions imposed by Section 34C exceeded the procedural framework of the Registration Act. The Madras High Court's reasoning was premised, inter alia, on the following considerations:

The Registration Act deals with registration of documents not the title itself; and mere registration of the document does not confer guaranteed title of ownership, and it just serves as a public record of the transaction having evidentiary value. Therefore, the amendment empowering the Registering Authority to enquire into and determine questions of title, a function that falls exclusively within the jurisdiction of competent civil courts, is therefore unconstitutional.

The rights of mortgagees are duly protected under the Transfer of Property Act 1882 **("TP Act")**. Therefore, the first proviso to Section 34C of the Registration Act, which insists upon a No Objection Certificate from the mortgagee to register the document, not only violates the constitutional rights of the parties but also overrides the substantive provisions of the TP Act.

The amendments take away the constitutional right and impose unreasonable restrictions on the right to deal with one's property, which is a constitutional right under Article 300A. The right to property is not only a constitutional right but is also recognized as a human right.

[5] *2026 SCC OnLine Mad 5550*
[6] *2025 SCC OnLine SC 740*

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This newsletter is only for general informational purposes, and nothing in this edition of the newsletter could possibly constitute legal advice (which can only be given after being formally engaged and familiarizing ourselves with all the relevant facts). However, should you have any queries, require any assistance, or clarifications with regard to anything contained in this newsletter, please feel free to contact Sanjeev Kumar at the below mentioned coordinates.

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