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## 242. A registered trade union organizes a strike, causing a company to lose business. Can the company sue the union for interfering with its trade?

No, the company cannot sue the registered trade union for interfering with its trade or business as long as the strike is in contemplation or furtherance of an industrial dispute.

### Legal Protection for Trade Unions

Both **Section 16 of the Industrial Relations Code, 2020** and **Section 18 of the Trade Unions Act, 1926** provide **immunity** to registered trade unions from civil suits in such cases. According to these provisions:

- No civil suit can be maintained** against a registered trade union, its office-bearers, or members for acts done in furtherance of an industrial dispute, even if it:
  - Induces others to break an employment contract (e.g., workers going on strike).
  - Interferes with trade, business, or employment (e.g., causing financial losses to the company due to the strike).
- Tortious Acts Exception**
  - If an agent of the trade union commits a wrongful act (e.g., violence, destruction of property), the trade union is not liable if it can prove that the act was done without the knowledge or contrary to the instructions of the trade union's executive.
  - However, if the trade union explicitly authorized such wrongful acts, it may lose its immunity.

### Case Law: Rohtas Industries Ltd. & Anr v. Rohtas Industries Staff Union & Ors

#### Case Citation:

- **Equivalent Citations:** 1976 AIR 425, 1976 SCR (3) 12, AIR 1976 SUPREME COURT 425, 1976 2 SCC 82, 1976 LAB. I. C. 303, 1976 2 SCJ 405, 1976 (1) LABLJ 274, 32 FACLR 50, 1976 (1) LABLN 165, 1976 3 SCR 12
- **Date of Judgment:** 18 December 1975

#### 1. Parties to the Dispute

- **Petitioners (Appellants):** Rohtas Industries Ltd. & Another (Employers/Management)
- **Respondents:** Rohtas Industries Staff Union & Others (Trade Union/Workmen)

#### 2. Facts of the Case

- In 1948, the workmen of Rohtas Industries went on strike due to trade union rivalry.
- The strike was declared illegal under the Industrial Disputes Act, 1947, as it was in violation of Section 24 of the Act.

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- The employers (Rohtas Industries Ltd.) refused to pay wages for the strike period and claimed compensation for the loss of profits caused by the strike.
- Both parties agreed to refer the dispute to arbitration under Section 10-A of the Industrial Disputes Act, 1947.
- The arbitration panel consisted of two retired High Court Judges and one retired Member of the Labour Appellate Tribunal.
- The arbitrators ruled that:
  1. The workers were not entitled to wages for the strike period.
  2. The employers were entitled to compensation from the workmen for business losses caused by the strike.
- The workmen challenged the award in the Patna High Court.
- The High Court quashed the compensation award but upheld the decision denying wages to workers.

### 3. Issues of the Dispute

1. Whether an employer can claim compensation for losses incurred due to an illegal strike under the Industrial Disputes Act, 1947?
2. Whether the award of compensation by the arbitrators was legally valid?
3. Whether Section 18 of the Trade Unions Act, 1926, provides immunity to workers from being held liable for damages in case of an illegal strike?
4. Whether the award was subject to judicial review under Article 226 of the Constitution?

### 4. Arguments of the Parties

#### Arguments by the Employers (Rohtas Industries Ltd.)

- **Right to Compensation:** The employers argued that the illegal strike had caused financial losses to the company, and they were entitled to compensation under general tort law principles.
- **Legality of Arbitration Award:** Since both parties had agreed to arbitration under Section 10-A of the Industrial Disputes Act, the employers argued that the award should be binding.
- **Judicial Review Should Be Limited:** They contended that an arbitration award should not be subject to judicial review under Article 226 unless there was an error on the face of the record.

#### Arguments by the Workers (Rohtas Industries Staff Union & Others)

- **Immunity Under Trade Unions Act, 1926:** The workers argued that under Section 18 of the Trade Unions Act, 1926, they could not be sued for compensation arising out of a strike.
- **No Provision for Employer's Compensation in Industrial Disputes Act:** The Industrial Disputes Act does not provide for employer compensation, only penalties under Section 26 for illegal strikes.
- **Common Law Tort Not Applicable to Industrial Disputes:** The workers contended that the law of torts (civil liability for damages) was inapplicable to industrial disputes governed by labour laws.

### 5. Findings of the Supreme Court

#### 1. Industrial Disputes Act Does Not Provide for Employer Compensation

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- The Court held that the Industrial Disputes Act is a self-contained code, and any remedy for an illegal strike must be found within the Act.
- Since the Act does not provide for employer compensation, the arbitrators erred in awarding compensation.

## 2. Trade Unions Enjoy Limited Immunity

- The Court acknowledged that Section 18 of the Trade Unions Act, 1926, grants limited immunity to trade unions for acts committed in furtherance of a trade dispute.
- However, this does not apply to illegal activities like sabotage or violence.

## 3. Common Law Torts Not Applicable to Industrial Disputes

- The Court rejected the employer's argument that English common law torts (e.g., conspiracy, interference with trade) applied to industrial disputes in India.
- It emphasized that Indian labor laws are based on a different socio-economic philosophy that protects workers' rights.

## 4. Arbitration Award Contained an Error of Law

- The Court ruled that the arbitration award was legally flawed because:
  - It wrongly assumed that an illegal strike automatically led to employer compensation.
  - It incorrectly applied English common law principles.

## 5. Judicial Review Under Article 226

- The Supreme Court held that the High Court had the power to review arbitration awards under Article 226 if there was an error of law on the face of the award.
- Since the arbitrators made a fundamental legal error, the High Court was justified in setting aside the compensation award.

## 6. Final Order of the Supreme Court

- The appeal by Rohtas Industries Ltd. was dismissed.
- The compensation award in favor of the employer was quashed.
- However, the decision denying wages to workers during the strike was upheld.
- No order as to costs.

## 7. Key Legal Principles Established in This Case

- **Employers Cannot Claim Compensation for Illegal Strikes Under the Industrial Disputes Act:** The Industrial Disputes Act only provides penalties under Section 26, not compensation.
- **Trade Unions Have Limited Immunity Under Section 18 of the Trade Unions Act:** They are protected from civil suits related to strikes, but not from illegal activities like sabotage.
- **Arbitration Awards Under Industrial Law Are Subject to Judicial Review:** If an arbitration award contains an error of law, it can be reviewed and set aside under Article 226 of the Constitution.
- **Common Law Torts Do Not Automatically Apply to Industrial Disputes in India:** Indian labour law follows a different socio-economic framework that prioritizes workers' rights.

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