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UNION CARBIDE CORPORATION VS UNION OF INDIA ETC¹- Prajwal Verma & Suhani Gupta²**ABSTRACT**

This case analysis is one of the most important and noticed cases of environmental and tort law. This case highlighted some of the major tort laws which are absolute liability and strict liability. Two major laws were enacted as a result of the case: the Public Insurance Liability Act of 1991 and the Environment Protection Act of 1986. Additionally, the ambit of Article 21 of the Indian Constitution was expanded to give it additional significance with regard to the case. Also, in this case, it highlighted the liability that the offender of the accident has on the victims and the state, the amount of compensation that is to be paid to comprise the physical, mental and emotional loss caused to the victims of the accident. In this case a very prominent principle “Polluters Pays Principle” was upheld and with regard to this principle it was decided as to what and how the victims of the accident will be compensated.

INTRODUCTION

The case of UNION CARBIDE CORPORATION VS UNION OF INDIA ETC was famously known as the Bhopal Gas Leak Tragedy. In this case, the principle of a tort, the strict and absolute liability, was upheld. In this case, a very harmful gas called methyl isocyanate was realized, harming a mass population and causing deaths and grievous injuries to the people and the environment. After the case, two main acts, the Environment Protection Act of 1986 and the Public Insurance Liability Act of 1991, were established. Also, the Indian Constitution’s Article 21 was given a broader scope to entail more meaning to this Article concerning the case.

FACTS OF THE CASE

- In 1934, American industrial behemoth Union Carbide joined with the Union of India to create Union Carbide India Limited (UCIL), with Union Carbide owning a majority stake and possessing

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51% of the company's shares. The company was founded to produce or manufacture batteries, chemicals, insecticides, etc.

- A UCIL factory was established in 1970 in a densely populated neighbourhood of Bhopal, Madhya Pradesh. One of the gases used in the factory's production was methyl isocyanate.
- On December 2, 1984, methyl iso-cyanate broke out from the factory's boundaries and ran amok in Bhopal. In this terrifying disaster, it was estimated that approximately 2600 people had died, and many more had been injured. According to a thorough assessment, over 20 000 persons were declared dead, and 60 000 experienced permanent bodily and emotional harm.
- It was discovered that the plant only had a license to conduct light industrial and commercial utilities and was only authorized to produce relatively tiny amounts of pesticides.
- As a result, the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985, was passed by the Union of India. This action was taken to ensure a speedy trial of the case and to prevent the accused from avoiding or preventing their obligation. However, the foreign courts rejected the Union of India's argument because they lacked jurisdiction.
- The accident victims received 350 million in compensation from the District Court. However, on appeal, the High Court further lowered it to \$250 million. The victims' families were unhappy, which prompted them to appeal to the Supreme Court of India.

ISSUES OF THE CASE

The order given by the High Court of Madhya Pradesh was challenged on the following grounds;

- Whether the amount that was settled justified or not?
- Whether the abandonment of the criminal proceedings against Union Carbide justified or not?

ARGUMENTS OF THE CASE

ARGUMENTS BY THE PETITIONER:

- The jurisdiction of the court was questioned. The interlocutory injunction that provided the victims with interim compensation was appealed in the proceedings.
- It was contended that the proceedings are not criminal in cases where an interlocutory injunction was given. Hence, the court had no jurisdiction to withdraw the proceedings and quash them when it had no such authority.
- Also, what will be the liability of the shareholders in a company that is limited by shares?

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- The appellant also argued that if the corporate veil doctrine was holding the UCC accountable, it is illegal under the law.
- The appellant used MC Mehta v. UOI and Rylands v. Fletcher in the arguments. In the case of the doctrine of strict liability was confined. The doctrine of absolute liability should not have repercussions.

ARGUMENTS BY THE RESPONDENT:

- It was contended that the appellant has to pay the gas victims as per the law of torts. It is mentioned in Article 372(1) of the Indian Constitution, “other authorities.”
- A competent civil court with authority under Section 9 of the Civil Procedure Code was included in the scope of the Law above.
- It was contended that the enterprise, whether UCC or UCIL, was responsible for paying damages as per the regulations of absolute liability.
- Also, as the appellant contended about M.C. Mehta’s case, the respondent argued that the principle of absolute liability would be used if the case was before the MC Mehta case.
- It was also argued against the appellant that the corporate veil had to be lifted as the UCIL did not have enough means and services to compensate all of the gas leak victims and the UCC held the majority of shares with them.

JUDGMENT OF THE CASE

The court ordered Union Carbide to pay a sizable settlement of US \$470 million before March 31, 1989, so that it would not have to waste any more time coming to a drawn-out conclusion. This was done on February 14, 1989. Nevertheless, on May 4, 1989, a reasoned ruling was issued a few months later. The Supreme Court ordered Union Carbide to pay \$470 million in damages to cover all losses brought on by the industrial facility's MIC gas leak.

Polluters pay principle: Justice Pathak noted in the reasoned decision that it was the court's duty to get an urgent remedy for MIC leak victims and that by doing so, the court did not break any new ground. Using the polluter's pay principle, Pathak J. arrived at the \$470 million US figure for compensation. The court estimated the worth of the counter offers to be between \$426 million and \$500 million.

As a result, it was decided that the mean of the counter ranges was the US \$ 470 Million. However, this \$ 470 million settlement was considerably less than the government promised, and many jurists considered it

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an inappropriate incentive. Terminating the criminal proceedings is inappropriate because, according to the ratio, each victim received less than INR 50,000. As a result, the legitimacy of this settlement was disputed in *Union Carbide Corporation v. Union of India*. In this case, the petitioners argued that Union Carbide's criminal charges were improperly dropped and that the financial compensation given did not sufficiently atone for the harm the catastrophe caused. In this case, Justice Venkatchaliah, joined by Judges K.N. Singh, N.D. Ojha, and C.J. Mishra, delivered the majority opinion; Ahmadi J. delivered the minority opinion. The majority decision found that Union Carbide's criminal case must move forward and that it was unreasonable to put it on hold.

OPINIONS: The majority court determined that the amount of compensation is acceptable, reasonable, and fair and that the Union and State governments must cover any funding gaps for rehabilitation. On this issue, Ahmadi J. dissented from the majority and questioned how the Union of India could be held accountable for the losses when they had nothing to do with the MIC breach in UCIL. He asserts that Union Carbide must submit any shortcomings in rehabilitating victims as if they were doing it following the standards set down in *Rylands v. Fletcher*.

RATIO DECIDENDI

In the landmark case of *MC Mehta v. Union of India*, the Supreme Court determined that a company was responsible for the gas leakage, regardless of its defense or claimed loss, signaling a crucial turning point in Indian legal history. The case also offered a model for strict security measures across all businesses.

One of the critical issues raised by the Bhopal Gas tragedy is absolute guilt. This topic was thoroughly discussed in the *M.C. Mehta v. Union of India* case. The Absolute Liability theory was developed in this case of an oil gas leak by a panel of five SC judges headed by Justice PN Bhagwati.

They cannot avoid their responsibilities by claiming that they were not careless when handling the hazardous substance or that they took all reasonable precautions while running it, even though establishing hazardous industries is necessary for the advancement of society and the economy. Because of this, the court, in this case, used the strict, no-exemptions no-fault culpability standard. Before 1987, when Congress adopted this rule, these risky businesses would look for loopholes to the strict liability rule to escape their obligations.

The law must evolve as society does. The court, therefore, ruled the sector "fully liable" and ordered compensation to be granted as soon as the harm was established, without requiring the industry to be present in the case.

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The case indicates both entire responsibility and deep pockets. A business has an absolute and unassignable obligation to the community to ensure that no one is harmed due to any risky or fundamentally dangerous activity it engages in that could damage the health and safety of individuals who work there and live nearby.

CONCLUSION

The tragic MIC leak clarified the deficiencies in Indian law and the institutions that present themselves as the defenders of individuals' rights. From Parliament's decision to pursue the matter in the U.S. to the perplexing and wrong conclusion of the SC, it was clear that all the rights and liberties a citizen is given are merely on paper. A significant criticism of the nation's judicial system was the lack of confidence the government had in it.

The fact that Union Carbide disregarded numerous warnings to take the required steps to stop harmful substances from leaving its property should have been taken into account by the judiciary. Two chances were squandered by the court to alter the compensation sum. Additionally, it was established in 1991 that the Union and State governments would provide any shortfall in the compensation amount. The court should have thought about why taxpayer money would be wasted on a private party's errors.

When to be liberal and when to be strict should be understood by the judiciary. If the court had initially awarded just compensation, the public government's budget in India would not have been lost.

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