

# SUPREME COURT REDEFINES PRIVATE PROPERTY RIGHTS UNDER ARTICLE 39(B)

The Supreme Court, in **Property Owners' Association v. State of Maharashtra**, redefines the interpretation of private property under Article 39(b), setting a new precedent for property rights and public welfare in India.

## Introduction

In the landmark case of *Property Owners' Association v. State of Maharashtra*, the Supreme Court examined the evolving definition of "material resources of the community" under Article 39(b) of the Indian Constitution. The case stemmed from amendments to the Maharashtra Housing and Area Development Act (MHADA), allowing the state to redevelop "cessed properties" if the owners failed to repair them within a set timeline. Property owners claimed this infringed on their rights, while the state argued it was a necessary step for public welfare.

## The Core Question

### 1. Article 31C

- Whether Article 31C (as upheld in *Kesavananda Bharati*) survives in the Constitution after the amendment to the provision by the forty-second amendment was struck down by the Court in the case of *Minerva Mills*?

### 2. Article 39(b)

- Whether the interpretation of Article 39(b) adopted by Justice Krishna Iyer in *Ranganatha Reddy* case and followed in *Sanjeev Coke* case must be reconsidered?
- Whether the phrase 'material resources of the community' in Article 39(b) can be interpreted to include resources that are owned privately and not by the state?

## Key Precedents

**State of Karnataka v. Shri Ranganatha Reddy (1977):** The Supreme Court first considered the scope of "material resources of the community" in this case, where a seven-judge bench ruled that it included only public or state-owned resources. However, Justice Krishna Iyer's dissent argued for a broader interpretation that included private property to promote equitable distribution.

**Sanjeev Coke Manufacturing Company v. Bharat Coking Coal Ltd. (1983):** A five-judge bench expanded the scope to include private property under Article 39(b), stating that privately-owned assets could be acquired if they served the common good.

**Mafatlal Industries Ltd. v. Union of India (1997):** A nine-judge bench upheld a broader interpretation, reaffirming that both public and private property could qualify as “material resources of the community” to advance public welfare.

## Facts of the Case

The *Property Owners' Association* challenged the 1986 amendments to the MHADA Act, which empowered the Mumbai Building Repair and Reconstruction Board (MBRRB) to acquire “cessed properties” for redevelopment with 70% resident consent. Property owners argued that the law violated their rights, but the Bombay High Court upheld the amendments, citing the state’s duty under Article 39(b) to provide safe housing.

## Legal Proceedings

Before the Supreme Court took up the case in 2024, it progressed through multiple stages from a three-judge bench to a five-judge bench and then referred to a nine-judge bench in 2002 due to conflicting interpretations of Article 39(b) in rulings.

## Legislative Developments

While the case was pending, the State of Maharashtra introduced further amendments to the MHADA Act in 2019, enforcing strict timelines for redevelopment. Property owners viewed this as a government attempt to seize their land, while the state defended the amendments as necessary for public welfare.

## Supreme Court Judgment

In a 7:2 decision, the nine-judge bench led by the Chief Justice of India D.Y. Chandrachud and comprising Justices Hrishikesh Roy, J.B. Pardiwala, Manoj Misra, Rajesh Bindal, Satish Chandra Sharma, and Augustine George Masih, delivered the majority opinion, while Justices B.V. Nagarathna and Sudhanshu Dhulia wrote dissenting opinions.

**Majority Opinion by Chief Justice D.Y. Chandrachud:** The majority, rejected the approach previously advanced by Justice Krishna Iyer, particularly his view that state control over private resources was constitutionally mandated under Article 39(b). This position was outlined in the 1977 *State of Karnataka v. Ranganatha Reddy* decision.

The majority found Justice Iyer's interpretation of Article 39(b) too narrowly focused on a particular economic theory which supported the redistribution of both public and private resources in the interest of the "common good."

The Court referred to the Union Government’s Economic Survey (2023-24) to demonstrate that India’s economic trajectory has benefited from the adaptability of its governance structures, rather than adherence to any one economic model. The ruling makes clear that the Constitution allows for evolving approaches to economic governance, with different models being applied as required by circumstances.

However, the ruling did not rule out the inclusion of private property under Article 39(b) entirely.

The majority held that any such inclusion must pass two tests carried out on case-to-case basis:

- Whether the resource qualifies as a "material resource of the community"? and
- Whether its distribution serves a community purpose?

**Partial Concurrence by Justice B.V. Nagarathna:** Justice Nagarathna agreed with the majority but elaborated on how privately-owned assets could transition into community resources, advocating for a careful balance between individual rights and state intervention.

**Dissent by Justice Sudhanshu Dhulia:** Justice Dhulia, while agreeing with the majority's stance on Article 31C, asserted that the legislature, rather than judiciary, should primarily decide what constitutes "material resources", emphasizing the broad latitude granted to the state under Article 39(b).

## Article 31C Findings

The bench unanimously upheld the application of Article 31C, which shields laws promoting the Directive Principles under Article 39(b) and (c) from challenges based on Fundamental Rights. This affirmation, based on the *Kesavananda Bharati case*, ensures that welfare laws aimed at resource distribution are constitutionally protected.

## Implications of the Judgement

- 1. Clarification on Private Property:** The ruling asserts that not all private property can be classified as "material resources of the community," protecting property owners from unwarranted state intervention.
- 2. Stricter Criteria for State Acquisition:** The state must demonstrate that acquiring private property under Article 39(b) is essential for public welfare, setting a high bar for such actions.
- 3. Balance Between Rights and Welfare:** The decision reinforces the balance between individual property rights and the state's duty to promote social justice, creating a fairer approach to resource distribution.
- 4. Guidelines for Future Cases:** The ruling sets clear criteria for future cases where the government seeks to acquire private property for public welfare, promoting transparency and accountability.

## Conclusion

The Supreme Court has judicially balanced the directive principles of state policy, particularly those aimed at social and economic justice, with the fundamental rights of individuals, notably the right to property. The Court has delineated the contours of the State's power to redistribute wealth, ensuring a harmonious coexistence between economic growth and social welfare. This judgment exemplifies the Constitution's adaptability to contemporary challenges, enabling India to navigate its developmental trajectory while safeguarding individual liberties.

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