

# Feasibility of Bringing Counterclaims in Arbitration-Based Dispute Resolution: An Analysis with Reference to International Instruments and Practice

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## Abstract

Arbitration, as one of the alternative methods of dispute resolution, has gained widespread acceptance in the field of private law—particularly in international commercial relations—due to its private nature, flexibility, and in some cases, procedural efficiency. In the course of arbitral proceedings, the respondent may raise claims against the claimant which, from a legal perspective, may be characterized as counterclaims. While counterclaims enjoy a clear and well-established legal status in judicial proceedings, their position in arbitration is considerably more complex. This complexity arises from the fact that the arbitral tribunal's jurisdiction is confined to the scope defined by the arbitration agreement, and the introduction of new claims may fall outside this agreed framework. Employing a descriptive-analytical methodology, this article examines the feasibility of bringing counterclaims in arbitral proceedings, with a focus on the Iranian legal system and international arbitration rules. The findings indicate that, under Iranian law, despite the absence of an explicit statutory provision addressing counterclaims in arbitration, it is possible—by relying on general principles governing jurisdiction and the unity of the cause of action—to accept the admissibility of counterclaims in many cases. In international arbitration law, counterclaims are likewise regarded as permissible, provided that they are closely connected to the principal claim and are brought within the jurisdiction of the arbitral tribunal. Finally, by identifying existing gaps in the Iranian legal framework, the article proposes recommendations for improving arbitral practice and legislative reform.

**Keywords:** Arbitration, Counterclaims in Arbitration, Arbitral Jurisdiction, Arbitration Agreement, International Arbitration Rules.

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## 1. Introduction

Arbitration has undergone a remarkable transformation over the past decades, evolving from a specialized mechanism primarily used in mercantile disputes into one of the most influential systems of transnational dispute resolution. The increasing

complexity of international commercial relationships, combined with globalization and cross-border investment, has encouraged parties to move away from traditional court litigation toward more flexible and neutral adjudicatory frameworks. Arbitration offers confidentiality, procedural adaptability, expert decision-makers, and enforceability of awards across jurisdictions, characteristics that collectively explain its growing dominance in international commercial practice. Scholars of international arbitration have repeatedly emphasized that arbitration today functions not merely as an alternative to judicial proceedings but as a parallel system of private adjudication grounded in party autonomy and contractual consent (Redfern & Hunter, 2023). This transformation has significantly expanded the procedural questions that arbitral tribunals must confront, particularly those relating to jurisdiction, procedural equality, and the efficient management of complex disputes.

The theoretical foundation of arbitration lies in the parties' agreement to submit disputes to private adjudication rather than state courts. Contractual autonomy therefore constitutes both the strength and the limitation of arbitration. On the one hand, arbitration derives legitimacy from consent; on the other hand, the jurisdiction of arbitrators is strictly confined to the scope defined by the arbitration agreement. Modern arbitration doctrine recognizes that arbitral tribunals exercise adjudicatory authority comparable to courts while remaining fundamentally dependent upon contractual authorization (Born, 2021). This dual nature produces recurring tensions between procedural flexibility and jurisdictional restraint, particularly when disputes evolve beyond the initial claim submitted by the claimant. As commercial relationships become increasingly multidimensional, disputes rarely remain confined to a single claim, and respondents frequently seek to assert independent demands arising from the same contractual relationship.

One of the most challenging procedural issues emerging from this evolution concerns the admissibility of counterclaims in arbitration. In judicial litigation, counterclaims constitute a well-established procedural institution designed to promote efficiency and fairness by allowing reciprocal claims to be resolved within a single proceeding. Civil procedure systems commonly permit defendants to raise claims against plaintiffs where a sufficient connection exists between the claims, thereby preventing fragmented litigation and inconsistent judgments. Iranian procedural law similarly recognizes counterclaims as an integral part of adjudication, reflecting the broader principle that disputes arising from a single legal relationship should be resolved comprehensively (Shams, 2024). However, the transplantation of this concept into arbitration is not straightforward, because arbitration operates within a consent-based jurisdiction rather than the inherent authority exercised by courts.

The difficulty arises from the fact that arbitration agreements are often drafted in general terms and do not explicitly address the possibility of counterclaims. While courts possess inherent jurisdiction to adjudicate related disputes, arbitral tribunals must determine whether the submission of a counterclaim falls within the contractual scope of arbitration. This question has generated significant doctrinal debate. Some commentators argue that broad arbitration clauses covering "all disputes arising out of or in connection with the contract" implicitly authorize counterclaims, as such claims are naturally connected to the contractual relationship (Katouzian, 2024). Others maintain that extending arbitral jurisdiction to new claims without explicit consent risks undermining the consensual foundation of arbitration and exceeding the tribunal's authority (Safaei, 2016). The resulting uncertainty illustrates the tension between efficiency and consent that lies at the heart of modern arbitral procedure.

International arbitration practice has attempted to address this issue through institutional rules and doctrinal development. Leading arbitral frameworks increasingly recognize counterclaims as a legitimate procedural tool, provided that jurisdictional requirements are satisfied. The UNCITRAL Arbitration Rules, widely regarded as a model procedural framework, expressly permit respondents to submit counterclaims falling within the tribunal's jurisdiction (United Nations, 2013). Similarly, institutional rules such as those of the International Chamber of Commerce incorporate detailed provisions regulating the submission of counterclaims at early stages of the proceedings in order to preserve procedural order and fairness (International Chamber of Commerce, 2021). These developments demonstrate a broader trend toward integrating counterclaims into arbitration while safeguarding the contractual limits of arbitral authority.

The growing acceptance of counterclaims reflects deeper structural changes in arbitration. Modern commercial disputes often involve reciprocal obligations, complex performance arrangements, and interconnected contractual networks. Under such circumstances, restricting arbitration to unilateral claims would undermine efficiency and force parties into parallel proceedings before multiple forums. Comparative studies of arbitration practice show that allowing counterclaims promotes procedural economy, reduces litigation costs, and strengthens confidence in arbitration as a comprehensive dispute resolution mechanism

(Mistelis, 2020). By enabling tribunals to consider the entirety of the parties' legal relationship, arbitration moves closer to delivering substantive justice rather than merely adjudicating isolated demands.

The issue assumes particular importance within national legal systems that are simultaneously influenced by domestic procedural traditions and international arbitration standards. Iranian arbitration law presents a notable example of this interaction. The Iranian International Commercial Arbitration Act, inspired by the UNCITRAL Model Law, reflects an effort to harmonize domestic arbitration with global practices (Taheri, 2021). Nevertheless, the legislation does not expressly define counterclaims or establish detailed procedural rules governing their admissibility. As a result, arbitrators and practitioners must rely on interpretative approaches derived from general principles of contract law, civil procedure, and comparative arbitration practice. Iranian scholars have highlighted that this legislative silence creates uncertainty regarding jurisdictional boundaries and procedural management in arbitration (Ahmadi, 2022).

The interaction between domestic law and international arbitration standards further complicates the matter. Iranian civil procedure recognizes counterclaims as a mechanism grounded in procedural fairness and unity of adjudication, emphasizing the importance of resolving interconnected disputes within a single forum (Mohajeri, 2019). At the same time, arbitration's contractual character requires careful interpretation of party intent. The principle of good faith in contractual interpretation, widely acknowledged in Iranian legal doctrine, supports a flexible reading of arbitration clauses where reciprocal claims arise from the same contractual relationship (Nikbakht Nasrabadi & Fallah, 2018). Yet, without explicit statutory guidance, divergent interpretations may emerge, leading to inconsistent arbitral practice and uncertainty for commercial actors.

Comparative arbitration scholarship suggests that the admissibility of counterclaims ultimately depends on balancing three interrelated principles: party autonomy, procedural equality, and efficiency of dispute resolution. Party autonomy ensures that arbitration remains grounded in consent; procedural equality guarantees that respondents are not confined to a purely defensive role; and efficiency aims to prevent fragmentation of disputes. Leading commentators on international arbitration emphasize that modern arbitral tribunals increasingly adopt pragmatic approaches, interpreting arbitration agreements broadly in order to encompass counterclaims closely connected to the principal dispute (Moses, 2017). Such interpretations reinforce arbitration's legitimacy as a forum capable of resolving complex commercial conflicts comprehensively.

Institutional arbitration rules provide practical illustrations of this evolution. The LCIA Arbitration Rules grant tribunals authority to determine jurisdiction over counterclaims and allow flexible procedural management to ensure fairness between the parties (London Court of International Arbitration, 2020). Similarly, Asian arbitration institutions such as SIAC and HKIAC explicitly recognize counterclaims within their procedural frameworks, demonstrating the global convergence toward acceptance of reciprocal claims in arbitration (Hong Kong International Arbitration Centre, 2018; Singapore International Arbitration Centre, 2016). Commentators analyzing these institutional models observe that the recognition of counterclaims strengthens arbitration's efficiency by consolidating disputes and preventing contradictory outcomes (Tan, 2018).

Despite these international developments, doctrinal debates persist regarding the limits of arbitral jurisdiction. Some scholars caution that excessive expansion of counterclaims may disrupt procedural order or introduce disputes beyond the tribunal's mandate. Arbitration must therefore maintain a balance between flexibility and predictability, ensuring that procedural innovations do not undermine the certainty required for enforceable awards (Nikbakht, 2023). Others argue that refusing counterclaims where a close factual or legal connection exists may contradict the principle of fairness and weaken the respondent's right to effective participation in proceedings (Seiri, 2020). These competing perspectives reveal that counterclaims occupy a critical intersection between procedural theory and practical arbitration management.

From a broader legal perspective, the debate over counterclaims also reflects the changing conception of arbitration itself. Earlier views portrayed arbitration as a narrow contractual mechanism limited to specific disputes identified by the parties. Contemporary arbitration theory, however, increasingly regards arbitration as a functional adjudicatory system capable of resolving entire dispute relationships. Comparative analyses of arbitration law demonstrate that jurisdictions seeking to attract international commerce tend to adopt flexible approaches toward counterclaims, thereby aligning domestic practice with global

expectations (Abbasi, 2020). The harmonization of national arbitration regimes with international standards has become an essential factor in promoting investor confidence and legal certainty in cross-border transactions (Almasi, 2021).

The feasibility of bringing counterclaims in arbitration therefore raises fundamental questions concerning jurisdiction, procedural fairness, and the evolution of arbitral justice. While international arbitration practice largely supports the admissibility of counterclaims subject to jurisdictional limits, domestic legal systems may lag behind in providing clear regulatory frameworks. This divergence is particularly significant in jurisdictions where arbitration law is still developing through judicial interpretation and scholarly analysis rather than explicit legislative reform. The absence of clear rules may lead to procedural hesitation, inconsistent decisions, or reluctance among arbitrators to exercise jurisdiction over counterclaims, ultimately affecting the effectiveness of arbitration as a dispute resolution mechanism.

The present study examines the feasibility of counterclaims in arbitration-based dispute resolution through a comprehensive analysis of doctrinal principles, Iranian legal regulations, and international arbitration practice. By exploring both theoretical foundations and comparative institutional approaches, the study seeks to clarify the conditions under which counterclaims may be admitted without undermining the consensual nature of arbitration. The analysis proceeds from the assumption that modern arbitration must reconcile contractual jurisdiction with procedural equality, ensuring that arbitration remains capable of addressing the full spectrum of disputes arising from complex commercial relationships.

## **2. Conceptual and Jurisdictional Foundations of Counterclaims in Arbitration**

The concept of the counterclaim occupies a central position in procedural justice because it transforms adjudication from a unilateral process into a reciprocal mechanism capable of addressing the entirety of a legal relationship. In classical procedural theory, a counterclaim is understood as an independent claim raised by the respondent against the claimant within the same proceedings and before the same adjudicatory authority. Legal terminology scholarship defines the counterclaim as a procedural instrument through which the defending party assumes a dual role, simultaneously defending against the original claim while asserting an autonomous right arising from the same legal context (Jafari Langroudi, 2024). This transformation of procedural roles reflects a deeper principle embedded in modern adjudication: disputes are rarely one-sided, and effective justice requires recognition of mutual rights and obligations. In arbitration, however, the application of this seemingly straightforward concept becomes more complex because arbitral authority does not arise from sovereign judicial power but from contractual consent.

Arbitration differs fundamentally from judicial litigation in its jurisdictional basis. Courts possess inherent authority derived from state sovereignty, enabling them to hear related claims once jurisdiction is established. Arbitrators, by contrast, derive competence exclusively from the arbitration agreement concluded between the parties. Arbitration doctrine therefore treats jurisdiction not as a default attribute but as a delegated power limited by consent (Born, 2021). The admission of counterclaims consequently raises an immediate jurisdictional question: whether the arbitral tribunal has been authorized to adjudicate claims beyond those initially presented by the claimant. This issue illustrates the dual character of arbitration as both a contractual mechanism and an adjudicatory process. While arbitration aims to replicate the efficiency and fairness of court proceedings, it must remain faithful to the boundaries imposed by party autonomy.

The distinction between counterclaims and other procedural responses represents a foundational conceptual step. A respondent may challenge the claimant's case through defenses, objections, or set-off arguments without introducing an independent claim. Procedural doctrine emphasizes that a defense merely seeks dismissal or reduction of the claimant's demand, whereas a counterclaim pursues affirmative relief in favor of the respondent (Shams, 2024). The legal consequences of this distinction are significant. Defenses fall naturally within arbitral jurisdiction because they arise directly from the claimant's allegations, while counterclaims require an independent jurisdictional basis. Comparative arbitration scholarship highlights that confusion between defenses and counterclaims often leads to procedural inconsistency, particularly where tribunals must determine whether a submission expands the scope of arbitration or merely responds to the original dispute (Moses, 2017). Recognizing the conceptual independence of counterclaims is therefore essential for maintaining procedural clarity.

Another closely related concept is the distinction between counterclaims and set-off claims. Set-off operates as a defensive mechanism aimed at neutralizing or reducing liability through reciprocal obligations, while a counterclaim seeks positive

adjudication of an independent entitlement. International arbitral practice often treats set-off more flexibly because it directly affects the calculation of liability arising from the claimant's claim. Counterclaims, by contrast, introduce new substantive issues requiring separate examination of facts, law, and remedies (Nikbakht, 2023). This distinction becomes particularly important when assessing arbitral jurisdiction, since tribunals must ensure that adjudicating a counterclaim does not exceed the limits established by the arbitration agreement.

The jurisdictional foundation of counterclaims in arbitration is inseparable from the principle of party autonomy. Arbitration agreements frequently employ broad formulations such as "all disputes arising out of or relating to the contract." Contract law theory interprets such language as evidence of the parties' intention to resolve the entirety of their disputes within a single forum (Katouzian, 2024). Under this interpretative approach, counterclaims that share a factual or legal connection with the principal claim are presumed to fall within arbitral jurisdiction unless explicitly excluded. Scholars examining arbitration agreements emphasize that consent should not be interpreted narrowly where doing so would undermine the efficiency and commercial expectations underlying arbitration (Redfern & Hunter, 2023). Consequently, modern arbitral practice increasingly favors expansive interpretations that allow tribunals to consider counterclaims closely linked to the contractual relationship.

At the same time, arbitration theory recognizes limits to jurisdictional expansion. Because arbitration rests on agreement rather than public authority, arbitrators cannot assume jurisdiction over disputes entirely unrelated to the arbitration clause. The doctrine of competence-competence empowers arbitral tribunals to determine their own jurisdiction, including whether a counterclaim falls within the scope of consent, yet this power remains subject to judicial review at the enforcement stage (Mistelis, 2020). Jurisdictional analysis therefore requires careful examination of the relationship between the counterclaim and the arbitration agreement. Tribunals typically assess whether the counterclaim arises from the same contract, transaction, or legal relationship as the principal claim. This requirement preserves the balance between procedural efficiency and respect for contractual limits.

The admissibility of counterclaims also reflects broader theoretical justifications rooted in procedural fairness. Arbitration seeks to maintain equality of arms between parties, ensuring that neither side enjoys a structural advantage. Denying the respondent the opportunity to raise counterclaims may effectively reduce arbitration to a one-sided procedure dominated by the claimant. Legal scholars argue that fairness requires recognition of reciprocal procedural rights, enabling each party to present its claims fully before the tribunal (Darabpour, 2022). The integration of counterclaims therefore strengthens the legitimacy of arbitration by ensuring that adjudication addresses the entire dispute rather than a fragmented portion of it.

Efficiency considerations further reinforce the conceptual necessity of counterclaims. Commercial disputes often involve interconnected obligations, performance failures, and mutual allegations of breach. If counterclaims were excluded from arbitration, parties would be forced to initiate separate proceedings before courts or different arbitral tribunals. Such fragmentation would increase costs, prolong dispute resolution, and risk contradictory decisions. Comparative analyses of arbitration practice emphasize that consolidation of claims within a single proceeding enhances procedural economy and reduces the burden on parties and adjudicators alike (Abbasi, 2020). The acceptance of counterclaims thus aligns arbitration with its fundamental objective of providing a swift and efficient alternative to litigation.

The interpretation of arbitration agreements plays a decisive role in determining jurisdiction over counterclaims. Principles of good faith and reasonable expectations guide contractual interpretation in many legal systems. Iranian legal doctrine emphasizes that contractual provisions should be interpreted in light of the parties' objective intentions and the economic purpose of the agreement (Nikbakht Nasrabadi & Fallah, 2018). Applying this approach to arbitration clauses suggests that parties who agree to arbitrate disputes arising from a contract generally expect all related claims to be resolved in that forum. Restrictive interpretations excluding counterclaims may contradict commercial reality and undermine the practical value of arbitration.

Institutional arbitration rules have responded to these theoretical developments by explicitly recognizing counterclaims. The UNCITRAL Arbitration Rules provide that respondents may submit counterclaims within the tribunal's jurisdiction, thereby codifying international consensus on the issue (United Nations, 2013). Similarly, the ICC Arbitration Rules require respondents to present counterclaims at an early stage of proceedings to ensure procedural transparency and efficient case

management ([International Chamber of Commerce, 2021](#)). These rules demonstrate that counterclaims are no longer viewed as exceptional procedural devices but as ordinary components of modern arbitration practice. Institutional regulation serves not only to clarify admissibility but also to prevent tactical abuse through late or unrelated claims.

Comparative institutional practice further illustrates how jurisdictional control operates in practice. The LCIA Arbitration Rules grant tribunals authority to determine whether counterclaims fall within the arbitration agreement and permit flexible procedural arrangements to accommodate complex disputes ([London Court of International Arbitration, 2020](#)). Asian arbitration institutions similarly recognize counterclaims while emphasizing procedural efficiency and neutrality. The SIAC Rules allow counterclaims subject to tribunal approval and jurisdictional verification, reflecting the commercial orientation of contemporary arbitration ([Singapore International Arbitration Centre, 2016](#)). Commentary on these rules highlights the importance of balancing flexibility with procedural discipline so that counterclaims enhance rather than disrupt proceedings ([Tan, 2018](#)). The HKIAC Rules adopt comparable approaches, reinforcing the global convergence toward acceptance of counterclaims within structured procedural frameworks ([Hong Kong International Arbitration Centre, 2018](#)).

Doctrinal debates nonetheless continue regarding the proper limits of arbitral jurisdiction. Some scholars advocate a strict consent-based model, arguing that arbitrators must avoid expanding jurisdiction beyond explicit agreement terms. From this perspective, counterclaims require clear contractual authorization to protect party autonomy ([Safaei, 2016](#)). Other commentators emphasize functional considerations, asserting that arbitration agreements should be interpreted dynamically to reflect commercial expectations and procedural fairness ([Seiri, 2020](#)). Comparative studies reveal that arbitral tribunals increasingly adopt pragmatic approaches, admitting counterclaims where substantive connections exist while rejecting those that introduce unrelated disputes ([Nasiri, 2019](#)). This evolving practice illustrates how arbitration balances doctrinal purity with practical necessity.

The jurisdictional analysis of counterclaims also intersects with broader developments in international dispute resolution. As arbitration expands into multi-contract and multi-party disputes, tribunals must manage increasingly complex procedural landscapes. Modern arbitration theory recognizes that rigid jurisdictional formalism may hinder effective dispute resolution, particularly where multiple claims arise from interconnected commercial transactions ([Karimi, 2017](#)). The trend toward consolidation and coordinated adjudication reflects an understanding that arbitration must adapt to contemporary commercial realities while preserving its contractual foundation.

Within the Iranian legal context, conceptual discussions of counterclaims draw upon both civil procedure theory and international arbitration principles. Iranian scholars examining arbitration emphasize that counterclaims are consistent with general legal notions of justice and procedural balance, even in the absence of explicit statutory regulation ([Ahmadi, 2022](#)). Commentary on arbitration legislation indicates that arbitrators possess interpretative authority to determine jurisdiction over related claims when supported by the arbitration agreement's language and purpose ([Taheeri, 2021](#)). The interaction between domestic doctrine and international practice therefore shapes a hybrid conceptual framework in which counterclaims are viewed as permissible but subject to careful jurisdictional analysis.

Ultimately, the conceptual and jurisdictional foundations of counterclaims in arbitration reveal a dynamic interaction between contract law, procedural theory, and comparative arbitration practice. Counterclaims serve not merely as procedural conveniences but as mechanisms that transform arbitration into a balanced and comprehensive adjudicatory system. By allowing tribunals to address reciprocal claims within a unified process, arbitration fulfills its promise of efficiency, fairness, and finality. At the same time, the admissibility of counterclaims remains conditioned by the central principle of consent, ensuring that arbitration continues to derive legitimacy from the parties' agreement rather than from imposed jurisdiction. The challenge for arbitration law lies in maintaining this equilibrium, permitting procedural flexibility without sacrificing the contractual foundations upon which arbitration rests.

### **3. Counterclaims in Iranian Arbitration Law: Doctrinal and Legislative Analysis**

The legal treatment of counterclaims within Iranian arbitration law must be understood against the broader evolution of arbitration in Iran, where traditional procedural doctrines coexist with modern international arbitration standards. Iranian law has gradually embraced arbitration as an effective dispute resolution mechanism, particularly in commercial relations involving

foreign elements, yet the legislative framework governing arbitral procedure still reflects a transitional stage between classical civil procedure and contemporary international practice. The admissibility of counterclaims illustrates this transitional character, since Iranian legislation does not provide a fully explicit and unified regulation of the institution within arbitral proceedings. As a result, doctrinal interpretation, comparative reasoning, and judicial practice play decisive roles in shaping the practical operation of counterclaims in arbitration.

The foundation of arbitration in Iranian law rests primarily upon two legal sources: the Iranian Code of Civil Procedure governing domestic arbitration and the Iranian International Commercial Arbitration Act of 1997 regulating international commercial disputes. These two regimes pursue different objectives and therefore adopt distinct methodological approaches toward arbitral procedure. The Code of Civil Procedure reflects traditional procedural concepts derived from judicial litigation, whereas the International Commercial Arbitration Act was drafted under the influence of the UNCITRAL Model Law and aims to harmonize Iranian arbitration with international standards (Karimi, 2017). This duality has important implications for counterclaims because the concept is clearly developed in civil procedural doctrine yet only implicitly addressed in arbitration legislation.

Within Iranian procedural theory, counterclaims are firmly rooted in the principle of procedural economy and unity of adjudication. Iranian civil procedure recognizes that disputes arising from a single legal relationship should ideally be resolved within one proceeding in order to avoid contradictory judgments and unnecessary litigation. Authoritative procedural scholarship emphasizes that counterclaims enable defendants to assert independent rights while maintaining procedural balance between the parties (Shams, 2024). Commentary on the Code of Civil Procedure explains that a counterclaim is admissible when it possesses a sufficient connection with the principal claim, either through a shared origin or a close legal relationship (Mohajeri, 2019). These doctrinal foundations strongly influence how arbitrators and courts interpret the admissibility of counterclaims in arbitration despite legislative silence.

The Iranian Code of Civil Procedure permits parties to refer disputes to arbitration through mutual agreement, thereby incorporating arbitration into the general procedural framework of civil justice. Although the Code does not explicitly regulate counterclaims within arbitral proceedings, many scholars argue that the established rules governing counterclaims in litigation may apply subsidiarily where arbitration rules remain silent. This interpretative approach rests on the assumption that arbitration is not detached from procedural justice but represents an alternative procedural pathway grounded in the same principles of fairness and equality (Nasiri, 2019). Consequently, where parties have not agreed on specific procedural rules, arbitrators may rely on general procedural doctrines, including the admissibility of counterclaims connected to the main dispute.

The Iranian International Commercial Arbitration Act represents a significant step toward modernization of arbitration law. Influenced by international developments, the Act adopts principles such as party autonomy, procedural flexibility, and tribunal competence to determine jurisdiction. Although the statute does not employ the term “counterclaim” explicitly, several provisions imply the possibility of raising reciprocal claims within arbitration. Legal commentators have noted that the structure of pleadings contemplated by the Act allows respondents to present substantive claims in their response to arbitration, provided that such claims fall within the scope of the arbitration agreement (Taheri, 2021). This implicit recognition reflects an intention to align Iranian arbitration practice with international standards without reproducing detailed procedural rules characteristic of civil litigation.

The absence of an express statutory definition, however, has generated doctrinal debate. Some Iranian scholars advocate a broad interpretation of arbitral jurisdiction, arguing that counterclaims should be admissible whenever they arise from the same contractual relationship as the principal claim. According to this view, arbitration agreements typically aim to resolve all disputes connected with a transaction, and excluding counterclaims would contradict commercial expectations and undermine efficiency (Ahmadi, 2022). Supporters of this interpretation rely on contract law principles emphasizing good faith and reasonable interpretation of agreements, suggesting that parties implicitly consent to comprehensive dispute resolution when adopting arbitration clauses.

Other scholars adopt a more restrictive position grounded in the consensual nature of arbitration. From this perspective, arbitrators may not assume jurisdiction over counterclaims unless the arbitration agreement clearly encompasses such claims. Since arbitration derives legitimacy solely from party consent, extending jurisdiction beyond explicit agreement risks invalidating the award at the enforcement stage. This doctrinal caution reflects concerns about preserving the contractual

boundaries of arbitration and preventing unauthorized expansion of arbitral authority (Safaei, 2016). The tension between expansive and restrictive interpretations reveals the central dilemma of Iranian arbitration law: reconciling procedural efficiency with strict adherence to consent.

Judicial practice in Iran has not yet produced a fully consistent approach to counterclaims in arbitration. Courts reviewing arbitral awards have occasionally adopted divergent interpretations regarding arbitral jurisdiction, particularly when counterclaims introduce issues perceived as independent from the original dispute. The absence of consolidated jurisprudence contributes to uncertainty among arbitrators and practitioners, who must anticipate potential challenges to awards during enforcement proceedings. Comparative analyses of Iranian arbitration decisions indicate that judges often evaluate counterclaims through analogies to civil procedure rather than through a coherent arbitration-specific doctrine (Mohseni, 2018). This reliance on litigation models demonstrates the continuing influence of traditional procedural thinking on arbitration practice.

Doctrinal analysis further reveals that Iranian legal theory increasingly recognizes the importance of aligning domestic arbitration law with international practice. International arbitration scholarship emphasizes that modern commercial arbitration cannot function effectively without permitting counterclaims, since complex contractual relationships typically involve reciprocal obligations. Iranian commentators examining international arbitration experience argue that refusal to admit counterclaims may encourage parallel proceedings, increase costs, and diminish confidence in arbitration as a comprehensive dispute resolution mechanism (Abbasi, 2020). Such concerns have prompted calls for interpretative flexibility within existing legislation rather than strict formalism.

The influence of international arbitration standards is particularly visible in discussions surrounding jurisdictional interpretation. Comparative arbitration doctrine highlights that tribunals commonly interpret arbitration clauses broadly where commercial intent favors unified adjudication. Iranian scholars analyzing international models observe that arbitral tribunals should evaluate whether counterclaims share a factual and legal nexus with the principal claim rather than requiring explicit textual authorization (Darabpour, 2022). This functional approach reflects evolving understandings of arbitration as a mechanism designed to resolve disputes efficiently rather than merely replicate court procedure.

At the legislative level, several structural gaps continue to affect the treatment of counterclaims in Iranian arbitration. One major gap concerns procedural timing. Iranian statutes do not clearly define when a counterclaim must be submitted, leaving tribunals to determine deadlines through procedural orders or institutional rules. This absence of statutory guidance may generate procedural disputes or allegations of unfair surprise, particularly when counterclaims are introduced at advanced stages of arbitration. Comparative arbitration literature stresses that predictable procedural frameworks enhance fairness and legitimacy, suggesting the need for clearer regulation (Mistelis, 2020).

Another challenge involves defining the relationship between counterclaims and arbitral jurisdiction. Because arbitration agreements vary widely in wording and scope, tribunals must determine whether a counterclaim arises from the same legal relationship covered by the arbitration clause. Iranian contract law principles emphasizing the interpretation of agreements in light of their economic purpose provide useful guidance in this context (Katouzian, 2024). Nevertheless, inconsistent application of interpretative standards may lead to uncertainty regarding jurisdictional boundaries, particularly in complex commercial disputes involving multiple contracts.

Institutional arbitration practice within Iran also plays an emerging role in shaping counterclaim doctrine. Arbitration centers increasingly adopt procedural rules influenced by international institutions such as the ICC, LCIA, and UNCITRAL. These institutional frameworks typically recognize counterclaims explicitly, thereby encouraging arbitrators operating in Iran to adopt internationally accepted procedural approaches. The growing interaction between domestic arbitration practice and global standards demonstrates the gradual integration of Iranian arbitration into the broader international arbitration community (Almasi, 2021). As practitioners become more familiar with international norms, doctrinal resistance to counterclaims appears to diminish.

Theoretical discussions surrounding fairness further reinforce the admissibility of counterclaims in Iranian arbitration. Procedural equality requires that both parties possess equivalent opportunities to assert rights and remedies within arbitration. Denying the respondent the ability to raise counterclaims risks creating structural imbalance, transforming arbitration into a process dominated by the initiating party. Legal scholars emphasize that arbitration must reflect principles of justice comparable

to those governing judicial proceedings while preserving procedural flexibility (Nikbakht, 2023). Recognition of counterclaims therefore contributes to maintaining confidence in arbitration as an impartial and effective adjudicatory forum.

The evolution of Iranian arbitration law also reflects broader developments in international dispute resolution theory. Modern arbitration increasingly prioritizes comprehensive settlement of disputes rather than fragmented adjudication. Comparative analyses show that jurisdictions seeking to attract international commerce tend to interpret arbitration agreements broadly and encourage consolidation of related claims (Redfern & Hunter, 2023). Iranian legal scholarship increasingly acknowledges that harmonization with these trends enhances the credibility of domestic arbitration and supports integration into global commercial practice.

Despite these positive developments, the current Iranian legal framework still relies heavily on doctrinal interpretation rather than explicit legislative regulation. The lack of a precise statutory definition of counterclaims, absence of procedural guidelines, and limited judicial precedent collectively create ambiguity. Scholars have therefore proposed legislative clarification to codify the admissibility of counterclaims, specify jurisdictional conditions, and establish procedural safeguards consistent with international standards (Seiri, 2020). Such reforms would not introduce foreign concepts into Iranian law but would formalize principles already implicit within existing doctrine.

Ultimately, the doctrinal and legislative analysis of counterclaims in Iranian arbitration law demonstrates both progress and limitation. Iranian legal theory provides strong conceptual support for admitting counterclaims based on procedural fairness, unity of dispute resolution, and contractual interpretation. Legislative instruments influenced by international arbitration law implicitly accommodate reciprocal claims, yet the absence of explicit regulation leaves significant room for uncertainty. The interaction between domestic procedural tradition and international arbitration practice continues to shape the development of counterclaims in Iran, suggesting an ongoing process of legal evolution toward clearer and more coherent arbitration governance.

#### 4. Comparative International Practice and Institutional Arbitration Rules

The evolution of counterclaims in arbitration cannot be fully understood without examining international arbitral practice, where institutional rules and comparative jurisprudence have played a decisive role in shaping procedural standards. Unlike many national legal systems that developed arbitration gradually through domestic legislation, international arbitration evolved through institutional experimentation and transnational commercial necessity. As cross-border transactions increased in scale and complexity, arbitral institutions were compelled to design procedural frameworks capable of resolving disputes comprehensively rather than addressing isolated claims. The recognition of counterclaims within institutional arbitration rules therefore represents not merely a procedural innovation but a structural response to the realities of modern commerce. International arbitration scholarship emphasizes that contemporary arbitration functions as an autonomous legal order influenced by shared professional norms rather than purely national procedural traditions (Mistelis, 2020).

The UNCITRAL Arbitration Rules occupy a central position in this development because they were conceived as a neutral procedural model suitable for diverse legal cultures. The Rules expressly acknowledge the respondent's ability to submit counterclaims, provided that such claims fall within the jurisdiction conferred by the arbitration agreement (United Nations, 2013). This formulation reflects a deliberate balance between procedural flexibility and respect for consent. UNCITRAL does not treat counterclaims as exceptional devices requiring special authorization; instead, they are integrated into the normal exchange of pleadings. Comparative commentators observe that this approach recognizes the reciprocal nature of commercial disputes while maintaining the principle that arbitral jurisdiction ultimately derives from party agreement (Born, 2021). The UNCITRAL framework has therefore influenced both national legislation and institutional rules by establishing counterclaims as an ordinary component of arbitral proceedings.

Institutional arbitration administered by the International Chamber of Commerce provides another influential model. The ICC Arbitration Rules require respondents to present counterclaims in their answer to the request for arbitration, ensuring early procedural clarity and enabling tribunals to organize proceedings efficiently (International Chamber of Commerce, 2021). By linking admissibility to procedural timing, the ICC system seeks to prevent strategic delay while safeguarding equality between the parties. Arbitration scholars have noted that the ICC's procedural discipline reflects its broader philosophy of case

management, where early identification of all claims enhances efficiency and reduces procedural fragmentation (Redfern & Hunter, 2023). The ICC approach illustrates how institutional regulation transforms counterclaims from jurisdictional uncertainties into structured procedural rights governed by predictable rules.

The London Court of International Arbitration adopts a slightly different perspective, emphasizing flexibility rather than strict procedural sequencing. The LCIA Arbitration Rules empower arbitral tribunals to admit counterclaims at various stages of proceedings, provided that jurisdictional requirements are satisfied (London Court of International Arbitration, 2020). This flexibility recognizes that complex commercial disputes often evolve during arbitration, and respondents may not immediately identify all potential claims. Commentary on LCIA practice highlights the importance of tribunal discretion in balancing fairness and efficiency, allowing late counterclaims when justified while preventing procedural abuse (Nikbakht, 2023). The LCIA model therefore demonstrates how institutional rules can accommodate commercial realities without undermining procedural order.

Asian arbitral institutions have also contributed significantly to the development of counterclaim doctrine. The Singapore International Arbitration Centre explicitly recognizes counterclaims within its procedural framework and permits their submission alongside responses to arbitration notices (Singapore International Arbitration Centre, 2016). The SIAC approach reflects the commercial orientation of arbitration in Asia, where efficiency and adaptability are considered essential attributes of dispute resolution. Academic commentary on the SIAC Rules explains that clear recognition of counterclaims enhances predictability for parties engaged in complex cross-border transactions, encouraging consolidation of disputes within a single arbitral forum (Tan, 2018). By codifying procedural rights while preserving tribunal discretion, SIAC contributes to the global convergence of arbitration standards.

Similarly, the Hong Kong International Arbitration Centre has developed rules emphasizing integrated dispute resolution. The HKIAC framework allows respondents to submit counterclaims provided that they fall within the tribunal's jurisdiction and satisfy procedural requirements designed to maintain efficiency (Hong Kong International Arbitration Centre, 2018). Comparative analyses note that HKIAC's procedural architecture reflects a broader trend toward accommodating multi-contract and multi-party disputes, where counterclaims frequently arise from interconnected commercial arrangements. The institutionalization of counterclaims within HKIAC practice demonstrates how arbitration adapts to increasingly sophisticated transactional structures while maintaining procedural coherence (Moses, 2017).

Despite differences in institutional design, a common feature emerges across international arbitration regimes: counterclaims are generally admissible when they satisfy jurisdictional and procedural conditions. International arbitration theory emphasizes that such convergence reflects the shared objective of avoiding parallel proceedings and conflicting decisions. When disputes arising from a single contractual relationship are divided among multiple forums, the risk of inconsistent outcomes increases significantly. Comparative arbitration scholarship argues that institutional recognition of counterclaims promotes legal certainty by enabling a single tribunal to evaluate all aspects of the dispute comprehensively (Abbasi, 2020). This principle has become a defining characteristic of modern arbitration practice.

Jurisdiction remains the central analytical criterion governing counterclaims across institutional systems. Arbitral tribunals must determine whether the arbitration agreement encompasses the subject matter of the counterclaim. International doctrine consistently affirms that consent remains the ultimate limit of arbitral authority, even where procedural efficiency favors admission of additional claims (Safaei, 2016). Tribunals therefore undertake interpretative analysis of arbitration clauses, examining whether the counterclaim arises from the same contract or legal relationship as the principal claim. Broadly drafted arbitration clauses are typically interpreted as authorizing counterclaims, reflecting commercial expectations that arbitration will resolve disputes comprehensively (Katouzian, 2024). This interpretative approach reinforces arbitration's practical function while preserving its contractual foundation.

The doctrine of competence-competence plays a crucial role in this jurisdictional assessment. Institutional rules generally recognize that arbitral tribunals possess authority to determine their own jurisdiction, including the admissibility of counterclaims. Comparative analysis demonstrates that tribunals frequently exercise this power pragmatically, admitting counterclaims where factual and legal connections exist even if the arbitration agreement does not explicitly mention them (Darabpour, 2022). Judicial review remains available at the enforcement stage, providing an external safeguard against

excessive jurisdictional expansion. This interaction between tribunal autonomy and judicial supervision constitutes a defining feature of international arbitration governance.

Procedural timing represents another important dimension of comparative practice. Institutions such as the ICC emphasize early submission of counterclaims to facilitate efficient case management, whereas the LCIA, SIAC, and HKIAC allow greater flexibility subject to tribunal approval. Comparative commentators argue that these differences reflect varying institutional philosophies rather than substantive disagreement about admissibility (Mistelis, 2020). Early disclosure promotes transparency, while flexible admission ensures fairness where claims emerge during proceedings. The coexistence of these approaches demonstrates that international arbitration prioritizes functional effectiveness over rigid procedural uniformity.

International practice also highlights the relationship between counterclaims and procedural equality. Arbitration aims to preserve equality of arms between parties, ensuring that respondents are not confined to passive defensive roles. Scholars emphasize that allowing counterclaims enhances legitimacy by enabling both parties to assert rights within the same forum (Seiri, 2020). Institutional rules therefore treat counterclaims as expressions of procedural balance rather than exceptional remedies. This perspective reflects a broader transformation in arbitration, where tribunals increasingly assume responsibility for managing disputes holistically rather than adjudicating narrowly defined claims.

Another significant development concerns the interaction between counterclaims and multi-party arbitration. Contemporary commercial transactions frequently involve networks of contracts and multiple participants, creating disputes that cannot easily be separated into individual claims. Institutional rules increasingly accommodate consolidation and joinder mechanisms that interact closely with counterclaim procedures. Comparative analysis indicates that tribunals often evaluate counterclaims alongside requests for consolidation to ensure coherent dispute resolution (Nasiri, 2019). The expansion of arbitration into complex transactional environments has therefore reinforced the importance of flexible counterclaim mechanisms.

International arbitration scholarship further observes that recognition of counterclaims contributes to the enforceability of awards. When tribunals address all related claims within a single award, enforcement proceedings become simpler because courts need not reconcile competing decisions from different forums. The New York Convention framework implicitly favors such consolidation by facilitating recognition of comprehensive arbitral awards (Born, 2021). Institutional acceptance of counterclaims thus strengthens arbitration's effectiveness not only at the procedural stage but also at the enforcement phase.

Comparative international practice also provides lessons for national legal systems seeking to modernize arbitration law. Jurisdictions influenced by the UNCITRAL Model Law increasingly adopt legislative provisions explicitly recognizing counterclaims, thereby reducing uncertainty for arbitrators and parties. Iranian scholars examining international trends argue that institutional arbitration rules offer valuable models for clarifying jurisdictional limits and procedural requirements within domestic frameworks (Almasi, 2021). Harmonization with international standards enhances predictability and encourages foreign investment by signaling procedural reliability.

Doctrinal commentary emphasizes that the widespread recognition of counterclaims reflects the maturation of arbitration as a global adjudicatory system. Earlier conceptions of arbitration emphasized minimal procedural structure in order to preserve flexibility, yet contemporary practice recognizes that predictable procedural rights are essential for legitimacy. Institutional regulation of counterclaims exemplifies this shift from informal dispute resolution toward structured private adjudication capable of delivering comprehensive justice (Mohseni, 2018). Arbitration has therefore evolved into a system that combines contractual autonomy with procedural sophistication.

At the same time, international practice continues to acknowledge potential risks associated with counterclaims. Tribunals must guard against abusive tactics, such as introducing unrelated claims solely to delay proceedings or increase costs. Institutional rules address these concerns by granting tribunals authority to reject counterclaims lacking sufficient connection to the arbitration agreement or submitted in bad faith (Nikbakht, 2023). The discretionary powers of arbitrators thus serve as a critical mechanism for maintaining procedural discipline while preserving flexibility.

The comparative survey of institutional arbitration rules reveals a clear pattern of convergence. UNCITRAL, ICC, LCIA, SIAC, and HKIAC systems all recognize counterclaims as legitimate procedural instruments, differing primarily in their methods of procedural management rather than in principle. This convergence reflects a shared understanding among arbitral institutions that modern dispute resolution requires comprehensive adjudication of reciprocal claims. International arbitration

has consequently moved beyond earlier uncertainties toward a stable consensus supporting the admissibility of counterclaims subject to jurisdictional control.

The development of counterclaim doctrine within international arbitration demonstrates how institutional innovation shapes legal evolution. Rather than relying solely on legislative reform, arbitration has advanced through practical experimentation conducted by arbitral institutions responding to commercial needs. The resulting procedural frameworks balance autonomy, fairness, and efficiency, providing a model of adaptive legal governance. Comparative analysis therefore confirms that counterclaims are no longer peripheral to arbitration but constitute an integral element of contemporary arbitral procedure, reflecting the transformation of arbitration into a mature and globally harmonized system of dispute resolution.

## 5. Conclusion

The examination of counterclaims within arbitration-based dispute resolution demonstrates that the institution of the counterclaim has evolved from a traditional procedural device of judicial litigation into a fundamental element of modern arbitral justice. Arbitration, originally conceived as a limited contractual mechanism designed to resolve discrete disputes, has progressively transformed into a comprehensive adjudicatory system capable of addressing complex commercial relationships in their entirety. Within this transformation, counterclaims have emerged as an indispensable procedural instrument that enables arbitration to fulfill its essential objectives of efficiency, fairness, and finality.

The conceptual analysis undertaken in this study shows that counterclaims are not merely defensive tools but independent claims that allow respondents to participate actively in arbitral proceedings. Their recognition alters the procedural dynamics of arbitration by ensuring that both parties possess equal opportunities to assert rights and remedies. Arbitration cannot achieve genuine procedural balance if one party is permitted to initiate claims while the other remains confined to defensive arguments. The acceptance of counterclaims therefore reinforces equality of arms and aligns arbitral proceedings with fundamental principles of justice that underpin all credible dispute resolution systems.

Jurisdictional considerations represent the central challenge in admitting counterclaims within arbitration. Unlike courts, arbitral tribunals exercise authority derived solely from party consent, and this contractual foundation requires careful interpretation of arbitration agreements. The analysis demonstrates that modern arbitration practice increasingly favors functional interpretations of consent, recognizing that parties who agree to arbitrate disputes generally intend to resolve all interconnected claims within a single forum. Counterclaims that arise from the same contractual or legal relationship are therefore compatible with arbitral jurisdiction, provided that tribunals remain attentive to the limits imposed by the arbitration agreement. The evolution of arbitral jurisprudence indicates that efficiency and consent are not mutually exclusive principles but can coexist through careful jurisdictional analysis.

The doctrinal review of Iranian arbitration law reveals a legal framework characterized by implicit acceptance rather than explicit regulation of counterclaims. Iranian civil procedure theory strongly supports the concept of reciprocal claims based on unity of dispute resolution and procedural economy. These principles naturally extend to arbitration, where similar concerns regarding fairness and efficiency arise. Nevertheless, Iranian arbitration legislation does not provide comprehensive procedural rules governing counterclaims, leaving arbitrators and courts to rely on interpretation and comparative reasoning. This legislative silence has produced uncertainty regarding jurisdictional boundaries, procedural timing, and the relationship between counterclaims and arbitration agreements.

Despite these challenges, Iranian legal doctrine demonstrates significant compatibility with international arbitration standards. The underlying principles of contract interpretation, good faith, and procedural equality provide a solid theoretical foundation for admitting counterclaims in arbitral proceedings. The gradual interaction between domestic scholarship and international practice suggests that Iranian arbitration law is undergoing an evolutionary process rather than experiencing structural incompatibility with global norms. The main obstacle lies not in conceptual resistance but in the absence of clear legislative articulation capable of providing predictability for arbitrators and commercial actors.

Comparative analysis of international arbitration rules confirms that counterclaims have achieved widespread acceptance across major arbitral institutions. The procedural frameworks developed by leading institutions illustrate a shared commitment to resolving disputes comprehensively within a single arbitral forum. Although institutional rules differ in procedural details such as timing requirements or tribunal discretion, they converge on several essential principles: counterclaims must fall within

arbitral jurisdiction, must maintain a sufficient connection with the principal dispute, and must not undermine procedural fairness or efficiency. This convergence reflects the maturation of arbitration as a global system governed by common professional standards rather than isolated national practices.

International practice also demonstrates that counterclaims contribute significantly to the legitimacy of arbitration. By allowing tribunals to consider the entirety of the parties' legal relationship, arbitration avoids fragmentation of disputes and reduces the risk of conflicting decisions. Consolidated adjudication enhances the enforceability of awards, minimizes procedural duplication, and strengthens confidence in arbitration as an effective alternative to judicial litigation. The institutionalization of counterclaims therefore represents a practical response to the increasing complexity of contemporary commercial transactions.

The broader implications of this development extend beyond procedural efficiency. Arbitration today operates within an interconnected global legal environment in which commercial actors expect predictability, neutrality, and comprehensive dispute resolution. Systems that fail to accommodate counterclaims risk undermining arbitration's attractiveness by forcing parties into parallel proceedings before multiple forums. Conversely, legal regimes that recognize and regulate counterclaims signal alignment with international standards and reinforce their capacity to participate effectively in transnational commerce.

The analysis further indicates that the future development of arbitration law depends on achieving a stable equilibrium between flexibility and certainty. Excessive rigidity in interpreting arbitration agreements may restrict tribunals from addressing legitimate reciprocal claims, while unlimited expansion of jurisdiction risks undermining the consensual foundation of arbitration. Effective regulation of counterclaims requires clear procedural frameworks that preserve party autonomy while enabling tribunals to manage disputes pragmatically. Institutional arbitration has largely succeeded in achieving this balance, offering valuable guidance for national legal systems seeking reform.

Within the Iranian context, the path forward lies in clarifying existing principles rather than introducing entirely new concepts. Legislative recognition of counterclaims, specification of procedural conditions, and development of consistent judicial practice would significantly enhance legal certainty without altering the fundamental structure of arbitration law. Such clarification would strengthen the role of arbitrators, reduce procedural disputes, and increase confidence among domestic and international parties choosing Iran as a seat of arbitration. Harmonization with established international practice would also contribute to greater integration of Iranian arbitration into the global dispute resolution community.

Ultimately, the feasibility of bringing counterclaims in arbitration reflects a broader transformation in the nature of arbitral justice. Arbitration has evolved from a narrow contractual arrangement into a sophisticated system capable of delivering comprehensive adjudication while preserving the autonomy of private parties. Counterclaims play a decisive role in this transformation by enabling arbitration to address disputes holistically rather than fragmentarily. Their acceptance reinforces procedural equality, enhances efficiency, and promotes coherent decision-making.

The study demonstrates that counterclaims are neither exceptional nor problematic within arbitration when approached through principled jurisdictional analysis and balanced procedural management. Instead, they represent a natural and necessary feature of modern arbitration, consistent with both contractual theory and practical commercial needs. The continued development of arbitration law—nationally and internationally—will depend on refining mechanisms that allow reciprocal claims to be adjudicated effectively while maintaining respect for party consent.

In this sense, the recognition and structured regulation of counterclaims mark an important stage in the evolution of arbitration toward a mature, autonomous, and globally harmonized system of dispute resolution capable of meeting the demands of contemporary legal and economic relations.

### **Ethical Considerations**

All procedures performed in this study were under the ethical standards.

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## Conflict of Interest

The authors report no conflict of interest.

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