

Integrating Theoretical Frameworks and Judicial Approaches in Corporate Criminal Liability

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ABSTRACT

Industrialization and globalization have led to the rise of large-scale businesses, which have been more dominant over the last two centuries. Individuals are increasingly vulnerable to the effects of corporate misconduct as their influence grows. A protracted legal procedure in India has developed corporate criminal responsibility in an effort to assign blame to real entities. This study examines the topic of corporate criminal culpability in India in great detail. It delves into the background and development of corporate criminal responsibility in India, as well as important court rulings that have influenced its present state. It delves into the rationale and theory behind the legal notion of corporation criminal responsibility and examines its foundational concepts.

Keywords: Theory, Judiciary, Liability, Mens Rea, Legislation

INTRODUCTION

"Money" speaks volumes. When we hear the term "money," images of opulence, power, and excess come to mind. Without a question, money is a necessity in society. However, getting it sometimes involves sacrificing other values that are more important. Theft, criminal misappropriation, corruption, tax evasion, lawbreaking, and undue political favors that enrich an organization at the expense of people and environmental resources are some manifestations of greed.

When it comes to propelling economic development and social advancement, the business sector is indispensable. A corporation, however, has social, moral, and legal responsibilities that it cannot ignore. While making a profit is always important, modern businesses also have a responsibility to their communities and the environment. Nevertheless, the growing body of legislation recognizes the need of holding corporations accountable. The difficulty in determining criminal responsibility for corporations stems from the fact that criminal liability depends on both the physical act (*actus reus*) and the mental purpose (*mens rea*). The identification of companies as separate legal entities with their own duties and obligations, as well as the enforcement of corporate criminal culpability, continue to be obstacles in the field of legal jurisprudence, notwithstanding its progress.

Any individual who commits a crime on behalf of or in the course of doing business with a corporation is personally liable for that crime, as companies can only operate through humans. Incorporation is significant because it establishes the corporate entity as accountable in certain situations, in addition to the individuals. A collection of individuals forming a company is the most basic definition of a corporation. In order to get around the difficulties of attributing criminal responsibility to inanimate objects, the idea of corporate crime developed, with the help of the judiciaries. A corporation is a legally recognized enterprise. In corporate crime, the theory of respondent superior serves as the fundamental premise. Businesses play a crucial role in our society. Humans are in charge of corporations, and their acts may have criminal consequences, but they can also cause societal economic and personal misery.

The legal principle known as "corporate criminal liability" ensures that businesses and other organizations are made to pay for wrongdoings carried out by their own workers or agents. This model acknowledges that businesses, as separate legal persons, may share responsibility for wrongdoing with people. Importantly, vicarious liability holds businesses to account for their workers' actions if those employees acted in a way that benefited the firm while on the job. This ensures that the company will face consequences for any misconduct by its workers, regardless of whether the board of directors or management was engaged or not.

The law treats corporations as if they were natural persons, and corporations may be sued in the same ways that people can. A company may face fines, penalties, or other repercussions as a result of its "legal personhood," which allows for its prosecution. Companies may lessen their risk of criminal prosecution by instituting compliance systems and due diligence procedures to monitor operations for signs of illegality, report suspicious behavior, and show that they are

serious about following the law. Penalties for corporate wrongdoing may range from monetary penalties and asset seizure to harm to a company's image and the public's faith in it. When it comes to investigating and punishing business misbehavior, regulatory oversight—which is defined by particular laws and regulations—is vital. The rules vary from jurisdiction to jurisdiction. Aiming to promote organizational responsibility, corporate criminal liability promotes ethical standards, compliance processes, and internal controls to avoid illegal behaviors and reduce the likelihood of facing charges.

KEY LEGISLATIONS RELATED TO CORPORATE CRIMINAL LIABILITY

Several statutes control corporate criminal culpability in India. A business in India could face criminal charges if an agent, official, or employee commits a crime while representing the firm, as per the country's legal system.

- **The Companies Act, 2013:** There are sections of this law that deal with the criminal responsibility of businesses. It specifies the conditions under which an organization can face criminal charges and, in certain instances, allows for fines, penalties, and even jail time for officials.
- **Environmental and Economic Offenses:** The Environmental Protection Act of 1986 and the Prevention of Corruption Act of 1988 are two of the laws that hold companies accountable for economic crimes including bribery, fraud, and corruption as well as environmental infractions.
- **Vicarious Liability:** The concept of vicarious responsibility is a common basis for corporate liability. This holds the firm liable for the acts done by its agents or employees while they are on the job. In some instances, the corporation and its officials could be held liable.
- **Due Diligence:** Businesses may protect themselves from legal trouble or at least lessen the severity of any penalties by showing that they've done their research and put sufficient safeguards in place to prevent violations.
- **Regulatory Authorities:** The Reserve Bank of India, the Securities and Exchange Board of India (SEBI), and the Central Bureau of Investigation are just a few of the Indian regulatory bodies that keep an eye on how companies act and if they're following the rules.

Theories Of Corporate Criminal Liability

It all began with corporations feigning criminal responsibility. The corporate structure has inspired the development of ideas and models of criminal responsibility. So far, the most established system for corporate criminal responsibility is the one in the United States. The majority of ideas on corporate criminal liability are reminiscent of case-by-case developments in common law. However, due to their individualistic origins and lack of a solid foundation, these ideas have been unsuccessful.

Agency Theory (Vicarious Liability)

The criminal justice system eventually adopted this notion, which had its origins in tort law. In this case, the company may be held responsible for what its personnel do or don't do (Legal service, India). Respondeat Superior, or "let the master answer," is the legal concept upon which vicarious responsibility is founded. Employers are often accountable for their workers' actions while on the clock, according to a rule of torts. In American law, vicarious liability is often used. While the idea is well-established in other countries regarding hybrid and strict liability offenses, it is not applicable to mens rea offenses.

The two components of a crime, the "actus reus" (the actual act) and the "mens rea" (the criminal's purpose), form the basis of the Agency Theory. The mental condition of the workers must be taken into account in order to ascribe purpose to a company, because it is an incorporeal legal entity. Because every employee is considered a part of the organization, every employee's intentions are considered to be the company's intentions as well.

Before a business may be held vicariously accountable for an employee's actions, it must be shown that the individual was performing duties related to his job. The business was found guilty of breaking the Elkins Act in the matter of *New York Central Railroad Co. v. United States* (1909), which included the payment of rebates for sugar shipments by the company's general and assistant traffic managers. Since the agents could decide on freight prices, they were acting inside the actual authority structure. As a result, they did what was reasonably expected of them by the organization. The company's behavior may be seen in the activities of even those who are not workers.

It was determined in *United States v. Parfait Powder Puff Co* (1947) that independent contractors are liable to criminal culpability because they must work for the advantage of the company. Since they were given the green light to establish freight charges, the agents were acting within their real power. So, they were acting within the bounds of the power that the company had given them. Any activity, whether done by an employee or not, might be considered an act of the company. It was determined in *United States v. Parfait Powder Puff Co* (1947) that independent contractors might potentially expose corporations to criminal culpability if they worked for their advantage.

Secondly, the employee has to be somewhat serving the firm's interests, even if that means the company doesn't really profit or the behavior was explicitly forbidden. Many workers care more about getting their hands on the money they can make for themselves than they do for helping the firm succeed (United States v. Bainbridge Management, 2002). Thirdly, as stated in US v. One Parcel of Land (1992), the company must also have the conduct and purpose ascribed to it.

Identification Theory (Attribution or Alter Ego)

This is the more conventional approach, based on the common law that gave rise to direct liability theory; it states that corporations are accountable in the majority of nations. Instead of holding policymakers accountable, the argument states that businesses should hold decision-makers responsible for the company's direction. An emphasis on the company's guiding principles and the reality that employee efforts determine the company's direction and behavior are major themes. Alter-Ego and concept of Attribution are other names for the same concept.

In the case of Lennard's Carrying Co Ltd v Asiatic Petroleum Co. Ltd. (1915), Viscount Haldene developed what would later be called identification theory, a method of primary corporate criminal culpability for offenses requiring mens rea. Finding the guilty mentality is the central tenet of the idea. As an example, consider Tesco Supermarket v. Nastrass (1972), in which the court recognised that an individual might become the company's "personality" or "ego" via incorporation. Like a human being, a corporation has a brain that directs its actions. Company management, including the board of directors, the managing directors, and other senior executives, who exercise mental and willpower control over the business. The United States and Australia are among the few countries that have consistently used this idea. When it comes to "everyone who has an important role in setting policy or managing an important part of the organization's activities under the category of officers," Canada has adopted a wider view. Management with operational and policymaking power would also be included in this. Nigeria also incorporates this idea.

Aggregation Theory (Collective Knowledge)

The criminal justice system eventually adopted this notion, which had its origins in tort law. In this case, the company determines accountability by aggregating the composite knowledge of many executives. For the purpose of determining whether or not the actions and thoughts of key individuals inside the organization constitute a crime, the corporation adds them all up. The actions of the United States Federal Courts gave rise to the doctrine of aggregation. Corporations compartmentalize information, breaking down the parts of certain tasks and activities into smaller components, according to the main case in this area, United States v. Bank of New England (1987).

All of those things together represent what the company knows about a certain deal. Whether or whether workers in charge of one portion of an operation get knowledge about the particular tasks performed by workers in charge of another section of the operation is irrelevant. Respondeat superior, often known as the concept of supposed or judged knowledge, and this thesis seem to be rather comparable. The combined understanding and actions of several officers that constitute the components of a criminal offense, even in cases when no employee or agent has the specific information required to be found guilty under the law. Since even a single employee may not have such mindset, American courts have been careful in implementing this ruling, recognizing that a firm cannot be held liable in such a case.

Role of Judiciary In Making The Corporate Criminally Liable

This concept of corporate criminal liability has been developing in India for a while now. The complexity of corporate crimes and defaults is making authorities realise that stricter controls are necessary to deter businesses from engaging in these illicit practices. Furthermore, the courts are starting to be more severe and are broadening the scope of corporate criminal liability beyond its initial, limited boundaries. In addition to the Indian Penal Code of 1860, the concept of corporate criminal liability has been spread across other statutes and legal regulations. From its beginnings, the concept of corporate criminal liability has evolved continuously. A lot of the typical problems with utilizing it in the real world have been fixed. Legal systems across the world, including India's, have accumulated and approved knowledge on the kinds of evidence that might be used to determine corporate criminal guilt and the related procedural criteria. Criminal responsibility for people has been easy to prove, but for businesses, the process has been more complicated. Furthermore, Indian courts have been steadily revising the idea of corporate criminal responsibility and its consequences.

Court decisions have laid the groundwork for dealing with corporate misgovernance issues, which have ruined the lives of millions of unsuspecting investors and their families. The courts have ruled that the public must be protected against many finance companies. "The state has a constitutional obligation to protect economically and socially disadvantaged sections of society against exploitative practises by corporations." The Supreme Court so ruled. Judicial officials are conversant with the power that corporations possess and how to put it to good use for the common good. Justice G.P. Mathur made the following statement on the matter: "Businesses are becoming larger, and they have a lot of resources and finances at their disposal. In the course of doing business, they may sometimes violate the law or endanger the lives of others. Numerous companies are complicit in massive financial fraud. Since companies currently constitute a

substantial part of the economic, industrial, and social sectors, their compliance with criminal laws is crucial to a stable society and a strong economy.

What kinds of fines and punishments may be imposed on businesses for violating the legislation was one of the primary concerns that required addressing. Alternative options have to be considered since a corporation is a non-physical legal entity that cannot be jailed. It was in issue whether the courts may impose penalties in lieu of the legally mandated period. There are further consequences in India related to this issue. There are a number of sections in the IPC that give punishments other than incarceration, or even both. It made little difference what happened to the matter of how to punish a company for offenses that require both fines and imprisonment, since a corporation is a "artificial person" and cannot be imprisoned. The creative contexts have addressed this issue. Companies can't run the risk of facing legal consequences just because the offense they're facing carries a prison sentence.

Recent court decisions have sought to clarify the nature and scope of corporate criminal responsibility in cases like Iridium India Telecom Ltd v. Motorola Incorporated and others and Sunil Bharti Mittal v. Central Bureau of Investigation ("CBI") and others. Just like a person, a corporation may be convicted of common law and statutory offenses, including those requiring mens rea, in the same manner. A corporation may be held criminally responsible when its executives or other persons in control commit a crime that is connected to the business's activities. Under these circumstances, it would be necessary to ascertain if the individual or group in question has a level of control over the organization that may be interpreted as their thinking and actions representing the corporation.

CONCLUSION

There are a lot of different legal hurdles and different tactics across countries when it comes to corporate criminal culpability. There are serious social and economic dangers posed by modern corporate crimes, which range from straightforward tax avoidance to complex operations involving organized crime. There has been a rise in the field of corporate criminology, which seeks to discourage illegal business practices by studying ownership, regulatory frameworks, and punishment ideas. Because companies lack mens rea and have fictitious legal standing, legal systems across the globe have a hard time holding them liable for illegal activities. There has been considerable success in establishing corporate accountability on a worldwide scale, but India does not yet have laws that specifically deal with corporate crimes. Special Courts and aggressive actions by regulatory agencies like the CBI and SEBI are part of India's fight against corporate crimes. But in order to rein in the activities of MNCs, there has to be uniform regulation throughout the world. Although corporate organizations are notoriously difficult to prosecute, the importance of punishment in preventing further wrongdoing and providing victims with justice cannot be overstated.

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