



## JSA Prism Employment Law

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### Supreme Court of India validates exclusive jurisdiction clauses in employment contract easing litigation for employers

In a significant development for employers navigating the complexities of a diverse workforce, the Hon'ble Supreme Court of India ("**Supreme Court**") has recently upheld the validity of exclusive jurisdiction clauses in employment contracts.

In the case of *Rakesh Kumar Varma vs. HDFC Bank Limited and HDFC Bank Limited vs. Deepti Bhatia*<sup>1</sup>, the Supreme Court has clarified that when employees sign agreements with their employers specifying a particular court for dispute resolution, even if it's distant from the place of posting, such clauses can be valid.

This decision ensures that employers can confidently designate a specific jurisdiction for legal disputes, even if their workforce is geographically dispersed. For employers managing a pan-India presence, this judgment serves as a beacon of relief, eliminating the daunting prospect of litigating in multiple states merely due to the geographical distribution of their employees.

#### Brief facts

The matter involved 2 (two) former employees of HDFC Bank Limited ("**HDFC Bank**"), who filed suits in courts located at places of their employment, that is, Patna and Delhi respectively.

The appointment letters included an 'exclusive jurisdiction clause', specifying that only the courts in Bombay would have jurisdiction over any disputes arising from their employment. Upon termination of their services based on allegations of fraud and misconduct, aggrieved by the termination, both employees instituted a civil suit before the courts in Patna and New Delhi, respectively. In response, HDFC Bank sought rejection of the plaint, arguing that only the courts in Mumbai had jurisdiction, as per the terms of the employment contract.

While the Patna High Court ("**Patna HC**") ruled in favour of HDFC Bank and upheld the validity of the exclusive jurisdiction clause, with respect to the second employee, both the trial court as well as the Delhi High Court ("**Delhi HC**") held that the exclusive jurisdiction clause in favour of courts in Bombay did not completely oust the jurisdiction of the Delhi courts and accordingly dismissed HDFC Bank's argument.

The Patna HC relied primarily on the Supreme Court's ruling in *Swastik Gases (P) Limited vs. Indian Oil Corporation*<sup>2</sup>, to uphold the validity of the exclusive jurisdiction clause. The Supreme Court observed that although, as per general principles under the Code of Civil Procedure, 1908 ("**CPC**"), a suit can be instituted at any place where a substantial part of the cause of action arises, this right can be contractually limited by the parties. When parties have expressly

<sup>1</sup> Civil Appeal Nos. 2282/2025 and 2286/2025

<sup>2</sup> (2013) 9 SCC 32

agreed to confer exclusive jurisdiction upon a particular court, in this case, the courts in Bombay, such a clause must be respected, provided the chosen court has jurisdiction under the law in the first place.

In contrast, the Delhi HC dismissed HDFC Bank's jurisdictional objection. The Delhi HC emphasised that the employee was residing and employed in Delhi, and that her termination letter was served upon her in Delhi. On these grounds, the Delhi HC held that part of the cause of action did arise within its territorial jurisdiction. Relying on the precedent in *Vishal Gupta vs. L&T Finance*, the Delhi HC held that the exclusive jurisdiction clause in the employment agreement did not fully oust the jurisdiction of courts in Delhi, especially when significant parts of the cause of action occurred within that jurisdiction.

## Issue

The question for consideration was whether the civil suits filed by the employees before the courts in Patna and Delhi respectively, are maintainable in light of the exclusive jurisdiction clause contained in their appointment letters/employment agreements, which expressly conferred jurisdiction upon the courts in Mumbai for the resolution of disputes arising out of their employment with HDFC Bank.

## Analysis and key observations

- 1) **Applicable provisions of law:** Before delving into an appreciation of the competing claims, let us first examine the relevant statutory provisions governing the matter:
  - a) Section 28 (*Agreements in restraint of legal proceedings, void*) of the Indian Contract Act, 1872 ("**Contract Act**") renders void any agreement that seeks to impose an absolute restriction on a party's right to enforce their contractual claims through the ordinary tribunal. It also invalidates clauses that either limit the timeframe within which such rights can be enforced or extinguish legal rights altogether after a specified period; and
  - b) Section 20 of the CPC sets out the rules for determining the appropriate jurisdiction for filing a civil suit. It provides that a suit may be instituted in a court within whose jurisdiction the defendant resides, carries on business, or where the cause of action, wholly or in part, arises. The explanation to the provision also provides that in cases involving corporations, the law deems them to carry on business either at their principal office or at a subordinate office if the cause of action arises at that place.
- 2) **Judicial Precedents:** The Supreme Court referred to the landmark judgment in *Hakam Singh vs. Gammon (India) Limited*.<sup>3</sup>, wherein the Supreme Court held that while parties cannot confer jurisdiction on a court that does not have it under the CPC, they may agree to have disputes adjudicated in one of the multiple courts that do have jurisdiction. Such an agreement is neither opposed to public policy nor does it violate Section 28 of the Contract Act. Similarly, in *Globe Transport Corporation vs. Triveni Engineering Works*<sup>4</sup>, the Supreme Court re-affirmed that contracting parties may lawfully agree to exclude the jurisdiction of all courts except one, as long as the chosen court has jurisdiction under the law. Subsequently, in *Swastik Gases (P) Ltd. vs. Indian Oil Corporation*<sup>5</sup>, the Supreme Court clarified that the use of words such as 'only', 'alone', or 'exclusive' in a jurisdiction clause, is also not strictly necessary to infer that the parties' intend to restrict jurisdiction to a specific court. The Supreme Court accordingly pointed out that when a contract contains a jurisdiction clause specifying a particular court or forum, this clause will generally be interpreted as an intent to exclude the jurisdiction of all other courts.
- 3) **Legal test for validity of exclusive jurisdiction clauses:** Drawing reference to the various judicial precedents, the Supreme Court emphasised that for an exclusive jurisdiction clause to be legally valid, it must satisfy the following 3 (three) conditions:

<sup>3</sup> (1971) 1 SCC 286

<sup>4</sup> (1983) 4 SCC 707

<sup>5</sup> (2013) 9 SCC 32

- a) **The provision should not be violative of Section 28 of the Contract Act:** Section 28 of the Contract Act does not prohibit exclusive jurisdiction clauses. What this section specifically bars is any agreement that imposes an absolute restriction on a party's right to access a legal forum. In other words, while parties cannot be entirely denied the right to pursue legal action, they can agree contractually to limit the forums available to them. In the present case, the jurisdiction clause in the employees' employment contracts does not strip them of their right to seek legal redress. Rather, it confines their choice of forum to the courts in Mumbai alone, for the resolution of disputes arising from their employment.
- b) **The chosen court should have jurisdiction in the first place:** It is essential that the court specified in the exclusive jurisdiction clause must, at the outset, have jurisdiction to adjudicate the dispute. A contract cannot bestow jurisdiction upon a court that does not already possess it under the statutory framework. In this case, the Supreme Court applied the explanation to Section 20 of the CPC and found that:
  - i) the decision to appoint and terminate both the employees was taken in Mumbai;
  - ii) the appointment and termination letters were issued and dispatched from Mumbai; and
  - iii) HDFC Bank's principal office is located in Mumbai.

Thus, the courts in Mumbai are found to have jurisdiction over the dispute, as both the cause of action and the administrative processes that led to the termination took place in Mumbai.

- c) **Clear intention of exclusivity:** Finally, the language of the jurisdiction clause in both contracts is clear and unambiguous in designating Mumbai as the sole jurisdiction for resolving disputes. By using the term 'exclusive' the clause explicitly bars the jurisdiction of other courts.

The Supreme Court also acknowledged the growing reality that private sector employers operate on a pan-India scale, employing individuals across the country to provide services that reach people in the last mile. In this context, the Supreme Court recognised the practical challenge faced by employers when they are required to contest legal suits in jurisdictions far from their registered offices. This challenge, the Supreme Court noted, is one of the key reasons behind the inclusion of exclusion clauses in employment contracts and is justified.

Further, the Supreme Court addressed the issue of the imbalance of power between the contracting parties. It rejected the idea of differentiating employment contracts from other types of contracts on the basis of an exaggerated analogy, where the employer is likened to a 'mighty lion' and the employee to a 'timid rabbit'. Such a distinction, the Supreme Court highlighted, would undermine the principle of equality, as rights and obligations should not depend on the parties' relative status, power, or influence. The Supreme Court emphasised that unequal bargaining power is not unique to personal service contracts; it is a broader issue that affects all contracts and noted that the "*law treats all contracts with equal respect and unless a contract is proved to suffer from any of the vitiating factors, the terms and conditions have to be enforced regardless of the relative strengths and weakness of the parties.*"

The Supreme Court ultimately upheld HDFC Bank's contention that, in view of the valid and enforceable exclusive jurisdiction clauses in the respective employment contracts, the suits instituted by the employees ought to have been filed before the appropriate courts in Mumbai.

## Conclusion

As workplaces evolve and businesses expand, this decision offers crucial clarity and relief for employers managing a geographically diverse workforce. By affirming the enforceability of exclusive jurisdiction clauses, the Supreme Court has clarified that such clauses are not inherently void or oppressive, provided they satisfy the conditions for a valid exclusion clause.

This ruling is especially pertinent in today's increasingly remote/hybrid and pan India work environment. As employees continue to work from home or from locations geographically distant from their employer's principal place of business, this decision effectively empowers employers to anchor legal disputes to the jurisdiction of their choice.

In practice, this means that even if an employee is working from a different city, or a different state, the employer can validly require all employment-related disputes to be adjudicated only in the courts at the employer's chosen location in the employment contract, provided such court has jurisdiction under law to adjudicate the matter.

By allowing parties to designate a specific jurisdiction for disputes, the Supreme Court has not only streamlined the litigation process but also mitigated the complexities of navigating multiple legal frameworks in different states. Employers can now approach disputes with greater confidence, knowing that they can rely on a pre-determined legal framework, ultimately fostering a more stable and predictable business environment. In this way, the Supreme Court's decision not only upholds contractual autonomy but also supports the broader goal of facilitating efficient and effective business operations across India.

## Employment Practice

JSA has a team of experienced employment law specialists who work with clients from a wide range of sectors, to tackle local and cross-border, contentious and non-contentious employment law issues. Our key areas of advice include (a) advising on boardroom disputes including issues with directors, both executive and non-executive; (b) providing support for business restructuring and turnaround transactions, addressing employment and labour aspects of a deal, to minimise associated risks and ensure legal compliance; (c) providing transaction support with reference to employment law aspects of all corporate finance transactions, including the transfer of undertakings, transfer of accumulated employee benefits of outgoing employees to a new employer, redundancies, and dismissals; (d) advising on compliance and investigations, including creating compliance programs and policy, compliance evaluation assessment, procedure development and providing support for conducting internal investigations into alleged wrongful conduct; (e) designing, documenting, reviewing, and operating all types of employee benefit plans and arrangements, including incentive, bonus and severance programs; and (f) advising on international employment issues, including immigration, residency, social security benefits, taxation issues, Indian laws applicable to spouses and children of expatriates, and other legal requirements that arise when sending employees to India and recruiting from India, including body shopping situations.

JSA also has significant experience in assisting employers to ensure that they provide focused and proactive counselling to comply with the obligations placed on employees under the prevention of sexual harassment regime in India. We advise and assist clients in cases involving sexual harassment at the workplace, intra-office consensual relationships, including drafting of prevention of sexual harassment (POSH) policies, participating in POSH proceedings, conducting training for employees as well as Internal Complaints Committee members, and acting as external members of POSH Committees.

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18 Practices and  
41 Ranked Lawyers



7 Ranked Practices,  
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14 Practices and  
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