



CIVIL

Supreme Court Upholds Validity of Exclusive Jurisdiction Clauses in Employment Contracts

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The Supreme Court of India recently delivered a judgment in the cases of Rakesh Kumar Verma v. HDFC Bank Ltd. and HDFC Bank v. Deepti Bhatia, addressing the enforceability of exclusive jurisdiction clauses in employment contracts. The judgment, delivered by Justices Dipankar Datta and Manmohan on April 8, 2025, clarifies the legal position regarding such clauses and their impact on the jurisdiction of courts in India.

The cases involved Rakesh Kumar Verma and Deepti Bhatia, both employees of HDFC Bank, who were terminated due to allegations of fraud and misconduct. Rakesh was appointed in 2002 and his service was terminated in 2016, while Deepti was appointed in 2009 and her service was terminated in 2017. Both employees filed civil suits in local courts, Rakesh in Patna and Deepti in Delhi, seeking declarations that their terminations were illegal and demanding reinstatement with benefits. Their appointment letters and employment agreements contained exclusive jurisdiction clauses stipulating that any disputes would be resolved in the courts of Bombay (Mumbai).

The trial court in Patna dismissed HDFC Bank's petition to reject Rakesh's plaint on jurisdictional grounds. However, the Patna High Court allowed HDFC Bank's revisional application, holding that the exclusive jurisdiction clause barred the Patna court from hearing the case. In contrast, the trial court in Delhi held that the exclusive jurisdiction clause did not oust the jurisdiction of the Delhi court. The Delhi High Court dismissed HDFC Bank's revisional application, relying on the decision in Vishal Gupta v. L & T Finance.

Rakesh and Deepti argued that the exclusive jurisdiction clauses in their employment contracts should not bar them from filing suits in local courts. They contended that the Patna and Delhi High Courts erred in dismissing their suits based on jurisdictional grounds. They emphasized the inequality in bargaining power between employees and employers, likening it to a "mighty lion and a timid rabbit" relationship. HDFC Bank, on the other hand, asserted that the exclusive jurisdiction clauses in the employment contracts were valid and enforceable. They contended that the suits should have been filed in the courts specified in the contracts (Mumbai). HDFC Bank relied on legal precedents to argue that parties are free to agree on jurisdiction unless such agreements are contrary to public policy or statutory provisions.

The Supreme Court upheld the validity of exclusive jurisdiction clauses in employment contracts, provided they are clear, unambiguous, and do not violate Section 28 of the Indian Contract Act, 1872, or Section 20 of the Code of Civil Procedure, 1908. The court emphasized that contracts, including employment contracts, should be treated equally regardless of the parties' relative strengths or weaknesses. The court rejected the argument that employment contracts should be treated differently due to unequal bargaining power, stating that such distinctions would violate the principle of equality.

In Rakesh's case, the Supreme Court affirmed the Patna High Court's decision, directing the trial court to return Rakesh's plaint for presentation in a competent court in Mumbai. In Deepti's case, the Supreme Court allowed HDFC Bank's appeal, setting aside the Delhi High Court's order and directing the trial court to return Deepti's plaint for presentation in a competent court in Mumbai. The court granted liberty to Rakesh and Deepti to amend their plaints if they choose to file fresh suits in Mumbai.

The Supreme Court's judgment reinforces the principle that exclusive jurisdiction clauses in contracts, including employment contracts, are generally enforceable if they meet certain criteria. The court clarified that such clauses do not violate public policy or statutory provisions and emphasized the importance of contractual freedom and equality before the law. This decision ensures that parties to a contract are bound by the terms they agree to, promoting legal certainty and upholding the sanctity of contractual agreements. The merits of the disputes between Rakesh, Deepti, and HDFC Bank remain open for adjudication in the appropriate forums, ensuring that justice is pursued in the correct legal jurisdiction.

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