

India: Supreme Court Decision on Exclusive Court Clauses

In April, the Indian Supreme court decided 2 landmark cases in favour of the employer. The decision will significantly simplify case handling for companies that have employees in multiple locations around India.

Before this Supreme court decision, employees wishing to bring a claim against their employer were essentially allowed to bring the claim in their local court. This was despite any clause in their employment contract stating that all claims should be referred to a specific court, usually one located in the city of the registered address or headquarters of the employer. Local courts had felt able to ignore these exclusive jurisdiction clauses on grounds of the imbalance of bargaining power between employer and employee. A "mighty lion" versus a "timid mouse".

Supreme Court Decision

The Supreme Court has now confirmed that such exclusive jurisdiction clauses in employment contracts are valid and binding provided:

- The clause does not restrict any party from bringing a claim under the contract;
- The court given the exclusive jurisdiction is in fact competent to hear claims of that nature;
- The contract confers (explicitly or impliedly) jurisdiction on a specific set of courts.

This is a game changing decision for countrywide employers. Provided the exclusive jurisdiction clause in the employment contract is correctly drafted, employers can now avoid the cost and complexity of having to defend claims in multiple jurisdictions across the country.

This is a high level general update only. Legal advice should be obtained on specific circumstances.