

**DISPUTES**

# Key takeaways from India's latest employment law rulings

A roundup of important recent court rulings from across India, impacting both employers and platform operators



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From impacts on drafting of employment contracts and enforcement of employer rights, to the application of the POSH Act in the gig economy, withholding of gratuity payments, and which disputes can be resolved via arbitration, this article explores important recent rulings in India.

## Arbitration

Two distinct rulings came out recently regarding the ability of employment disputes to be resolved via arbitration in India.

In *Dushyant Janbandhu v M/s Hyundai Autoever India* (2024INSC966), the employee was not paid his wages, and filed a case before the regulator under the Payment of Wages Act, 1936. The employer contended the dispute must be referred to arbitration. Subsequently, the employee's employment was terminated, and he raised another dispute before the industrial tribunal under the Industrial Disputes Act, 1947. The employer moved the High Court (HC) of Madras seeking appointment of an arbitrator to adjudicate the disputes, and the HC passed an order in favour of the employer. On appeal before the Supreme Court of India (SC), the SC ruled that disputes regarding the payment of wages and legality of termination must be addressed through the statutory framework, and not through arbitration.

This decision is significant as it conclusively lays down that where a labour law prescribes a mechanism for the resolution of disputes, the employer cannot seek reference to arbitration.

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determine the enforcement of lock-in periods in employment agreements under Indian law.

The facts were that the employment agreements of three employees provided for lock-in period (restraining employees from leaving the company for a period of three years from date of joining). The employees submitted their resignation to the company before the expiry of the lock-in period, which lead to disputes between the parties.

The employer contended that it has made enormous investments in training the employees during their employment. Hence, the lock-in period of three years ought to have been honoured. The employer sought reference of the disputes to arbitration.

The HC ruled that disputes regarding lock-in period are arbitrable, and that the arbitrator should make an independent decision regarding the enforceability of lock-in period clauses in the employment agreements.

Employers should also be careful in including arbitration as the preferred dispute resolution mechanism as a standard requirement in their employment contracts with all employees, which has been the norm in the last few years. Careful analysis needs to be undertaken to determine which category of employees should be subject to arbitration and which disputes can be arbitrated.

#### **Gratuity forfeiture without criminal conviction**

Gratuity is a social security benefit paid by the employer to the eligible employees under the Payment of Gratuity Act, 1972 upon cessation of employment. Gratuity can be forfeited under certain circumstances, one of which is termination of employment for any act or omission by the employee involving “moral turpitude”.

The SC in [\*Western Coal Fields v Manohar Govinda Fulzele\*](#) (2025INSC233) heard disputes raised by the employees of a public sector undertaking (PSU) and a transport corporation against forfeiture of gratuity. The gratuity was forfeited for submitting a fabricated date of birth document to the PSU at the time of appointment by the employee, and the transport corporation disallowed gratuity for misappropriation of fares collected from the customers.

The SC ruled that the misconduct committed against the PSU and the transport corporation were offences involving moral turpitude and gratuity can be withheld by the respective employers even in the absence of criminal convictions.

#### **Gig workers and the POSH Act**

A woman, who hired a taxi through a platform provider, alleged sexual harassment by the cab driver and filed a complaint with the internal committee (IC) of the platform provider under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH Act).

As there was no action on the complaint, the lady filed a writ petition before the HC of Karnataka in *Ms X v ANI Technologies* (WP8127/2019) against the platform provider and its IC.

The platform provider contended it is not liable to inquire into the allegations as the cab driver is not an employee, but an independent contractor – meaning the POSH Act is not applicable. Also, writ petitions are normally filed against the state and state agencies and not a private company or its IC.

The single bench of the Karnataka HC rejected the contentions of the platform provider and IC and held that the driver is an employee for the purpose of the POSH Act. The court directed the platform provider to inquire into the allegations under the POSH Act. The court also directed the

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In an appeal against the said decision, the larger bench of the HC has granted an interim stay of the verdict, and the case is being heard by the larger bench. It is to be seen how the larger bench addresses the maintainability of the writ petition against a private company and IC and the status of gig workers for the purpose of the POSH Act.

**Is a client list protected information?**

In *Cigma Events Private Limited v Deepak Gupta and Others* (2024DHC10008), the Delhi HC adjudicated a case filed by an event management company against its former employees and entities incorporated by them. The company alleged that the employees engaged in competing business activities, diverted business opportunities from the company, and had the intent to poach company's clients and business, breaching confidentiality and non-compete agreements signed by them.

The company moved the HC seeking an ad-interim ex-parte injunction restraining the former employees from engaging in activities that infringed the company's IP, breached restrictive covenants, and diverted the company's business and clients.

The HC deliberated on whether a client list by itself is a protected information, as employees generally acquire knowledge of clients during their employment. The HC held that a client list is not automatically protected as confidential information simply by virtue of its existence. For such a list to qualify as a trade secret, employers are required to demonstrate it carries economic value, requires protection, and was compiled using proprietary methods.

The court held that if client details are publicly accessible or if disclosing the information would not materially harm the business, the list is not guaranteed to meet the threshold for confidentiality. The court reiterated that post-termination non-compete clauses are unenforceable under Indian law.

**Local employment mandates unconstitutional**

The State of Jharkhand enacted the Jharkhand State Employment of Local Candidates in Private Sector Act, 2021, which mandated 75% reservation in certain private sector jobs for candidates who are residents of the state and registered with the state government. This law was challenged in the Jharkhand HC in *Jharkhand Small Industries Association and others v State of Jharkhand and Others* (WP(C) 5688/2024). The HC halted its enforcement and observed that it infringed the constitutional rights of private employers to hire candidates based on merit.

The court's ruling aligns with the earlier decision of the Punjab and Haryana HC that struck down a similar local employment mandate in *IMT Industrial Association & another v State of Haryana & Ors* (2023PHHC145649DB). An appeal is pending in the SC against this order of the Punjab and Haryana HC.

Both rulings reveal that state laws mandating preferential hiring based on residency could face legal challenges under the Indian Constitution as it violates the fundamental rights, and its implementation is not in public interest.

As mobility within India becomes more common and since courts are likely to rule that laws mandating local employment are *ultra vires* the Constitution, state governments will be keen to explore alternate mechanisms to impose local employment conditions to demonstrate that they want to protect the native domiciliaries.

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