



WHERE YOU SUE IS WHERE YOU'RE TOLD: EXCLUSIVE JURISDICTION CLAUSE

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The enforceability of exclusive jurisdiction clauses has long been a subject of judicial scrutiny in India. These clauses, while common in commercial agreements, raise sharper questions in the employment context. The central issue is whether contractual autonomy can extend to restricting an employee's access to a forum of convenience, and to what extent courts will intervene to safeguard fairness.

In *Rakesh Kumar Verma v. HDFC Bank Ltd.* and *HDFC Bank v. Deepti Bhatia* (AIR 2025 SC 1917), the Supreme Court of India addressed this issue squarely. The Court's ruling provides much-needed clarity on the validity and enforceability of exclusive jurisdiction clauses in employment contracts, as discussed below.

Facts

Mr. Rakesh Verma, employed in HDFC Bank's Patna office, and Ms. Deepti Bhatia, employed in its Delhi office, had appointment letters containing an exclusive jurisdiction clause ("Clause") conferring jurisdiction on Bombay Courts. After their services were terminated on allegations of misconduct and fraud, Mr. Verma instituted a suit in Patna, while Ms. Bhatia approached the Delhi courts.

The Patna High Court upheld the exclusive jurisdiction clause and held that only Bombay Courts had jurisdiction, whereas the Delhi High Court found that Ms. Bhatia's residence, place of work, and receipt of termination in Delhi gave Delhi Courts jurisdiction notwithstanding the exclusive jurisdiction clause.

Both matters eventually reached the Supreme Court - Mr. Verma through an appeal against the Patna High Court's decision, and HDFC Bank through an appeal against the Delhi High Court's ruling.

Issue

The question of law that arose was whether Mr. Verma and Ms. Bhatia could have instituted civil suits in the courts of Patna and Delhi, respectively, given the specific Clause in their appointment letters stipulating that only the courts in Bombay had exclusive jurisdiction to resolve disputes between the contracting parties.

Supreme Court's Decision

The Supreme Court without delving into the merits of the dispute, held that HDFC Bank is justified in its claim that suits ought to have been instituted in an appropriate court in Mumbai, given the exclusive jurisdiction clause contained in the appointment letter.

The Court reiterated the settled principle that parties cannot, by agreement, confer jurisdiction on a court that it does not otherwise possess under the Code of Civil Procedure, 1908 ("CPC"). However, where multiple courts have jurisdiction, it is open to the parties to select a particular court and exclude the other courts for any contractual claim.

The Court further observed that courts will generally not interfere, provided the employment contracts comply with applicable laws, such as the Indian Contract Act, 1872 ("Contract Act") or the CPC.

Mandatory principles for enforcement

In arriving at this decision, the Court reaffirmed that the following three principles must be satisfied to uphold the validity of an exclusive jurisdiction clause:

- It must comply with Section 28 of the Contract Act meaning it should not absolutely restrict any party from initiating legal proceedings pertaining to the contract. The right to legal adjudication cannot be entirely taken away by contract but may be confined to a designated set of courts for the convenience of the parties.

In the present dispute, the Supreme Court held that the Clause does not take away the right of the employee to pursue a legal claim but only restricts the employee to pursue those claims before the courts in Bombay alone.

- The Court designated as having exclusive jurisdiction must be legally competent to exercise such jurisdiction in the first place, i.e., a Court lacking jurisdiction under the statutory framework cannot be granted jurisdiction through a contractual agreement.

In the present case, since the key elements of the employment relationship — such as the decision to hire, issuance and dispatch of the appointment letter, decision to terminate, and dispatch of the termination letter — all took place in Mumbai, the Mumbai courts, designated as having exclusive jurisdiction, were held to be competent, notwithstanding that the former employees were working outside Mumbai (in Delhi and Patna).

- The contracting parties must either impliedly or expressly confer jurisdiction on a specific set of courts.

In the present dispute, the Clause, by using the term 'exclusive,' clearly and unambiguously excludes the jurisdiction of all other courts, as expressly accepted by both parties.

Parting Note

The judgment is a significant reaffirmation of the enforceability of exclusive jurisdiction clauses in employment contracts. The decision upholds parties' autonomy in selecting a forum and, from the employer's perspective, ensures certainty and shields against litigation in multiple courts.

For employers, it is therefore important that the clause is carefully drafted to ensure that the:

- the jurisdiction clauses does not contravene Section 28 of the Contract Act;
- the chosen court possesses jurisdiction under law; and
- the exclusion of other courts is explicit and unambiguous.

For employees, the case illustrates that while their access to judicial remedies cannot be taken away, they may be contractually bound to a particular forum.

Ultimately, the judgment upholds parties' autonomy in choosing a court, reduces the scope for forum shopping acting as a shield against litigation in multiple courts and ensures consistency in dispute resolution, thereby contributing to certainty in employment law.