

# News

---

## Employment conflict not 'commercial case' under Commercial Courts Act: Delhi High Court



***The Court concluded that employment contracts remain contracts of personal service even where they contain confidentiality or non-compete terms.***

The Delhi High Court has declared that conflicts arising out of employment contracts do not constitute as “commercial disputes” under the Commercial Courts Act, 2015 [ARM Digital Vs Ritesh Singh].

According to Justice Purushaindra Kumar Kaurav, such cases do not have to be brought

before Commercial Courts or undergo the requisite pre-institution mediation required by Section 12 of the Commercial Courts Act.

***“Any dispute relating to an employment agreement cannot be treated to be a commercial dispute within the purview of Section 2(1)(c) of the Commercial Courts Act,”*** the Court said.

Thus, it dismissed an application under Order VII Rule 11 of the Code of Civil Procedure (CPC) seeking rejection of a civil suit filed by ARM Digital Media Pvt Ltd and its promoters.

The Court held that the complaint was fundamentally civil in nature, focusing on employment and related obligations and hence, maintainable as a typical civil matter.

The complaint, brought by ARM Digital Media Pvt Ltd, CEO Abhishek Punia and director Manas Gulati (plaintiffs), involved an employment agreement dated September 8, 2016 under which Singh served initially as Managing Director and thereafter as a non-executive director.

***The plaintiffs asserted that Singh unilaterally increased his salary, failed to maintain statutory compliances and infringed confidentiality, non-compete and non-solicitation duties after departing on March 31, 2023. Additionally, they charged him with joining Insite Digital Private Limited (Icogz), a rival company, and exploiting private information in order to attract clients.***

Singh contended that the employment agreement could not be considered independently of the Share Subscription and Shareholders' Agreement (SSSA) entered on the same day.

Since the SSSA required promoters to sign an employment-cum-non-solicitation agreement in a defined format, he said that implementing the employment agreement amounted to enforcing the SSSA.

***On this basis, he maintained the disagreement constituted a shareholders' agreement dispute falling under Section 2(1)(c)(xii) of the Commercial Courts Act, requiring institution only before the Commercial Court and compliance with mandatory pre-institution mediation under Section 12A.***

He further contended that the litigation was banned under Section 430 of the Companies Act

since the plaintiff asserted breach of fiduciary obligations under Section 166 and sought reliefs affecting the conduct of company affairs.

These, he argued, were within the exclusive realm of the National Company Law Tribunal.

***In response, the plaintiffs contended that the Employment Agreement endured as a separate contract and that the SSSA had been specifically dissolved by a Share Purchase Agreement of August 4, 2022.***

They contended that violations of employment responsibilities, sensitive information and non-compete covenants are civil disputes well within the jurisdiction of a civil court and outside the NCLT's competence.

This stance was approved by the Court.

Relying on precedents including Ekanek Networks, Chanda Kochhar and Rachit Malhotra, it concluded that employment contracts remain contracts of personal service even where they contain confidentiality or non-compete terms.

***"The mere presence of ancillary business-related clauses such as confidentiality, intellectual property assignment, or noncompete obligations does not metamorphose an employment contract, which is fundamentally a contract of personal service, into a commercial arrangement,"*** the Supreme Court ruled.

The Court further concluded that employment-derived benefits whether structured as ESOPs, incentives or long-term plans, cannot be construed as commercial agreements within the meaning of Section 2(1)(c).

***The NCLT does not decide employment contract violations or award injunctions and damages of the type requested, the Court noted, rejecting the claim based on Section 430 as well.***

The Court rejected Singh's plea after determining that several causes of action necessitated a trial and that none of the statutory barriers applied.

As of March 9, 2026, the lawsuit is listed before the Joint Registrar.

The plaintiffs were represented by advocates Bishwajit Dubey, Mohit Rohatgi, Ashwini Tar and Nutan Keshwani.

***The defendants were represented by advocates Sitikanth Nayak and Samiksha Tiwari***

Lawread