

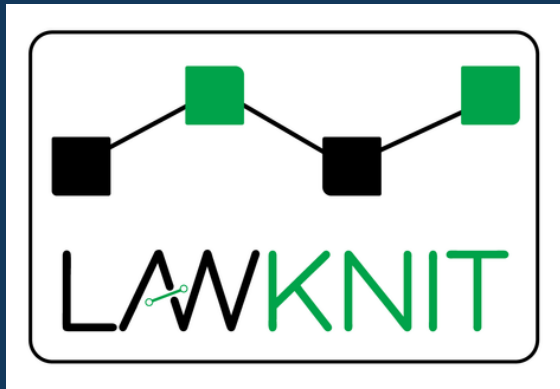
01/06

LAWKNIT ANALYSIS

**LOCK-IN PERIOD IS
REASONABLE
UNDER
EMPLOYMENT
AGREEMENT**

SWIPE



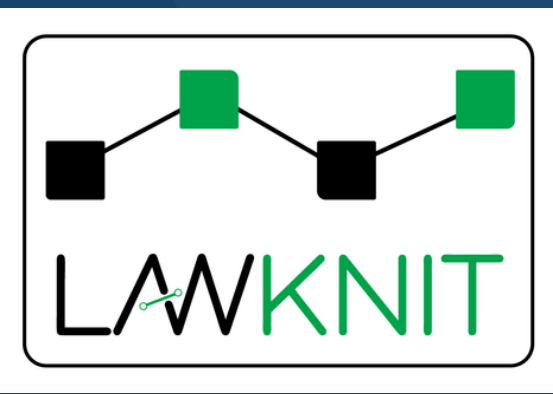


02/06

EXECUTIVE SUMMARY

- The Employment Agreement (“EA”) has Lock-In period of 3 years and certain other restriction applicable on Employees. The EA has arbitration as mode of dispute resolution.
- Employees left the employment without completing the Lock-In period.
- Employer approached Delhi High Court (“Court”) for appointment of arbitral tribunal.
- Court upheld the validity of lock-in period under EA and arbitrability of the employment disputes .

KEEP SWIPING



FACTS OF THE CASE

- Lily Packers Pvt. Ltd. (“Employer”) filed before Court I seeking the constitution of an arbitral tribunal as per the EA with some of their employees (“Employee”).
- Clause 5 of the EA entered between them provided for a lock-in period of 3 years from the date of joining (“Lock-In”). Further clause 9 a negative covenant restricting the Employee from undertaking another employment during the course of this employment.
- One of the Employee went on a leave after one year two months and did not return. Two other Employees also didn’t complete the Lock-In period and left the company. Aggrieved by these, the Employer issued an arbitration notice which was not honoured by these Employees.

ONE MORE



04/06

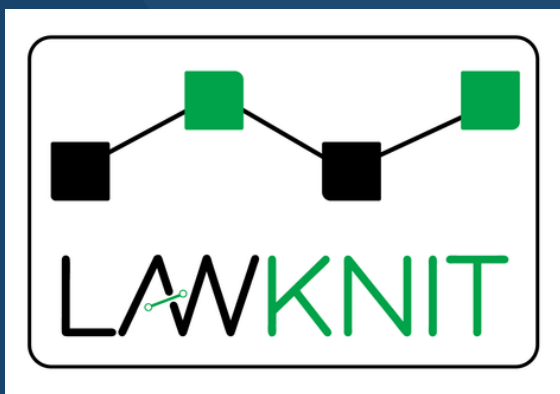
ISSUES

- Whether a lock-in period in EA is valid in law, or does it violate the fundamental rights enshrined in the Constitution of India?
- Whether disputes relating to a Lock-In period in EA are arbitrable?

ARGUMENTS OF PARTIES

- Employer argued that EA was entered in free will and Lock-In period of is reasonable. The Employer also has apprehension over confidentiality, intellectual property rights, data protection etc.
- Employee has argued that Lock-In clause is not arbitrable, and such clause is contrary to law and in violation of the fundamental rights of life and employment.

ONE MORE



05/06

ORDER & OBSERVATIONS

- In the EA, the terms which the employees agree to, such as, the Lock-In period provided herein, pay fixation, emolument benefits, etc. are usually the subject matter of negotiation. The court observed that Lock-In period clauses are matter of negotiation and are entered between the parties with free will and consent.
- The 3-year Lock-In period cannot be considered as an unreasonable curtailment of the employee's right to employment and only qualify as a contract dispute. The negative covenant restricting other employment during term of the current employment is valid and enforceable.
- Employment disputes in general are contractual disputes and can be subject to arbitration as it does not involve the issue of fundamental right's violation.

ONE MORE



06/06

LAWKNIT ANALYSIS

- This judgement also provides much needed clarity on the matter of Lock-In period and other reasonable restriction imposed during the period of employment.
- The arbitration process under EA for resolving employer employee dispute is valid.

In case of any queries/clarifications, please feel free to reach out to Mr. Arunabh Choudhary at arunabh@lawknit.co; Mr. Amol Apte at amol.apte@lawknit.co; Ms. Tanvi Muraleedharan at tanvi.muraleedharan@lawknit.co; Ms. Renu Sirothiya at renu.sirothiya@lawknit.co

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