

# ANM GLOBAL

Advocates & Legal Consultants



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### DISPUTES NEWSLETTER DECEMBER, 2025

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# LITIGATION

## 1.DISPUTES ARISING OUT OF EMPLOYMENT AGREEMENT NOT COMMERCIAL DISPUTES: DELHI HIGH COURT [DECEMBER 1, 2025]

### Introduction:

The Hon'ble Delhi High Court in the case of **ARM Digital Media Pvt. Ltd & Ors. v. Ritesh Singh [1]**, held that any dispute relating to any employment agreement cannot be treated as a commercial dispute within the ambit of Section 2 (1) (c) of the Commercial Courts Act, 2015 ("CC Act"). The Hon'ble High Court further ruled that since the crux of the dispute pertained to an employment agreement, the Defendant's personal service obligations and his fiduciary duties as a director, the jurisdiction of the civil court would remain intact and the National Company Law Tribunal ("NCLT") would not have the jurisdiction to entertain the same.

### Facts:

The suit pertained to an Employment Agreement executed between the Plaintiff, a private limited company, and the Defendant who was initially the Managing Director and later the Non-executive Director of the Plaintiff Company. The Plaintiff alleged that the Defendant breached contractual and fiduciary obligations such as unilaterally increasing his own remuneration and failing to ensure statutory and secretarial compliances which were his responsibilities. It was alleged that these issues were discovered between late 2022 and early 2023 leading to his redesignation and eventual resignation from the post of Managing Director on March 31, 2023.

The Plaintiff contended that post the Defendant's resignation, he joined a competing entity, thus violating the non-compete, confidentiality and non-solicitation obligations under his Employment Agreement and the Articles of Association. It was further stated that the Defendant's conduct of sharing confidential information, soliciting clients and initiating communications raising allegations of non-compliance by the Plaintiff, was adverse to the interests of the Plaintiff. The Defendant also called for an extraordinary general meeting and lodged investor complaints before the Registrar of Companies which eventually became part of oppression and mismanagement petitions before the NCLT.

The Plaintiff asserted that while the underlying disputes intersect with shareholder dynamics and ongoing NCLT proceedings, the core issues in this suit relate to the breaches of personal service obligations, misuse of confidential information and violations of director fiduciary duties under Section 166 of the Companies Act, 2013 ("Companies Act").

The Defendant filed an Application under Order VII Rule 11 (d) of the Code of Civil Procedure, 1908, ("CPC") seeking rejection of the plaint on ground that the suit was barred by law since the dispute constituted a

'commercial dispute' within the meaning of Section 2 (1) (c) (xii) of the CC Act requiring the suit to be instituted exclusively before the Commercial Court and consequently, the suit would be barred for want of compliance with the mandatory pre-institution mediation contemplated under Section 12A of the CC Act. It was further stated that the jurisdiction of the civil court is expressly ousted under Section 430 of the Companies Act.

### Issue:

Whether employment disputes come within the ambit of the definition of a 'commercial dispute' under the Commercial Courts Act and whether the jurisdiction of the civil court is ousted as per Section 430 of the Companies Act.

### Held:

The Hon'ble Delhi High Court ("**Hon'ble Court**") first examined the definition of 'commercial dispute' as contained in Section 2 (1) (c) of the CC Act and noted that the definition is undoubtedly inclusive and expansive covering mercantile relationships arising from contracts or otherwise, joint venture agreements, business cooperation arrangements and a list of specified relationships. The Hon'ble Court observed that even though the statutory definition is expansive, its breadth is not unrestrained and the structure of Section 2 (1) (c) of the CC Act reveals that every category listed therein shares a common commercial thread pertaining to transactions involving trade, business operations, commercial obligations or mercantile dealings and when interpreting whether a particular dispute fits within the provision, the inquiry must focus on whether the relationship at issue arises from a commercial or business oriented engagement rather than merely from the fact that one of the parties is a commercial entity. The Hon'ble Court noted that the distinction becomes particularly significant when examining whether contracts rooted in personal service, such as employment agreements, possess the commercial character necessary to be brought within the ambit of a "commercial dispute". Based on various decisions, the Hon'ble Court further noted that the mere presence of ancillary business-related clauses such as confidentiality, intellectual property assignment or non-compete obligations do not metamorphose an employment contract which is fundamentally a contract of personal service into a commercial arrangement. Based on a review of both Indian and foreign precedents the Hon'ble Court ruled that any dispute relating to an employment agreement cannot be treated as a commercial dispute within the purview of Section 2 (1) (c) of the CC Act.

In the present case, the Hon'ble Court noted that the core allegations clearly arise out of the Employment Agreement and the Defendant's statutory fiduciary duties as a director under Section 166 of the Companies Act and the allegations made by the Plaintiff flow from

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[1] 2025:DHC:10726

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the personal service obligations and director's fiduciary duties and not any commercial contract. The Hon'ble Court further noted that the alleged misconduct even when it touches corporate governance is inextricably linked with the Defendant's role as an employee and Managing Director. The Hon'ble Court examined the Employment Agreement particularly the clauses pertaining to the Defendant's duties and functions and held that it was evident that the arrangement lacked any commercial element and remained in essence a private agreement between the parties and could not be stretched to be given a character of a shareholder's agreement. The Hon'ble Court analysed and distinguished the judgments relied upon by the Defendant and ruled that the Defendant's contention that the suit is barred under Section 430 of the Companies Act is wholly misconceived. It was held that the gravamen of the dispute arises out of the employment agreement and the Defendant's personal service obligations coupled with his fiduciary duties under Section 166 of the Companies Act and that disputes of this nature lie outside the exclusive jurisdiction of the NCLT and hence the civil court's jurisdiction remains intact and accordingly, Section 430 had no application to the present suit. The Hon'ble Court opined that even assuming *arguendo* that any part of the Defendant's objection under Section 430 had merit, the plaint could not be rejected in part based on the settled principle of law that when multiple, distinct causes of action exist and even a single relief survives scrutiny, the plaint must proceed to trial in its entirety. The Hon'ble Court therefore held that at this preliminary stage, the plaint could not be dissected or rejected in part and the suit must be permitted to proceed for adjudication on all surviving issues. In this view of the matter, the Hon'ble Court ruled that the Defendant's application under Order VII Rule 11 CPC lacked merit and was liable to be dismissed.

## **2.APPEALS ARISING FROM ENFORCEMENT PROCEEDINGS OF ARBITRAL AWARDS BEFORE A COMMERCIAL DIVISION OF A HIGH COURT MAINTAINABLE ONLY IF ORDER IS REFERABLE TO ORDER XLIII RULE 1 OF CPC: DELHI HIGH COURT [DECEMBER 16, 2025]**

### **Introduction:**

In the case of **M/s. Ramacivil India Construction Pvt. Ltd. v. Union of India [2]**, a Division Bench of the Hon'ble Delhi High Court ("**Hon'ble Division Bench**") ruled that appeals from orders passed by the Hon'ble Single Judge in enforcement or execution proceedings of an arbitral award would be maintainable under the Commercial Courts Act, 2015 ("**CC Act**") only if the impugned order is referable to Order XLIII Rule 1 (j) and Rule 1 (ja) of the Civil Procedure Code, 1908 ("**CPC**"). The Hon'ble Division Bench further held that in view of the overriding provision in Section 21 of the CC Act and the non-obstinate clause in Section 13 of the CC Act, appeals were not maintainable under the Delhi High Court Act,

1966 ("**DHC Act**").

### **Facts:**

The Hon'ble Division Bench passed a common judgment in respect of two appeals, since the question of law in both cases was the same.

In the first case, an arbitral award was passed in favour of the Appellant ("**Decree Holder**") and the Respondent ("**Judgment Debtor**") was directed to pay a sum of Rs. 2,99,55,403/- with simple interest @ 11% per annum from January 29, 2016 till the date actual payment was made. The Judgment Debtor challenged the award under Section 34 of the Arbitration Act. The Decree Holder also filed an Enforcement Petition under Section 36 of the Arbitration Act read with Order XXI of the Code of Civil Procedure, 1908 ("**CPC**"). The Hon'ble Single Judge stayed the execution of the Award subject to the Judgment Debtor depositing the award amount with interest till that date before the Registrar General of the Hon'ble High Court. Thereafter, based on an application, the Decree Holder was permitted to withdraw the amount deposited subject to the Decree Holder furnishing a bank guarantee of an amount of Rs. 4.75 crore. The Decree Holder withdrew the amount except for the sum of Rs. 7,09,323/-.

The Judgment Debtor's challenge under Section 34 of the Arbitration Act was dismissed, following which the Decree Holder moved an application for release of the bank guarantee along with the sum of Rs. 7,09,323/- which was allowed by the Hon'ble single judge. In the proceedings for enforcement of the Award, the Decree Holder stated that it was entitled to be paid the balance amount which was the interest for the period between September 6, 2021 till July 19, 2024 when the deposited amount was permitted to be released by the Hon'ble High Court against the bank guarantee. The Hon'ble Single Judge held that the Arbitral Award stood executed in its entirety and denied interest to the Decree Holder for the period from the date of deposit till the date of release of the amount. Aggrieved by the order of the Hon'ble Single Judge, the Decree Holder filed an Appeal under Section 10 of the DHC Act.

In the second case, the arbitral tribunal awarded the Respondent ("**Decree Holder**") a sum of Rs. 4,53,96,113/- along with interest up to the date of the award and future interest @ 10% p.a. if the award remained unsatisfied within a period of 60 days. The Appellant ("**Judgment Debtor**") challenged the award under Section 34 of the Arbitration Act which was dismissed and the Decree holder filed proceedings for enforcement of the award. The Hon'ble Single Judge directed the Judgment Debtor to deposit the awarded amount with the Hon'ble High Court, which was complied with by the Judgment Debtor. The Decree Holder was also permitted to withdraw the award amount which was subject to the Decree Holder furnishing a bank guarantee equivalent

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[2] 2025:DHC:11387:DB