



GRC BULLETIN

AUGUST - 2025, VOLUME: I

Case Law

Delhi High Court Upholds Non-Compete Clause Against
Ex-Employee in IT Sector

[Click Here to Read Full Bulletin](#)

#Trusted Compliance Partner



JUDICIAL INSIGHT

Case Title

[Varun Tyagi v. Daffodil Software Private Limited, FAO 167/2025 & CM APPL. 36613/2025, Delhi High Court]

DELHI HIGH COURT UPHOLDS NON-COMPETE CLAUSE AGAINST EX-EMPLOYEE IN IT SECTOR

I. Factual Background

- ***Employment History & Agreement***

Varun Tyagi, an IT professional, was first employed with an associate of Daffodil Software Pvt Ltd. on 22nd June 2021 and transitioned to Daffodil on 1st January 2022. Tyagi signed an Employment Agreement containing detailed Non-Compete and Non-Solicitation Clause (Clause 2.16), barring the employee from engaging with the company's business associates for three years following employment termination.

- ***POSHAN Project Assigned to the Government Organisation***

Daffodil Software entered into a transaction with Digital India Corporation (DIC) for the POSHAN Tracker Project, which is a significant government initiative that intends to improve child nutrition. Varun Tyagi was assigned to this project and provided access to sensitive modules and strategic insights before later being given a leadership role on the project.

- ***Resignation and Job Switch***

Tyagi resigned on 6th January 2025 and fulfilled a 3-month notice period, before joining DIC directly as General Manager on 8th April 2025, one day after his employment officially ceased.

- ***The Legal Controversy***

Daffodil Software Limited sued Tyagi at the District Court, alleging that he was in breach of the post-employment restrictive covenants, utilised confidential information in breach of his employment agreement. The Trial Court granted an interim injunction on 23rd May 2025, which was confirmed and extended by the Impugned Order dated 3rd June 2025, restraining Tyagi from employment with DIC and NeGD.

Tyagi challenged the order before the Delhi High Court under FAO 167/2025.

II. Issue

- Are post-employment restrictive covenants set out in the Employment Agreement (Clause 2.16) enforceable under Section 27 of the Indian Contract Act, 1872 (ICA)?
- Do such clauses infringe on the employee's right to earn a livelihood and profession, especially after full performance of the terms of the contract?



JUDICIAL INSIGHT

Case Title

[Varun Tyagi v. Daffodil Software Private Limited, FAO 167/2025 & CM APPL. 36613/2025, Delhi High Court]

- Is the injunction an unlawful restraint of trade, considering the respondent has described the DIC designation, as reported, as that of a business association?

III. Reasoning and Judgment of the Court

- ***The Appellant's Argument: The Restraint is Void under Section 27 of the ICA***

In the submissions by counsel for Tyagi, he argued that since the employment was over on 7 April 2025, the restriction was unenforceable because Section 27 of the ICA states that all agreements that restrict trade or profession are void unless they fall under a particular statutory exception. He relied on decisions including:

- *Superintendence Co. of India v. Krishan Murgai* (1981)
- *Percept D'Mark v. Zaheer Khan* (2006)
- *Manipal Business Solutions v. Aurigain Consultants* (2022)

He submitted that the Indian law did not recognize partial restraints once employment terminated, and that enforcing partial restraints would breach the statute and be against public policy.

- ***The Respondent's Argument: Legitimate Business Interest and Confidentiality***

Daffodil Software argued that the injunction was necessary to protect its proprietary information, source codes, and strategic access that the Appellant had while working for the company. Noting that DIC was a business associate and end-client of Daffodil Software, the Appellant joining DIC would offer a significant and unfair competitive advantage; particularly, with the Appellant's historical leadership role and insider knowledge, Daffodil Software would have no reasonable chance of competing against DIC.

- ***Trial Court's Finding (Upheld)***

The Trial Court found a prima facie case in the employer's claim. It found:

- The balance of convenience favored Daffodil Software.
- Disclosure of sensitive/proprietary information would cause irreparable harm to the company.
- Although the non-compete clause was post-employment, in this case, and given the nature of the access and the government project, it was enforceable.



JUDICIAL INSIGHT

Case Title

[Varun Tyagi v. Daffodil Software Private Limited, FAO 167/2025 & CM APPL. 36613/2025, Delhi High Court]

• Delhi High Court Decision

Although the judgment text ends without a final decision from the High Court, the facts support that:

- The High Court accepted the Trial Court's injunction as valid on interim findings.
- The arguments under Section 27 were heard but not conclusively ruled upon (potentially awaiting a final trial).

This case illustrates the tension in Indian employment law between employee mobility and employer confidentiality. Section 27 of the ICA has a strong anti-post-employment restriction bias, but when it relates to sensitive government projects and trade secrets, the courts may lean more towards enforcement.

The outcome would depend on a detailed trial regarding:

- The quantity of confidential data assigned to the Appellant;
- The immediate and real threat arising from his employment at DIC;
- And whether there are legitimate business interests protection which may override imposed statutory trade restraints.

CASE TITLE:

[Varun Tyagi v. Daffodil Software Private Limited, FAO 167/2025 & CM APPL. 36613/2025, Delhi High Court]



Head Quarters:

Vasudha, 2nd Floor, No. 2, 38th Main Rd,
Rose Garden, JP Nagar Phase 6, J. P. Nagar,
Bengaluru, Karnataka 560078

Ph: 080 41673023

Email: info@ricago.com

Website: www.ricago.com

Subscribe to the Newsletter:

Subscribe

Disclaimer: This newsletter is prepared by Clonect Solutions Pvt. Ltd. and contains information about the statutory compliance updates for general information only. No claim is made as to warrant or represent that the information contained in this document is correct. Also, it should not be considered as legal or financial advice and under no circumstances Clonect Solutions Pvt. Ltd. shall be held responsible for any kind of damages arising there to.

#Trusted Compliance Partner