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Chapter 3

NEGOTIATING AND DRAFTING NONCOMPETITION AGREEMENTS*

When negotiating and drafting noncompetition agreements, it must be kept in mind that although Massachusetts courts will typically reform overly broad agreements to fit within the strictures of the law, *see, e.g., Cheney v. Automatic Sprinkler Corp. of Am.*, 377 Mass. 141, 149 (1979) (noncompetition agreements that fail to “express appropriate limits” are “not automatically invalidated”), such favorable treatment should not, and cannot, be assumed, *see, e.g., Edwards v. Athena Capital Advisors, Inc.*, 2007 Mass. Super. LEXIS 378, at *8–9 (Mass. Super. Ct. Aug. 7, 2007) (Macdonald, J.) (noncompetition agreement considered too vague to permit proper reformation). Moreover, to the extent that the noncompetition agreement may implicate interstate or international issues (whether because of a choice of law analysis or because enforcement—or invalidation—is ultimately sought in another state or country), a proper noncompetition agreement should anticipate and address all potentially significant issues.

§ 4 REQUIREMENT OF A WRITING

Noncompetition agreements are contracts. Subject to certain recognized exceptions, contracts—including employment agreements—need not be in writing. *See* G.L. c. 259, §§ 1–7 (statute of frauds); G.L. c. 106, § 2-201 (statute of frauds under Massachusetts’s version of the Uniform Commercial Code); *Klein v. President & Fellows of Harvard Univ.*, 25 Mass. App. Ct. 204 (1987) (oral employment agreement). Although courts typically presume the existence of a written instrument (likely because such agreements are almost always in writing, and thus, that is what is presented to the court), no case has expressly required a noncompetition agreement to be in writing or definitively stated that a writing is not required. Recently, however, two Superior Court cases have come close to addressing the issue, albeit ultimately they did not expressly rule on it; nevertheless, they shed at least some (perhaps conflicting) light on the issue.

* This chapter is written with an eye toward restrictive covenants in the employment context. As such, it covers the issues that arise in connection with restrictive covenants arising in other contexts as well.

NEGOTIATING AND DRAFTING

The first was in early 2008 in the case of *Bear Stearns & Co. v. McCarron*, C.A. No. 08-0978BLS1 (Mass. Super. Ct. Mar. 5, 2008) (Gants, J.). In that case, in addressing “‘stealth’ restrictive covenants” (see “Stealth Agreements” subheading under **Error! Reference source not found.**, below), Judge Gants (then in the Business Litigation Session of the Superior Court, and now serving on the Supreme Judicial Court) stated, “If the employer wishes to restrict an employee’s freedom to change his employment and compete against his former employer, the employer must do so in an agreement *executed* by the employee” *Bear Stearns & Co. v. McCarron*, C.A. No. 08-0978BLS1 (emphasis added). Plainly, an employee cannot execute an oral agreement.

The second case was *Steelcraft, Inc. v. Mobi Medical, LLC*, C.A. No. 08-1934 (Mass. Super. Ct. Nov. 10, 2008) (Tucker, J.). In that case, the former employer sought, among other things, to enforce an oral noncompetition agreement. The court did not invalidate the noncompetition agreement on the ground that there was no written agreement (although it did question the employer’s ability to ultimately prove its existence). *Steelcraft, Inc. v. Mobi Med., LLC*, C.A. No. 08-1934, at *2–3. Rather, the court rejected the agreement on the grounds that it lacked a reasonable term (because no term was alleged); it lacked a reasonable geographic scope (because none was alleged); and it violated public policy (because it “could conceivably stop [the employee] from participating in his trade anywhere in the world ever again”). *Steelcraft, Inc. v. Mobi Med., LLC*, C.A. No. 08-1934, at *3. Given that the public policy issue was the result of the unreasonableness of the term and geographic scope and that the court did not even consider the possibility of reformation of those aspects of the agreement (see **Error! Reference source not found.**, **Error! Reference source not found.**, above), it is likely that the court’s decision was heavily influenced by the absence of a writing.

§ 5 REQUIRED ELEMENTS: DURATION, GEOGRAPHIC REACH, SCOPE OF PROHIBITED ACTIVITIES

Every noncompetition agreement should address the three essential elements: duration, geographic reach, and scope of the proscribed activities. See **Error! Reference source not found.**–**Error! Reference source not found.**, above. Each of these provisions must be drafted with an eye toward what would be reasonable. See **Error! Reference source not found.**, above. In addition, care should be taken to tailor the agreement to the specific facts and circumstances existing at the time and likely to exist if and when the covenant will be enforced. *But see Hurwitz Group, Inc. v. Ptak*, 2002 WL 32717868, at *4 n.2 (Mass. Super. Ct. June 27, 2002) (Billings, J.) (noncompetition agreement application to

places that employer “is actively contemplating engaging in” was unreasonably broad).

§ 6 IDENTIFICATION OF THE LEGITIMATE BUSINESS INTERESTS

The legitimate business interests sought to be protected by the noncompetition agreement should be identified with sufficient particularity to enable a reader to understand exactly what is covered by the agreement. In that regard, examples should be included—but denominated as such; confidential information should be identified by type (failure to identify information as confidential can have a preclusive effect on the company’s ability to later claim that it requires protection; see “Confidentiality Is Key” under “Trade Secrets and Confidential Information” subheading in **Error! Reference source not found.****Error! Reference source not found.**, above); and customers and goodwill should be identified by category and relationship to the party to be restricted. Equally importantly, because these interests frequently change and develop over time, the agreement should address that possibility as appropriate.

When addressing the need for specificity, care must be taken to avoid unintentionally narrowing the scope of the desired protections. Depending on how the agreement is written, it may be necessary to include a provision that makes clear that the expressed specificity should not be misinterpreted to indicate that matters not specifically identified were intended to be omitted.

Although implicit in the above, it bears mention that in order to prepare an agreement that has the best chance of enforcement, the drafter needs more than a passing familiarity with the interests at issue and circumstances giving rise to the need for the noncompetition agreement. A thorough understanding of both the facts and law in this regard is necessary to the proper drafting of such an agreement.

§ 7 PREPARATION TO COMPETE

The Appeals Court has recently stated quite unequivocally that absent an express proscription in a party’s agreement, an employee may “prepare to compete.” Specifically, in *Brooks Automation, Inc. v. Blushift Technologies, Inc.*, 69 Mass. App. Ct. 1107, 2007 WL 1713370 (2007) (unpublished opinion), the Appeals Court affirmed the Business Litigation Session of the Superior Court (Judge Gants), stating, “No case in our jurisdiction stands for the proposition that a current or former employee, even one subject to a noncompetition agreement or a duty of loyalty, may not prepare to compete with his or her employer.” *Brooks Automation, Inc. v. Blushift Techs., Inc.*, 69 Mass. App. Ct. 1107, 2007 WL 1713370, at *2 (citing *Augat, Inc. v. Aegis, Inc.*, 409 Mass. 165, 172–73 (1991)); see also *Baxter, Inc. v. Landry*, 74 Mass. App. Ct. 1102, 2009 WL 838145, *1 (2009) (in an unpublished opinion, noting that, where employees

were not subject to a noncompetition or nonsolicitation agreement, they were free to take “active steps” to prepare to compete (citing *Augat, Inc. v. Aegis, Inc.*, 409 Mass. at 172)); *DeLong Corp. v. Lucas*, 278 F.2d 804, 808 (2d Cir. 1960); *Meehan v. Shaughnessy*, 404 Mass. 419, 433 (1989) (“We have stated that fiduciaries may plan to compete with the entity to which they owe allegiance, provided that in the course of such arrangements they do not otherwise act in violation of their fiduciary duties.” (internal quotations and citations omitted)); *McFarland v. Schneider*, 1998 WL 136133, at *46 (Mass. Super. Ct. Feb. 17, 1998) (McHugh, J.). The court did, however, observe that not only did the noncompetition agreement omit an express prohibition on preparation to compete, but the defendant “had no product, no investors, no funding, no marketing, and no employees, and . . . was not working for another company.” *Brooks Automation, Inc. v. Blueshift Techs., Inc.*, 2007 WL 1713370, at *2. Thus, although the court’s language was broad, it is unclear whether the same result would have obtained had the facts been less one-sided.

Such was the case in *McFarland v. Schneider*, 1998 WL 136133 (Mass. Super. Ct. Feb. 17, 1998) (McHugh, J.). In that case, the court (even before the Appeals Court’s *Brooks Automation* decision) observed that the former employee was “free to make preparatory efforts to leave [his employer] without disclosing to his partners what those efforts were and without violating his fiduciary duty to them in the process.” *McFarland v. Schneider*, 1998 WL 136133, at 46 (Contrasting the facts of the case with the standard articulated by the court, the court concluded, “This is not a record . . . that reflects benign preparation and nothing more.”). The court also noted that there are limits in this regard insofar as “[a] partner has an obligation to ‘render on demand true and full information of all things affecting the partnership to any partner.’” *McFarland v. Schneider*, 1998 WL 136133, at 46 (quoting *Meehan v. Shaughnessy*, 404 Mass. 419, 436 (1989)). Thus, the court explained, “[m]ost important, however, none of the cited cases, nor any other of which this court is aware, places an imprimatur on secret preparations to violate an agreement to which one is bound both by contractual and fiduciary ties.” *McFarland v. Schneider*, 1998 WL 136133, at 46. The court also noted the irony of the applicable rules in this regard:

It is, however, somewhat ironic that, in an era where a broad duty of good faith and fair dealing exists between contractual adversaries, *see, e.g., Anthony’s Pier Four, Inc. v. HBC Associates*, 411 Mass. 451, 471–473 . . . (1991); G.L. c. 93A, § 11, we view clandestine preparations for departure as fully consistent with the fiduciary ties that exist between those bound together in ostensibly common cause. Among other things, such preparations are never fully secret and in-

evitably produce, if not the manipulative excesses this record demonstrates, at least some disruptions of a type that usually spring from the shadowy places where secrecy and intrigue are breeding.

McFarland v. Schneider, 1998 WL 136133, at *46 n.76; see also **Error! Reference source not found., Error! Reference source not found.**, below.

Nevertheless, notwithstanding this irony or the one-sided facts in *Brooks Automation*, Judge Gants again faced the issue in *National Economic Research Associates, Inc. v. Evans*, 2008 WL 4352600, at *10 (Mass. Super. Ct. Sept. 10, 2008), reaching a similar result to the Appeals Court. In that case, citing only *Augat v. Aegis*, Judge Gants held:

When an employee has executed an enforceable non-compete agreement with his current employer, the “active steps” an employee may take to prepare for competition may constitute a prelude to a breach of that noncompete agreement but they do not constitute a breach of fiduciary duty. Consequently, the line that divides permissible preparation from a breach of fiduciary duty is the same for an employee regardless of whether or not he entered into a noncompete agreement.

Nat’l Econ. Research Assocs., Inc. v. Evans, 2008 WL 4352600, at *10.

§ 8 EXTENSION/SCALING BACK OF THE TERM

Consideration should be given to whether the restrictive period will toll as a consequence of events outside of the employer’s control. For example, it may be appropriate to toll the agreement for the period before the employer learns that the former employee is engaged in proscribed activity. Likewise, it may be appropriate for the agreement to toll until the employer is reasonably able to obtain injunctive relief enjoining the employee’s competitive activity.

The enforceability and effectiveness of such provisions has not been extensively addressed. Nevertheless, most courts that have raised the issue have been willing (or at least appeared willing) to extend the term of restrictive covenants when equitable to do so, and particularly when the agreement so provides. *See, e.g., Alexander & Alexander, Inc. v. Danahy*, 21 Mass. App. Ct. 488, 492 n.3 (1986) (observing that company did not argue that one of noncompetition agreements “should be extended to give [it] the benefit of having the covenant enforced for

[its] full two-year period”); *Wells v. Wells*, 9 Mass. App. Ct. 321, 328 (1980) (extending noncompetition agreement by duration of court-imposed stay of its operation “to give . . . the benefit of its original terms”); *Middlesex Neurological Assocs., Inc. v. Cohen*, 3 Mass. App. Ct. 126, 127 n.1 (1975) (accepting parties’ stipulation that restrictive period would be tolled pending appeal); *Oxford Global Res., Inc. v. Cerasoli*, 05-4016BLS (Mass. Super. Ct. June 22, 2006) (Gants, J.) (extending duration of preliminary injunction based on terms of restrictive covenant); *Oxford Global Res., Inc. v. Consolo*, 2002 WL 32130445, at *6 (Mass. Super. Ct. May 6, 2002) (Botsford, J.).

In *Hurwitz Group, Inc. v. Ptak*, 2002 WL 32717868 (Mass. Super. Ct. June 27, 2002) (Billings, J.), however, the Superior Court raised the concern that such a provision might render the duration of the restriction unreasonable. Specifically, the court considered a provision that allowed for the extension of the duration for “any period(s) of violation [of the noncompetition agreement] or period(s) of time required for litigation to enforce its provisions.” *Hurwitz Group, Inc. v. Ptak*, 2002 WL 32717868, at *4 & n.2. In describing that provision as potentially unreasonable, the court observed that the provision might extend even during the time in which the employee was enjoined. *Hurwitz Group, Inc. v. Ptak*, 2002 WL 32717868, at *4 n.2. It is unclear from the decision whether the court was concerned about such a provision in general or whether the concern arose solely from the fact that the duration would be enlarged even for the period when the employee was enjoined. Proper drafting can obviously address the latter, though not necessarily the former.

This issue becomes potentially much more troublesome to the extent that the noncompetition agreement may be reviewed in another jurisdiction or governed by the law of another state. For example, clauses such as this may be viewed as rendering the entire noncompetition agreement invalid—even where the agreement includes a so-called savings clause (i.e., a provision that states that the invalidation of any particular provision does not invalidate the entire agreement). See, e.g., *ALW Mktg. Corp. v. Hill*, 422 S.E.2d 9, 13 (Ga. Ct. App. 1992) (finding a noncompetition agreement invalid because the tolling provision “potentially extends the time of such a covenant perpetually”); *Prods. Action Int’l v. Mero*, 277 F. Supp. 2d 929 (S.D. Ind. 2003).

§ 9 ACKNOWLEDGMENT OF LEGITIMATE INTERESTS AND IRREPARABLE HARM

While provisions acknowledging the existence and adequacy of the employer’s legitimate interests and that a breach of the agreement would cause irreparable injury to such interests may be viewed as mere “boilerplate,” they could be helpful in es-

establishing irreparable injury—particularly if reaffirmed posttermination. See *Nat'l Hearing Aid Ctrs., Inc. v. Avers*, 2 Mass. App. Ct. 285, 290 (1974) (customer list presumed confidential where identified as such in noncompetition agreement); *E. Bag & Paper Co. v. Ross*, 2007 WL 2367636, at *3 (June 23, 2007) (Curran, J.) (“These are not mere words. They are express contract terms.”); *Wordwave, Inc. v. Owens*, 2004 WL 3250472, at *3 (Mass. Super. Ct. Dec. 7, 2004) (Muse, J.) (noting that the agreement “explicitly states, ‘you acknowledge that during your employment you will develop good will on behalf of the Company’”).

§ 10 ASSIGNMENT/SUCCESSORS IN INTEREST

Although no appellate level court has directly addressed the issue, several trial level courts have concluded that noncompetition agreements are not assignable in the absence of consent. See **Error! Reference source not found., Error! Reference source not found.**, below. “The burden to negotiate for an assignability clause rests with the employer—not the employee.” *Next Generation Vending v. Bruno*, C.A. No. 08-0365-G, at *5–6, 7 (Mass. Super. Ct. May 20, 2008). Moreover, an agreement must be clear whether—and under what circumstances—it will apply to successor entities, as well as assignees. See, e.g., *L-3 Communications Corp. v. Reveal Imaging Techs., Inc.*, No. 035810-BLS, at *11 (Dec. 2, 2004) (van Gestel, J.) (not enforceable by “successor” company where the original (parent) company continued to exist).

§ 11 CHANGE OF POSITION/RESPONSIBILITIES

The law is unclear whether a change in position or responsibilities will vitiate an existing noncompetition agreement, thereby requiring execution of either a reaffirmation or entirely new agreement. See “Change in Position” subheading under **Error! Reference source not found.**, below. Accordingly, the agreement should address in advance what effect a change in position will have on the continuing viability of the agreement. See *Slade Gorton & Co. v. O’Neil*, 355 Mass. 4, 6, 8–10 (1968) (noncompetition agreement where parties anticipated at outset of employment that employee’s duties would change was assumed to be valid, though it was not enforced for other reasons).

§ 12 SPECIFICATION OF REMEDIES

It is good practice for an agreement to expressly state the potential consequences of a breach so that the ramifications are clear. Accordingly, the agreement should explain what injunctive relief may be appropriate, and why such relief

would be appropriate. *See generally EMC Corp. v. Allen*, 1997 WL 1366836, at *4 (Mass. Super. Ct. Dec. 15, 1997) (Kottmyer, J.) (noting that “[t]he agreement itself provides that it is enforceable by injunction”).

Specification of monetary damages (i.e., a liquidated damages provision) should also be considered. In the absence of such a provision, damages for breach of a noncompetition agreement are typically lost profits, although other damages may be available as well. *See, e.g., My Bread v. Jesi*, 350 Mass 282, 285–86, 288–89 (1966) (“[f]or purposes of a prima facie showing of a basis for the computation of damages (which seldom can be made with precision in a case of this kind)” a superficial lost profits analysis was proper); *Lufkin’s Real Estate, Inc. v. Aseph*, 349 Mass. 343, 345–46 (1965) (plaintiff must prove that lost profits would have been paid to it, rather than leaving such proof to speculation (citing *Snelling & Snelling of Mass., Inc. v. Wall*, 345 Mass. 634 (1963))); *Warner-Lambert Co. v. Execuquest Corp.*, 427 Mass. 46, 50 (1998) (where confidential employee list is misappropriated, damages may include, “for example, loss of [the company’s] human resource investment in recruiting, training, and retaining its valued employees, especially those women and minorities who may have been underrepresented in professional and executive level positions”); *Adam Assocs. Int’l, Inc. v. William A. Berry & Son, Inc.*, C.A. No. 05-0997-BLS2 (Mass. Super. Ct. May 1, 2007) (Gants, J.) (disgorgement of profits); *Oxford Global Res., Inc. v. Guerriero*, 2003 WL 23112398, at *11 (D. Mass. Dec. 3, 2003) (Woodlock, J.) (lost sales is just one component). Proving such damages, however, can be “particularly difficult and elusive.” *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. 310, 322 (1982); *see also Acordia N.E., Inc. v. Academic Risk Res. & Ins., LLC*, 2005 WL 704870, at *5 (Mass. Super. Ct. Jan. 5, 2005) (measurement of money damages “is very far from certain”). As such, particularly when “the difficulties involved in determining damages arise in large part from [the defendant’s conduct],” damages may be reasonably approximated. *Adam Assocs. Int’l, Inc. v. William A. Berry & Son, Inc.*, C.A. No. 05-0997-BLS2 (Mass. Super. Ct. May 1, 2007) (Gants, J.) (citations omitted) (“The law recognizes that ‘an element of uncertainty’ as to the amount of compensatory damages does not bar their recovery”); *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 321 (“it is . . . not necessary to establish the precise monetary damages which flow from the breach of a covenant not to compete”). *But see Lufkin’s Real Estate, Inc. v. Aseph*, 349 Mass. at 346 (“When . . . damages are sought they must be proved and not left . . . to speculation.”).

Any liquidated damages provision should be a reasonable estimate of what the likely monetary damages would be. *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 321–22 (“[A] promise to pay a specific amount as damages, i.e., liquidated damages, will be given effect” provided that it is “not otherwise unreasonable.”); *Adam Assocs. Int’l, Inc. v. William A. Berry & Son, Inc.*, C.A.

No. 05-0997-BLS2 (Mass. Super. Ct. May 1, 2007) (Gants, J.). Care must be taken to recognize that there must be “some reasonable relationship between the [liquidated damages] provision and the damages sustained.” See *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 325 (dissent) (forfeiture provision); see also *Sentry Ins. v. Firnstein*, 14 Mass. App. Ct. 706, 709 (1982) (affirming trial court’s conclusion that only nominal damages were available where the “liquidated damages clause in the contract bore no rational relationship to the wrong done”). Moreover, equitable or other factors may limit the permissible recovery, particularly when the agreement specifies the forfeiture of earned retirement benefits. *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 321 (allowing only portion of specified liquidated damages); *Cheney v. Automatic Sprinkler Corp. of Am.*, 377 Mass. 141, 145 n.5 (1979) (noting that certain benefit plans may, under G.L. c. 151D, § 13 and 29 U.S.C. § 1053(a) (1976), be immune from forfeiture); *Sentry Ins. v. Firnstein*, 14 Mass. App. Ct. at 709 (questioning liquidated damages provision where it was “imposed upon the employee under what the judge found to be ‘practical . . . duress’”).

It bears mention that the specification of monetary damages generally will not affect entitlement to injunctive relief, but will provide some degree of certainty in the amount of the damages in exchange for the potential loss of more significant damages for the employer or more limited damages for the employee. See *Novelty Bias Binding Co. v. Shevrin*, 342 Mass. 714, 716–17 (1961) (“the right to specific performance either affirmatively or by way of injunction is not lost because the contract contains a provision for the payment of a penalty or liquidated damages in the event of a breach” (quoting *Rigs v. Sokol*, 318 Mass. 337, 342–43 (1945))). But see *Bear Stearns & Co. v. McCarron*, C.A. No. 08-0978BLS1 (Mass. Super. Ct. Mar. 5, 2008) (noting the “rather weak showing of irreparable injury since the [agreements] provide for financial penalties in the event [of a breach]”).

Frequently, fee-shifting provisions (i.e., clauses allowing for the recovery of attorney fees) are appropriate, and provide additional disincentive for a departing employee to risk violating the noncompetition agreement. (In the absence of such a provision, recovery of attorney fees is not available for a breach of a noncompetition agreement, except to the extent that they might be available for any other type of case. See, e.g., Mass. R. Civ. P. 11; Fed. R. Civ. P. 11; G.L. c. 231, § 6F.) Quite often (for reasons of corporate culture, to avoid seeming overreaching, or otherwise), companies will choose not to include a fee-shifting provision or will permit the recovery by either party (i.e., either the employer or the employee), rather than just by the employer.

§ 13 DISCLOSURE OBLIGATIONS

Noncompetition agreements can, and should, include a requirement that the employee provide a copy of the noncompetition agreement to any potential employer. Likewise, the agreement can, and should, require that the employee immediately notify the former employer of any potential employment that is likely to violate his or her obligations under the noncompetition agreement.

§ 14 RETURN OF COMPANY PROPERTY AND INFORMATION

It may seem axiomatic (and it is), but it is important to remember and acknowledge that company property and information belong to the company. Noncompetition agreements should include an express requirement and representation that an employee will not take company property or information, will only use the same for company purposes, and, upon termination of employment, will return any such property or information in the employee's possession.

§ 15 OTHER TERMS

Noncompetition agreements are nothing more than specialized contracts. As such, typical contractual considerations must be assessed. For example, choice of law and forum selection provisions are typically enforced and lend certainty to the framework in which the noncompetition agreement will be analyzed. *See, e.g., Gianocostas v. Interface Group-Mass., Inc.*, 450 Mass. 715, 723 (2008) (In the absence of a forum selection clause, “[a]ssuming jurisdiction and venue are proper, dismissal on the ground of forum non conveniens will rarely be granted However, where in a broad sense the ends of justice strongly indicate that the controversy may be more suitably tried elsewhere, then jurisdiction should be declined and the parties relegated to relief to be sought in another forum.” (internal quotations omitted)); *Steranko v. Inforex, Inc.*, 5 Mass. App. Ct. 253, 260 (1977) (“Massachusetts courts will uphold the parties’ choice [of law] as long as the result is not contrary to public policy.”); *EMC Corp. v. Donatelli*, C.A. No. 09-1727-BLS2 (Mass. Super. Ct. May 4, 2009) (Neel, J.) (enforcing choice of law provision where employee tried to “flee” jurisdiction, expecting to thereby escape the selected law); *Next Generation Vending v. Bruno*, C.A. No. 08-0365-G, at *6, 8 (Mass. Super. Ct. May 20, 2008) (Quinlan, J.) (upholding forum selection and choice of Massachusetts law, noting that “Massachusetts has a strong interest in enforcing agreements made by its employees and businesses”); *Aware, Inc. v. Ramirez-Mireles*, C.A. No. 01-1134-BLS, at *2 (Mass. Super. Ct. Apr. 4, 2001) (van Gestel, J.) (“The guiding principle of the analysis

is that ‘the plaintiff[s]’ choice of forum should rarely be disturbed’ unless the balance of both private and public concerns strongly favors the defendant’s motion.”); *Oxford Global Res., Inc. v. Guerriero*, 2003 WL 23112398, at *4–6 (D. Mass. Dec. 3, 2003) (Woodlock, J.) (explaining the different circumstances under which choice of law provisions will and will not be enforced, and noting that “Massachusetts respects contractual choice of law provisions,” except when “contrary to a fundamental policy of a state” with “a materially greater interest . . . in the determination of the particular issue” and whose law would otherwise apply (citations omitted)); *BDO Seidman Fin. Servs. v. Gorman*, 1994 WL 879698 (Mass. Super. Ct. Apr. 8, 1994) (enforcing choice of New York law). Of course, while the presumption is in favor of enforcement, such provisions do not alter the facts of a case that render their enforcement improper. See, e.g., *Aware, Inc. v. Ramirez-Mireles*, C.A. No. 01-1134-BLS (Mass. Super. Ct. Apr. 4, 2001) (van Gestel, J.) (plaintiff’s choice of forum not enforced where defendant, at all times, resided in California, worked in California, and postemployment, continued to reside and work in California, and where California law would govern).

Likewise, although injunctive relief is available through the courts, mandatory mediation, binding mediation, and/or arbitration of the underlying dispute can sometimes provide a relatively more controlled process for the balance of the case. *Bear, Stearns & Co. v. Sharon*, 550 F. Supp. 2d 174 (D. Mass. 2008) (Gorton, J.) (motion for preliminary injunction in advance of arbitration); *Morgan Stanley DW Inc. v. Winer*, C.A. No. 06-4236-BLS1 (Mass. Super. Ct. Oct. 18, 2006) (van Gestel, J.) (injunction in aid of arbitration sought); *Morgan Stanley DW, Inc. v. Clayson*, 2005 WL 1009651, at *1, 5 (Mass. Super. Ct. Mar. 14, 2005) (injunction issued in aid of arbitration); *Salomon Smith Barney, Inc. v. Barcomb*, 2002 WL 31957010, at *1 (Dec. 10, 2002) (van Gestel, J.) (injunction available in support of arbitration). (Binding mediation is, in its essence, a blend of arbitration and mediation; for a discussion of binding mediation, see R. Beck, “Binding mediation: a nearly perfect imperfect solution,” *Mass. Law. Wkly.* (Oct. 20, 2008), available at <http://www.dolanmedia.com/view.cfm?recID=424451>.) It bears noting, however, that even though the arbitral process can be tailored by the parties, only limited judicial review will be available afterward. *Adam Assocs. Int’l, Inc. v. William A. Berry & Son, Inc.*, C.A. No. 05-0997-BLS2 (Mass. Super. Ct. May 1, 2007) (Gants, J.).

Another provision worth considering is a severability clause, i.e., a provision that permits a court to enforce the agreement to the fullest extent permissible, even if a portion of the agreement is found to be void. Although Massachusetts presumptively permits reformation (see **Error! Reference source not found., Error! Reference source not found.**, above), a severability provision is nevertheless a recommended provision to ensure that the parties’ intent in that regard is manifest—especially if the agreement may be reviewed in a different state.

As a related matter, consideration must be given to whether the agreement may be reviewed by a court outside of Massachusetts and, if so, how such courts will handle an overreaching restriction. This is particularly true with regard to those states that employ the blue pencil doctrine (given that any modification of the restriction will be limited). (As stated above in **Error! Reference source not found.**, the blue pencil doctrine permits a court to excise offending language and then to enforce the balance of the contract as rewritten—but only if the agreement still makes sense with such language deleted.) Although the best approach (regardless of jurisdiction) is to specify reasonable restrictions from the outset, some noncompetition agreements attempt to preempt any possible blue pencil problem by including a “step-down” provision, i.e., a clause that identifies multiple decreasing restrictions, stated in the alternative. For example, the agreement might provide that the restricted period will last for two years, but, in the event that the two-year period is stricken, the parties agree that the restricted period will be one year instead. Although the effectiveness of (or need for) such a provision in Massachusetts has never been tested, its likely success in other jurisdictions varies. *See, e.g., Compass Bank v. Hartley*, 430 F. Supp. 2d 973, 981 (D. Ariz. 2006) (“[U]nder limited circumstances carefully crafted . . . step-down provisions are a permissible application of Arizona’s blue-pencil rule, if they permit a Court to cross-out some unreasonable sections in favor of more reasonable ones without rewriting them.”); *Harville v. Gunter*, 495 S.E.2d 862, 864 (Ga. Ct. App. 1998) (Georgia “will not sever a broader, more restrictive provision so as to leave the narrower valid one,” as parties must be able at the time of signing to determine with certainty the extent of restriction).

§ 16 ADDITIONAL AND ALTERNATIVE RESTRICTIVE COVENANTS

§ 16.1 Garden Leave Clause/Notice Requirement

A “garden leave” clause is one that compensates a former employee during the operative period of the noncompetition agreement. Depending on the specific terms of the clause, the compensation may make enforcement of the noncompetition restriction more palatable. For example, in *C.R. Bard, Inc., v. Solano*, 1988 WL 92469 (D. Mass. Aug. 4, 1988) (Zobel, J.), the court found that “to the extent that the agreement provides payment of [the former employee’s] salary for the entire year, he is protected from serious economic harm.” *C.R. Bard, Inc., v. Solano*, 1988 WL 92469, at *3; *see also Boston Partners Asset Mgmt., L.P. v. Archambo*, C.A. No. 01-3078-BLS, at *6 (Mass. Super. Ct. July 19, 2001) (van Gestel, J.) (“[A]lthough it may be meager in [the employee’s view], the fact that significant compensation will be paid to him for the one year noncompetition

period cannot be overlooked.”). Similarly, in *Marcam Solutions, Inc. v. Sweeney*, 1988 WL 128184, at *2 (Mass. Super. Ct. Mar. 25, 1998) (Neel, J.), even though the agreement required the former employee to obtain noncompetitive employment to offset the cost of the compensation, the court found that the compensation during the restrictive period addressed some of the harm that obtains from the enforcement of a noncompetition agreement. *Marcam Solutions, Inc. v. Sweeney*, 1988 WL 128184, at *2; see also *Marcam Corp. v. Orchard*, 885 F. Supp. 294, 298 (D. Mass. 1995) (Lindsay, J.) (similar).

Another variation of such agreements is a provision that gives the employer the option to elect whether—and for how long—it will enforce (and pay for) the restrictive covenant. Such was the nature of the covenant in *Reebok International, Ltd. v. Rattet*, C.A. No. 08-0747 (Mass. Super. Ct. Apr. 29, 2008). In that case, however, the court rejected the noncompetition agreement on other grounds relating the particular facts of the case, and therefore did not decide whether such a provision would be enforceable. *Reebok Int’l, Ltd. v. Rattet*, C.A. No. 08-0747, at *6–8. A similar covenant was considered in *Boston Partners Asset Management, L.P. v. Archambo*, C.A. No. 01-3078-BLS (Mass. Super. Ct. July 19, 2001) (van Gestel, J.). In that case, the covenant required the employee to provide the employer with notice of his new job and seven days within which to decide whether to pay the employee to sit out for the full term of the noncompetition agreement. *Boston Partners Asset Mgmt., L.P. v. Archambo*, C.A. No. 01-3078-BLS, at *2. (The covenant did not give the employer the option to decide at that time the length of the restriction. *Boston Partners Asset Mgmt., L.P. v. Archambo*, C.A. No. 01-3078-BLS, at *2.) Although not specifically asked to consider the validity of such a requirement, the court appeared to assume its enforceability, insofar as the court rejected the employee’s request for an injunction restraining the company from enforcing the agreement. *Boston Partners Asset Mgmt., L.P. v. Archambo*, C.A. No. 01-3078-BLS, at 6.

Certain aspects of a garden leave clause can, however, be problematic. For example, in a traditional garden leave clause, the employee remains employed by the former employer, although typically his duties are essentially to not work during the restricted period. Such a provision would likely not be enforceable, given that mandating an employee to work for a particular employer against his or her will potentially violates the Thirteenth Amendment and public policy. Cf. *Kabloom Flowers Franchising, LLC v. Power of Pink, Inc.*, C.A. No. 06-3319-BLS1, at *9 (Mass. Super. Ct. Aug. 16, 2006) (van Gestel, J.) (“Court should not enter injunctive relief . . . that compels [a party] to continue to operate [a] franchise[.]”). This issue was somewhat elided, however, in *Bear, Stearns & Co. v. Sharon*, 550 F. Supp. 2d 174 (D. Mass. 2008) (Gorton, J.), where the clause not only provided for the continuation of employment, but gave the employer the ability to call upon the employee to resume certain duties, as the employer may

from time to time require. *Bear, Stearns & Co. v. Sharon*, 550 F. Supp. 2d at 176, 178–79. The court rejected the agreement explaining that “[t]he so-called ‘garden leave’ provision is not a simple restrictive covenant against competition or the solicitation of clients. If it were, a different result might be warranted but to give it full effect would be to force Sharon to submit to Bear Stearns’s whim regarding his employment activity in the near future.” *Bear, Stearns & Co. v. Sharon*, 550 F. Supp. 2d at 178–79.

Faced with the same ninety-day notice requirement, Judge Gants in the Business Litigation Session of the Suffolk Superior Court reached a similar result, although his rationale had a slightly different focus. Specifically, Judge Gants rejected the garden leave provision “because it would be fundamentally unfair to the defendants’ private clients at Bear Stearns.” *Bear Stearns & Co. v. McCarron*, C.A. No. 08-0978BLS1 (Mass. Super. Ct. Mar. 5, 2008). As the court explained,

[d]uring this period, if a client wished to remain with a defendant and obtain financial advice from him during these turbulent financial times, the client would be denied that opportunity because the defendants would be in employment limbo—unable to perform work at Bear Stearns and not yet able to perform work for [the new employer]. This Court will not enforce a contract provision that may deny clients their choice of financial advisors for up to 90 days. Portfolios can be significantly harmed during this length of time without proper financial advice.

Bear Stearns & Co. v. McCarron, C.A. No. 08-0978BLS1 (Mass. Super. Ct. Mar. 5, 2008).

§ 16.2 Forfeiture-for-Competition/Compensation-for-Competition Clauses

Forfeiture-for-competition clauses and compensation-for-competition clauses are covenants that impose adverse financial consequences for engaging in competitive activities. See *Falmouth Ob-Gyn Assocs., Inc. v. Abisla*, 417 Mass. 176, 178–79 & n.4 (1994) (observing that “[t]he terms ‘compensation for competition’ clause and ‘forfeiture for competition’ clause . . . are drawn from a recent article: Reece, “Employee Noncompetition Agreements and Related Restrictive Covenants: A Review and Analysis of Massachusetts Law,” 76 *Mass. L. Rev.* 2 (1991)”). Typically, in forfeiture-for-competition clauses, the penalty is the forfeiture of the restricted party’s unvested benefits, such as severance pay or stock options or grants. See, e.g., *Falmouth Ob-Gyn Assocs., Inc. v. Abisla*, 417 Mass.

at 180; *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct., 310, 312 (1982); *Securitas Sec. Servs. USA, Inc. v. Jenkins*, 2003 WL 21781385, at *4 (Mass. Super. Ct. July 18, 2003) (van Gestel, J.). In a compensation-for-competition clause, the penalty is the payment of money, typically tied to the competitive activities; for example, the restricted party might be required to disgorge some or all—or some multiple—of the profits or revenues derived from any competitive activities. See *Eisenstein v. Conlin*, 444 Mass. 258, 259–60 (2005); *Falmouth Ob-Gyn Assocs., Inc. v. Abisla*, 417 Mass. at 180; *Cheney v. Automatic Sprinkler Corp. of Am.*, 377 Mass. 141, 144–49 (1979). Although the specifics of the source of the payment vary among these two types of clauses, they are conceptually the same: a financial penalty for engaging in competitive activities.

Prior to 1979, such agreements “receive[d] unconditional enforcement” in Massachusetts. *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 311–12. Since 1979, however, forfeiture-for-competition clauses have been subject “to the same tests of reasonableness as apply to the enforcement of covenants not to engage in competition with a former employer, whether independently or by working for a competitor.” *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 311–12; *Cheney v. Automatic Sprinkler Corp. of Am.*, 377 Mass. at 144 (“We reject the suggestion that an employee in a case such as this has made an agreement to which he must be held in all instances.”); *Securitas Sec. Servs. USA, Inc. v. Jenkins*, 2003 WL 21781385, at *4 (“Massachusetts courts must apply the same test of reasonableness to a forfeiture-for-competition clause as to a non-competition clause.”). As the Supreme Judicial Court has expressly recognized, “an agreement requiring forfeiture of deferred compensation (or . . . requiring compensation in the form of liquidated damages) if a former employee competes with his former employer imposes the same ‘inhibitory effect on present and former employees’ as does an agreement absolutely barring competition by a former employee.” *Falmouth Ob-Gyn Assocs., Inc. v. Abisla*, 417 Mass. at 180 (quoting *Cheney v. Automatic Sprinkler Corp. of Am.*, 377 Mass. at 147–48 n.7); see also *Pettingell v. Morrison, Mahoney & Miller*, 426 Mass. 253, 256–57 (1997) (observing the same inhibitory effect of a forfeiture-for-competition clause in the context of a lawyer departing a law firm partnership).

Instructively, forfeiture-for-competition clauses appear to be afforded somewhat more latitude than noncompetition agreements. Specifically, as the court in *Cheney* cautioned,

If the former employee is not working in circumstances in which a covenant not to compete would be enforceable, the burden of justification of the forfeiture becomes particularly onerous on the former employer. In such a case, the former employee’s loss

may assume the character of a forfeiture in the classical sense.

Cheney v. Automatic Sprinkler Corp. of Am., 377 Mass. at 148. Thus, the court noted, “We do not discount . . . the possibility that a financial inducement to an employee, especially a key employee, to continue to work for his employer might be reasonable in particular instances.” *Cheney v. Automatic Sprinkler Corp. of Am.*, 377 Mass. at 148 & n.8 (“Of course, the careful negotiation of an agreement, particularly an initial agreement, expressing such an interest on the employer’s part would do much to support the enforceability of a forfeiture.”).

Presumably, the *Cheney* court’s tolerance was greater because “[p]ossible forfeitures of deferred compensation present a different problem from the usual postemployment restraint cases in that the question is not whether the employee may follow the occupation he knows, but what price in dollars he shall pay for doing so.” *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 319. In contrast, such a clause raises the question, “shall the employee be made to forfeit money which he has in fact earned?” *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 319.

In the end, regardless of the level of justification required, if a forfeiture-for-competition clause is otherwise enforceable, “the amount and nature of the forfeiture come into play and are subject to modification.” *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 311–12; *Cheney v. Automatic Sprinkler Corp. of Am.*, 377 Mass. at 147–48 (“Even if the former employee is working in circumstances in which a covenant not to compete would be enforceable, the reasonableness of the employee’s loss must still be weighed, and, in an appropriate case, it might be modified to a reasonable level.”). In analyzing the appropriate amount of the forfeiture, “[t]he amount and nature of the forfeiture and the nature of the employee’s duties and responsibilities in his former and current employment are important.” *Cheney v. Automatic Sprinkler Corp. of Am.*, 377 Mass. at 148. Moreover, “[p]articularly in the case of retirement benefits which an employee has earned, courts should avoid forfeiture of those rights where possible.” *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 320–21. Thus, for example, “when an employee is discharged in circumstances involving no misconduct by the employee, the employee’s deferred compensation benefits should not be forfeited to the extent those benefits have been earned, even though the employee violates a valid postemployment restriction.” *Kroeger v. Stop & Shop Cos.*, 13 Mass. App. Ct. at 320–21 (citation omitted).

§ 16.3 Nonsolicitation Agreements

Nonsolicitation agreements prohibit the solicitation of a company’s customers, but without precluding the former employee from obtaining employment by a

competitor. See generally *Acordia N.E., Inc. v. Academic Risk Res. & Ins., LLC*, 2005 WL 704870, at *3–4 (Mass. Super. Ct. Jan. 5, 2005); *Neeco, Inc. v. Computer Factory, Inc.*, 1987 WL 16161, at *1–2 (D. Mass. Aug. 19, 1987). Nevertheless, such agreements are analyzed as though they were standard noncompetition agreements. *Smith Barney Div. of Citigroup Global Mkts. Inc. v. Griffin*, C.A. No. 08-0022-BLS1, at *4 n.4 (Mass. Super. Ct. Jan. 23, 2008) (Gants, J.); *Hilb Rogal & Hobbs of Mass., LLC v. Sheppard*, C.A. No. 07-5549-BLS2 (Dec. 31, 2007) (Fabricant, J.) (“Covenants not to compete, and similar restrictive covenants in employment agreements, are enforceable only to the extent necessary to protect legitimate business interests of the employer, and only if ‘reasonably limited in time and space, and consonant with the public interest.’” (citations omitted)); *Getman v. USI Holdings Corp.*, C.A. No. 05-3286-BLS2 (Mass. Super. Ct. Sept. 1, 2005) (Gants, J.) (A nonsolicitation covenant, “like an employee covenant not to compete, generally is enforceable only to the extent that it is necessary to protect the legitimate business interest of the employer.” (internal quotations omitted)); *Acordia N.E., Inc. v. Academic Risk Res. & Ins., LLC*, 2005 WL 704870, at *4; *Wordwave, Inc. v. Owens*, 2004 WL 3250472, at *2 (Mass. Super. Ct. Dec. 7, 2004) (Muse, J.) (employer’s “interests in good will and confidential information coalesce into a legitimate business interest protected by the nonsolicitation covenant”); *Chiswick v. Constas*, 2004 WL 1895044, at *1 (Mass. Super. Ct. June 17, 2004) (Kane, J.) (referring to a nonsolicitation agreement as a “noncompetition” agreement); *Oxford Global Res., Inc. v. Consolo*, 2002 WL 32130445, at *4 (Mass. Super. Ct. May 6, 2002) (Botsford, J.) (nonsolicitation agreement applicable to clients and temporary employees placed by former employer); *Modis, Inc. v. Revolution Group, Ltd.*, 1999 WL 144198 (Mass. Super. Ct. Dec. 29, 1999); *Bowne of Boston, Inc. v. Levine & Merrill Corp.*, 1997 WL 781444, at *4 (Mass. Super. Ct. Nov. 25, 1997) (Burnes, J.); *Neeco, Inc. v. Computer Factory, Inc.*, 1987 WL 16161, at *2.

Notwithstanding application of the standard noncompetition agreement analysis, because the restricted party is not precluded from employment, courts appear to enforce them somewhat more liberally than they would a standard noncompetition agreement. For example, in *Oxford Global Resources v. Consolo*, the court considered business interests beyond only the three generally recognized legitimate business interests applicable to employee noncompetition agreements (i.e., goodwill, trade secrets, and confidential information). Specifically, the court expressly identified “business success” as among the legitimate business interests that will support a nonsolicitation agreement. *Oxford Global Res., Inc. v. Consolo*, 2002 WL 32130445, at *5; cf. *Quaboag Transfer, Inc. v. Halpin*, C.A. Nos. 02-0868A, 02-0869A (Mass. Super. Ct. Mar. 11, 2005) (Agnes, J.) (referencing protection “from loss or misuse of . . . employees, customers and/or business information” as legitimate interests in the context of a nonraiding provision). (For a discussion of nonraiding agreements, see § 16.4, below.)

Nevertheless, despite the courts' apparent willingness toward more liberal enforcement, nonsolicitation agreements must still rigorously satisfy the basic requirements necessary to enforce a noncompetition agreement. *See, e.g., Banc of Am. Corporate Ins. Agency, LLC v. Verille*, C.A. No. CV2007-01099 (Mass. Super. Ct. Aug. 6, 2007) (Connors, J.); *Tyler Techs., Inc. v. Reidy*, 2006 WL 4119598, at *3–4 (Mass. Super. Ct. Oct. 30, 2006) (van Gestel, J.) (applying a rigorous analysis to the nonsolicitation restriction in a noncompetition agreement). For example, to the extent that enforcement is based on goodwill, a nonsolicitation agreement may not be enforced to prohibit the solicitation of customers with whom the restricted party “had [just] any contact while employed” by the former employer. *Neeco, Inc. v. Computer Factory, Inc.*, 1987 WL 16161, at *2 (emphasis added). Likewise, the goodwill sought to be protected must be that of the employer, not the employee. *Smith Barney Div. of Citigroup Global Mkts. Inc. v. Griffin*, C.A. No. 08-0022-BLS1, at *4.

An issue that arises with nonsolicitation agreements that does not arise with a standard noncompetition agreement is whether, in the absence of an express prohibition, a person can—without solicitation—accept business from a company of the former employer. *See generally Hilb Rogal & Hobbs of Mass., LLC v. Sheppard*, C.A. No. 07-5549-BLS2 (Dec. 31, 2007) (Fabricant, J.) (express prohibition on acceptance of business was enforceable). The Appeals Court has answered that question in the negative.

Specifically, in *Alexander & Alexander, Inc. v. Danahy*, 21 Mass. App. Ct. 488, 498–99 (1986), the court considered the practical difficulties in distinguishing between solicitation and merely “receiving business even in the absence of any direct or indirect participation by [the restricted party] in obtaining the business” and held that nonsolicitation agreements may be used to prevent even the acceptance of business from a former employer’s customers. *Alexander & Alexander, Inc. v. Danahy*, 21 Mass. App. Ct. at 498–99 (“As a practical matter, the difference between accepting and receiving business on the one hand, and indirectly soliciting on the other, may be more metaphysical than real . . .”); *see also McFarland v. Schneider*, 1998 WL 136133, at *43–44 (Mass. Super. Ct. Feb. 17, 1998) (McHugh, J.) (evidencing how “the difference between solicitation and nonsolicitation . . . can be as metaphysical in fact as the Appeals Court has opined that they may be in theory”). Applying the cautionary observations from the Appeals Court’s *Alexander & Alexander* decision, Judge McHugh of the Superior Court later found that “[the defendant’s] conventions and understandings about disclosing future plans only in response to specific questions do not transform his clear solicitations into some kind of a benign serendipity.” *McFarland v. Schneider*, 1998 WL 136133, at *44.

The same issue was more recently presented to Judge Gants in the Business Litigation session of the Superior Court in 2005 in *Getman v. USI Holdings*

Corp., C.A. No. 05-3286-BLS2 (Mass. Super. Ct. Sept. 1, 2005). Quoting the Appeals Court's *Alexander & Alexander* decision, Judge Gants acknowledged that there is a "thin line between [an employee] explaining that he has left [his former employer for his new employer] and him subtly encouraging the client to transfer his business from [the former employer] to [the new employer]." *Getman v. USI Holdings Corp.*, C.A. No. 05-3286-BLS2 (Mass. Super. Ct. Sept. 1, 2005). However, as Judge Gants continued, "[T]here is plainly a real difference between an insurance agent initiating a telephone call or meeting with a former client and the client initiating that contact himself." *Getman v. USI Holdings Corp.*, C.A. No. 05-3286-BLS2 (Mass. Super. Ct. Sept. 1, 2005). Judge Gants explained the line between what would constitute solicitation and what would not as follows:

It is not solicitation when an insurance agent, prior to or immediately after his termination, notifies his clients . . . that he is leaving his insurance company and joining another insurance company, and provides them with his new address, telephone number, and email address. Such notice is common courtesy to clients who an agent has come to know over the years and who have relied on him to handle their insurance needs. The law does not require his clients to learn of his departure . . . only by informal word of mouth or by calling his office at [the former employer] to speak with him and learning then that he had earlier left [that company's] employ, perhaps weeks or months ago. Written notice is preferable to oral notice, because its content can be carefully worded and it does not invite further communication with the client unless the client initiates that communication.

Nor, if a former client initiates contact . . . is it solicitation for the agent to explain in summary terms why he left his former employment and joined his current employer. Nor is it solicitation to describe in general terms the type of work that he will do in his new job and the nature of the work performed by his new company. Such a discussion, however, whether oral or in writing, may potentially constitute solicitation if the insurance agent, not the client, were to initiate this discussion. Moreover, even if the client initiates the discussion, it may be solicitation for the insurance agent to deprecate his former employer so as to diminish the

good will it would otherwise enjoy, or praise his new employer or otherwise encourage the client to bring his business there.

Getman v. USI Holdings Corp., C.A. No. 05-3286-BLS2 (Mass. Super. Ct. Sept. 1, 2005); *see also Meehan v. Shaughnessy*, 404 Mass. 419, 437 & n.15 (1989) (specifying, in the context of departing lawyers, the standards applicable to notifying clients).

The notice must “explain to the client that he or she has the right to decide who will continue the representation.” The standards applicable to such notice are as follows:

(a) the notice is mailed; (b) the notice is sent only to persons with whom the lawyer had an active lawyer-client relationship immediately before the change in the lawyer’s professional association; (c) the notice is clearly related to open and pending matters for which the lawyer had direct professional responsibility to the client immediately before the change; (d) the notice is sent promptly after the change; (e) the notice does not urge the client to sever a relationship with the lawyer’s former firm and does not recommend the lawyer’s employment (although it indicates the lawyer’s willingness to continue his responsibility for the matters); (f) the notice makes it clear that the client has the right to decide who will complete or continue the matters; and (g) the notice is brief, dignified, and not disparaging of the lawyer’s former firm.

Meehan v. Shaughnessy, 404 Mass. at 437 & n.15 (quoting ABA Committee on Ethics and Professional Responsibility, Informal Op. 1457 (Apr. 29, 1980)).

The foregoing is not intended to suggest that where the restricted party is entirely uninvolved in that aspect of the new employer’s business, the nonsolicitation agreement can be used to prevent the new employer from receiving business from the same customers. *Alexander & Alexander, Inc. v. Danahy*, 21 Mass. App. Ct. at 500.

§ 16.4 No-Raid/Nonraiding/Antiraiding/Antipiracy Agreements

Agreements that prohibit the solicitation of a company's employees are sometimes referred to as a "nonsolicitation agreement," but more properly are known as "no-raid," "nonraiding," "antiraiding," or "antipiracy" agreements. See L.H. Reece III, "Employee Noncompetition Agreements and Related Restrictive Covenants: A Review and Analysis of Massachusetts Law," 76 *Mass. L. Rev.* 2, 17 (1991). The law in Massachusetts concerning these agreements is comparatively sparse. Nevertheless, even from the dearth of case law, it is clear that while the traditional noncompetition agreement analysis applies to these agreements, the courts are more willing to enforce no-raid agreements than other types of restrictive covenants. See *Quaboag Transfer, Inc. v. Halpin*, C.A. Nos. 02-0868A, 02-0869A (Mass. Super. Ct. Mar. 11, 2005) (Agnes, J.) (twelve-year no-raid agreement enforced to protect expanded legitimate business interests, but did not prohibit social contact with former colleagues); see also, e.g., *Filmore & Stern, Inc. v. Frankel*, 2002 WL 31678307, at *1-2 (Mass. Super. Ct. Sept. 17, 2002) (Fecteau, J.) (enforcing two-year so-called noninterference agreement, including no-raid covenant, albeit with no significant analysis, other than interpretation of significance of lack of geographic limitation); *Modis, Inc. v. Revolution Group, Ltd.*, 1999 WL 144198 (Mass. Super. Ct. Dec. 29, 1999) (two-year no-raid agreement). Part of the rationale for the increased enforceability of these agreements is that there is no restriction on a former employee's ability to earn a living; such employee can immediately compete against his or her former employer and hire anyone it wishes outside of a limited pool of restricted employees. *Modis, Inc. v. Revolution Group, Ltd.*, 1999 WL 144198, at *8-9.

§ 16.5 No Hire Agreements

A variant of nonraiding agreements, a "no-hire" agreement bears specific mention insofar as it is an absolute ban on the hiring—as opposed to just a bar to the solicitation—of a company's employees. Where such an agreement is necessary to protect legitimate business interests, as opposed to merely protecting from ordinary competition, the agreement will likely be enforceable to the same extent that a nonraiding provision is enforceable. See *Hurwitz Group, Inc. v. Ptak*, 2002 WL 32717868, at *4 & n.3 (Mass. Super. Ct. June 27, 2002) (Billings, J.) (noting, but not deciding, that the particular no-hire agreement seemed reasonable and enforceable); *Modis, Inc. v. Revolution Group, Ltd.*, 1999 WL 144198, at *1, 7 (Mass. Super. Ct. Dec. 29, 1999) (making no distinction between a no-hire agreement and a nonraiding agreement). See generally *Linkage Corp. v. Trustees of Boston Univ.*, 425 Mass. 1, 21 (1997) (tacitly approving such agreements in its observation in dicta that "[t]here is no question that the evidence

warranted a finding that [the defendant] had violated the no-hire provisions of the agreements and thus would be liable for breach of contract”).

Further support for the enforcement of a no-hire agreement (as distinguished from a standard antiraiding provision) can be found in *Alexander & Alexander, Inc. v. Danahy*, 21 Mass. App. Ct. 488 (1986), in which the Appeals Court observed, albeit in the context of a nonsolicitation agreement, that, “[a]s a practical matter, the difference between accepting and receiving business on the one hand, and indirectly soliciting on the other, may be more metaphysical than real.” *Alexander & Alexander, Inc. v. Danahy*, 21 Mass. App. Ct. at 498–99. Given that a no-hire agreement merely eliminates that metaphysical distinction extant in the context of a nonraiding agreement, it seems that a no-hire agreement would likely be enforced in Massachusetts. See *Modis, Inc. v. Revolution Group, Ltd.*, 1999 WL 144198, at *1, 7 (enforcing no-hire agreement without focusing on distinction).

§ 16.6 Nondisclosure /Confidentiality Agreement (NDA)

A nondisclosure agreement (also known as an “NDA” or “confidentiality agreement”) is an agreement that restricts a person’s use of confidential information and trade secrets. See generally *Boulanger v. Dunkin’ Donuts Inc.*, 442 Mass. 635, 643 n.12 (2004) (noting difficulty of enforcing nondisclosure agreement as opposed to noncompetition agreement and that the two are not mutually exclusive); *Harvard Apparatus, Inc. v. Cowen*, 130 F. Supp. 2d 161, 175 (D. Mass. 2001) (Bowler, J.) (denying summary judgment to defendant challenging applicability of confidentiality agreement). Although the standard applicable to its enforceability is rarely discussed, some courts have applied the same standard applicable to other restrictive covenants. *Wordwave, Inc. v. Owens*, 2004 WL 3250472, at *4 (Mass. Super. Ct. Dec. 7, 2004) (Muse, J.) (denying enforcement where no legitimate business interest will be protected); *Stone Legal Res. Group, Inc. v. Glebus*, 2003 WL 914994, at *3–6 (Mass. Super. Ct. Dec. 16, 2002) (Burnes, J.) (confidentiality provisions analyzed together with other aspects of noncompetition agreement); see generally *Flexcon Co. v. McSherry*, 123 F. Supp. 2d 42, 43 (D. Mass. 2000) (Gorton, J.) (although denying preliminary injunctive relief, court noted that defendant “remains under a contractual and general duty not to disclose any confidential or trade secret information he learned during his employment” and that “this Court will be prepared to impose stiff sanctions” if the defendant violated this obligation).

It bears mention that a nondisclosure agreement need not specify the particular information considered secret or confidential. *USM Corp. v. Marson Fastener Corp.*, 379 Mass. 90, 99–100 (1979) (“employees knew or should have known” that information at issue was confidential). However, where it does not and the

party subject to the restriction is not otherwise on notice that the information is considered confidential, the agreement will not be enforced with respect to such information. *Dynamics Research Corp. v. Analytic Scis. Corp.*, 9 Mass. App. Ct. 254, 277 (1980).

Conversely, even where information is specified (or specification is not necessary), the existence of the NDA does not end the inquiry. “Such an agreement cannot make secret that which is not secret.” *Lanier Prof'l Servs., Inc. v. Ricci*, 192 F.3d 1, 5 (1st Cir. 1999) (quoting *Dynamics Research Corp. v. Analytic Scis. Corp.*, 9 Mass. App. Ct. at 277); *Take it Away, Inc. v. Home Depot, Inc.*, 2009 WL 458552, at *7, 8 (D. Mass. Feb. 6, 2009) (Woodlock, J.) (“Plaintiff cannot create confidential trade secrets merely by entering into a nondisclosure agreement that claims information as proprietary.”); see also *Wordwave, Inc. v. Owens*, 2004 WL 3250472, at *4 (refusing to enforce confidentiality agreement where information sought to be protected was not confidential); *Prof'l Staffing Group, Inc. v. Champigny*, 2004 WL 3120093, at *2 (Mass. Super. Ct. Nov. 18, 2004) (NDA cannot be used to protect information that is not confidential or a trade secret).

To the extent that the information is confidential, an NDA may be used to prevent the use of confidential information to contact and solicit the former employer's customers. *Robert Half Int'l, Inc. v. Buoncontri*, 2003 WL 915181, at *4–5 (Mass. Super. Ct. Jan. 28, 2003) (Botsford, J.); see also “Customer Lists/Information” under “Types of Trade Secrets and Confidential Information” subheading in **Error! Reference source not found.****Error! Reference source not found.**, above (concerning the protections afforded to customer lists). However, nondisclosure agreements cannot be interpreted so broadly as to prevent solicitation of customers known to the restricted party, as to do so would effectively transform a nondisclosure agreement into a nonsolicitation agreement, “render[ing] the latter obsolete.” *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Dewey*, C.A. No. 04-1005 (June 30, 2004) (Agnes, J.) (“There is no indication that Massachusetts courts have ever interpreted nondisclosure agreements so broadly. As a result, this court is reluctant to do so.”); *Robert Half Int'l, Inc. v. Buoncontri*, 2003 WL 915181, at *5. A fortiori, nor can such agreements be effectively converted into noncompetition agreements. *Dynamics Research Corp. v. Analytic Scis. Corp.*, 9 Mass. App. Ct. at 278 n.32.

§ 16.7 Invention Assignment Agreements

An invention assignment agreement is an agreement that requires employees and others to assign to the company any improvements to the company's intellectual property. Such agreements both protect the company's investment in its intellectual property and preserves to the company the benefits of new developments

that arise as a consequence of work being done for the company. Invention assignment agreements will generally be enforced. See *Harvard Apparatus, Inc. v. Cowen*, 130 F. Supp. 2d 161, 167, 175 (D. Mass. 2001) (Bowler, J.) (denying summary judgment to defendant challenging applicability of confidentiality/invention assignment agreement); *Baladevon, Inc. v. Abbott Labs., Inc.*, 871 F. Supp. 89, 95–96 (D. Mass. 1994) (Saris, J.) (enforcing assignment of patents and nonpatentable inventions over defense of estoppel); *Feeney v. Transition Automation, Inc.*, 2008 WL 190766, at *5–8 (D. Mass. Jan. 9, 2008) (Zobel, J.) (agreement assumed enforceable without analysis); *Access Cardio Sys., Inc. v. Fincke*, 340 B.R. 127, 147 (Bankr. D. Mass. 2006) (Boroff, J.) (“[I]f the employer and employee have executed an employment contract requiring the employee to assign rights in his or her inventions to the employer, the employer owns the employee’s inventions.”).

It bears mention that, even “[i]n the absence of an executed assignment, equitable principles may oblige a named inventor to transfer ownership of his or her rights in a patent or patent application to another entity.” *Access Cardio Sys., Inc. v. Fincke*, 340 B.R. at 146–47. Such a duty might arise, for example, where “the inventor stands in a fiduciary relation to the company.” *Access Cardio Sys., Inc. v. Fincke*, 340 B.R. at 147.