

Table of Contents

CHAPTER 1. INTRODUCTION

- § 1:1 Overview
- § 1:2 Importance of covenants not to compete

CHAPTER 2. UNDERLYING PRINCIPLES

- § 2:1 Protectable interests—Trade secrets
- § 2:2 —Goodwill
- § 2:3 Common considerations

CHAPTER 3. TYPES OF RESTRICTIVE COVENANTS

- § 3:1 Introduction
- § 3:2 Employee noncompetition agreements
- § 3:3 Partnership agreements
- § 3:4 Sale of a business
- § 3:5 Agreements with independent contractors
- § 3:6 Franchise and distributorship agreements
- § 3:7 Sale of stock
- § 3:8 Contract for transfer of real property
- § 3:9 Contract for transfer of personal property
- § 3:10 Leases
- § 3:11 Invention assignments
- § 3:12 Nondisclosure agreements
- § 3:13 Licenses
- § 3:14 Anti-piracy clauses
- § 3:15 No-switching agreements
- § 3:16 Miscellaneous

CHAPTER 4. ANCILLARY NATURE OF COVENANTS NOT TO COMPETE

- § 4:1 Ancillary rule

CHAPTER 5. RELIEF ABSENT A CONTRACT

- § 5:1 Trade secrets—Definition

- § 5:2 —Elements of proof in trade secret cases
- § 5:3 — —Burden of proof
- § 5:4 — —Ownership
- § 5:5 — —Uniqueness
- § 5:6 — —Confidentiality
- § 5:7 — —Use or disclosure and injury
- § 5:8 —Subject matter of a trade secret
- § 5:9 — —Scientific information
- § 5:10 — —General business information
- § 5:11 — —Customer lists and information
- § 5:12 — —Employee experience
- § 5:13 — —Derivative information
- § 5:14 — —Preemption under the copyright laws
- § 5:15 —Factors considered
- § 5:16 — —Developmental effort
- § 5:17 — —Similarity of design
- § 5:18 — —Source of secret information
- § 5:19 — —Inevitability of disclosure
- § 5:20 — —Treatment of information as a trade secret
- § 5:21 Interference with contractual relationships
- § 5:22 Breach of fiduciary duties

CHAPTER 6. ENFORCEMENT OF EXPRESS COVENANTS ABSENT AN EXPRESS STATUTORY RESTRICTION

- § 6:1 Elements of proof
- § 6:2 Burden of proof
- § 6:3 Protectable interests—Customer relationships
and goodwill
- § 6:4 —Sale of business
- § 6:5 —Franchise and distributorship agreements
- § 6:6 —Unique services
- § 6:7 —Other interests including company as a going
concern
- § 6:8 Factors considered in determining
reasonableness—Area
- § 6:9 —Time
- § 6:10 —Scope of restrictions and covenantor's ability to
obtain other employment
- § 6:11 —What ordinary person would anticipate
- § 6:12 —Length of employment or association
- § 6:13 —Expenses incurred by covenantee such as
employer

TABLE OF CONTENTS

§ 6:14	—Proof of harm or other injury
§ 6:15	—Nature of goods or services
§ 6:16	—Attorney advice
§ 6:17	—Position as executive or professional
§ 6:18	—Give and take negotiations
§ 6:19	—Bargaining power
§ 6:20	—Voluntary limitation of enforcement
§ 6:21	—Pre-termination activities of employees
§ 6:22	—Prior experience of covenantor or employee
§ 6:23	—Public policy
§ 6:24	—Covenantor’s choice to go into competition
§ 6:25	—Misrepresentations or concealment by either party
§ 6:26	—Injury to related third party such as new employer
§ 6:27	—Covenantor’s abilities
§ 6:28	—Covenantor’s destruction, theft, or taking of property
§ 6:29	—Refusal or failure to sign all or a portion of contract
§ 6:30	—Intent of covenantee in bringing suit or entering contract
§ 6:31	—Advertising, trademarks, and other items affecting goodwill
§ 6:32	—Intent of covenantor in entering competition
§ 6:33	—Professional standards and custom
§ 6:34	—Treatment of other similarly situated parties
§ 6:35	—Mitigation of damages including finding of substitutes
§ 6:36	—Performance of employee on job
§ 6:37	—Established nature and reputation of covenantee
§ 6:38	—Prior and mass departures
§ 6:39	—Physical proximity of competing business
§ 6:40	—Form and detail in agreement
§ 6:41	—Time goodwill or trade secrets come into existence
§ 6:42	—Type and extent of covenantor’s contact with customers
§ 6:43	—Hardship on covenantor
§ 6:44	—Previous lawsuits involving covenants not to compete
§ 6:45	—Given area will support only one business

- § 6:46 Defenses—Lack of consideration
- § 6:47 —Breach of contract
- § 6:48 —Unclean hands
- § 6:49 —Unconscionability or adhesion
- § 6:50 —Waiver or abandonment
- § 6:51 —Misrepresentation
- § 6:52 —Activities falling outside scope of covenant
- § 6:53 —Lack of mutuality
- § 6:54 —Other defenses
- § 6:55 Effect of form of express covenant—Express written covenants
- § 6:56 —Implied noncompetition agreements
- § 6:57 —Oral noncompetition agreements
- § 6:58 Effect of noncompetition provisions during existence of principal relationship

CHAPTER 7. EFFECT OF SELECTED FEDERAL STATUTES ON NONCOMPETITION AGREEMENTS

- § 7:1 Antitrust statutes
- § 7:2 The Employment Retirement Income Security Act (ERISA)
- § 7:3 The Federal Trade Commission's Non-Compete Rule

CHAPTER 8. REMEDIES

- § 8:1 Modification (Blue Penciling)
- § 8:2 Injunctive relief: preliminary injunction—
Elements of proof
- § 8:3 — —Likelihood of success on merits
- § 8:4 — —Irreparable injury
- § 8:5 — —Preservation of status quo
- § 8:6 — —Effect on public
- § 8:7 — —Balancing of equities and harm and other elements
- § 8:8 — —Inadequacy of damages
- § 8:9 — —Proper scope of injunctive relief
- § 8:10 — —Temporary restraining orders
- § 8:11 Court created restrictive covenants
- § 8:12 Expansion of specified remedy—Extension of time
- § 8:13 — —Extension of area
- § 8:14 Damages—Overview of damages

TABLE OF CONTENTS

- § 8:15 —Measures of damages
- § 8:16 —Punitive damages
- § 8:17 —Nominal damages
- § 8:18 —Amount of damages
- § 8:19 —Proximate cause
- § 8:20 —Types of evidence considered
- § 8:21 —Burden of proof
- § 8:22 —Damages combined with injunctive relief
- § 8:23 —Damages in lieu of injunctive relief

CHAPTER 9. STATUTORY RESTRICTIONS ON THE USE OF NONCOMPETITION AGREEMENTS

- § 9:1 Introduction
- § 9:2 Source of statutory restrictions
- § 9:3 Restrictions by category—Employees
- § 9:4 —Sale of a business
- § 9:5 —Partnerships
- § 9:6 —Sale of stock
- § 9:7 Exceptions to statutory restrictions—Forfeiture provisions
- § 9:8 —Training
- § 9:9 —Professionals
- § 9:10 —Nonsolicitation provisions
- § 9:11 Effect of statute as setting public policy
- § 9:12 Whether the court or arbitrator decides the validity of a restrictive covenant

CHAPTER 10. CONTRACTUAL PROVISIONS

- § 10:1 Advantages
- § 10:2 Preliminary considerations
- § 10:3 Rule of strict construction
- § 10:4 Particular provisions—Postemployment payments
- § 10:5 — —Forfeitures
- § 10:6 — —Consultant agreements
- § 10:7 — —Payments by employee for breach
- § 10:8 —Definition of trade secrets
- § 10:9 —Specific restrictions on soliciting customers and other activities

EMPLOYEE NONCOMPETITION LAW

- § 10:10 —Termination clauses
- § 10:11 —Litigation contingency clauses
- § 10:12 —Liquidated damages provision
- § 10:13 —Attorney’s fees
- § 10:14 —Assignment of rights under covenant to third party
- § 10:15 —Clauses providing for severability and modification
- § 10:16 —Choice-of-law provisions
- § 10:17 —Nondisclosure provisions
- § 10:18 —Clause requiring return of materials
- § 10:19 —Transfer of goodwill
- § 10:20 —Preliminary recitals
- § 10:21 —Clause reciting parties
- § 10:22 —Consideration including placing value on portion of consideration
- § 10:23 —Best-efforts clauses
- § 10:24 —Anti-piracy clauses
- § 10:25 —Clauses requiring an injunction

APPENDICES

APPENDIX A. Sample Noncompetition Clauses

Table of Cases

Index