

BLOGS

Post-Termination Injunctions: Noncompetes

Appellate Court Upholds Permanent Injunction Prohibiting Enforcement of U-haul's Covenant Against Competition in California

A California court of appeal recently affirmed a trial court's award of more than \$800,000 in attorneys' fees under the state's Unfair Competition Law ("UCL") and the issuance of a permanent injunction against U-Haul prohibiting the company from enforcing a covenant against competition in its standard form contract with dealers in the state. *Robinson v. U-Haul Co. of Cal.*, 209 Cal. Rptr. 3d 81 (Cal. Ct. App. 2016). After Robinson terminated the parties' dealer contract and began renting trucks from a competitor, U-Haul sued for breach of the contract's covenant against competition, which purported to prevent Robinson from competing with U-Haul for up to two years following termination. Robinson sought a declaration that the covenant was void under California law and also filed a separate action against U-Haul raising claims for malicious prosecution and violation of the UCL.

Following the trial court's denial of its motion for a preliminary injunction to enforce the noncompete provision, U-Haul dismissed its complaint and maintained that Robinson's lawsuit was moot on the grounds that the company had voluntarily ceased its enforcement of the noncompete in California. The trial court rejected U-Haul's position, held that the noncompetition clause was void and unenforceable as a matter of law, and permanently enjoined U-Haul from further enforcement of the covenant in the state. The court of appeal affirmed, observing that the covenant at issue was illegal under California law and that U-Haul had nonetheless adopted a corporate practice of aggressively enforcing that provision through litigation and threats of litigation. Furthermore, the court of appeal agreed with the trial court's finding that U-Haul's insertion of the words "void where prohibited" into the language of the noncompete provision was insufficient to prove that U-Haul had corrected its anticompetitive behavior, and that U-Haul had not properly notified its current dealers that it did not intend to enforce the noncompete provision in California going forward. The appellate court also upheld the trial court's award of attorneys' fees to Robinson on his UCL claim under the private attorney general doctrine.

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