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## BLOGS

Noncompetes

# Court Upholds Two-Year Ban on Post-Term Competition

In late March, the United States District Court for the District of New Jersey denied a defendant-franchisee's motion for reconsideration of a grant of summary judgment, finding the court's previous decision that the franchisee had violated its post-termination covenant not to compete was correct as a matter of law. *Jackson Hewitt Inc. v. Childress*, 2008 WL 834386 (D.N.J. March 27, 2008). The court's initial ruling granting plaintiff-franchisor Jackson Hewitt Inc.'s ("JHI") motion for summary judgment and enjoining the franchisee from further competition for a period of 24 months was discussed in detail in Issue 104 of *The GPMemorandum*.

The franchisee had operated two JHI franchises for four years before opening his own accounting business in the same location where he had previously run his JHI franchise. This was held to violate the franchise agreement's non-compete clause restricting former franchisees from competing within a 10-mile radius of their former JHI business and requiring them to return manuals and other trade secret information.

The decision on the motion for reconsideration is important because in it, the court held that its previous rulings enforcing covenants not to compete in employment and other contract areas should also be applied in the franchise relationship context. It reiterated that JHI's covenant not to compete validly protected its trade secrets, confidential information, and customer relationships, imposed no undue hardship, and was not injurious to the public.