

A solid yellow right-angled triangle pointing towards the top-left corner.

## BLOGS

Noncompetes

# Minnesota Federal Court Enforces In-Term Covenant Under Texas Law

A Texas-based franchisor of building cleaning and maintenance services and supplies won a temporary restraining order to prevent its Minnesota master franchisee—and related persons and entities—from operating a competing business. *Bonus of America, Inc. v. Angel Falls Services, L.L.C., et al.*, No. 0:10-cv-02111-DSD-FLN (D. Minn. May 28, 2010). The defendants had also formed and been conducting business in Minnesota through another entity, which led the franchisor to file suit in federal court in Minnesota. (Gray Plant Mooty represents the franchisor in this action.)

Applying Texas law as specified in the parties' agreements, the court ruled that the covenants not to compete were enforceable and had been violated. To be enforceable under Texas law, the court held, the covenants must be reasonable and part of an otherwise valid contract. The master franchise agreements were deemed enforceable because they contained an exchange of promises related to use of trademarks and confidential information. The restrictive covenants were deemed reasonable because they prohibited competition "only for their duration plus two years, and limit the restrained territory to a 50-mile radius." The court enforced the covenants against the corporate franchisee and its individual guarantors and their newer, competing entity.