

Court Holds Overly Broad Restrictive Covenant Unenforceable

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Generally, a restrictive covenant provides restrictions on competing against an employer for a specific duration and geographical area. In order to be an enforceable, the courts generally find that the restrictions must be narrowly drafted to reasonably protect the legitimate business concerns of the employer. Various factors are considered in determining whether the employer has a legitimate business concern in restricting employment. These factors include a detailed analysis of the employer's business and its relationship with its clientele, where the company and the employee performed work, the employee's skills and knowledge of the company's business and the type of position held by the employee. Courts analyze each restrictive covenant and employment relationship independently to determine whether the restrictive covenant is enforceable. Recently, the Second District Illinois Appellate Court found that an overly broad restrictive covenant was unenforceable. In *Reliable Fire Equipment Company v. Arredondo*, the plaintiff was a commercial business that sold and serviced portable fire extinguishers and other fire prevention equipment, primarily to electrical contractors and building owners. Reliable filed suit against its former employees claiming violation of a restrictive covenant. The appellate court affirmed the trial court's ruling that the restrictive covenant was unenforceable because it attempted to restrict competition in three entire states and excluded the former employees from working in territories beyond where they established relationships with Reliable's customers. The appellate court also ruled that the trial court properly found there was total lack of competent evidence of Plaintiff's claimed damages, as Reliable's expert did not testify as to the basis for his estimates of sell prices and costs. The court found that the plaintiff was required to present competent proof of lost profits from which a reasonable basis of computation can be derived. For additional employment information, please visit our web site at <http://www.joettedoran.com>.

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