CLIENT ALERT: Massachusetts Superior Court Holds that Parent Companies Cannot Enforce Noncompetition Obligations Against Their Subsidiaries' Employees

On September 11, 2025, Judge Debra A. Squires-Lee of the Massachusetts Superior Court held that a parent company cannot enforce a noncompetition provision against the employee of one of its subsidiaries.

In what appears to be a matter of first impression, Judge Squires-Lee held that a parent company is not an "employer" within the meaning of the Massachusetts Noncompetition Agreement Act (the "Act"). As a result, Judge Squires-Lee concluded that a noncompetition provision that was signed only by a parent company and one of its subsidiaries' employees (but not the "employer" of the worker) was unenforceable under the Act.

Statutory Background

The 2018 Act requires that covered noncompetition provisions contain several elements to be enforceable. Among other requirements, the Act requires that noncompetition agreements (1) are in writing; (2) expressly advise the employee of the right to consult with counsel before signing; and, relevant to this matter, (3) are "signed by both the employer and employee." Prior decisions have confirmed that these procedural and substantive rules must be strictly followed to satisfy the Act.

Decision

Anaplan Parent, LP ("Parent") sought to enforce a noncompetition agreement to prevent Timothy Brennan from working for a competitor after his resignation from Anaplan, Inc. ("Anaplan"), a subsidiary of Parent. During his employment, Brennan entered into multiple equity agreements with Parent containing noncompetition provisions. Parent and Anaplan sought to enforce those provisions in the equity documents.

Brennan argued that the noncompetition provisions were unenforceable because the relevant agreements (found in the equity documents) were signed by Parent, not Anaplan, and therefore did not comply with the Act's requirement that a noncompetition agreement be signed by the "employer". Relying upon the definition of "employer" in various statutes, Judge Squires-Lee concluded that the noncompetition agreement was not enforceable because it was not signed by both the employee and the employer.

Takeaways

This decision stands for the proposition that a noncompetition provision must be signed by the employee's employer to be enforceable rather than a corporate relative. This trial court decision may be appealed, and even if it stands, this decision is not binding on other Courts. However, this decision serves as an important lesson that employers should review their noncompetition agreements to ensure that they are signed by the appropriate entity.

Employers with questions about this decision or how it may impact their restrictive covenants should contact their MBJ attorney.

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