Reinhart

Reinhart Successfully Persuades Illinois Supreme Court to Change Noncompete Agreement Standard

Two Reinhart attorneys, Christopher P. Banaszak and Robert S. Driscoll, succeeded in persuading the Illinois Supreme Court to establish a more liberal standard for the enforcement of noncompetition agreements in Illinois. The Illinois Supreme Court agreed with Reinhart's argument that the standard the Illinois Appellate Court applied for the last 36 years in determining the enforceability of noncompete agreements was the wrong one.

Reinhart brought the underlying lawsuit on behalf of its client, Reliable Fire Equipment Company (Reliable), which sells and installs fire suppression and fire alarm systems. Reliable alleged that the defendants, two of Reliable's former salesmen, had left the company, set up a competing business, and began soliciting Reliable's customers in violation of the restrictive covenants they had signed.

At trial, the court found the covenants unenforceable under the 36-year-old "Legitimate Business Interest Test" (LBI Test), which forced Reliable to prove that its relationship with its customers was "near permanent" before the covenants would be enforced. The Illinois Appellate Court affirmed the decision, though it split over whether the LBI Test was the correct standard to apply. Reinhart successfully petitioned the Illinois Supreme Court to take up Reliable's appeal.

In a 7-0 decision, the Illinois Supreme Court reversed the lower courts and remanded the case for further proceedings. The Court agreed with Reliable that the LBI Test, as applied by the appellate court, was "inflexible" and an incorrect application of Illinois law. Instead, the Court held, each case must be determined on its own facts, and the presence or absence of near permanent customer relationships was only one of numerous factors courts should consider when evaluating the enforceability of a restrictive covenant. The decision may be found at Noncompete Agreement .

As a result of the Court's holding, employers are no longer bound by the rigid LBI Test, and those employers that lack near-permanent relationships with their customers are not foreclosed from enforcing restrictive covenants. Rather, employers may now present other evidence to demonstrate a legitimate business interest that a restrictive covenant may legally protect. As the Illinois Supreme Court held, "[W]hether a legitimate business interest exists is based on the totality

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of the facts and circumstances of the individual case."

The attorneys of Reinhart's Labor and Employment Practice Area are experienced in drafting and enforcing restrictive covenants. If you have questions about such covenants, please contact your Reinhart attorney or any member of Reinhart's Labor and Employment Practice.

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