



American Century, Schroders Settle PM Poaching Suit

News

8.07.14

Christopher Stief was quoted in *Ignite* on August 7, 2014. The article “American Century, Schroders Settle PM Poaching Suit” discussed the settlement of American Century’s garden leave lawsuit against Schroders.

Garden leave lawsuits are uncommon in the United States, though the concept has “bled into the financial [sector] in the U.S.,” said Chris.

“They’re well accepted under the laws of England and Wales,” Chris said.

Garden leave provisions offer employers an alternative to using non-compete agreements, which can be more difficult to enforce, lawyers say. Unlike non-compete arrangements, garden leave is paid and typically shorter in duration, ranging from as little as two weeks to more than three months, Chris noted.

“When you get to 90 days ... it starts to look more like a non-compete [agreement] with pay,” he said. “The longer the period you seek to impose on somebody, the harder it is [to enforce].”

However, in evaluating whether a firm can enforce its garden leave agreement, a judge has to evaluate the company’s business case for having the agreement as well as any hardship the restriction places on an employee, he said.

“When you’re talking about somebody who is an investment officer ... the market and the Street care about that individual,” said Chris. Existing customers are typically familiar with a particular investment team member’s track record and overall ability to manage a fund, he notes. “That particular segment of the financial sector is uniquely well-suited for such a [garden leave] clause, because it appears they wanted to manage the transition from somebody who was a well-regarded fund manager.”

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Christopher P. Stief
Regional Managing Partner
207.477.7007
Email