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MASSACHUSETTS SUPERIOR COURT SETS NEW LIMITS ON NONCOMPETES: 5 THINGS EMPLOYERS NEED TO KNOW

Insights
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The Massachusetts Superior Court recently clarified the enforceability of noncompetition agreements by parent companies under the Massachusetts Noncompetition Agreement Act (MNAA), serving a warning to employers in the Commonwealth that deploy restrictive covenants in their work agreements. The September 11 decision in *Anaplan Parent, LP v. Brennan* underscores that only the actual employer – not the parent or grandparent company – can sign and enforce noncompetition agreements tied to employment under the MNAA. Here's what the ruling means for businesses operating in Massachusetts.

An MNAA Refresher

The MNAA, effective since October 1, 2018, sets strict statutory requirements that almost every noncompetition agreement must meet to be enforceable in the Commonwealth.

The MNAA requires that all noncompete agreements mus

- be in writing and signed by the employer and employee;
- inform the employee of their right to consult an attorney;
- be provided at least 10 business days before employmen begins, or the agreement is to be effective, whichever is
- last no longer than 12 months after employment ends, be reasonable in geographic scope and activities restricted,

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protect legitimate business interests such as trade secret confidential information, or goodwill; and

- include a garden leave clause – paying at least 50% of th employee's highest annual base salary during the restrict period – or other mutually agreed upon consideration spe in the agreement.

Noncompete agreements are generally unenforceable for hourly employees and those terminated without cause. The MNAA excludes non-solicitation agreements and sale-of-business restrictions from these requirements.

Background: The Anaplan Dispute

Timothy Brennan was an executive with software company Anaplan, Inc., a subsidiary of Anaplan Parent, LP. As part of his employment, Brennan signed three equity grant agreements with Anaplan Parent, each containing a noncompete provision barring him from working for competitors for 12 months after his employment ended. Anaplan, Inc. – his official employer – was not a party to these agreements, nor did its representatives sign them.

When Brennan left Anaplan in July 2025 for a role at a competitor, Anaplan, Inc. and Anaplan Parent, LP filed suit and sought a temporary restraining order to try to enforce the noncompete agreement. Brennan responded that his agreement was unenforceable because it had not been executed by his employer, Anaplan, Inc.

Court's Ruling: MNAA Demands Privity with True Employer

The court agreed with Brennan and denied the TRO. The court concluded that MNAA required the employer's signature – meaning Anaplan Parent could not enforce the noncompetition agreement against its subsidiary's employee.

The Superior Court emphasized the "iron rule" of corporate separateness under Massachusetts law: if the legislature intended parent companies to step into the shoes of the true employer, it would have said so. The court reasoned that existing statutes and case law supported a narrow reading of "employer."

Key Takeaways for Employers

The *Anaplan Parent* case serves as a cautionary tale for companies that use restrictive covenants. Here are the major lessons we can take away from this decision:

1. Noncompete agreements must be signed by the actual employer – not just a parent or related entity – to be enforceable under the MNAA.

2. Equity incentive agreements that grant interests in a parent company should also include the subsidiary employer as a party to the contract and obtain its signature to comply with the MNAA's requirements.

3. Alternatively, if subsidiaries are not included in equity grant agreements, noncompetition agreements should be executed separately with the employing entity.

4. Employers relying on common management or oversight between entities will not overcome the statutory requirement of privity with the real employing entity.

5. Massachusetts courts continue to strictly apply the MNAA, and failure to comply with the law's technical requirements may render noncompete agreements unenforceable.

What Should Employers Do?

Massachusetts businesses should review all noncompete agreements with employees of subsidiaries and promptly amend those that lack the employer's formal involvement and signature. This decision did not impact noncompetition provisions tied to sale-of-business transactions or agreements with significant owners, as those fall under the law's exceptions.

Conclusion

We will continue to monitor developments and provide updates as warranted, so make sure you are subscribed to Fisher Phillips' Insight System to get the most up-to-date information. If you have questions about your agreements or want to develop a proactive plan to protect your business, contact your Fisher Phillips attorney, the author of this Insight, or any attorney in our Boston office or our Employee Defection and Trade Secrets Practice Group.