

## APPENDIX TO CHAPTER 9: An Annotated Employment Contract

**Paragraph 10.** Similar to a covenant not to compete, this clause prohibits an employee from soliciting the company's customers during his or her employment or for up to three years afterward. Without such protection, an employer would be vulnerable to any former employee taking customer lists and using them to solicit customers at a new employer or at his or her own business.

**Paragraph 11.** This paragraph allows the employer to seek injunctive relief against the employee, should it be necessary. The employee agrees that the employer not only may seek monetary damages from the employee in the event that this agreement is breached but also may prohibit him or her from engaging in whatever behavior violates the contract. Recall that typically the first line of remedies is damages to compensate for injury. Here, the parties are acknowledging in advance (for the benefit of any court that later is involved) that the harm caused by a breach of the contract cannot be compensated or corrected with monetary damages.

**Paragraph 12.** Companies change, and so do their owners. This paragraph states that the contract will survive even if ownership of the company changes due to a merger, reorganization, or other reason. The employee cannot avoid this contract simply because the owner that signed the agreement later sells the company to someone else. This paragraph and many of the subsequent paragraphs are often referred to as "boilerplate language," meaning provisions that appear in some form in many contracts. They are included because conflicts have arisen over these points in the past and courts have interpreted contracts without this language in a way that the parties want to avoid. Boilerplate language can be very dangerous because parties may see the headings and not read further because the language is similar from contract to contract. But boilerplate language can make a difference in which party later wins a dispute (because the language spells out the law that will be used to interpret the contract, where a case must be brought, the proper way to give notice of changes, and the like).

**Paragraph 13.** Employers know that even the most carefully drafted agreements can sometimes be rendered unenforceable by a reviewing court. Laws change over time, and so do attitudes toward contract terms. This paragraph states that if part of this contract is rendered unenforceable for some reason, the rest of the contract will survive intact (that is, the unenforceable part of the contract is severable). The paragraph specifically references the covenant not to compete and the prohibition against solicitation. If a court rejects those terms as too broad in scope or too lengthy, the parties agree that the court should adjust the clause in order to make it enforceable under the law.

**Paragraph 14.** This paragraph deals with notices. If the employer or the employee wants to communicate about the contract, the communication must be sent by personal delivery or registered/certified mail. Note that this means that an e-mail is not sufficient notice under this agreement.

**Paragraph 15.** This paragraph says "any party," but it is really meant to protect the employer. Sometimes, through generosity or neglect, employers fail to enforce every clause of a contract. For example, an employer may allow a former employee to start a competing business earlier than the contract states or permit an employee to take a second job. This paragraph ensures that if the employer allows some action that is prohibited in the contract, that does not mean that the contract term is waived forever. Just because the employer does not fully enforce the contract every time does not necessarily mean the employer is barred from doing so in the future.

**Paragraph 16.** This clause is meant to clarify that the headings are just headings and do not change the interpretation of the language in the paragraphs or the overall meaning of the contract.

**Paragraph 17.** This contract will be interpreted using the law of the state of New Hampshire. It is likely that the employer selected New Hampshire for some particular reason. Typically, an employer chooses a state where the law provides the most benefits for the employer. For example, employers typically choose the law of a particular state because it is their geographic home state and the employer's lawyers are familiar with its law. Employers may also choose a legal jurisdiction because its laws create a climate that is more favorable to the employer than the employee.

**Paragraph 18.** In this paragraph, the employee acknowledges that this contract is about nondisclosure of information and does not constitute an employment agreement that promises any length of service or any promise of continued employment.

**Paragraph 19.** This paragraph states that this contract is the complete agreement between the employer and the employee. Any other side agreements, e-mails, conversations, or other communications are irrelevant. The employee cannot rely on a manager's promise of a particular salary or terms of a covenant not to compete. This agreement is the final statement of the relationship between the employer and the employee.



"I am for free commerce  
—George Washington, 1733