

Invalid Non-Compete Agreement Drives Former Employee to Bankruptcy after Lawsuit

By: Callahan & Blaine

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In an unusual ruling, a Missouri judge issued a permanent injunction against the [standard “non-competete” clause](#) signed by Individual Taxes Etc. Inc. employees who were hired as temporary workers to prepare seasonal tax returns. Individual Taxes is a franchised subsidiary of New Jersey-based Jackson Hewitt.

As a course of the hiring process, Individual Taxes has all employees read an employee training guide and sign a contract that includes a non-competete clause stating the employee will not work as a tax preparer for two years within a certain geographic area.

The judge found that the temporary employees “possess no specialized knowledge... to prepare returns” and says the job is “akin to data entry.” The judge also ruled that the seasonal workers do not have enough time with clients to form “significant relationships” with them, and therefore are not in a position to credibly steal clients from Individual Taxes Etc.

Unfortunately, the class action lawsuit will not help former office manager Beverly Johnson who found herself in court against Individual Taxes in a separate case. After quitting Individual Taxes, the company accused her of violating the non-competete agreement. Johnson’s case was dismissed by a court in June, but not before Johnson had to declare bankruptcy and lost her house due to legal fees. “They have basically ruined my life,” she says.

Moral of the story: be careful what you sign and don’t let big companies push you around.

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