

November 23, 2026

The Parent-Company Trap: How to Keep a Corporate Formality From Voiding Your Non-Competes and Non-Solicits

Andrew T. James

For employers with parent or holding companies, having the parent company sign a non-compete or a non-solicit—in particular, where the agreement ties restrictive covenants to parent-level equity grants—is standard operating procedure. But courts are increasingly questioning whether that structure could void an otherwise enforceable contract provision.

That exact scenario recently played out in a unanimous decision from the Massachusetts Supreme Judicial Court last week, on November 17, 2026. In *Anaplan Parent, LP v. Brennan*, the court voided an executive's non-compete because it was signed by the employer's parent company rather than the operating subsidiary that actually employed him. Before Minnesota or Midwest employers dismiss this as an outlier—or assume Minnesota's 2023 non-compete ban moots the issue—it is worth taking a closer look. *Anaplan* is just the latest example of a growing national trend of courts scrutinizing, and frequently invalidating, parent-company restrictive covenants.

The Massachusetts Case

In *Anaplan*, an executive named Timothy Brennan worked for a subsidiary, Anaplan Inc., but signed three equity-incentive agreements with its parent company, Anaplan Parent LP. In exchange for an equity stake, Brennan agreed not to work for a competitor for 12 months after leaving. When he departed for a rival in 2025, both the parent and the subsidiary sued to enforce the restriction.

On November 17, 2026, in a unanimous decision, the Massachusetts Supreme Judicial Court invalidated the non-compete. Pointing to the Massachusetts Noncompetition Agreement Act, the court concluded a non-compete must be signed by both the employee and the employer.

Because Anaplan Inc.—Brennan's actual employer—never signed the equity agreements, the court held the non-compete was not enforceable. The silver lining for the company was narrow: The parent still secured an injunction preventing Brennan from misusing its subsidiaries' confidential information.

A Growing National Trend

While Anaplan turned on a specific Massachusetts statutory requirement, employers located elsewhere should not ignore this decision. Courts nationwide—most notably in Delaware—are increasingly striking down parent-level covenants on traditional contract grounds.

For example, in January 2026, a Delaware court invalidated a parent-level profits-interest non-compete in *Daxco, LLC v. Timm* because it sought to protect the entire corporate family, holding that an employer lacks a legitimate economic interest in shielding affiliates the employee never served. Other courts have rejected parent-signed covenants because the contract language only protected the parent's business rather than the operating subsidiary's business, or because a related entity lacked standing to sue as a non-party. Judges will also closely scrutinize corporate structures used to dodge state-level worker protections and reject attempts by parent companies to use out-of-state choice-of-law clauses to bypass local employment requirements.

What This Means for Companies Located in Minnesota and the Eighth Circuit

Minnesota's appellate courts and the Eighth Circuit have not yet adopted a rigid, Massachusetts-style rule that automatically voids a restrictive covenant simply because a parent company signed it instead of the direct employer. The Eighth Circuit has historically enforced multi-entity agreements where both the parent and the operating subsidiary were parties to the contract. But that does not mean parent-signed agreements are risk free.

First, employers should ensure there is standing to enforce the protection. Under Minnesota and Eighth Circuit precedent, a non-party generally cannot enforce a contract unless the agreement expressly shows an intent to benefit it as a third-party beneficiary (or assigns enforcement rights). If a parent company signs a non-solicitation or confidentiality agreement without clearly extending those rights to the operating subsidiary where the employee actually works, the entity actually losing clients may find itself without a contract-based remedy.

Second, independent consideration remains mandatory for parent-level equity grants. In most states, including Minnesota, a restrictive covenant signed after employment begins must be supported by independent, bargained-for consideration. When a parent company grants equity to a subsidiary's employee mid-employment, litigation may turn on whether that parent-level award is truly bargained-for consideration.

Lastly, corporate structure will not evade Minnesota's non-compete ban for agreements signed on or after July 1, 2023. See Minn. Stat. § 181.988. Because that statute defines "employer" broadly to include any entity acting directly or indirectly in the employer's interest, a parent company almost certainly cannot evade the ban by signing an equity-based non-compete in place

Copyright © 2026 Bassford Remele, All rights reserved.

of the employing subsidiary—nor can it use an out-of-state choice-of-law clause end-run Minnesota law. Because Minnesota businesses must now lean heavily on non-solicitation and confidentiality covenants instead, it is more critical than ever to correctly draft the agreement in terms of the proper signing entity, third-party beneficiary language, and affiliate scope.

No matter where your employees are located, Bassford Remele's award-winning Labor and Employment Practice Group is here to help with these issues and more. Please reach out to discuss ways that we can help you protect your business and protect your rights.

Learn About Our Labor & Employment Practice

Copyright © 2026 Bassford Remele, All rights reserved.