

DISTRICT OF COLUMBIA COURT OF APPEALS

Yehuda Steiner, et al. v. American Friends of Lubavitch (Chabad), et al.

Yehuda Steiner v. American Friends of Lubavitch (Chabad), 177 A.3d 1246 (D.C. 2018) · No. Nos. 14-CV-1427 & 15-CV-1203 · Decided February 1, 2018

SUMMARY

The District of Columbia Court of Appeals reviewed a preliminary injunction enforcing noncompete and noninterference provisions in a religious minister’s employment contract. The court held that civil courts had subject-matter jurisdiction because the dispute could be resolved through neutral principles of contract law and formally adopted equitable reformation for restrictive covenants. It vacated the injunction because the trial court’s revision impermissibly expanded the contractual restrictions and remanded for further proceedings, including whether any remaining provisions could be enforced against the minister’s wife.

CASE DETAILS

COURT	District of Columbia Court of Appeals
WRITING FOR THE COURT	Beckwith, Associate Judge; Easterly, Associate Judge; Farrell, Senior Judge
JURISDICTION	District of Columbia
DECIDED	February 1, 2018
DOCKET	Nos. 14-CV-1427 & 15-CV-1203
DISPOSITION	vacated
PROCEDURAL POSTURE	Appeal from modified preliminary injunction orders in a breach-of-contract action.
STANDARD OF REVIEW	Subject-matter jurisdiction is reviewed de novo; the decision whether to judicially modify an unenforceable noncompete clause is reviewed for abuse of discretion; contract interpretation after equitable reformation is reviewed de novo.
PRECEDENTIAL VALUE	Published precedential opinion of the District of Columbia Court of Appeals.
PARTIES	Yehuda Steiner, Rivky Steiner v. American Friends of Lubavitch (Chabad), Rabbi Levi Shemtov

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QUESTIONS PRESENTED

1. Whether the District of Columbia courts had subject-matter jurisdiction to enforce the employment contract and preliminary injunction without impermissibly adjudicating ecclesiastical matters.
2. Whether the District of Columbia should adopt the doctrine of equitable reformation for overbroad restrictive covenants.
3. Whether the trial court exceeded the permissible scope of equitable reformation by modifying the noncompete clause to prohibit activities undertaken by the Steiners in their personal capacities.
4. Whether the noninterference provision in the modified preliminary injunction was sufficiently definite and enforceable.
5. Whether the preliminary injunction properly could bind Rivky Steiner, who claimed she was not a party to the employment contract.

HOLDINGS

1. Civil courts have subject-matter jurisdiction to enforce the employment contract and injunction because the dispute can be resolved through neutral principles of contract law without deciding matters of religious doctrine, polity, hierarchy, or governance.
2. The District of Columbia adopts the doctrine of equitable reformation, allowing a court in appropriate circumstances to enforce the reasonable portion of an overbroad restrictive covenant even when the restriction is not mechanically severable under the blue-pencil rule.
3. The trial court exceeded the permissible scope of equitable reformation by modifying the noncompete clause to prohibit the Steiners from engaging in religious outreach activities in their personal capacities.
4. The record did not make clear what conduct the noninterference provision prohibited, and the trial court must clarify its intended meaning and determine whether it is enforceable under applicable reasonableness requirements.
5. The trial court must determine on remand whether Rivky Steiner, who asserted that she was not a party to the contract, satisfies the prerequisites for any preliminary injunction that remains in force.

KEY QUOTATIONS

“The court’s adjudication did not require interpreting religious terms so much as looking to the conduct and understanding of the parties.” (at 1258)

“We join the jurisdictions that have adopted the equitable reformation doctrine.” (at 1261)

“We therefore hold that the trial court erred by modifying the noncompete clause to prohibit activities conducted by the appellants in a personal capacity.” (at 1274)

“We remand for clarification as to what this clause is intended to enforce and for a determination as to whether the clause is enforceable.” (at 1276)

FACTUAL BACKGROUND

Rabbi Yehuda Steiner was employed by American Friends of Lubavitch to conduct Jewish campus outreach at George Washington University, under an employment contract signed by Rabbi Steiner on behalf of himself and his wife, Rivky Steiner. The contract included broad noncompete and noninterference provisions restricting post-termination work involving Chabad-Lubavitch entities, similar institutions, and activities at GW. After Rabbi Steiner's termination, the Steiners continued religious outreach at GW, including use of the Chabad @ GW name and AFL property, prompting AFL and Rabbi Shemtov to seek a preliminary injunction.

PROCEDURAL HISTORY

American Friends of Lubavitch and Rabbi Levi Shemtov sued the Steiners for breach of an employment contract and obtained a preliminary injunction enforcing modified noncompete and noninterference restrictions. The trial court applied equitable reformation to narrow the facially overbroad noncompete clause, later modified the injunction after this court ordered clarification concerning its scope and compatibility with the First Amendment, and the Steiners appealed. The appeals were consolidated.

DISPOSITION

vacated

REMAND INSTRUCTIONS

Vacate the modified preliminary injunction and remand for the trial court to determine whether and how to enforce the employment contract consistently with the opinion, including clarification and enforceability analysis of the noninterference clause and determination whether Rivky Steiner may properly be enjoined under any remaining injunction.

CASES CITED

- Meshel v. Ohev Sholom Talmud Torah, 869 A.2d 343 (D.C. 2005)
- Kedroff v. St. Nicholas Cathedral of Russian Orthodox Church in North America, 344 U.S. 94 (1952)
- Kreshik v. St. Nicholas Cathedral, 363 U.S. 190 (1960)
- Presbyterian Church in U.S. v. Mary Elizabeth Blue Hull Memorial Presbyterian Church, 393 U.S. 440 (1969)
- United Methodist Church, Baltimore Annual Conference v. White, 571 A.2d 790 (D.C. 1990)
- Family Federation for World Peace v. Hyun Jin Moon, 129 A.3d 234 (D.C. 2015)
- Bible Way Church of Our Lord Jesus Christ of Apostolic Faith of Washington, D.C. v. Beards, 680 A.2d 419 (D.C. 1996)

- *Heard v. Johnson*, 810 A.2d 871 (D.C. 2002)
- *Watson v. Jones*, 80 U.S. (13 Wall.) 679 (1871)
- *Second Episcopal District African Methodist Episcopal Church v. Prioleau*, 49 A.3d 812 (D.C. 2012)
- *Jones v. Wolf*, 443 U.S. 595 (1979)
- *Minker v. Baltimore Annual Conference of United Methodist Church*, 894 F.2d 1354 (D.C. Cir. 1990)
- *Avitzur v. Avitzur*, 446 N.E.2d 136 (N.Y. 1983)
- *Samuel v. Lakew*, 116 A.3d 1252 (D.C. 2015)
- *Natal v. Christian & Missionary Alliance*, 878 F.2d 1575 (1st Cir. 1989)
- *Sahrapour v. LesRon, LLC*, 119 A.3d 704 (D.C. 2015)
- *Ellis v. James V. Hurson Associates, Inc.*, 565 A.2d 615 (D.C. 1989)
- *Dyer v. Bilaal*, 983 A.2d 349 (D.C. 2009)
- *Gryce v. Lavine*, 675 A.2d 67 (D.C. 1996)
- *Wilson v. Hayes*, 77 A.3d 392 (D.C. 2013)
- *Loral Corp. v. Moyes*, 174 Cal. App. 3d 268 (Cal. Ct. App. 1985)
- *Wieck v. Sterenbuch*, 350 A.2d 384 (D.C. 1976)
- *In re Estate of Reilly*, 933 A.2d 830 (D.C. 2007)

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