

SUPREME COURT OF TENNESSEE

Murfreesboro Medical Clinic, P.A. v. Udom

166 S.W.3d 674 (Tenn. 2005) · Decided June 29, 2005

SUMMARY

The Tennessee Supreme Court considered whether a covenant not to compete between a physician and a private medical clinic was enforceable. The Court held that, except for restrictions specifically authorized by statute, physicians' covenants not to compete are unenforceable and void because they conflict with public policy concerning patient choice, continuity of care, and access to medical services. The Court reversed the Court of Appeals' judgment.

CASE DETAILS

COURT	Supreme Court of Tennessee
WRITING FOR THE COURT	William M. Barker, J.; E. Riley Anderson, J.; Adolpho A. Birch, Jr., J.
JURISDICTION	Tennessee
DECIDED	June 29, 2005
DISPOSITION	reversed
PROCEDURAL POSTURE	Dr. Udom appealed by permission from the Tennessee Court of Appeals concerning the enforceability of a physician's covenant not to compete. The chancery court granted MMC a temporary injunction and treated the covenant as enforceable. The Court of Appeals reversed the temporary injunction but affirmed enforceability and remanded for determinations concerning the buy-out provision.
STANDARD OF REVIEW	The trial court's conclusions of law were reviewed de novo on the record with no presumption of correctness. Findings of fact were presumed correct unless the evidence preponderated otherwise.
PRECEDENTIAL VALUE	published and precedential
PARTIES	David Udom v. Murfreesboro Medical Clinic, P.A.

TOPICS

[noncompete agreements](#)[restrictive covenants](#)[employment contracts](#)[health law](#)[equitable relief](#)

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether a covenant not to compete between a physician and a private medical clinic is enforceable under Tennessee law.
2. Whether Tennessee public policy and Tennessee Code Annotated section 63-6-204 permit enforcement of a physician's non-compete covenant outside the statutory circumstances.

HOLDINGS

1. Except for restrictions specifically prescribed by statute, covenants not to compete are unenforceable and void against physicians in Tennessee.
2. The covenant between MMC, a private medical clinic, and Dr. Udom was not within a statutory exception and therefore was unenforceable.

KEY QUOTATIONS

"We hold that except for those specifically prescribed by statute, physicians' covenants not to compete are unenforceable and void." (676)

"For these reasons, we hold that except for restrictions specifically provided for by statute, covenants not to compete are unenforceable against physicians." (684)

"Public policy considerations such as the right to freedom of choice in physicians, the right to continue an on-going relationship with a physician, and the benefits derived from having an increased number of physicians practicing in any given community all outweigh the business interests of an employer." (684)

FACTUAL BACKGROUND

Murfreesboro Medical Clinic employed Dr. David Udom as an internal-medicine physician under an agreement containing an eighteen-month, twenty-five-mile covenant not to compete and a buy-out provision. MMC declined to renew Udom's employment after the initial two-year term and informed him that the covenant would bar practice in the Murfreesboro area, including hospitalist work and work at a veterans' facility. Udom opened a solo practice in Smyrna, approximately fifteen miles from Murfreesboro's public square, prompting MMC to seek injunctive relief.

PROCEDURAL HISTORY

MMC sued Dr. Udom in chancery court to enjoin him from opening a medical practice and practicing at a local hospital in alleged violation of an eighteen-month, twenty-five-mile non-compete covenant. The trial court granted a temporary injunction and permitted Udom to deposit \$120,000 to satisfy the agreement's buy-out provision. The Court of Appeals reversed the injunction but affirmed that the covenant was enforceable and remanded regarding the buy-out amount. The Tennessee Supreme Court granted permission to appeal and reversed the Court of Appeals.

DISPOSITION

reversed

CASES CITED

- Hasty v. Rent-A-Driver, Inc., 671 S.W.2d 471 (Tenn. 1984)
- Allright Auto Parks, Inc. v. Berry, 219 Tenn. 280, 409 S.W.2d 361 (1966)
- Spiegel v. Thomas, Mann & Smith, P.C., 811 S.W.2d 528 (Tenn. 1991)
- Med. Educ. Assistance Corp. v. State, 19 S.W.3d 803 (Tenn. Ct. App. 1999)
- State v. Mixon, 983 S.W.2d 661 (Tenn. 1999)
- Cronin v. Howe, 906 S.W.2d 910 (Tenn. 1995)
- Union Carbide Corp. v. Huddleston, 854 S.W.2d 87 (Tenn. 1993)
- Canfield v. Spear, 44 Ill. 2d 49, 254 N.E.2d 433 (1969)
- Duneland Emergency Physician's Med. Group, P.C. v. Brunk, 723 N.E.2d 963 (Ind. Ct. App. 2000)
- Weber v. Tillman, 259 Kan. 457, 913 P.2d 84 (1996)
- Cmty. Hosp. Group, Inc. v. More, 183 N.J. 36, 869 A.2d 884 (2005)
- Karlin v. Weinberg, 77 N.J. 408, 390 A.2d 1161 (1978)
- Raymundo v. Hammond Clinic Ass'n, 449 N.E.2d 276 (Ind. 1983)
- Valley Med. Specialists v. Farber, 194 Ariz. 363, 982 P.2d 1277 (1999)
- Iredell Digestive Disease Clinic v. Petrozza, 92 N.C. App. 21, 373 S.E.2d 449 (1988)
- Ohio Urology, Inc. v. Poll, 72 Ohio App. 3d 446, 594 N.E.2d 1027 (1991)
- Shankman v. Coastal Psychiatric Assocs., 258 Ga. 294, 368 S.E.2d 753 (1988)
- Lazy Seven Coal Sales, Inc. v. Stone & Hinds, P.C., 813 S.W.2d 400 (Tenn. 1991)
- Swafford v. Harris, 967 S.W.2d 319 (Tenn. 1998)
- State v. Robinson, 139 S.W.3d 661 (Tenn. Crim. App. 2004)