

Subject Covenants not to compete

Authors Elkins and others

Analyst Marta James

Date January 31, 2023

Overview

This bill prohibits covenants not to compete in employment agreements unless the exception applies.

Summary

Section	Description
---------	-------------

1	Covenants not to compete void in employment agreements; substantive protections of Minnesota law apply.
---	--

Subd. 1. Definitions. Provides the definitions used in the bill. Defines a “covenant not to compete” as an employment agreement that restricts an employee’s ability to work for another employer after their termination for a certain time period, in a certain geographic area, or in a similar capacity.

Subd. 2. Covenants not to compete void and unenforceable. Makes covenants not to compete in contracts and employment agreements void and unenforceable. Clarifies that any remaining provisions of the contract or agreement remain in effect. Provides an exception for families earning above a certain amount if the employer pays 50 percent of the employee’s salary on a pro rata basis during the restricted period. Provides for injunctive relief plus attorney’s fees for violations.

Subd. 3. Choice of law; venue. Prohibits an employer from requiring an employee working and living in Minnesota from agreeing to resolve claims outside of Minnesota or without the protection of Minnesota law unless the employee has legal counsel in negotiating their contract. Provides for injunctive relief plus attorney’s fees for violations.

Subd. 4. Severability. Clarifies that all remaining provisions in the bill remain valid and in force if any portion is found void or unconstitutional by a court.

Effective date: Effective the day following final enactment. Applies to contracts and agreements entered into on or after that date.



**MN HOUSE
RESEARCH**

Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn/hrd | 651-296-6753 | 155 State Office Building | St. Paul, MN 55155