State of Minnesota

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HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 1768

03/03/2025 Authored by Niska, Baker and Demuth
The bill was read for the first time and referred to the Committee on Workforce, Labor, and Economic Development Finance and Policy
03/13/2025 Adoption of Report: Placed on the General Register
Read for the Second Time

A bill for an act

relating to employment; providing additional circumstances under which a covenant not to compete is valid and enforceable; amending Minnesota Statutes 2024, section 181.988, subdivision 2.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2024, section 181.988, subdivision 2, is amended to read:

Subd. 2. **Covenants not to compete void and unenforceable.** (a) Any covenant not to compete contained in a contract or agreement is void and unenforceable.

(b) Notwithstanding paragraph (a), a covenant not to compete is valid and enforceable if:

<u>(1) the covenant not to compete applies:</u>

<u>(i) to an employee who has an annual budgeted compensation of $120,000 or more and whose primary duties include:</u>

<u>(A) research and development or the creation, analysis, or modification of confidential, proprietary, or trade secret information; or</u>

<u>(B) management of a project, team, or department with responsibility over research and development or the creation, analysis, or modification of confidential, proprietary, or trade secret information; or</u>

<u>(ii) to any employee who has an annual budgeted compensation of $500,000 or more regardless of the employee's primary job duties;</u>

~~(1)~~ (2) the covenant not to compete is agreed upon during the sale of a business. The person selling the business and the partners, members, or shareholders, and the buyer of the business may agree on a temporary and geographically restricted covenant not to compete that will prohibit the seller of the business from carrying on a similar business within a reasonable geographic area and for a reasonable length of time; or

~~(2)~~ (3) the covenant not to compete is agreed upon in anticipation of the dissolution of a business. The partners, members, or shareholders, upon or in anticipation of a dissolution of a partnership, limited liability company, or corporation may agree that all or any number of the parties will not carry on a similar business within a reasonable geographic area where the business has been transacted.

(c) Nothing in this subdivision shall be construed to render void or unenforceable any other provisions in a contract or agreement containing a void or unenforceable covenant not to compete.

(d) In addition to injunctive relief and any other remedies available, a court may award an employee who is enforcing rights under this section reasonable attorney fees.

EFFECTIVE DATE. This section is effective the day following final enactment.