

S.F. No. 405 – Covenants not to compete

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S.F. 405 would make covenants not to compete in employment agreements void and unenforceable unless the exception provided in the bill applies.

Section 1. Covenants not to compete void in employment agreements; substantive protections of Minnesota law apply. [§ 181.987] Subdivision 1. **Definitions.** Provides definitions for terms used in this section including “covenant not to compete” and “employer.”

Subdivision 2. **Covenants not to compete void and unenforceable.** Makes covenants not to compete void and unenforceable. Allows non-compete agreement to be valid and enforceable if (1) the employee subject to the agreement earned an annual salary from the employer at least equal to the median family income for a four-person family; and (2) the employer agrees to pay the employee on a pro rata basis during the restricted period of at least 50 percent of the employee’s highest base salary within the two years prior to separation. Provides for injunctive relief and attorney’s fees for violations.

Subdivision 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 and attorney’s fees for violations.

Subdivision 4. **Severability.** Specifies that all remaining provisions of the bill are valid if any portion is found void or unconstitutional.

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