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## **OLR Bill Analysis**

### **SB 377**

#### ***AN ACT PROHIBITING THE USE OF NONCOMPETE CLAUSES IN PHYSICIAN EMPLOYMENT CONTRACTS.***

#### **SUMMARY**

This bill prohibits physician non-compete agreements (“covenants not to compete”) entered into, amended, or renewed on or after July 1, 2019, and renders any such agreement void and unenforceable. It applies to non-compete agreements that are part of physician employment, partnership, or ownership contracts or agreements.

The bill allows an aggrieved physician to sue the employer or other appropriate entity in Superior Court to recover damages, along with court costs and reasonable attorney’s fees, and for injunctive and equitable relief as the court deems appropriate.

Current law sets various restrictions on physician non-compete agreements, including that they (1) may extend for no more than one year and a 15-mile radius from the physician’s primary practice site and (2) are allowed only if necessary to protect a legitimate business interest.

If a covenant is rendered void and unenforceable under the bill’s provisions, the contract’s remaining provisions remain in effect, including provisions requiring the payment of damages for injuries suffered due to the contract’s termination. This already applies to covenants rendered void and unenforceable under current law’s restrictions.

EFFECTIVE DATE: July 1, 2019

#### **DEFINITION OF “COVENANT NOT TO COMPETE”**

Under the bill, as under existing law, a physician “covenant not to compete” is any provision of an employment or other contract or

agreement that establishes a professional relationship with a physician and restricts the physician's right to practice medicine in any area of the state for any period after the end of the partnership, employment, or other professional relationship.

**COMMITTEE ACTION**

Public Health Committee

Joint Favorable

Yea 21 Nay 0 (03/22/2019)