



CONNECTICUT  
**TRIAL LAWYERS**  
ASSOCIATION

Proposed Bill 6913  
Public Hearing: 2-14-19

TO: MEMBERS OF THE LABOR AND PUBLIC EMPLOYEES COMMITTEE  
FROM: CONNECTICUT TRIAL LAWYERS ASSOCIATION (CTLA)  
DATE: FEBRUARY 14, 2019

**RE: SUPPORT OF CONCEPT FOUND IN HB6913 AAC COVENANTS NOT TO COMPETE**

CTLA strongly supports the concept put forth in this bill and encourages passage of reasonable limitations on the right of employers to force their employees to sign non-competition agreements as a condition of employment. We have attached language we have worked on with other interested parties we believe would fulfill the purpose of the proposal.

Competition is generally a good thing for Connecticut's economy. Healthy competition promotes fair pricing for goods and services, innovation, and motivates companies to provide better services.

Competition in the labor market is also a good thing. It encourages employers to pay fair wages and provide reasonable benefits to maintain their workforce, and to reward their most valued and productive workers. The ability of individuals to move freely to pursue better career and professional opportunities also benefits Connecticut's economy.

Covenants not to compete frequently create unreasonable restrictions on employees that run counter to this purpose. For example, a large plumbing company may use these restrictions to prevent a talented, entrepreneurial employee from starting his own business and providing competitive services at lower rates. This permits the larger company to maintain monopolistic advantage in the local service area. An insurance broker may terminate an older long-term salesperson, and then prevent that person from doing the job that he has been doing his entire lifetime. The salesperson loses the advantages of the connection, knowledge and expertise that he has built up over his professional lifetime.

Employees generally have no right to refuse to sign a covenant not to compete if they want the job. Covenants not to compete are not the result of negotiated terms between equal parties. Employees who want a job to have no choice but to sign an employer's covenant not to compete.

The proposed bill codifies existing law on the reasonableness of non-competition agreements with several important limitations.

### **1. One Year Limitation on Covenants Not to Compete**

The proposed bill limits covenants not to compete to a time period of less than one year. Limitations on an individual's ability to return to the job market of greater than one year make it exceedingly difficult for trades persons, professionals, and individuals with specific expertise to remain relevant in their professions. The potential for long term damage to one's career extends far beyond the time period of the covenant not to compete. An exception is made (up to two years) when the employer agrees to provide at least one full year severance.

**4. Employees Are to Be Given a Ten-Day Grace Period to Sign a Covenant Not to Compete and Are to Be Advised That They have the Right to Consult with Counsel Prior to Signing**

Many employees do not even realize that they are signing Covenants Not to Compete when they begin working. Most certainly do not consider or appreciate the ramifications of a Covenant Not to Compete when they are beginning a new job. This proposed notice period and notification about consulting counsel is designed to underscore to employees the serious legal obligations of a covenant not to compete and encouraging them to fully understand them prior to signing it. The burden on employers of providing this is minimal, and only requires a simple modification of the documents and procedures.

**5. This Proposal Does Not Affect Employer's Interest in Protecting Their Existing Customers, Confidential Information, and Trade Secrets**

This proposal will not have any impact on Company's ability to require Restrictions of the use and dissemination of confidential and proprietary information and trade secrets. Likewise, it will not affect a Company's right to protect itself from the solicitation of customers by departing employees. We believe that this proposal provides a reasonable balance between the need of businesses to protect these legitimate interests and the compelling economic public policy of allowing Connecticut workers, particularly low-income workers, free and unfettered access to our labor market.

The bill is adopted in part, from Conn. Gen. Stat. 20-14p, which places similar restrictions on non-competition agreements for physicians. We see no reason that carpenters, veterinarians, automobile salesman, and restaurant workers should be treated any differently than Doctors.

**WE URGE YOU TO RAISE AND PASS HB6913. Thank you.**

of an employment agreement or of a separation agreement under which the employer agrees to continue to compensate the employee with the employee's base salary and benefits for a period of not less than one year following the termination of employment.

(e) Each covenant not to compete entered into, amended or renewed on or after July 1, 2019 shall (i) be provided to the employee no less than 10 business days prior to the date of signing; (ii) expressly state that the employee has the right to consult with counsel prior to signing; and (iii) be signed by the employee and the employer.

(f) The remaining provisions of any contract or agreement that includes a covenant not to compete that is rendered void and unenforceable, in whole or in part, under the provisions of this section shall remain in full force and effect, including provisions that require the payment of damages resulting from any injury suffered by reason of termination of such contract or agreement.

(g) The provisions of this section shall apply to agreements or covenants entered into, renewed or extended on or after June 30, 2019.