



General Assembly

January Session, 2019

Committee Bill No. 6913

LCO No. 6222



Referred to Committee on LABOR AND PUBLIC EMPLOYEES

Introduced by:
(LAB)

AN ACT CONCERNING COVENANTS NOT TO COMPETE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) For purposes of this
2 section:

3 (1) "Base salary and benefits" means (A) wages, as defined in section
4 31-71a of the general statutes, earned over the course of the prior
5 calendar year, without consideration of any overtime or bonus
6 compensation, (B) fringe benefits received over the course of the prior
7 calendar year, and (C) health benefits received by an employee over
8 the course of the prior calendar year;

9 (2) "Employee" includes any person suffered or permitted to work
10 by an employer;

11 (3) "Employer" includes any individual, partnership, association,
12 joint stock company, trust, corporation, the administrator or executor
13 of the estate of a deceased person, the conservator of the estate of an
14 incompetent, or the receiver, trustee, successor or assignee of any of
15 the same, employing any person, including the state and any political

16 subdivision thereof;

17 (4) "Covenant not to compete" means a contract, provision or
18 agreement that restrains an employee from engaging in any lawful
19 profession, occupation, trade, calling or business of any kind in any
20 geographic area of the state for any period of time after the termination
21 of employment;

22 (5) "Separation agreement" means an agreement accompanying the
23 termination or separation of employment without cause in which the
24 employee releases claims or potential claims against the employer.

25 (b) Except as provided in section 31-50a or 31-50b of the general
26 statutes, an employer may obtain from an employee a covenant not to
27 compete only if it is (1) not restrictive of the employee's competitive
28 activities for a period of more than one year following the termination
29 of the employee; (2) necessary to protect a legitimate business interest
30 of the employer; (3) reasonably limited in time, geographic scope and
31 employment restrictions as necessary to protect such business interest;
32 (4) in conformance with subsections (c) and (e) of this section; (5)
33 entered into by an employee who receives compensation at an hourly
34 rate of more than twice the minimum fair wage as defined in section
35 31-58 of the general statutes; and (6) otherwise consistent with the law
36 of this state and public policy. The party seeking to enforce a covenant
37 not to compete shall have the burden of proof in any proceeding.

38 (c) A covenant not to compete that is entered into, amended,
39 extended or renewed on or after July 1, 2019, shall not be enforceable
40 against any employee if (1) such employment contract or agreement
41 was not made in anticipation of a sale of the goodwill of a business or
42 all of the seller's ownership interest in a business, or as part of a
43 partnership or ownership agreement and such contract or agreement
44 expires and is not renewed, unless, prior to such expiration, the
45 employer makes a bona fide offer to renew the contract on the same or
46 similar terms and conditions; (2) the employment or contractual
47 relationship is terminated by the employee by the employer; or (3) the

48 employment or contractual relationship is terminated by the employee
49 for good cause attributable to the employer.

50 (d) A covenant not to compete conforming in all respects to the
51 requirements of subsections (b), (c) and (e) of this section shall not be
52 invalid under the provisions of this section based upon its duration of
53 more than one year but not longer than two years following the
54 termination of employment if it is a part of an employment agreement
55 or a separation agreement under which the employer agrees to
56 continue to compensate the employee with the employee's base salary
57 and benefits for a period of not less than one year following the
58 termination of employment.

59 (e) Each covenant not to compete entered into, amended or renewed
60 on or after July 1, 2019, shall (1) be provided to the employee not less
61 than ten business days prior to the date of signing; (2) expressly state
62 that the employee has the right to consult with counsel prior to
63 signing; and (3) be signed by the employee and the employer.

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

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

Statement of Purpose:

To prohibit employers from requiring certain employees from signing unfair covenants not to compete.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

Co-Sponsors: REP. VARGAS, 6th Dist.

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