



### Testimony in Opposition to:

**HB 5492: AAC Limitations on the Use of Non-Compete Agreements**

Labor and Public Employees Committee

3.10.26

Good afternoon, Senator Kushner, Representative Sanchez, Senator Sampson, Representative Weir, and members of the Labor and Public Employees Committee. My name is Paul Amarone, and I'm a Senior Policy Director for Job Growth and Manufacturing at the Connecticut Business and Industry Association, the state's largest business organization representing thousands of member companies.

I'm testifying today **in opposition to HB 5492: AAC Limitations on the Use of Non-Compete Agreements.**

In HB 5492, a covenant not to compete would be automatically void for employees earning **less than two times the minimum wage and independent contractors earning less than five times the minimum wage**, and even when permitted, such agreements would be subject to strict limitations on geography, duration, and job scope.

This effectively eliminates non-competes for a significant portion of Connecticut's workforce, including many mid-level professionals who routinely have access to sensitive business information, client relationships, and proprietary strategies.

#### **Noncompete Agreements Protect Legitimate Business Investments:**

Noncompete agreements are not designed to prevent workers from earning a living. They are used to protect legitimate business interests such as trade secrets, confidential business strategies, and established customer relationships. This is notably important in the modern economy that has been transformed by technology and global business strategies across several sectors.

Consider a Connecticut advanced manufacturing company that invests months training a sales engineer on proprietary product specifications, pricing models, and long-standing client relationships. If that employee leaves and immediately joins a direct competitor servicing the same customers, the employer could lose years of investment and market advantage overnight. Without **reasonable** noncompete protections, businesses are left with little recourse to prevent the transfer of sensitive information to competitors.

Similarly, many technology, defense, and advanced manufacturing firms in Connecticut operate in highly competitive global markets where intellectual property and strategic information are essential assets. Companies frequently provide extensive training, access to proprietary systems, and exposure to strategic planning. Noncompete agreements help ensure that employees cannot **immediately** take that knowledge to a competitor and undermine the company that invested in their development.

#### **Wage Thresholds Do Not Reflect Real Workplace Roles:**



The bill's wage thresholds are arbitrary and disconnected from the realities of the modern workforce.

For example, a sales professional earning slightly below the proposed threshold could still manage major client accounts and possess detailed knowledge of pricing strategies, product roadmaps, and customer preferences. Yet under the bill, employers would be prohibited from using a noncompete agreement to protect those relationships.

In industries such as staffing, insurance, logistics, consulting, and manufacturing, mid-level employees often serve as the primary point of contact for clients. These workers may not earn salaries that exceed the bill's thresholds but still control critical business relationships. If those employees depart and immediately solicit those same customers on behalf of a competitor, the employer's investment in building that client base could disappear overnight.

It's also problematic to use a variable of the minimum wage as the threshold, notably in a state like Connecticut where the minimum wage increases significantly annually and is now the second highest in the nation. This would create a logistical nightmare for employers, as they would need to revisit annually every noncompete agreement to comply with the provisions of the minimum wage threshold. Many small to mid-size employers would need to bring in outside counsel to go through an annual compliance standard to avoid litigation from current and/or previous employees.

#### **Prohibition on Judicial Modification:**

The bill would also prohibit courts from modifying overly broad agreements and instead require them to invalidate them entirely.

Currently, Connecticut courts have the flexibility to apply a "blue-pencil" approach—narrowing agreements when necessary to ensure they remain reasonable. Eliminating this judicial flexibility will create a more adversarial legal environment, encouraging litigation rather than resolution. Employers may be forced to defend the validity of agreements that could otherwise have been reasonably adjusted by a court.

#### **Expanded Litigation:**

The legislation would also create **new private rights of action, civil penalties, attorney's fees, and enforcement authority for the Attorney General** related to noncompete and exclusivity agreements. This enforcement structure dramatically increases litigation risk for employers. Even technical or unintentional errors in drafting agreements could expose businesses to lawsuits. For small and mid-sized businesses without large legal departments, the threat of litigation alone may discourage them from using any agreements to protect proprietary information.

#### **Restrictions on Exclusivity Agreements:**



The bill also significantly restricts exclusivity agreements, which limit employees from working simultaneously for competitors or engaging in competing side businesses.

In many industries, exclusivity provisions are essential to avoid conflicts of interest, protect confidential information, and ensure worker safety.

For example, a logistics company cannot reasonably allow a dispatcher to simultaneously work for a direct competitor with access to routing data, pricing structures, and customer lists. Similarly, a healthcare technology firm must ensure its engineers are not simultaneously working for a competing company to develop similar products.

### **Connecticut's Business Climate:**

Connecticut already faces significant competitiveness challenges compared to neighboring states. Employers consistently cite regulatory uncertainty and workforce instability as factors influencing expansion decisions. Enacting **one of the most restrictive noncompete laws in the country** risks sending a message that Connecticut is an increasingly difficult place to grow and invest. Businesses that rely heavily on intellectual property, specialized training, and client relationships may reconsider expanding operations in the state if they cannot reasonably protect those assets.

Connecticut law already requires noncompete agreements to be reasonable in duration, geography, and scope. Courts routinely invalidate agreements that are overly broad or unfair to employees. The existing legal framework strikes an appropriate balance between protecting workers and preserving legitimate business interests. HB 5492 disrupts that balance by imposing rigid wage thresholds, eliminating judicial flexibility, expanding litigation exposure, and restricting basic workplace protections such as exclusivity agreements.

CBIA respectfully asks the committee to take no action on HB 5492.

### **Paul Amarone**

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