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H.556

Introduced by Representatives LaLonde of South Burlington, Botzow of
Pownal, and Head of South Burlington

Referred to Committee on

Date:

Subject: Labor; employment practices; agreements not to compete

Statement of purpose of bill as introduced: This bill proposes to prohibit
agreements that prohibit individuals from competing with their former
employers following the conclusion of their employment.

An act relating to agreements not to compete

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 21 V.S.A. § 495m is added to read:

§ 495m. AGREEMENTS NOT TO COMPETE; PROHIBITION;

EXCEPTIONS

(a)(1) Except as otherwise provided by this section, an agreement not to
compete or any other agreement that restrains an individual from engaging in a
lawful profession, trade, or business is prohibited.

(2) Any provision of an employment contract or other agreement that
violates subdivision (1) of this subsection shall be void and unenforceable.

1 (b) Notwithstanding subsection (a) of this section, a person may enter into
2 an agreement not to compete with a business entity or a similar agreement that
3 restrains the person from engaging in a lawful profession, trade, or business
4 within a specified geographic area in which the business entity carries on its
5 business under the following circumstances:

6 (1) With respect to a business entity, the sale of:

7 (A) all or substantially all of the person's ownership interest in the
8 business entity or its operating assets; or

9 (B) all or substantially all of the person's ownership interest in a
10 subsidiary or division of the business entity or the operating assets of a
11 subsidiary or division of the business entity.

12 (2) With respect to a partnership in which the person is a partner, the
13 dissolution of the partnership or the dissociation of the person from the
14 partnership.

15 (3) With respect to a limited liability company in which the person is a
16 member, the dissolution of the limited liability company or the termination of
17 the person's interest in the limited liability company.

18 (c) Nothing in this section shall be construed to prohibit an agreement that
19 prohibits the disclosure of trade secrets as defined in 9 V.S.A. § 4601.

1 (d) As used in this section, “business entity” includes any partnership,
2 limited liability company, corporation, cooperative, or mutual benefit
3 enterprise.

4 Sec. 2. EFFECTIVE DATE

5 This act shall take effect on July 1, 2018.