

Amendment offered by Community Financial Services Group

BILL AS INTRODUCED
2019

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H.1

Introduced by Representatives LaLonde of South Burlington and Christensen
of Weathersfield

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. § 495o is added to read:

§ 495o. 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
3 that restrains ~~the a~~ person from engaging in a lawful profession, trade, or
4 business within a specified geographic area in which the business entity carries on
5 its 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.

(4) With respect to an employee,

(1) an agreement that prohibits the employee for a period not
to exceed two years after the employment terminates from

(i) soliciting a customer or client of the employer; or

(ii) entering into a business relationship with a person who was a
customer or client of the former employer during the term of the person's

employment to provide services that are within the scope of the person's prior employment.

(2) a nonqualified deferred compensation plan funded solely by the employer that provides future benefits under the plan if the employee does not

(i) solicit a customer or client of the employer: or

(ii) enter into a business relationship with a person who was a customer or client of the former employer during the term of the person's employment to provide services that are within the scope of the person's prior employment.

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**

20 **(d) As used in this section, "business entity" includes any partnership,**
21 **limited liability company, corporation, cooperative, or mutual benefit**
22 **enterprise.**

23 Sec. 2. EFFECTIVE DATE

24 **This act shall take effect on ~~July 1, 2019~~ January 1, 2020**