

SENATE BILL REPORT

SB 5756

As of February 13, 2017

Title: An act relating to noncompetition agreements.

Brief Description: Addressing noncompetition agreements.

Sponsors: Senators Pearson, Frockt, Hasegawa and Hunt.

Brief History:

Committee Activity: Commerce, Labor & Sports: 2/15/17.

Brief Summary of Bill

- Voids a noncompetition agreement between an employer and an employee if the employee's compensation, excluding benefits, is less than \$55,000 per year. The amount is adjusted for inflation.
- Provides for actual damages, plus \$5,000 and attorneys' fees and costs if an employer attempts to enforce a void noncompetition agreement.

SENATE COMMITTEE ON COMMERCE, LABOR & SPORTS

Staff: Susan Jones (786-7404)

Background: Noncompetition agreements or clauses are provisions in an employment contract that impose post-employment restrictions on an employee. Typically, a noncompetition agreement restricts a person's ability to work within a specific geographic area, or industry, for a specific period of time.

Courts in Washington enforce reasonable noncompetition agreements, taking into consideration the following three factors:

- whether the agreement is necessary to protect a legitimate business interest;
- whether the agreement is any broader than reasonably necessary to secure the employer's business or goodwill; and
- whether the loss of the employee's services or skills injures the public to such a degree that the agreement should not be enforced.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Washington law provides that noncompetition agreements are void with respect to certain broadcast industry employees.

A number of states have laws restricting the use of noncompetition agreements in some situations.

Summary of Bill: A noncompetition agreement between an employer and an employee is void if the employee's compensation, excluding benefits, is less than \$55,000 per year. The amount is adjusted for inflation.

If an employer enforces or attempts to enforce a void noncompetition agreement, the employee may recover the actual damages, together with statutory damages of \$5,000 and reasonable attorneys' fees.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.