
Labor & Workplace Standards Committee

SSB 6081

Brief Description: Concerning the calculation of compensation of an employee of a medical school and an affiliated faculty group practice for purposes of a noncompetition agreement.

Sponsors: Senate Committee on Labor & Commerce (originally sponsored by Senators Liias, King, Stanford, Becker, Keiser, Braun, Wellman and Conway).

Brief Summary of Substitute Bill

- Modifies the definition of earnings related to noncompetition agreements for certain medical employees receiving dual compensation.
- Requires certain medical employers to report annually to the Department of Labor and Industries regarding employees subject to the noncompetition restrictions.

Hearing Date: 2/24/20

Staff: Lily Smith (786-7175).

Background:

A noncompetition covenant (noncompete) is a written or oral agreement by which an employee or independent contractor is prohibited or restrained from engaging in a lawful profession, trade, or business of any kind. Certain agreements are not considered noncompetes, such as nonsolicitation and confidentiality agreements.

Among other criteria, a noncompete with an employee is void and unenforceable unless the annual earnings from the party seeking enforcement exceed \$100,000. For employees, earnings are considered the compensation reflected in box one of the Internal Revenue Service Form W-2.

Summary of Bill:

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.

The definition of earnings related to noncompetition agreements is modified for employees receiving compensation from a medical school and an affiliated faculty group practice, when the affiliation was prior to January 1, 2020. Earnings for these employees include the combined compensation from both the medical school and the group practice.

The employers of employees who receive compensation from both a medical school and an affiliated faculty group practice that was affiliated before January 1, 2020, must report annually to the Department of Labor and Industries the number of employees subject and not subject to the restrictions on noncompetes. The number must be based on the combined compensation.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.