

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. **1768**

03/03/2025 Authored by Niska, Baker and Demuth
The bill was read for the first time and referred to the Committee on Workforce, Labor, and Economic Development Finance and Policy
03/13/2025 Adoption of Report: Placed on the General Register
Read for the Second Time
05/19/2025 Pursuant to Rule 4.20, returned to the Committee on Workforce, Labor, and Economic Development Finance and Policy

- 1.1 A bill for an act
- 1.2 relating to employment; providing additional circumstances under which a covenant
- 1.3 not to compete is valid and enforceable; amending Minnesota Statutes 2024, section
- 1.4 181.988, subdivision 2.
- 1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.6 Section 1. Minnesota Statutes 2024, section 181.988, subdivision 2, is amended to read:
- 1.7 Subd. 2. **Covenants not to compete void and unenforceable.** (a) Any covenant not to
- 1.8 compete contained in a contract or agreement is void and unenforceable.
- 1.9 (b) Notwithstanding paragraph (a), a covenant not to compete is valid and enforceable
- 1.10 if:
- 1.11 (1) the covenant not to compete applies:
- 1.12 (i) to an employee who has an annual budgeted compensation of \$120,000 or more and
- 1.13 whose primary duties include:
- 1.14 (A) research and development or the creation, analysis, or modification of confidential,
- 1.15 proprietary, or trade secret information; or
- 1.16 (B) management of a project, team, or department with responsibility over research and
- 1.17 development or the creation, analysis, or modification of confidential, proprietary, or trade
- 1.18 secret information; or
- 1.19 (ii) to any employee who has an annual budgeted compensation of \$500,000 or more
- 1.20 regardless of the employee's primary job duties;

2.1 ~~(1)~~ (2) the covenant not to compete is agreed upon during the sale of a business. The
2.2 person selling the business and the partners, members, or shareholders, and the buyer of the
2.3 business may agree on a temporary and geographically restricted covenant not to compete
2.4 that will prohibit the seller of the business from carrying on a similar business within a
2.5 reasonable geographic area and for a reasonable length of time; or

2.6 ~~(2)~~ (3) the covenant not to compete is agreed upon in anticipation of the dissolution of
2.7 a business. The partners, members, or shareholders, upon or in anticipation of a dissolution
2.8 of a partnership, limited liability company, or corporation may agree that all or any number
2.9 of the parties will not carry on a similar business within a reasonable geographic area where
2.10 the business has been transacted.

2.11 (c) Nothing in this subdivision shall be construed to render void or unenforceable any
2.12 other provisions in a contract or agreement containing a void or unenforceable covenant
2.13 not to compete.

2.14 (d) In addition to injunctive relief and any other remedies available, a court may award
2.15 an employee who is enforcing rights under this section reasonable attorney fees.

2.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.