

**SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION**

S.F. No. 3288

(SENATE AUTHORS: RASMUSSON)

DATE
04/03/2025

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1353 Introduction and first reading
Referred to Labor

OFFICIAL STATUS

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.