

SB 977 -2 STAFF MEASURE SUMMARY

Senate Committee On Judiciary

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Meeting Dates: 4/12, 4/18

WHAT THE MEASURE DOES:

Renders noncompetition agreements void except those prohibiting terminated employees from contacting former clients and customers for business related purposes within six months of separation.

ISSUES DISCUSSED:

Reluctance of affected employees to change jobs.

Recent revisions to noncompetition agreement statutes.

Difficulty in seeking injunctions.

Effects on businesses.

EFFECT OF AMENDMENT:

-2 Replaces measure. Requires employer to pay terminated employee the full amount of the individual's salary and commissions at the time of termination for as long as that individual is restricted from working because of a noncompetition agreement. Also requires employer to pay individual formerly employed as "on-air talent" an amount equal to the individual's full salary and commissions at the time of termination or, if higher, 100 percent of the median family income for a four-person family for as long as the individual is restricted from working because of a noncompetition agreement.

Minimal Fiscal Impact

No Revenue Impact

BACKGROUND:

In Oregon, most noncompetition agreements are voidable and unenforceable. In order for an agreement to be valid, the employer must have a protectable interest and the employee must be engaged in administrative, executive, or professional work. *ORS 653.020*. Noncompetition agreements may not last more than 18 months, during which the employer is required to provide compensation.

Senate Bill 977 renders all noncompetition agreements void, except those lasting less than six months. Furthermore, the noncompetition agreement may only prohibit terminated employees from contacting former customers or clients for the purpose of providing similar products, processes or services. Under SB 977, employers still have the right to protect trade secrets or other proprietary information through a court-ordered injunction or other lawful means.