

## **SB 957 -1, -2 STAFF MEASURE SUMMARY**

### **Senate Committee On Judiciary**

---

**Prepared By:** Tisha Pascone, LPRO Analyst

**Meeting Dates:** 2/12, 3/17

---

#### **WHAT THE MEASURE DOES:**

The measure makes a noncompetition void and unenforceable as between a business and a licensee of the Oregon Medical Board, except if the licensee provided direct patient care services and had at least a five percent ownership interest in the business, and the agreement would have otherwise been valid under Oregon law.

*FISCAL: Has minimal fiscal impact.*

*REVENUE: No revenue impact.*

#### **ISSUES DISCUSSED:**

- Costs of practicing medicine and owning a clinic have risen
- Corporate buyout trends
- Purchase of a business often includes existing contractual agreements
- Impacts on physician willingness to raise safety concerns
- Impacts on patients if no doctor is available
- Noncompete agreements are prohibited for attorneys in favor of client choice

#### **EFFECT OF AMENDMENT:**

-1 The amendment makes void and unenforceable any nondisclosure agreement, nonsolicitation agreement, and nondisparagement agreement between a licensee and another person. The amendment makes the measure applicable to noncompetition agreements, nondisclosure agreements, nondisparagement agreements and nonsolicitation agreements entered into before, on, or after the measure's effective date. Declares an emergency, effective on passage.

-2 The amendment makes the measure applicable to noncompetition agreements entered into before, on, or after the measure's effective date. Declares an emergency, effective on passage.

#### **BACKGROUND:**

Noncompetition agreements between employers and employees prohibit the employee from competing with the employer in a specified geographic area, in providing products, processes, or services that are similar to those of the employer, after the employment has terminated. Oregon law sets out what is needed for a valid and enforceable agreement. The employer must meet certain notice requirements, and the employee must have been a salaried exempt employee making over a certain amount, unless the employer makes specified payments to an employee who is under the salary threshold. The restriction must not exceed one year in any case. The employer must also be able to meet protectable interest criteria, such as the employee having had access to trade secrets or other "competitively sensitive confidential business or professional information." The noncompetition law does not prohibit bonus restriction agreements, non-solicitation agreements, or legal actions to protect trade secrets.

The Senate Interim Committee on Judiciary and House Interim Committee on Judiciary met on [May 30, 2024](#) and heard a presentation on noncompetition law and a then-proposed rule by the Federal Trade Commission. The committees also discussed reports of noncompetition agreements causing a scarcity of primary care physicians and medical specialists in some areas of Oregon.