

House Bill 3227

Sponsored by Representative NATHANSON, Senator PROZANSKI, Representative BOWMAN; Representatives GAMBA, GOMBERG, MARSH, Senator REYNOLDS (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act would stop companies that give medical care from telling their workers that they cannot work for someone else, say that the company is bad or speak out about the company's bad acts. Stops companies from punishing those who speak out. The Act takes effect 91 days after sine die. (Flesch Readability Score: 70.1).

voids noncompetition agreements, nondisclosure agreements nondisparagement agreements and nonsolicitation agreements between certain business entities and medical professionals, with specified exceptions, and prohibits the business entities from retaliating against the medical professional for violating the void agreements. Punishes retaliations as an unlawful employment practice.

Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to restrictive covenants in employment contracts for medical professionals; and prescribing
3 an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Sections 2, 3 and 4 are added to and made a part of ORS chapter 677.**

6 **SECTION 2. (1) As used in this section and sections 3 and 4 of this 2025 Act:**

7 (a) **"Disciplinary action" means discrimination, dismissal, demotion, transfer, reassign-**
8 **ment, supervisory reprimand, warning of possible dismissal, or withholding of work, even if**
9 **the action does not affect or will not affect a licensee's compensation.**

10 (b)(A) **"Management services organization" means an entity that under a written agree-**
11 **ment and in return for compensation provides to or on behalf of a licensee business man-**
12 **agement services including, but not limited to, payroll, human resources, employment**
13 **screening, employee relations and other similar or related services that do not constitute the**
14 **practice of medicine.**

15 (B) **"Management services organization" does not include a hospital, as defined in ORS**
16 **442.015, or a hospital-affiliated entity that provides outpatient health services and that is**
17 **owned, operated or controlled by, or is under common ownership, operation or control with,**
18 **a hospital. For the purposes of this subparagraph, "control" has the meaning given that term**
19 **in ORS 732.548.**

20 (c) **"Medical purpose" means, as appropriate:**

21 (A) **The purpose of practicing medicine;**

22 (B) **The purpose of allowing physicians, physician associates and nurse practitioners to**
23 **jointly render professional health care services; or**

24 (C) **The purpose of practicing naturopathic medicine.**

25 (d) **"Noncompetition agreement" means a written agreement between a licensee and an-**
26 **other person under which the licensee agrees that the licensee, either alone or as an em-**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 **ployee, associate or affiliate of a third person, will not compete with the other person in**
 2 **providing products, processes or services that are similar to the other person’s products,**
 3 **processes or services for a period of time or within a specified geographic area after termi-**
 4 **nation of employment or termination of a contract under which the licensee supplied goods**
 5 **to or performed services for the other person.**

6 (e) **“Nondisclosure agreement” means a written agreement under the terms of which a**
 7 **licensee must refrain from disclosing partially, fully, directly or indirectly to any person,**
 8 **other than another party to the written agreement or to a person specified in the agreement**
 9 **as a third-party beneficiary of the agreement:**

10 (A) **A policy or practice that a party to the agreement required the licensee to use, in**
 11 **patient care, other than individually identifiable health information that the licensee may not**
 12 **disclose under the Health Insurance Portability and Accountability Act of 1996, P.L. 104-191,**
 13 **as in effect on the effective date of this 2025 Act;**

14 (B) **A policy, practice or other information about or associated with the licensee’s em-**
 15 **ployment, conditions of employment or rate or amount of pay or other compensation; or**

16 (C) **Any other information the licensee possesses or to which the licensee has access by**
 17 **reason of the licensee’s employment by, or provision of services for or on behalf of, a party**
 18 **to the agreement, other than information that is subject to protection under applicable law**
 19 **as a trade secret of, or as otherwise proprietary to, another party to the agreement or to a**
 20 **person specified in the agreement as a third-party beneficiary of the agreement.**

21 (f) **“Nondisparagement agreement” means a written agreement under which a licensee**
 22 **must refrain from making to a third party a statement about another party to the agree-**
 23 **ment or about another person specified in the agreement as a third-party beneficiary of the**
 24 **agreement, the effect of which causes or threatens to cause harm to the other party’s or**
 25 **person’s reputation, business relations or other economic interests.**

26 (g) **“Professional medical entity” means:**

27 (A) **A professional corporation described in ORS 58.375;**

28 (B) **A professional corporation described in ORS 58.376;**

29 (C) **A professional corporation organized for the purpose of practicing naturopathic**
 30 **medicine;**

31 (D) **A foreign professional corporation with authority to transact business in this state**
 32 **that is organized for the purpose of practicing naturopathic medicine; and**

33 (E) **A limited liability company or a limited liability partnership organized for a medical**
 34 **purpose.**

35 (h) **“Termination agreement” means a written agreement that outlines the terms under**
 36 **which an employment relationship is terminated.**

37 (2)(a) **Notwithstanding ORS 653.295 (1) and (2), and except as provided in paragraph (b)**
 38 **of this subsection, a noncompetition agreement between a licensee and another person is**
 39 **void and unenforceable.**

40 (b) **A noncompetition agreement between a licensee and another person is valid and en-**
 41 **forceable to the extent and under the terms provided in ORS 653.295 in the following cir-**
 42 **cumstances:**

43 (A)(i) **The noncompetition agreement between the licensee and the person was executed**
 44 **in connection with the sale of a professional medical entity that is under a contract or other**
 45 **arrangement with a management services organization; and**

1 (ii) At the point of sale, the licensee controlled an ownership or membership interest in
2 the professional medical entity that is equivalent to at least 10 percent of the entire owner-
3 ship or membership interest that exists in the professional medical entity.

4 (B)(i) The noncompetition agreement is between a licensee and a professional medical
5 entity in which the licensee controls an ownership or membership interest; and

6 (ii) The professional medical entity is not subject to a contract or other arrangement
7 with a management services organization.

8 (C) The noncompetition agreement is between a licensee who does not practice within the
9 scope of practice permitted under the licensee's license and another person.

10 (3)(a) Except as provided in paragraph (b) of this subsection, a nondisclosure agreement
11 or nondisparagement agreement between a licensee and a management services organization
12 is void and unenforceable.

13 (b) A nondisclosure agreement or nondisparagement agreement is valid and enforceable
14 to the extent that such agreements are part of a termination agreement that also includes
15 a provision ensuring that the licensee retains the right to make good faith disclosures or
16 reports of information that the licensee believes is evidence of a violation of a federal or
17 state law, rule or regulation.

18 (c) Paragraph (a) of this subsection does not limit or otherwise affect any cause of action
19 that:

20 (A) A party to, or third-party beneficiary of, the agreement may have with respect to a
21 statement of a licensee that constitutes libel, slander, a tortious interference with contrac-
22 tual relations or another tort for which the party has a cause of action against the licensee;
23 and

24 (B) Does not depend upon or derive from a breach or violation of an agreement described
25 in paragraph (a) of this subsection.

26 **SECTION 3.** (1) A management services organization may not take disciplinary action
27 against a licensee as retaliation for, or as a consequence of, the licensee's violation of a
28 nondisclosure agreement or nondisparagement agreement or because the licensee in good
29 faith disclosed or reported information that the licensee believes is evidence of a violation
30 of a federal or state law, rule or regulation.

31 (2) A management services organization or professional medical entity that takes disci-
32 plinary action against a licensee in the circumstances described in subsection (1) of this
33 section engages in an unlawful employment practice, as defined in ORS 659A.001, that is
34 subject to enforcement under ORS chapter 659A.

35 **SECTION 4.** (1) As used in this section "nonsolicitation agreement" means a written
36 agreement between a licensee and another person under the terms of which the licensee,
37 upon the conclusion of an association with the other person, agrees to refrain from soliciting
38 or recruiting patients, employees or other licensees to seek services or employment else-
39 where.

40 (2)(a) Notwithstanding ORS 653.295 (3) and except as provided in paragraph (b) of this
41 subsection, a nonsolicitation agreement between a licensee and another person is void and
42 unenforceable.

43 (b) A nonsolicitation agreement between a licensee and another person is valid and en-
44 forceable under the following circumstances:

45 (A)(i) The nonsolicitation agreement between the licensee and another person was exe-

1 cuted in connection with the sale of a professional medical entity that is under a contract
2 or other arrangement with a management services organization; and

3 (ii) At the point of sale, the licensee controlled an ownership or membership interest in
4 the professional medical entity that is equivalent to at least 10 percent of the entire owner-
5 ship or membership interest that exists in the professional medical entity.

6 (B)(i) The nonsolicitation agreement is between a licensee and a professional medical
7 entity in which the licensee controls an ownership or membership interest; and

8 (ii) The professional medical entity is not subject to a contract or other arrangement
9 with a management services organization.

10 (C) The nonsolicitation agreement is between a licensee who does not practice within the
11 scope of practice permitted under the licensee's license and another person.

12 SECTION 5. (1) Sections 2 and 3 of this 2025 Act apply to contracts that a person enters
13 into or renews on or after the effective date of this 2025 Act.

14 (2) Section 4 of this 2025 Act applies to contracts that a person enters into or renews on
15 or after the operative date specified in section 6 of this 2025 Act.

16 SECTION 6. Section 4 of this 2025 Act becomes operative on January 1, 2026.

17 SECTION 7. This 2025 Act takes effect on the 91st day after the date on which the 2025
18 regular session of the Eighty-third Legislative Assembly adjourns sine die.

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