

Connecticut Governor Vetoes Non-Compete Bill

Insights

7.17.13



Last month, the Connecticut state legislature passed a bill that would have regulated the use of noncompete agreements. The bill would have applied in the context of a merger or acquisition of an employer, where, as a result of the merger or acquisition, an employee was presented with a noncompete agreement as a condition of continued employment. In those circumstances, the employer would have been required to provide the employee with a written copy of the agreement, as well as at least seven days to consider the merits of entering into the agreement. The passage of the bill was significant, as it would have represented the first time Connecticut has enacted legislation broadly regulating the use of non-competition agreements by employers (existing statutes apply only to broadcast employees and security guards).

On July 12, 2013, Connecticut Governor Malloy vetoed the bill, issuing a statement in which he commented that the bill left certain key terms undefined or unclear. Although Governor Malloy did not provide any examples of the key terms that he found to be unclear, he may have been referring to the term “noncompete agreement,” which was used but not defined in the statute, leaving open the question of whether the bill would have applied strictly to traditionally defined non-compete agreements, or to other types of restrictive covenants, such as non-solicitation agreements.

Employers may not have heard the final word on this issue, however. Governor Malloy left open the possibility that he would consider signing a revised bill on the same subject, commenting that “[n]otwithstanding the robust common law in Connecticut regarding the appropriate use and scope

of noncompete agreements, additional protections for employees may be warranted to guarantee a reasonable period of time to review a written non-compete agreement.” He advised the legislature that “it would be better for both employers and employees to receive greater clarity from the General Assembly on this issue next session.”

Stay tuned.

Risa Boerner is a partner in the Employee Defection & Trade Secrets Practice Group at Fisher Phillips. To receive notice of future blog posts by Risa, you may subscribe to this blog's RSS feed.

Related People



Risa B. Boerner, CIPP/US, CIPM

Partner

610.230.2132

Email