

EMPLOYEE NONCOMPETITION CONTRACT AMENDMENTS

2011 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Eric K. Hutchings

Senate Sponsor: _____

LONG TITLE

General Description:

This bill modifies the Judicial Code to address the enforcement of noncompetition contract amendments.

Highlighted Provisions:

This bill:

- ▶ enacts definitions; and
- ▶ provides when a noncompetition contract may not be enforced.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

ENACTS:

78B-8-701, Utah Code Annotated 1953

78B-8-702, Utah Code Annotated 1953

78B-8-703, Utah Code Annotated 1953

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **78B-8-701** is enacted to read:

Part 7. Noncompetition Contract Act



28 **78B-8-701. Title.**

29 This part is known as the "Noncompetition Contract Act."

30 Section 2. Section **78B-8-702** is enacted to read:

31 **78B-8-702. Definitions.**

32 As used in this part:

33 (1) "Employee" means an individual in the service of an employer for compensation.

34 (2) "Employer" means a person who has one or more workers employed in the same
35 business, or in or about the same establishment, under any contract of hire, express or implied,
36 oral or written.

37 (3) "Reduction in force" means the involuntary separation of an employee from
38 employment because of one or more of the following requiring an employer to reduce the
39 number of positions of employment:

40 (a) a shortfall of funding;

41 (b) lack of work; or

42 (c) organizational changes.

43 Section 3. Section **78B-8-703** is enacted to read:

44 **78B-8-703. Enforcement of contract prohibited -- Exceptions.**

45 (1) Subject to Subsection (2), a provision of a contract between an employer and an
46 employee that restricts or prohibits the employee from competing with the employer after the
47 employee no longer works for the employer may not be enforced if the employee's employment
48 is terminated pursuant to a reduction in force.

49 (2) This section does not prohibit the enforcement of a provision of a contract that
50 restricts a former employee from:

51 (a) disclosing confidential information or a trade secret; or

52 (b) soliciting a customer or client of the employer.

Legislative Review Note
as of 2-10-11 4:28 PM

Office of Legislative Research and General Counsel

FISCAL NOTE

H.B. 417

SHORT TITLE: **Employee Noncompetition Contract Amendments**

SPONSOR: **Hutchings, E.**

2011 GENERAL SESSION, STATE OF UTAH

STATE GOVERNMENT (UCA 36-12-13(2)(b))

Enactment of this bill likely will not materially impact the state budget.

LOCAL GOVERNMENTS (UCA 36-12-13(2)(c))

Enactment of this bill likely will not result in direct, measurable costs for local governments.

DIRECT EXPENDITURES BY UTAH RESIDENTS AND BUSINESSES (UCA 36-12-13(2)(d))

Enactment of this bill likely will not result in direct, measurable expenditures by Utah residents or businesses.