House File 31 - Introduced

A BILL FOR

1 An Act prohibiting employers from entering into noncompete
2 agreements with employees under specified circumstances, and
3 including applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. **96A.1 Definitions.**

2 As used in this chapter, unless the context otherwise

3 requires:

4 1. *"Employee"* means a natural person who is employed in this

5 state for wages by an employer.

6 2. *"Employer"* means a person, as defined in chapter 4, who

7 in this state employs for wages an employee.

8 3. *"Financial loss"* means a potentially significant negative

9 financial impact or consequence incurred by an employer

10 attributable to the loss of an employee's services or work

11 product. *"Financial loss"* does not include resources used in

12 the course of employee training.

13 4. *"Noncompete agreement"* means an agreement between an

14 employer and an employee that restricts the employee from

15 performing any of the following:

16 *a.* Working for a different employer for a specified period

17 of time.

18 *b.* Working for a different employer in a specified

19 geographical area.

20 *c.* Working for a different employer that is similar to

21 the employee's work for the employer who is a party to the

22 agreement.

23 5. *"Solicit"* or *"solicitation"* means an employee wrongly or

24 fraudulently attempting to sell, convey, or distribute employer

25 property, including confidential lists and trade secrets.

26 Sec. 2. NEW SECTION. **96A.2 Noncompete agreements with**

27 **employees —— prohibition.**

28 1. An employer shall not require an employee to enter into

29 a noncompete agreement except where employer financial loss or

30 employer trade secrets are at risk.

31 2. An employer may require that the employee enter into a

32 nonsolicitation agreement.

33 3. A noncompete agreement entered into between an employer

34 and an employee on or after the effective date of this Act

35 shall be void and unenforceable.

1 Sec. 3. APPLICABILITY. This Act applies to noncompete
2 agreements entered between an employer and an employee on or
3 after the effective date of this Act.

4   EXPLANATION

7   This bill prohibits an employer from requiring an employee
8 to enter into a noncompete agreement. The bill provides that
9 such agreements entered into on or after the effective date of
10 the bill shall be void and unenforceable.
11   The bill defines "noncompete agreement" as an agreement
12 between an employer and an employee that restricts the employee
13 from performing work for a different employer for a specified
14 period of time, work in a specified geographical area, or work
15 for a different employer that is similar to the employee's work
16 for the employer who is a party to the agreement.
17   An employer may enter into a noncompete agreement with an
18 employee where financial loss or trade secrets are at risk.
19 The bill provides that financial loss includes a potentially
20 significant negative financial impact or consequence incurred
21 by an employer attributable to the loss of an employee's
22 services or work product, and does not include resources used
23 to train an employee.
24   The bill allows an employer to enter into a nonsolicitation
25 agreement with the employee, by which the employee must
26 refrain from wrongly or fraudulently attempting to sell,
27 convey, or distribute employer property, including confidential
28 information, with outside parties.
29   The bill applies to noncompete agreements entered into on or
30 after the effective date of the bill.