

**Senate File 380 - Introduced**

SENATE FILE 380  
BY DONAHUE

**A BILL FOR**

- 1 An Act relating to prohibitions on noncompete covenants involving
- 2 nurses and including applicability provisions.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 10A.202, subsection 2, Code 2025, is  
2 amended to read as follows:

3 2. The department is responsible for the administration of  
4 the laws of this state under chapters 88A, 88B, 89, 89A, 90A,  
5 91A, 91C, 91D, 91E, 92, and 95, and such other labor-services  
6 duties assigned to the department or director.

7 Sec. 2. Section 10A.204, subsection 3, Code 2025, is amended  
8 to read as follows:

9 3. The director, in consultation with the labor commissioner,  
10 shall, at the time provided by law, make an annual report to  
11 the governor setting forth in appropriate form the business and  
12 expense of the division and department under this subchapter for  
13 the preceding year, the number of remedial actions taken under  
14 chapter 89A, the number of disputes or violations processed by  
15 the division or department and the disposition of the disputes  
16 or violations, and other matters pertaining to the division  
17 or department under this subchapter ~~which~~ that are of public  
18 interest, together with recommendations for change or amendment  
19 of the laws in this chapter and chapters 88, 88A, 88B, 89, 89A,  
20 89B, 90A, 91A, 91C, 91D, 91E, ~~and 92~~, and 95, and sections 85.67A  
21 and 85.68, and the recommendations, if any, shall be transmitted  
22 by the governor to the first general assembly in session after  
23 the report is filed.

24 Sec. 3. NEW SECTION. **95.1 Definitions.**

25 For purposes of this chapter unless the context otherwise  
26 requires:

27 1. "Covenant not to solicit" means an agreement that is  
28 entered into between an employer and an employee that does any  
29 of the following:

30 a. Restricts the employee from soliciting for employment the  
31 employer's employees.

32 b. Restricts the employee from soliciting, for the purpose of  
33 selling products or services of any kind to, or from interfering  
34 with the employer's relationships with, the employer's clients,  
35 prospective clients, vendors, prospective vendors, suppliers,

1 prospective suppliers, or other business relationships.

2 2. "Director" means the director of the department of  
3 inspections, appeals, and licensing.

4 3. "Earnings" means the compensation, including earned  
5 salary, earned bonuses, earned commissions, or any other form  
6 of taxable compensation, reflected or that is expected to  
7 be reflected as wages, tips, and other compensation on the  
8 employee's internal revenue service form W-2 plus any elective  
9 deferrals not reflected as wages, tips, and other compensation  
10 on the employee's internal revenue service form W-2, such as,  
11 without limitation, employee contributions to a 401(k) plan, a  
12 403(b) plan, a flexible spending account, or a health savings  
13 account, or commuter benefit-related deductions.

14 4. "Employee" means a person licensed and employed as a  
15 registered nurse or an advanced registered nurse practitioner  
16 under chapter 152 or 152E.

17 5. a. "Noncompete covenant" means an agreement between an  
18 employer and an employee that is entered into that restricts the  
19 employee from performing:

20 (1) Any work for another employer for a specific period of  
21 time.

22 (2) Any work in a specified geographical area.

23 (3) Work for another employer that is similar to any  
24 employee's work for the employer included as a party to the  
25 agreement.

26 b. "Noncompete covenant" also means an agreement between an  
27 employer and an employee that by its terms imposes adverse  
28 financial consequences on the former employee if the employee  
29 engages in competitive activities after the termination of the  
30 employee's employment with the employer.

31 c. "Noncompete covenant" does not include any of the  
32 following:

33 (1) A covenant not to solicit.

34 (2) A confidentiality agreement or covenant.

35 (3) A covenant or agreement prohibiting use or disclosure of

1 trade secrets or inventions.

2 (4) Invention assignment agreements or covenants.

3 Sec. 4. NEW SECTION. **95.2 Impermissible noncompete**  
4 **covenants.**

5 The following noncompete covenants are void and violate this  
6 chapter:

7 1. A noncompete covenant within an employment agreement or  
8 contract in which an employee's earnings are less than one  
9 hundred fifty percent of the state or federal minimum wage.

10 2. A noncompete covenant with an employee unless the employer  
11 can show beyond a preponderance of the evidence that there is  
12 a clear and inherent risk of unfair competition absent the  
13 noncompete covenant and the noncompete covenant was narrowly  
14 tailored to address the risk in restrictions to geographic area  
15 and duration of the noncompete covenant.

16 Sec. 5. NEW SECTION. **95.3 Exceptions.**

17 1. A covenant or agreement entered into by a person that  
18 sells the goodwill of a business and the person's partners,  
19 members, or shareholders may agree with the buyer to refrain from  
20 carrying on a similar business within a reasonable geographic  
21 area and for a reasonable length of time, if the buyer or any  
22 person deriving title to the goodwill from the buyer carries on a  
23 like business in that area.

24 2. A covenant or agreement entered into by partners, members,  
25 or shareholders, upon or in anticipation of a dissolution of  
26 a partnership, limited liability company, or corporation; upon  
27 or in anticipation of a dissociation of a partner or member;  
28 or as part of an agreement addressing the dissociation or sale  
29 of a partner, member, or shareholder's ownership interest, may  
30 agree that all or any number of them will not carry on a  
31 similar business within a reasonable geographic area where the  
32 partnership, limited liability company, or corporation business  
33 has been transacted, or within a specified part of the area.

34 Sec. 6. NEW SECTION. **95.4 Remedies.**

35 1. In addition to any remedies available under any agreement

1 between the employer and the employee or under any other statute,  
2 in a civil action, if an employer is found to have violated  
3 this chapter, the employee shall recover from the employer  
4 all reasonable attorney fees regarding an attempt to enforce  
5 a noncompete covenant, court costs, lost wages, and, at the  
6 discretion of the court, liquidated damages of up to triple the  
7 amount of lost wages for willful violations of this chapter.

8 2. An employer found to have violated this chapter may be  
9 fined a five thousand dollar civil penalty per violation by  
10 the director. Penalties shall be paid to the director and  
11 transferred to the general fund.

12 Sec. 7. NEW SECTION. **95.5 Rules.**

13 The director shall adopt rules pursuant to chapter 17A to  
14 administer and enforce this chapter.

15 Sec. 8. APPLICABILITY. This Act applies to covenants not to  
16 compete entered into on or after the effective date of this Act.

17 **EXPLANATION**

18 The inclusion of this explanation does not constitute agreement with  
19 the explanation's substance by the members of the general assembly.

20 This bill relates to noncompete covenants, as defined in the  
21 bill, contained within employment contracts involving nurses and  
22 provisions that are prohibited and void.

23 The bill provides that if a person employed as a registered  
24 nurse or an advanced registered nurse practitioner makes less  
25 than 150 percent of the minimum wage, a noncompete covenant is  
26 unenforceable and violates the bill. The bill provides that  
27 a noncompete covenant with an employee who exceeds that wage  
28 threshold is unenforceable and violates the bill unless the  
29 employer can show that the noncompete covenant is necessary due  
30 to a clear and inherent risk of unfair competition and the  
31 noncompete covenant was narrowly tailored to mitigate the risk.  
32 The bill includes exceptions to these provisions.

33 A prevailing employee is entitled to recover reasonable  
34 attorney fees, court costs, lost wages, and at the discretion  
35 of the court, liquidated damages of up to triple the amount

1 of lost wages for willful violations of the bill. An employer  
2 found to be in violation of the bill is subject to a \$5,000  
3 penalty per violation payable to the director of the department  
4 of inspections, appeals, and licensing for deposit in the general  
5 fund.

6 The bill applies to covenants not to compete entered into on  
7 or after the effective date of the bill.

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