

Fiscal: No Fiscal Impact

Revenue: No Revenue Impact

Action Date: 05/28/15

Action: Do Pass The A-Eng Bill.

Meeting Dates: 05/28

Vote:

Yeas: 5 - Burdick, Gelser, Kruse, Prozanski, Thatcher

Prepared By: Laura Handzel, Administrator

WHAT THE MEASURE DOES:

Limits enforceability of noncompetition agreements to 18 months. Applies to noncompetition agreements entered into on or after January 1, 2016.

ISSUES DISCUSSED:

- Innovation aim of House Bill 3236-A
- “What the Two Most Innovation-Friendly States Have in Common,” Harvard Business Review (2014)
- Appropriateness of various timeframes (12, 18 and 24 months)
- Provisions of measure

EFFECT OF COMMITTEE AMENDMENT:

No amendment.

BACKGROUND:

Under current Oregon law, a noncompetition agreement may not exceed two years from the date of an employee’s termination. The remainder of a term of a noncompetition agreement exceeding two years is voidable and may not be enforced by any Oregon court. A noncompetition agreement is enforceable if the employer provides, while the employee is restricted from working, the greater of either compensation equal to at least 50 percent of the median family income for a four-person family, or 50 percent of the gross annual base salary and commission the employee was receiving at the time of termination. Additional criteria must be met in order for a noncompetition agreement to be enforceable. The criteria include that the employee be informed in writing at least two weeks prior to the start of employment that a noncompetition agreement is required as a condition for employment or that the agreement is entered into upon advancement of the employee. Also, the employer must have a protectable interest and the employee must be receiving compensation that exceeds the median family income for a four-person family at the time of termination. The current restrictions on noncompetition agreements were established by the Legislative Assembly in 2007 through Senate Bill 248.

House Bill 3236-A reduces the enforceable term of a noncompetition agreement to 18 months, which constitutes a reduction of 6 months from current law.