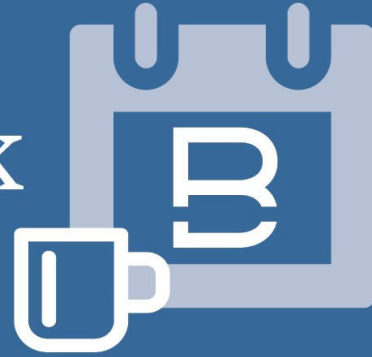


The Work Week

Bassford Remele Employment Practice Group



April 8, 2024

Welcome to another edition of *The Work Week with Bassford Remele*. Each Monday morning, we will publish and send a new article to your inbox to hopefully assist you in jumpstarting your work week.

[Bassford Remele Employment Practice Group](#)

Minnesota Legislature Considers Banning Restrictive Covenants in Service Contracts

[Michael J. Pfau](#)

Non-competes are again drawing the attention of the Minnesota Legislature. Proposed bills ([HF 3456/SF 3721](#)) would prohibit restrictive covenants in service contracts. These proposed bills that target a specific type of contract are currently sitting in committee.

Minnesota Restricted Non-Compete Agreements Last Year

As [we covered last year](#), Minnesota passed legislation in 2023 that significantly curtailed the use of non-compete agreements in Minnesota. Subject to narrow exceptions, the new law provides that any covenant not to compete contained in a contract or agreement is void and unenforceable.

As a reminder, the bill defines a “Covenant not to Compete” as any agreement that restricts an individual’s ability to:

- (1) work for another employer for a certain length of time;
- (2) work in a specific geographical area; or
- (3) work in a capacity that is similar to the individual’s previous employment duties.

Minn. Stat. § 181.988, subd. 1(a). Importantly, the bill applies to both employees and independent contractors. This bill did not impact then existing non-compete agreements—just agreements entered on or after July 1, 2023.

Proposed Ban on Restrictive Covenants in Service Contracts

Under the proposed law, staffing agencies or similar entities would be prohibited from restricting their employees from directly working for their customers.

Specifically, the companion bills would prevent a “service provider” from restricting, restraining, or prohibiting a “customer” from directly or indirectly soliciting or hiring an employee of a service provider.

The proposed legislation defines “employee” broadly as any individual who performs services for a service provider and includes independent contractors. “Service provider” is likewise broadly defined as “any partnership, association, corporation, business, trust, or group of persons acting directly or indirectly as an employer or manager for work contracted or requested by a customer.

Within one year of the effective date of the legislation, if passed, service providers must amend existing agreements to remove any restrictive employment provisions or sign a “memorandum of understanding” with each customer that provides any restrictive provisions are void and unenforceable.

The Bassford Remele [Employment Law](#) group is closely following proposed legislation in the Minnesota Legislature this session and will continue to provide updates as the Legislation session continues. You can access our two prior legislative summaries [here](#) and [here](#). Please feel free to reach out to our team with any questions!

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