



General Assembly

**Amendment**

January Session, 2025

LCO No. 8454



Offered by:

REP. SANCHEZ E., 24<sup>th</sup> Dist.

REP. WILSON, 46<sup>th</sup> Dist.

To: Subst. House Bill No. 7196

File No. 367

Cal. No. 249

**"AN ACT CONCERNING LIMITATIONS ON THE USE OF  
NONCOMPETE AGREEMENTS."**

1 Change the effective date of sections 1 to 7, inclusive, to "Effective  
2 January 1, 2026"

3 Strike section 1 in its entirety and insert the following in lieu thereof:

4 "Section 1. (NEW) (*Effective January 1, 2026*) As used in this section  
5 and sections 2 to 6, inclusive, of this act:

6 (1) "Annualized monetary compensation" means (A) wages,  
7 commissions, bonuses and equity incentives earned over the course of  
8 the prior calendar year, or portion thereof, for which the employee was  
9 employed, annualized based on the period of employment and  
10 calculated as of (i) the date that enforcement of the covenant not to  
11 compete is sought, or (ii) the date of separation from employment,  
12 whichever is earlier, and (B) payments made to independent contractors  
13 based on services rendered, annualized based on the period during

14 which the independent contractor provided services and calculated as  
15 of (i) the date that enforcement of the covenant not to compete is sought,  
16 or (ii) the date of separation from employment, whichever is earlier;

17 (2) "Base salary and benefits" means (A) wages, commissions,  
18 bonuses and equity incentives earned by an employee over the course  
19 of the prior calendar year, and (B) health insurance benefits and other  
20 fringe benefits received by an employee over the course of the prior  
21 calendar year;

22 (3) "Covenant not to compete" means a contract, provision or other  
23 agreement entered into, amended, extended or renewed on or after  
24 January 1, 2026, that, for any period of time after separation from  
25 employment, restrains a worker from, or imposes penalties on a worker  
26 for, engaging in any lawful profession, occupation, trade, calling or  
27 business of any kind in any geographic area of the state. "Covenant not  
28 to compete" does not include:

29 (A) A nonsolicitation agreement, provided such agreement (i) does  
30 not restrict a worker's activities for more than one year, and (ii) is no  
31 more restrictive than necessary in duration, geographic scope, type of  
32 work and type of employer;

33 (B) A nondisclosure or confidentiality agreement;

34 (C) A contract, contract provision or other agreement in which an  
35 employee agrees to not reapply for employment with an employer after  
36 being terminated by such employer;

37 (D) Any covenant not to compete, described in sections 20-14p, 20-  
38 670 and 31-50b of the general statutes; or

39 (E) Any contract, contract provision or other agreement made either  
40 (i) in anticipation of a sale of the goodwill of a business or all of the  
41 seller's ownership interest in a business, or (ii) as part of a partnership  
42 or ownership agreement;

43 (4) "Employee" means any individual employed or permitted to work  
44 by an employer;

45 (5) "Employer" has the same meaning as provided in section 31-71a  
46 of the general statutes;

47 (6) "Exclusivity agreement" means a contract, contract provision or  
48 other agreement entered into, amended, extended or renewed on or  
49 after January 1, 2026, that restrains a worker from, or imposes a penalty  
50 on a worker for, (A) being simultaneously employed by the employer  
51 and another employer, (B) working as an independent contractor while  
52 employed by the employer, or (C) being self-employed while employed  
53 by the employer;

54 (7) "Exempt employee" means any employee who is exempt from the  
55 minimum wage and overtime requirements of the Fair Labor Standards  
56 Act of 1938, as amended from time to time;

57 (8) "Hourly wage" means, (A) for an hourly employee, such  
58 employee's wages calculated on an hourly basis, and (B) for any other  
59 worker, such worker's annualized monetary compensation converted to  
60 an hourly rate by dividing such monetary compensation by two  
61 thousand eighty;

62 (9) "Independent contractor" has the same meaning as provided in  
63 section 36a-485 of the general statutes;

64 (10) "Legitimate business interest" means an employer's interest in the  
65 protection of trade secrets or confidential information that does not  
66 qualify as a trade secret or preserving established goodwill with such  
67 employer's customers;

68 (11) "Minimum fair wage" has the same meaning as provided in  
69 section 31-58 of the general statutes;

70 (12) "Nonsolicitation agreement" means (A) a contract, contract  
71 provision or other agreement between an employer and an employee

72 that prohibits, upon separation of employment, such employee from  
73 soliciting any (i) employee of such employer to leave the employer, or  
74 (ii) customer of such employer to cease or reduce the extent to which  
75 such customer is doing business with such employer, or (B) a contract,  
76 contract provision or other agreement between an employer and a  
77 customer of such employer that prohibits such customer from soliciting  
78 an employee of such employer to cease or reduce the extent to which  
79 such employee is doing work with such employer;

80 (13) "Separation from employment" means the date on which an  
81 employment relationship terminates between an employer or contractor  
82 and a worker;

83 (14) "Wages" has the same meaning as provided in section 31-58 of  
84 the general statutes; and

85 (15) "Worker" means an employee or an independent contractor."

86 In line 84, strike "three" and insert "two" in lieu thereof

87 In line 94, strike "three" and insert "two" in lieu thereof

88 In line 104, strike ", minus any outside compensation,"

89 In line 118, strike "ten" and insert "five" in lieu thereof

90 Strike lines 127 and 128 in their entirety

91 In line 129, strike "section;"

92 In line 130, strike "(IV)" and insert "(III)" in lieu thereof

93 In line 145, strike "does not unreasonably interfere with"

94 In line 146, strike "the public interest and" and strike the comma and  
95 insert "and" in lieu thereof

96 In line 147, strike "and public policy"

- 97 In line 152, strike "three" and insert "two" in lieu thereof
- 98 In line 181, strike ", minus any outside compensation,"
- 99 In line 256, strike "July 1,"
- 100 In line 257, strike "2025" and insert "January 1, 2026" in lieu thereof

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2026</i>	New section