
HOUSE BILL 1926

State of Washington 64th Legislature 2015 Regular Session

By Representatives Stanford, Sells, Bergquist, Reykdal, and Ormsby

Read first time 02/02/15. Referred to Committee on Labor.

1 AN ACT Relating to noncompetition agreements; adding new sections
2 to chapter 49.44 RCW; creating a new section; and repealing RCW
3 49.44.190.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** Except as provided in sections 2 through 4
6 of this act, every contract by which a person is restrained from
7 engaging in a lawful profession, trade, or business of any kind is to
8 that extent void.

9 NEW SECTION. **Sec. 2.** (1) The following entities may agree with
10 the buyer of a business to refrain from carrying on a similar
11 business within a specified geographic area in which the business
12 entity sold has been carried on, so long as the buyer, or any person
13 deriving title to the goodwill or ownership interest from the buyer,
14 carries on a like business:

- 15 (a) Any person who sells the goodwill of the business entity;
16 (b) Any owner of a business entity who sells or otherwise
17 disposes of all of his or her ownership interest in the business
18 entity;

1 (c) Any owner of the business entity that sells all or
2 substantially all of its operating assets together with the goodwill
3 of the business entity.

4 (2) For purposes of this section:

5 (a) "Business entity" means any corporation under Title 23B RCW,
6 partnership under chapter 25.05 or 25.10 RCW, limited liability
7 company under chapter 25.15 RCW, and includes a subsidiary or
8 division of a business entity.

9 (b) "Owner" means any partner in the case of a partnership, any
10 member in the case of a limited liability company, or any shareholder
11 in the case of a corporation.

12 (c) "Ownership interest" means a partnership interest in the case
13 of a partnership, a membership interest in the case of a limited
14 liability company, or a capital stockholder in the case of a
15 corporation.

16 NEW SECTION. **Sec. 3.** A partner under chapter 25.05 or 25.10 RCW
17 may agree, upon dissolution of the partnership or disassociation of
18 the partner from the partnership, that he or she will not carry on a
19 similar business within a specified geographic area where the
20 partnership agreement has been transacted so long as any other
21 partner, or any person deriving title to the business or its goodwill
22 from such other partner, carries on a like business.

23 NEW SECTION. **Sec. 4.** A member of a limited liability company
24 under chapter 25.15 RCW may agree, upon or in anticipation of a
25 dissolution of or the disassociation of his or her interest in the
26 limited liability company, that he or she will not carry on a similar
27 business within a specified geographic area where the limited
28 liability company business has been transacted, so long as any other
29 member of the limited liability company, or any person deriving title
30 to the business or its goodwill from such other member, carries on a
31 like business.

32 NEW SECTION. **Sec. 5.** RCW 49.44.190 (Noncompetition agreements
33 for broadcasting industry employees—Restrictions—Trade secrets
34 protected) and 2005 c 176 s 1 are each repealed.

35 NEW SECTION. **Sec. 6.** This act applies to agreements entered
36 into on or after the effective date of this section.

1 NEW SECTION. **Sec. 7.** Sections 1 through 4 of this act are each
2 added to chapter 49.44 RCW.

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