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SENATE BILL 5526

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State of Washington                      52nd Legislature                      1991 Regular Session

By Senators Bauer, Newhouse, Moore, Nelson and Johnson.

Read first time February 5, 1991. Referred to Committee on Commerce & Labor.

1            AN ACT Relating to noncompetition agreements; and adding new  
2 sections to chapter 49.44 RCW.

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

4            NEW SECTION.    **Sec. 1.**            The legislature declares that it is a  
5 policy of the state of Washington that workers enter into employee  
6 noncompetition agreements fully understanding how their future working  
7 and business activities may be affected. Therefore, the legislature  
8 requires that employee noncompetition agreements entered into after  
9 July 1, 1991, shall provide conspicuous written notice to both parties  
10 of the effect of the agreement and that advises the parties to seek  
11 legal counsel prior to entering into the agreement.

12            NEW SECTION.    **Sec. 2.**            Unless the context clearly requires  
13 otherwise, the definitions in this section apply to sections 1 through  
14 4 of this act.

1 (1) "Employee" has the meaning in RCW 51.08.185.

2 (2) "Employer" has the meaning in RCW 51.08.070.

3 (3) "Employee noncompetition agreement" means a reasonable  
4 agreement, written or oral, express or implied, between an employer and  
5 employee under which the employee agrees not to compete, either alone  
6 or as an employee of another, with the employer in providing products,  
7 processes, or services after termination of employment.

8 NEW SECTION. Sec. 3. (1) Employee noncompetition agreements  
9 entered into after July 1, 1991, are void and unenforceable by any  
10 court of this state unless:

11 (a) The agreement is entered into on the initial employment of the  
12 employee by the employer; or

13 (b) The agreement is entered into on subsequent bona fide  
14 advancement of the employee with the employer; and

15 (c) The agreement is fair and reasonable under prior decisions of  
16 the courts of this state.

17 (2) Subsection (1) of this section applies only to employee  
18 noncompetition agreements made in the context of an employment  
19 relationship or contract.

20 NEW SECTION. Sec. 4. An employer shall print, or cause to be  
21 printed, before the text of the employee noncompetition agreement, in  
22 conspicuous language of not less than ten point type, the following  
23 language:

24 "This agreement includes provisions that restrict your  
25 future right to engage in certain employment or business  
26 activities in some or all of the state of Washington. Before

1 signing this agreement you are advised and encouraged to seek  
2 competent legal counsel."

3 NEW SECTION. **Sec. 5.** Nothing in sections 1 through 4 of this  
4 act restricts the right of a person to protect trade secrets or other  
5 proprietary information by lawful means in equity or under applicable  
6 law.

7 NEW SECTION. **Sec. 6.** The enactment of sections 1 through 4 of  
8 this act does not have the effect of terminating, or in any way  
9 modifying, any liability that is already in existence on the effective  
10 date of this act.

11 NEW SECTION. **Sec. 7.** Unless there is a specific conflict with  
12 sections 1 through 4 of this act, the principles of law and equity  
13 shall be supplementary to these provisions.

14 NEW SECTION. **Sec. 8.** Sections 1 through 7 of this act are  
15 each added to chapter 49.44 RCW.