SLS 20RS-524 ORIGINAL

2020 Regular Session

SENATE BILL NO. 345

BY SENATOR JOHNS

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CONTRACTS. Provides relative to noncompete agreements. (8/1/20)

2	To amend and reenact R.S. 23:921(D), (E), (F)(1)(b) and (c), relative to contracts; to provide
3	relative to a noncompete contract or agreement; to provide relative to terms and
4	conditions of the contract or agreement; and to provide for related matters.
5	Be it enacted by the Legislature of Louisiana:
6	Section 1. R.S. 23:921(D), (E), (F)(1)(b) and (c) are hereby amended and reenacted
7	to read as follows:
8	§921. Restraint of business prohibited; restraint on forum prohibited; competing
9	business; contracts against engaging in; provisions for
10	* * *
11	D. For the purposes of Subsections B, and C, E, F, J, K, and L of this
12	Section, a person who becomes employed by a competing business, regardless of
13	whether or not that person is an owner or equity interest holder of that competing
14	business, may be deemed to be carrying on or engaging in a business similar to that
15	of the party having a contractual right to prevent that person from competing.
16	E. Upon or in anticipation of a dissolution of the partnership, the partnership
17	and the individual partners, including a corporation and the individual shareholders

AN ACT

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1	if the corporation is a partner, may agree that none of the partners will carry on shall
2	refrain from carrying on or engaging in a similar business within the same parish
3	or parishes, or municipality or municipalities, or within specified parts thereof,
4	where the partnership business has been transacted, not to exceed a period of two
5	years from the date of dissolution.
6	F.(1) Parties to a franchise may agree that:
7	* * *
8	(b) The franchisee shall:
9	(I)(i) During the term of the franchise, refrain from competing with the
10	franchisor or other franchisees of the franchisor or <u>carrying on or</u> engaging in any
11	other business similar to that which is the subject of the franchise.
12	(ii) For a period not to exceed two years following severance of the franchise
13	relationship, refrain from carrying on or engaging in any other business similar to
14	that which is the subject of the franchise and from competing with or soliciting the
15	customers of the franchisor or other franchisees of the franchisor.
16	(c) The employee if employed by a franchisor shall:
17	(i) During the term of his employment by the franchisor, refrain from
18	competing with his employer or any of the franchisees of his employer or carrying
19	on or engaging in any other business similar to that which is the subject of the
20	franchise.
21	(ii) For a period not to exceed two years following severance of the
22	employment relationship between the franchisor and the employee, refrain from
23	carrying on or engaging in any other business similar to that which is the subject
24	of the franchise between the franchisor and its franchisees and from competing with
25	or soliciting the customers of his employer or the franchisees of his employer.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Michelle Ridge.

DIGEST 2020 Regular Session

Johns

SB 345 Original

<u>Present law</u> provides that except as provided by law, every contract or agreement by which anyone is restrained from exercising a lawful procession, trade, or business of any kind shall be null and void.

<u>Present law</u> provides that upon or in anticipation of the dissolution of a partnership, the partnership and the partners may agree that none of the partners will carry on a similar business within a specific area and for a specified period of time.

<u>Proposed law</u> adds that the agreement can restrain the partners from engaging in a similar business within a specific area and for a specified period of time.

<u>Present law</u> provides that a franchise may enter into a contract that requires the franchisee to refrain from competing with certain persons or engaging in any other business similar to the franchise for a specified period of time.

<u>Proposed law</u> adds that the contract can restrain the franchisee from carrying on any other business similar to the franchise.

<u>Present law</u> allows a corporation, partnership, and a limited liability company to agree that is shareholders, partners, or members will refrain from carrying on or engaging in a business similar to that of the their business within a specific area and for a specified period of time after the date the shareholder, partner, or member's relationship with the business entity ends.

<u>Present law</u> provides that a person who becomes employed by a competing business, regardless of whether or not that person is an owner or equity interest holder of that competing business, may be deemed to be carrying on or engaging in a business similar to that of the party having a contractual right to prevent that person from competing.

<u>Proposed law</u> extends the application of <u>present law</u> to a corporation, partnership, limited liability, and franchise.

Effective August 1, 2020.

(Amends R.S. 23:921(D), (E), and (F)(1)(b) and (c))