



MARYLAND

CHAMBER *of* COMMERCE

LEGISLATIVE POSITION OPPOSE

House Bill 506

HB 506 - Labor and Employment - Non-compete and Conflict of Interest Clauses

House Economic Matters Committee

Tuesday, February 14, 2017

Dear Chair Davis and Members of the Committee:

HB 506 voids any non-compete or conflict of interest provisions in an employment contract for employees who earn less than \$31,200 annually or \$15/hr.

The Maryland Chamber of Commerce opposes this bill because non-compete restrictions serve an important purpose for businesses. This bill will set a dangerous precedent against businesses. Non-compete agreements are essential to the growth and viability of businesses by protecting trade secrets and promoting business development. It would also negate against Maryland's non-compete laws that seek to balance employer and employee rights and protect against unfair competition.

Courts have ruled that a non-compete agreement must be narrowly tailored and reasonable, and must not impose an undue hardship on the employee. Moreover, an employer must also demonstrate that the agreement does not disregard the public interest, which includes the enforcement of properly entered contracts. The courts have made clear that employers cannot utilize non-compete obligations to thwart fair competition. This has been the law in Maryland for more than a half century and is consistent with similar protections afforded by the vast majority of states.

For the reasons above the Maryland Chamber of Commerce respectfully requests an **Unfavorable Report** on HB 506.

Submitted by the Maryland Chamber of Commerce

Please direct any questions to Lawrence A. Richardson, Jr. at 410-269-0642, ext. 112 or
Lrichardson@mdchamber.org