

# CALIFORNIA

## California Extends Reach of Prohibition Against Restrictive Covenants

On Sept. 1, 2023, California adopted [Senate Bill \(SB\) 699](#) and expanded noncompete employee protections by declaring that noncompete agreements that restrain individuals from engaging in a lawful occupation are void, regardless of where and when the contract was signed. SB 699 becomes effective on Jan. 1, 2024.

### Noncompete Agreements in California

California Business and Professions Code Section 16600 provides that “every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.”

State courts have interpreted Section 16600 to mean that former employees cannot be restricted from working for a competitor or solicit customers unless the restriction is necessary to protect trade secrets.

### Expanded Prohibition

SB 699 expands the reach of Section 16600 by indicating that noncompete agreements that are void under state law remain void “regardless of where and when the contract was signed.” SB 699 further prohibits employers from entering into contracts that are void under Section 16600 and SB 699.

In addition, SB 699 explicitly grants employees the right to enforce compliance with this provision and makes noncompliant employers liable for civil violations.

### Impact on Employers

Organizations with employees in California should review their employee termination policies and procedures and adjust them as necessary to comply with SB 699 by Jan. 1, 2024. California employers are also encouraged to consult with their legal counsel to determine the enforceability of any noncompete agreements they may have with employees who work outside the state.

### Important Dates

#### Sept. 1, 2023

California adopted SB 699.

#### Jan. 1, 2024

Effective date for SB 699.

*Under the new California law, noncompete agreements will remain void, regardless of where and when the contract was signed.*

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