

SENATE BILL NO. 511—COMMITTEE ON COMMERCE AND LABOR

MARCH 26, 2001

Referred to Committee on Commerce and Labor

SUMMARY—Limits enforceability of certain contracts in restraint of trade. (BDR 53-189)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to employment practices; limiting the enforceability of certain contracts and agreements that restrain persons from engaging in a lawful profession, trade or business; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1     **Section 1.** Chapter 613 of NRS is hereby amended by adding thereto a  
2     new section to read as follows:  
3     1. *Except as otherwise provided in subsection 2, a provision of a*  
4     *contract or agreement that restrains a person from engaging in a lawful*  
5     *profession, trade or business is void.*  
6     2. *The provisions of subsection 1 do not prohibit:*  
7     (a) *A shareholder of a corporation who sells or otherwise disposes of:*  
8         (1) *All of his shares in the corporation;*  
9         (2) *All or substantially all of the operating assets of the corporation*  
10        *and the goodwill of the corporation;*  
11        (3) *All or substantially all of the operating assets of a division or a*  
12        *subsidiary of the corporation and the goodwill of the division or*  
13        *subsidiary; or*  
14        (4) *All of the shares of any subsidiary of the*  
15        *corporation,*  
16        *may agree with the buyer to refrain from carrying on a similar business*  
17        *within a specified county or counties, city or cities, or any part thereof, in*  
18        *which the business of the corporation, division or subsidiary has been*  
19        *transacted, so long as the buyer or any other person deriving title to the*  
20        *shares or goodwill from the buyer, carries on a similar business in that*  
21        *area.*  
22     (b) *A partner may, upon or in anticipation of the dissolution of the*  
23     *partnership, the dissociation of the partner from the partnership, or the*



1 assignment or other conveyance of the partner's interest in the  
2 partnership, agree that he will not carry on a similar business within a  
3 specified county or counties, city or cities, or any part thereof, in which  
4 the business of the partnership has been transacted, so long as any other  
5 partner, or any person who obtains an interest in the partnership from  
6 any other partner, carries on a similar business in that area.

7 (c) A member of a limited-liability company may, upon or in  
8 anticipation of the dissolution of the limited-liability company or the  
9 transfer or assignment of his interest in the limited-liability company,  
10 agree that he will not carry on a similar business within a specified  
11 county or counties, city or cities, or any part thereof, in which the  
12 business of the limited-liability company has been transacted, so long as  
13 any other member of the company, or any person who obtains an interest  
14 in the limited-liability company from another member of the company,  
15 carries on a similar business in that area.

16 (d) A person who sells the goodwill of a business may agree with the  
17 buyer to refrain from carrying on a similar business within a specified  
18 county or counties, city or cities, or any part thereof, in which the  
19 business has been transacted, so long as the buyer or any other person  
20 deriving title to the goodwill from the buyer carries on a similar business  
21 in that area.

22 (e) A person from negotiating, executing and enforcing an agreement  
23 with an employee of the person that, upon termination of the  
24 employment, prohibits the employee from disclosing any trade secrets,  
25 business methods, lists of customers, secret formulas or confidential  
26 information learned or obtained during the course of his employment  
27 with the person, if the agreement is supported by valuable consideration  
28 and is otherwise reasonable in its scope and duration.

29 (f) The displacement or limitation of competition otherwise authorized  
30 by a specific statute.

31 (g) A person who holds a license issued pursuant to chapter 463 or  
32 464 of NRS or who is required to register with the Nevada gaming  
33 commission pursuant to chapter 463 of NRS from negotiating, executing  
34 and enforcing an agreement with an employee of the person that, upon  
35 termination of the employment, prohibits the employee from pursuing a  
36 similar vocation in competition with or becoming employed by a  
37 competitor of the person, if the agreement is supported by valuable  
38 consideration and is otherwise reasonable in its scope and duration.

39 3. As used in this section, "subsidiary" means a corporation a  
40 majority of whose voting shares are owned by another corporation.

41 Sec. 2. NRS 613.200 is hereby amended to read as follows:

42 613.200 1. Except as otherwise provided in subsection 2 ~~and~~  
43 ~~section 1 of this act~~, any person, ~~[association, company or corporation]~~  
44 within this state, or any agent or officer on behalf of the person,  
45 ~~[association, company or corporation]~~ who willfully does anything  
46 intended to prevent any person who for any cause left or was discharged  
47 from his or its employ from obtaining employment elsewhere in this state  
48 shall be punished by a fine of not more than \$5,000. If a fine is imposed



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1 pursuant to this section, the costs of the proceeding, including investigative  
2 costs and attorney's fees, may be recovered by the labor commissioner.

3 2. The provisions of subsection 1 do not prohibit a person,  
4 ~~{association, company, corporation,}~~ agent or officer from negotiating,  
5 executing and enforcing an agreement with an employee of the person ~~+~~  
6 ~~association, company or corporation~~ which, upon termination of the  
7 employment, prohibits the employee from:

8 (a) Pursuing a similar vocation in competition with or becoming  
9 employed by a competitor of the person ~~+~~ ~~association, company or~~  
10 ~~corporation,}~~ or ;

11 (b) Disclosing any trade secrets, business methods, lists of customers,  
12 secret formulas or processes or confidential information learned or  
13 obtained during the course of his employment with the person,  
14 ~~{association, company or corporation,}~~  
15 if the agreement is supported by valuable consideration , ~~{and}~~ is otherwise  
16 reasonable in its scope and duration ~~+~~ , *and is not otherwise void*  
17 *pursuant to section 1 of this act.*

18 **Sec. 3.** The provisions of section 1 of this act apply to contracts and  
19 agreements entered into on or after October 1, 2001.

