New California State Law Addresses Noncompete Agreements

As most companies are aware, absent specific exceptions, under California Business and Professions Code (Code) Section 16600, California generally prohibits employers from entering into contracts with employees that preclude those employees from engaging in a lawful profession, trade, or business of any kind.

These contracts are generally referred to as "noncompete agreements."

Notwithstanding existing laws on the subject, on September 1, 2023, Governor Gavin Newsom signed California's Senate Bill 699 related to noncompete agreements. Specifically, SB 699 prevents employers from enforcing contracts that are void under Code Section 16600, regardless of whether the contracts were signed outside of California. SB 699 provides that "an employer or former employer shall not attempt to enforce a contract that is void under this chapter regardless of whether the contract was signed, and the employment was maintained outside of California." Section 1 of SB 699 also states that "California has a strong interest in protecting the freedom of movement of persons whom California-based employers wish to employ to provide services in California, regardless of the person's state of residence. This freedom of employment is paramount to competitive business interests." It is unclear how SB 699 will be interpreted.

The law creates a private right of action and authorizes employees to sue for injunctive relief, actual damages, and attorneys' fees for violations. SB 699 takes effect on January 1, 2024.

Employers should review their employment agreements, including any noncompete agreements, and contact experienced counsel for guidance regarding California's SB 699.

Authors

Explore more in

Related insights

Update

Federal Banking Agencies and FinCEN Hit Reset on AML/CFT: Implications for Financial Institutions

Update

FERC Meeting Agenda Summaries for April 2026