

1 AN ACT relating to contracts.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 336 IS CREATED TO  
4 READ AS FOLLOWS:

5 *(1) As used in this section:*

6 *(a) "Covenant not to compete" means a covenant or agreement, including a*  
7 *provision of a contract of employment, between an employer and employee*  
8 *that restrains, prohibits, or otherwise restricts an individual's ability,*  
9 *following the termination of the individual's employment, to compete with*  
10 *his or her former employer. A "covenant not to compete" shall not restrict*  
11 *an employee from providing a service to a customer or client of the*  
12 *employer if the employee does not initiate contact with or solicit the*  
13 *customer or client; and*

14 *(b) "Low-wage employee" means an employee whose average weekly earnings,*  
15 *calculated by dividing the employee's earnings during the period of fifty-two*  
16 *(52) weeks immediately preceding the date of termination of employment by*  
17 *fifty-two (52), or if an employee worked fewer than fifty-two (52) weeks, by*  
18 *the number of weeks that the employee was actually paid during the fifty-*  
19 *two (52) week period, are less than two thousand dollars (\$2,000) and shall*  
20 *include interns, students, apprentices, or trainees employed, with or without*  
21 *pay, at a trade or occupation in order to gain work or educational*  
22 *experience and an individual who has independently contracted with*  
23 *another person to perform services independent of an employment*  
24 *relationship.*

25 *(2) No employer shall enter into, enforce, or threaten to enforce a covenant not to*  
26 *compete with any low-wage employee.*

27 *(3) A low-wage employee may bring a civil action against any former employer or*

1 other person that attempts to enforce a covenant not to compete against him or  
 2 her in violation of this section.

3 (4) An action under this section shall be brought within two (2) years of the latter of  
 4 the date the:

5 (a) Covenant not to compete was signed;

6 (b) Low-wage employee learns of the covenant not to compete;

7 (c) Employment relationship is terminated; or

8 (d) Employer takes any step to enforce the covenant not to compete.

9 (5) The court shall have jurisdiction to void any covenant not to compete with a low-  
 10 wage employee and to order all appropriate relief, including an order enjoining  
 11 the conduct of any person or employer, awarding damages, and reasonable  
 12 attorney fees and costs.

13 (6) No employer may discharge, threaten, or otherwise discriminate or retaliate  
 14 against a low-wage employee for bringing a civil action pursuant to this section.

15 (7) Every employer shall post a copy of this section or a summary approved by the  
 16 commissioner in the same location where other employee notices required by  
 17 state or federal law are posted.

18 (8) The provisions of this section shall be apply to covenants not to compete that are  
 19 entered into on or after the effective date of this Act.

20 ➔Section 2. KRS 336.990 is amended to read as follows:

21 (1) Upon proof that any person employed by the Labor Cabinet as a labor inspector has  
 22 taken any part in any strike, lockout or similar labor dispute, the person shall forfeit  
 23 his or her office.

24 (2) The following civil penalties shall be imposed, in accordance with the provisions in  
 25 KRS 336.985, for violations of the provisions of this chapter:

26 (a) Any person who violates KRS 336.110 or 336.130 shall for each offense be  
 27 assessed a civil penalty of not less than one hundred dollars (\$100) nor more

- 1           than one thousand dollars (\$1,000);
- 2           (b) Any corporation, association, organization, or person that violates KRS  
3           336.190 and 336.200 shall be assessed a civil penalty of not less than one  
4           hundred dollars (\$100) nor more than one thousand dollars (\$1,000) for each  
5           offense. Each act of violation, and each day during which such an agreement  
6           remains in effect, shall constitute a separate offense;
- 7           (c) Any employer who violates the provisions of KRS 336.220 **or subsection (7)**  
8           **of Section 1 of this Act** shall be assessed a civil penalty of not less than one  
9           hundred dollars (\$100) nor more than one thousand dollars (\$1,000) for each  
10          violation; and
- 11          (d) Any labor organization who violates KRS 336.135 shall be assessed a civil  
12          penalty of not less than one hundred dollars (\$100) nor more than one  
13          thousand dollars (\$1,000) for each offense.
- 14         (3) Any labor organization, employer, or other person who directly or indirectly  
15          violates KRS 336.130(3) shall be guilty of a Class A misdemeanor.
- 16         (4) Any person aggrieved as a result of any violation or threatened violation of KRS  
17          336.130(3) may seek abatement of the violation or threatened violation by  
18          petitioning a court of competent jurisdiction for injunctive relief and shall be  
19          entitled to costs and reasonable attorney fees if he or she prevails in the action.
- 20         (5) Any person injured as a result of any violation or threatened violation of KRS  
21          336.130(3) may recover all damages resulting from the violation or threatened  
22          violation and shall be entitled to costs and reasonable attorney fees if he or she  
23          prevails in the action.
- 24         **(6) Any employer who violates subsection (2) or (6) of Section 1 of this Act shall for**  
25         **each offense be assessed a civil penalty of not less than one thousand dollars**  
26         **(\$1,000) nor more than ten thousand dollars (\$10,000) for each violation.**