

1 SENATE BILL NO. 128
23 AMENDMENT IN THE NATURE OF A SUBSTITUTE
45 (Proposed by the Senate Committee on Commerce and Labor
6

7 on _____)

5 (Patron Prior to Substitute—Senator VanValkenburg)

6 *A BILL to amend and reenact § 40.1-28.7:8 of the Code of Virginia, relating to covenants not to compete;*
7 *health care professionals; civil penalty.*8 **Be it enacted by the General Assembly of Virginia:**9 **1. That § 40.1-28.7:8 of the Code of Virginia is amended and reenacted as follows:**10 **§ 40.1-28.7:8. Covenants not to compete prohibited; exceptions; civil penalty.**

11 A. As used in this section:

12 "Covenant not to compete" means a covenant or agreement, including a provision of a contract of
13 employment, between an employer and employee that restrains, prohibits, or otherwise restricts an
14 individual's ability, following the termination of the individual's employment, to compete with his former
15 employer. A "covenant not to compete" shall not restrict an employee from providing a service to a customer
16 or client of the employer if the employee does not initiate contact with or solicit the customer or client.17 "*Health care professional*" means any person licensed, registered, or certified by the Board of Medicine,
18 Nursing, Counseling, Optometry, Psychology, or Social Work.19 "Low-wage employee" means an employee (i) whose average weekly earnings, calculated by dividing the
20 employee's earnings during the period of 52 weeks immediately preceding the date of termination of
21 employment by 52, or if an employee worked fewer than 52 weeks, by the number of weeks that the
22 employee was actually paid during the 52-week period, are less than the average weekly wage of the
23 Commonwealth as determined pursuant to subsection B of § 65.2-500 or (ii) who, regardless of his average
24 weekly earnings, is entitled to overtime compensation under the provisions of 29 U.S.C. § 207 for any hours
25 worked in excess of 40 hours in any one workweek. "Low-wage employee" includes interns, students,
26 apprentices, or trainees employed, with or without pay, at a trade or occupation in order to gain work or
27 educational experience. "Low-wage employee" also includes an individual who has independently contracted
28 with another person to perform services independent of an employment relationship and who is compensated
29 for such services by such person at an hourly rate that is less than the median hourly wage for the
30 Commonwealth for all occupations as reported, for the preceding year, by the Bureau of Labor Statistics of
31 the U.S. Department of Labor. For the purposes of this section, "low-wage employee" shall does not include

32 any employee whose earnings are derived, in whole or in predominant part, from sales commissions,
33 incentives, or bonuses paid to the employee by the employer.

34 B. No employer shall enter into, enforce, or threaten to enforce a covenant not to compete with any
35 low-wage employee *or health care professional*.

36 C. ~~Nothing in this section shall serve to limit the creation or application of nondisclosure agreements~~
37 ~~intended to prohibit the taking, misappropriating, threatening to misappropriate, or sharing of certain~~
38 ~~information to which an employee has access, including trade secrets, as defined in § 59.1-336, and~~
39 ~~proprietary or confidential information.~~

40 D. A low-wage employee *or health care professional* may bring a civil action in a court of competent
41 jurisdiction against any former employer or other person that attempts to enforce a covenant not to compete
42 against such employee in violation of this section. An action under this section shall be brought within two
43 years of the latter of (i) the date the covenant not to compete was signed, (ii) the date the low-wage employee
44 *or health care professional* learns of the covenant not to compete, (iii) the date the employment relationship
45 is terminated, or (iv) the date the employer takes any step to enforce the covenant not to compete. The court
46 shall have jurisdiction to void any covenant not to compete with a low-wage employee *or health care*
47 *professional* and to order all appropriate relief, including enjoining the conduct of any person or employer,
48 ordering payment of liquidated damages, and awarding lost compensation, damages, and reasonable attorney
49 fees and costs. No employer may discharge, threaten, or otherwise discriminate or retaliate against a
50 low-wage employee *or health care professional* for bringing a civil action pursuant to this section.

51 E. D. Any employer that violates the provisions of subsection B as determined by the Commissioner shall
52 be subject to a civil penalty of \$10,000 for each violation. Civil penalties owed under this subsection shall be
53 paid to the Commissioner for deposit in the general fund.

54 F. E. If the court finds a violation of the provisions of this section, the plaintiff shall be entitled to recover
55 reasonable costs, including costs and reasonable fees for expert witnesses, and attorney fees from the former
56 employer or other person who attempts to enforce an unlawful covenant not to compete against such plaintiff.

57 G. F. Every employer shall post a copy of this section or a summary approved by the Department in the
58 same location where other employee notices required by state or federal law are posted. An employer that
59 fails to post a copy of this section or an approved summary of this section shall be issued by the Department a
60 written warning for the first violation, shall be subject to a civil penalty not to exceed \$250 for a second
61 violation, and shall be subject to a civil penalty not to exceed \$1,000 for a third and each subsequent violation
62 as determined by the Commissioner. Civil penalties owed under this subsection shall be paid to the

63 Commissioner for deposit in the general fund.

64 The Commissioner shall prescribe procedures for the payment of proposed assessments of penalties that
65 are not contested by employers. Such procedures shall include provisions for an employer to consent to
66 abatement of the alleged violation and to pay a proposed penalty or a negotiated sum in lieu of such penalty
67 without admission of any civil liability arising from such alleged violation.

68 *G. Nothing in this section shall serve to limit the creation or application of:*

69 *1. Nondisclosure agreements intended to prohibit the taking, misappropriating, threatening to
70 misappropriate, or sharing of certain information to which an employee has access, including trade secrets,
71 as defined in § 59.1-336, and proprietary or confidential information; or*

72 *2. Covenants not to compete or similarly restrictive covenants with any health care professional or such
73 person's business entity as part of a sale of business when the transaction includes the sale of all or
74 substantially all of (a) the operating assets together with the goodwill of the health care professional's business
75 entity, (b) the operating assets of a division or subsidiary of the health care professional's business
76 entity together with the goodwill of that division or subsidiary, or (c) the ownership interest of the health care
77 professional's business entity or any division or subsidiary thereof. In such transactions, the seller and buyer
78 may enter a covenant not to compete or similarly restrictive covenant for the health care professional or such
79 person's business entity, provided that such covenant not to compete or similarly restrictive covenant is
80 reasonable in scope, duration, and geographic area.*

81 *H. Nothing in this section shall serve to limit the ability of employers of health care professionals to:*

82 *1. Include provisions in employment agreements, through a promissory note or otherwise, that require
83 repayment for all or a prorated portion of recruitment-related costs, including relocation expenses, signing
84 or retention bonuses, and other remuneration provided to induce relocation or establishment of a practice in
85 a specified geographic area, as well as recruiting, education, or training expenses from a departing health
86 care professional who has been employed for fewer than five years, and such provisions shall be valid and
87 enforceable by law; or*

88 *2. Include provisions in employment agreements requiring a health care professional, for the benefit of an
89 employer and for a stated period of time following termination, to refrain from soliciting or attempting to
90 solicit, directly or by assisting others, any business from any of such employer's customers, including actively
91 seeking prospective customers, with whom the employee had material contact during his employment, for
92 purposes of providing products or services that are the same or substantially similar to those provided by the
93 employer, except for any notice or communication as required by state or federal law. Any reference to a*

94 *prohibition against soliciting or attempting to solicit customers shall be narrowly construed to apply only to*
95 *(i) the health care professional's customers, including actively sought prospective customers, with whom the*
96 *health care professional had material contact during employment and (ii) products and services that are the*
97 *same as or substantially similar to those provided by the employer. Such provisions shall be valid and*
98 *enforceable by law.*

99 **2. That nothing in this act shall invalidate, alter, or otherwise affect any contracts, covenants, or**
100 **agreements entered into or renewed prior to July 1, 2026.**