



Alert: Minnesota Ban on “Service Provider” Non-solicitation Provisions

Taylor D. Sztainer
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Effective July 1, 2024, Minnesota prohibits the use of non-solicitation and no-hire provisions in agreements between service providers and their employees. The law prohibits service providers from restricting their employees from being solicited or hired by the service provider’s customers. The law provides: “No service provider may restrict, restrain, or prohibit in any way a customer from directly or indirectly soliciting or hiring an employee of a service provider.” Minn. Stat. § 181.9881. A “service provider” is broadly defined to mean “any partnership, association, corporation, business, trust, or group of persons acting directly or indirectly as an employer or manager for work contracted or requested by a customer.” A “customer” includes individuals, partnerships, associations, corporations, businesses, trusts, and groups of persons hiring a service provider for service.

An exception exists for “workers providing professional business consulting for computer software development and related services who are seeking employment through a service provider with the knowledge and intention of being considered for a permanent position of employment with the customer.”

The new law is effective retroactively in that it applies not just to new contracts starting July 1, 2024, but also to all existing contracts. Service providers with existing contracts containing such provisions should note that any provision in an existing contract that violates the new statute is void, and service providers must give notice to their employees if any provisions in their contracts violate the law.

If you would like assistance assuring best practices in this area, please contact Taylor Sztainer.

Attorneys

Taylor D. Sztainer

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