

Client Alert

Wyoming Enacts New Law Prohibiting Most Non-Compete Agreements

WHAT'S NEW: Wyoming passed a new law prohibiting most non-compete agreements in employment contracts or other agreements. This new law takes effect on July 1, 2025, and applies only to agreements entered into on or after July 1, 2025.

WHY IT MATTERS: With some exceptions, any non-compete agreement that restricts an individual from earning compensation for performing skilled or unskilled labor will be considered void.

Exceptions:

- **Purchase and Sale of a Business:** The law permits covenants not to compete when contained in a contract for the purchase and sale of a business or the assets of a business.
- **Protection of Trade Secrets:** "Wyoming defines a trade secret as the whole or a portion or phase of a formula, pattern, device, combination of devices or compilation of information which is for use, or is used in the operation of a business and which provides the business an advantage or an opportunity to obtain an advantage over those who do not know or use it. . ."
- **Executive and Management Personnel:** Non-compete agreements may still be used for executive or management personnel, including professional staff supporting those roles.

Even if an exception applies under this new law, enforcing a non-compete remains challenging for employers. Employers must prove the agreement protects a legitimate business interest and is reasonable in scope and duration. Additionally, under a 2022 Wyoming Supreme Court ruling, courts can no longer modify overly broad non-compete clauses to make them enforceable.

Employer Recovery of Expenses

The law also limits an employer's the ability to recover certain expenses from employees who leave before a specified timeframe. While employers can still seek repayment for costs like relocation, education, and training, the law imposes strict caps on how much can be recovered based on the employee's length of service. Once an employee has completed four years of service, the employer cannot recover any such expenses upon separation.

WHAT EMPLOYERS SHOULD DO:

- Review and revise employment agreements to remove or replace non-compete provisions that are not compliant with the new law.
- Update internal policies and procedures to align with the new legal requirements.

If you have any questions, please contact your HR Consultant/Business Partner.