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LEGAL UPDATES

Deadline Approaching for Minnesota Anti-Poaching Compliance

05/13/2024 | less than a minute

As the deadline for the Minnesota Anti-Poaching Update draws near, franchisors are reminded to update existing franchise agreements pertaining to non-soliciting and no-poaching restrictions.

In 2023, the Minnesota Legislature adopted [legislation](#) that prohibits franchisors from placing certain non-solicitation and no-poach restrictions in franchise agreements. Made effective immediately, franchisors subject to Minnesota law are prohibited from restricting franchisees from soliciting or hiring an employee from another franchisee of the same franchisor or from the franchisor itself. “Employee” is defined broadly to include independent contractors. The legislation also voids any existing provision that violates these new prohibitions.

By May 25, 2024, franchisors must either amend existing Minnesota franchise agreements to remove the non-solicitation and no-poach restrictions or sign a memorandum of understanding with each franchisee located in Minnesota acknowledging that any non-solicitation or no-poach restriction in a franchise agreement is void and unenforceable. The new law is codified in Section 181.991 of the state’s employment code and not in Minnesota Statutes Section 80C, concerning franchising.

Although some companies’ current franchise agreements do not contain non-solicitation or no-poach restrictions, Minnesota franchisees under older forms of franchise agreements may still have these restrictions in their franchise agreements. As a result, amending those agreements through a memorandum of understanding is recommended. Franchisors should notify their Minnesota franchisees that the franchisees may have obligations under this law, including the enforcement (or lack thereof) of employment non-competes. See [here](#) for more information on the 2023 Minnesota law.

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If you have any questions about the Minnesota Anti-Poaching rule, please contact the author listed above or your regular Lathrop GPM attorney.