



Proposed Legislation Would “Invalidate” Non-Compete Agreements For Former Employees Eligible for Unemployment Benefits-Bill Would Also Nullify Non-Disclosure and Non-Solicitation Agreements

Client Advisories

04.17.2013

Former employees who qualify for unemployment benefits would not be bound by any agreement not to compete with, disclose information about or solicit customers of their most recent employer under a bill introduced in the New Jersey Assembly.

The legislation, [A-3970](#), would “invalidate” non-compete, non-disclosure and non-solicitation covenants, contracts and agreements with the most recent employer, if the former employee is eligible for unemployment insurance benefits under New Jersey’s unemployment compensation law. The provision, if made law, would not be retroactive, and would apply only to agreements made after enactment.

The proposed measure is intended to reduce barriers to employment and competition in a challenging economy, but raises obvious concerns for companies that utilize these types of covenants to protect legitimate business interests.

The bill was introduced earlier this month and referred to the Assembly Labor Committee. The Chair, Joseph V. Egan, is one of the primary sponsors and also serves as Deputy Majority Leader.

We will continue to monitor this controversial legislation and provide updates on what promises to be a lively debate.

If you have questions about A-3970 or other issue involving protection of proprietary business information, please contact [Thomas A. Muccifori](#), Chair of [Archer’s Trade Secret Protection and Non-Compete Practice](#)

Group, at (856) 354-3056 or tmuccifori@archerlaw.com, or any member of the Group at one of our offices listed below.

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