

Does the ‘No-Rehire’ Provision in Your Settlement Agreement Restrain the Lawful Practice of a Profession?

A recent 9th Circuit Court of Appeals decision suggests that in certain circumstances overly broad language in a no-rehire provision may violate California law (namely, section 16600 of California’s Business and Professions Code) as a contract restraining the lawful practice of a profession, writes Daniel J. Kanter of Ogletree Deakins and published on Lexology.com.

“When resolving an employment dispute, employers often wish to include a ‘no-rehire’ provision in the settlement agreement,” he writes. “In a typical no-rehire clause, the parties agree that they wish to resolve their dispute and sever any relationship they may have now or in the future. The employee agrees that his employment has ended and promises not to seek reemployment with the company. Further, if the employee obtains reemployment with the company or any related entity, the employee agrees that his or her employment may be terminated immediately without any legal recourse.”

The article discusses the ruling and offers some key take-away conclusions.

Read the article.