

SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 2216

(SENATE AUTHORS: MANN, Seeberger, Fateh and McEwen)

DATE	D-PG	OFFICIAL STATUS
02/27/2023	1145	Introduction and first reading Referred to Labor
03/13/2023	1611	Comm report: To pass and re-referred to Judiciary and Public Safety
03/27/2023	1703	Author added McEwen Comm report: To pass as amended and re-refer to Labor

1.1 A bill for an act

1.2 relating to employment; prohibiting restrictive franchise agreements; amending

1.3 Minnesota Statutes 2022, section 177.27, subdivision 4; proposing coding for new

1.4 law in Minnesota Statutes, chapter 181.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2022, section 177.27, subdivision 4, is amended to read:

1.7 Subd. 4. **Compliance orders.** The commissioner may issue an order requiring an

1.8 employer to comply with sections 177.21 to 177.435, 181.02, 181.03, 181.031, 181.032,

1.9 181.101, 181.11, 181.13, 181.14, 181.145, 181.15, 181.172, paragraph (a) or (d), 181.275,

1.10 subdivision 2a, 181.722, 181.79, ~~and~~ 181.939 to 181.943, ~~or~~ 181.991, and with any rule

1.11 promulgated under section 177.28. The commissioner shall issue an order requiring an

1.12 employer to comply with sections 177.41 to 177.435 if the violation is repeated. For purposes

1.13 of this subdivision only, a violation is repeated if at any time during the two years that

1.14 preceded the date of violation, the commissioner issued an order to the employer for violation

1.15 of sections 177.41 to 177.435 and the order is final or the commissioner and the employer

1.16 have entered into a settlement agreement that required the employer to pay back wages that

1.17 were required by sections 177.41 to 177.435. The department shall serve the order upon the

1.18 employer or the employer's authorized representative in person or by certified mail at the

1.19 employer's place of business. An employer who wishes to contest the order must file written

1.20 notice of objection to the order with the commissioner within 15 calendar days after being

1.21 served with the order. A contested case proceeding must then be held in accordance with

1.22 sections 14.57 to 14.69. If, within 15 calendar days after being served with the order, the

1.23 employer fails to file a written notice of objection with the commissioner, the order becomes

1.24 a final order of the commissioner.

2.1 **EFFECTIVE DATE.** This section is effective the day following final enactment and
2.2 applies to franchise agreements entered into or amended on or after that date.

2.3 **Sec. 2. [181.991] RESTRICTIVE FRANCHISE AGREEMENTS PROHIBITED.**

2.4 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
2.5 the meanings given them.

2.6 (b) "Employee" means an individual employed by an employer and includes independent
2.7 contractors.

2.8 (c) "Employer" has the meaning given in section 177.23, subdivision 6.

2.9 (d) "Franchise," "franchisee," and "franchisor" have the meanings given in section
2.10 80C.01, subdivisions 4 to 6.

2.11 Subd. 2. **Prohibition on restrictive franchise agreements.** (a) No franchisor may
2.12 restrict, restrain, or prohibit in any way a franchisee from soliciting or hiring an employee
2.13 of a franchisee of the same franchisor.

2.14 (b) No franchisor may restrict, restrain, or prohibit in any way a franchisee from soliciting
2.15 or hiring an employee of the franchisor.

2.16 (c) Any provision of an existing contract that violates paragraph (a) or (b) is void and
2.17 unenforceable.

2.18 Subd. 3. **Franchise agreement amendment.** Notwithstanding any law to the contrary,
2.19 no later than one year from the effective date of this section, franchisors shall:

2.20 (1) amend existing franchise agreements to remove any restrictive employment provision
2.21 that violates subdivision 2; or

2.22 (2) sign a memorandum of understanding with each franchisee that provides that any
2.23 contract provisions that violate subdivision 2 in any way are void and unenforceable, and
2.24 provides notice to the franchisee of their rights and obligations under this section.

2.25 Subd. 4. **Severability.** If any provision of this section is found to be unconstitutional
2.26 and void, the remaining provisions of this section are valid.

2.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.