

NJORD Estonia: It pays off to end unnecessary prohibitions of competition

While terminating your work relationship with an employee, you should check if the contract has a prohibition of competition clause that extends beyond the duration of the employment relationship. If so, you should decide whether it's still relevant.

The employer must pay compensation for prohibitions of competition that extend beyond the duration of the employment relationship. If the prohibition is no longer relevant to the employer, but it is not terminated with the employment contract, the employee has a right to file a claim for compensation against the employer within 4 months after the work relationship has ended. It's not a rare occurrence where an employee files a claim at the end of the 4-month period and asks to be compensated for all the previous months.

The employer can end the prohibition of competition but only with a notice. That's why you should always assess the necessity of the prohibition of competition before you terminate the employment contract, and decide whether the company is willing to pay the compensation for keeping it in effect. If you're not sure how to terminate the irrelevant prohibition, you should seek advice.



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