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Post-Employment Non-Competition: The Content of Agreements and the Interpretation of Fairness in the Practice of Latvian Courts

Abstract: This article analyses restrictions on competition after the termination of employment in Latvia, focusing on both the regulatory framework and case law. It examines the purpose of restrictions on competition and the conditions for their validity and includes an in-depth analysis of the concept of fair compensation in modern labour law. For comparative context, the regulations of other European countries on these issues are also outlined. Due to the limited scope of the publication, issues such as the possibility of unilateral withdrawal from a non-competition agreement and legal remedies in cases where one of the parties fails to comply with the terms of an agreement are not addressed.

Keywords: restrictions on competition, non-competition clauses, termination of employment relationships, terms for restriction on competition, adequate monthly compensation

Introduction

In a free-market economy marked by intense business competition, protecting employment as a resource for economic activity through legal remedies is increasingly important. One such mechanism is agreements on post-employment restrictions on competition (non-competition agreements), which serve to safeguard the interests of employers. In Latvia, the special regulatory act governing labour rights is the Labour Code (LC), adopted on 20 June 2001 (Republic of Latvia, June 2001). Since its adoption, the law has included regulations on restrictions on competition after the termination of legal employment relations. Over time, several changes have been made to the law, with the latest amendments in the context of restrictions on competition made in 2017 (Republic of Latvia, 2017). Initially, when the LC came into force, the new regulation regarding restrictions on competition was not widely used, but over time it has become increasingly popular: nowadays, restrictions on competition are included in many employment contracts.

It should be noted that, unlike, for example, the Polish regulation (Republic of Poland, 1974, Article 101(1)), Latvian legislation only applies the concept of restrictions on competition to after the termination of employment, i.e. the term 'restrictions on competition' does not apply to existing employment relationships. In such cases, where there is an employment relationship between the parties, the employer can protect its legitimate and protectable interests by imposing a restriction on supplementary work (see Articles 91 and 92 of the LC).

Questions about the proportionality of agreed restrictions on competition, or non-compliance with them, have often been brought before the courts, and case law has made a significant contribution to the understanding of this legal institution and the search for a fair balance between the legal interests of employers and employees. Latvia's supreme audit institution, the State Audit Office, in an audit of restrictions on competition in the public sector, has also addressed issues related to the permissibility of restrictions on competition in the public sector and violations identified in this area, which will be discussed in the concluding part of this article.

We also analyse the main prerequisites for the validity of restrictions on competition, including an overview of findings on court practice on the search for a fair balance in this area.

1. The concept of restriction on competition and the procedure for concluding agreements

The right of every person to freely choose their occupation and place of work is enshrined in Article 106 of the Constitution of the Republic of Latvia (the *Satversme*), which stipulates that everyone has the right to freely choose their occupation and place of work in accordance with their abilities and qualifications (Republic of Latvia, 1922). Article 116, in turn, stipulates that this right may be restricted only in cases provided for by law. Given that an agreement on restriction on competition is a restriction of an employee's fundamental rights, the legislature must lay down the main principles and preconditions in regulatory enactments to ensure that such an agreement does not unduly worsen the legal situation of the employee.

The general legal definition of the term 'competition' is contained in Article 1(6) of the Competition Law, where competition is explained as 'existing or potential economic (commercial) rivalry between two or more market participants in a relevant market' (Republic of Latvia, October 2001). In turn, Article 84(1) of the LC defines the concept of restriction on competition in labour law as an agreement between an employee and an employer on the limitation of the employee's professional activities after the termination of the employment relationship. It follows that the restriction on competition is based on the employer's desire to protect itself from activities of a former employee that could compete with the employer's commercial activities, while the employee receives the compensation stipulated in the agreement for the duration of the restriction.

As indicated in the legal literature, the imposition of a restriction on competition does not provide the employer with a mechanism to protect itself against competition in general, but only to mutually agree on restrictions that are reasonably necessary to protect its legitimate interests (Bevitt & James, 2007, p. 1).[1] Agreements on restrictions on competition are recognised in the labour laws of many continental European countries. As noted by legal scholars, common law has historically been suspicious of such clauses in contracts of employment, on the basis that they restrict employees' future employment opportunities, but nowadays the approach has changed, and such clauses are recognised as valid provided that they are 'reasonable' (McMahon & Eustace, 2022, p. 411).

Article 84(1) of the LC likewise stipulates that an agreement is permissible only if it meets the following criteria:

1) its purpose is to protect the employer from professional activities of the employee that may compete with the employer's commercial activities, taking into account the employer's protected information available to the employee;
2) the term of the restriction on competition does not exceed two years from the date of termination of the employment relationship;
3) for the entire duration of the restriction on competition, it provides for the employer's obligation to pay the employee appropriate monthly compensation for compliance with the restriction on competition after the termination of the employment relationship.

In addition to this list, Article 84(2) sets out another mandatory requirement that must be met for an agreement on restriction on competition to be valid, i.e. the restriction may only apply to the field of activity in which the employee was employed during the existence of the employment relationship (Judgment of the Senate of the Republic of Latvia, 2026, para. 14.4). The basic principle to be observed when concluding an agreement on restriction on competition is that it must strike a reasonable

1 On the challenges of trade secret protection, see Korycińska-Rządca, 2024.

balance between the legal interests of the former employer and the employee. In the following sections, we will analyse these characteristics.

2. The form and time of the conclusion of an agreement on restriction on competition

Article 84(4) of the LC stipulates that an agreement on restriction on competition must be concluded in writing, specifying the type, extent, place, and time of the restriction and the compensation to be paid to the employee.

In contrast to the Latvian Civil Law (Republic of Latvia, 1937), which allows freedom of form in the conclusion of many contracts, labour law imposes a requirement that employment contracts, amendments thereto, and agreements on non-competition be written. This written requirement is designed to protect the employee, as the socially weaker party, since written documents undoubtedly facilitate proving a case in the event of a dispute.

In our opinion, if an agreement on restriction on competition is not concluded in writing but it has been established that the parties verbally agreed such a restriction and that both parties comply with these provisions (i.e. the employer pays compensation, while the employee complies with the verbally agreed restriction), then the fact that the written form has not been observed should not automatically render the restriction on competition invalid (see Article 1488 of the Civil Law; Republic of Latvia, 1937).

The LC does not specify when an agreement on restriction on competition should be concluded. In practice, such an agreement after the termination of an employment relationship is most often concluded as a separate agreement at the same time as the employment contract is terminated; in such a case, the former employer, after assessing the level of knowledge, expertise, experience, and skills acquired by an individual employee, may decide how important it is to agree that the employee will not work for the employer's direct competitors. However, the parties may just as well include an agreement on restriction on competition in the employment contract; this is the free choice of the parties, and this option is also accepted in Latvian case law. It should be emphasised that even if a non-competition clause is included in the employment contract, it is considered a separate, private law contract.

Each of these approaches has its advantages and disadvantages. For example, if an agreement on restriction on competition is concluded at the time when the parties terminate their employment relationship, employees in such a situation are often aware of the value of the knowledge they have acquired and may therefore insist in negotiations on higher compensation for compliance with the non-competition clause. This is opposed to a situation where the agreement on restriction on competition is concluded with an employee who has only just started their employment. Similarly, when an employment relationship is terminated, emotions between the parties can often run high, which can complicate the content of the agreement. Latvian law does not restrict any positions, professions, or age groups from entering into an agreement on restriction on competition, so the parties have a wide range of options.

3. The purpose of a restriction on competition

Article 84(1) of the LC clearly defines that the purpose of an agreement on restriction on competition is to protect the employer from professional activities by the employee that may compete with the employer's commercial activities, taking into account the employer's protected information at the employee's disposal.

Prior to the 2017 amendments, the LC did not contain provisions clarifying whether restrictions on competition also apply to an employee's own commercial activities or to the prohibition of poaching. With the 2017 amendments, Article 84 was supplemented with a fifth paragraph that stipulates that 'an agreement on the restriction on competition may apply to different types of restriction on competition, including permanent competitive economic activity of the employee, employment of the employee with another employer, not poaching of clients or employees of the former employer'. Thus the concept of professional activity allows not only a restriction on a former employee from working for a competing company (as an employee), but also a restriction on the former employee from engaging in commercial activities in a field of activity that competes with the employer, including providing services or professional advice as a self-employed person.

Another innovation of the 2017 amendment is that the LC now states *expressis verbis* that the restriction on competition may also apply to such practices as not poaching customers or employees of a former employer. The prohibition on poaching former employers' customers and employees has not yet been assessed in detail in Latvian legal doctrine, and in the context of poaching, it can often be difficult to identify whether a former employee has committed poaching or whether it was a voluntary move that took place on the initiative of the customer or employee themselves – specific evidence would be essential in determining such actions.

Restrictions occasionally imposed in practice on an employee's family members, such as a spouse, from competing with the former employer should be approached critically. Such a restriction would not be valid, as it does not comply with Article 1413 of the Civil Law, given that a former employee cannot legally influence the will of another person.

4. The scope of the restriction on competition

Article 84(2) of the LC stipulates clearly that a restriction on competition may only apply to the field of activity in which the employee was employed during the existence of the employment relationship. The employer does not have the right to impose an overly broad prohibition on competition; it must be proportionate and in the interests of both parties (Miller & Jentz, 2009, p. 202). For example, in its case law, the Supreme Court has found it disproportionate and unjustified to restrict a secretary of a car dealership from working for any company engaged in the sale, maintenance, repair, rental, or leasing of vehicles or their parts and accessories, from participating in such a company as an employee, or from providing services to such a company or an entrepreneur (Judgment of the Senate of the Republic of Latvia, January 2008).

5. The term of the restriction on competition

Article 84(1)(2) of the LC stipulates that the term of the restriction on competition may not exceed two years from the date of the termination of the employment relationship. However, the precise duration shall be specified in each contract. In practice, the parties most commonly agree on a restriction period of one or two years.

The regulatory acts of several European Union Member States also stipulate, similar to the LC, that the maximum term of a non-competition clause is two years (for example, Lithuania (Republic of Lithuania, 2016, Article 38), Germany (Article 74(a)); in Estonia (Republic of Estonia, 2008, Article 24) and Belgium (Belgium 1978, Article 65), the maximum duration is one year, whereas in Finland (Republic of Finland, 2001, Article 5), it may not exceed six months.

The LC sets a maximum term of two years for all employees (without differentiating by position or qualifications), whereas some countries set maximum non-competition terms depending on the employee's position. For example, in Spain, the maximum term of a non-competition clause for a qualified specialist may be two years, while for unskilled employees who nevertheless had access to their former employer's trade secrets, the non-competition period may not exceed six months (Spain, 2015, Article 21). Italy stands out with its long maximum non-competition term, where employees who have held managerial positions may be subject to a non-competition term of up to five years, while for other employees it may not exceed three years (see Mammone, 2006, p. 2).

Latvia's approach to the maximum term of agreements on restrictions on competition can be regarded as generally rational. On the one hand, it sufficiently safeguards the legitimate interests of the former employer, avoiding the limitations associated with very short terms, such as six months. On the other hand, imposing a longer period of up to two years could unduly disadvantage the employee, particularly if they are unable to work in their field of expertise during that time, potentially leading to a loss of professional qualifications and reduced competitiveness in the labour market. It is noteworthy that certain foreign jurisdictions permit lifetime restrictions on competition, which remains an exceptional approach.

From our perspective, an initial agreement on a shorter term, such as one year, does not preclude the parties from subsequently agreeing to extend the restriction for an additional period, provided the maximum statutory limit of two years is not exceeded. This flexibility differs from the extension of a probationary period, which is not generally permitted.

6. The understanding of appropriate monthly compensation

For an agreement on a restriction on competition to be valid, it is essential that the employer is obliged to pay the employee 'appropriate monthly compensation for compliance with the restriction on competition' after the termination of the employment relationship (LC 84(1)(3)). The LC does not provide specific criteria for the amount of payment, and therefore 'appropriate compensation' is a general clause that must be specified in each case.

Unlike the flexible regulation in Latvia, which provides the parties with a relatively high degree of private autonomy in determining compensation, many countries have set specific minimum compensation limits in their legislation. For example, in Poland it is at least 25% of the employee's previous salary (Republic of Poland, 1974, Article 101(2)), and in Lithuania, 40% (Republic of Lithuania, 2016, Article 38(3)). In Germany (Germany, HGB, 1897, Article 74), compensation must be at least half of the previous salary. In the context of compensation, the Danish regulatory framework is particularly noteworthy, as it prescribes in a highly detailed manner the percentage of compensation to be paid under various temporal durations and situational circumstances. Unlike many other European jurisdictions, Danish law specifies precise compensation percentages contingent on the length of the post-employment restriction period and adjusts these percentages in cases where the employee obtains alternative suitable employment during that period (Folketing of Denmark, 2015).

Given that the LC does not contain provisions on the minimum compensation to be paid, this regulatory gap has often been criticised, and authors of legal literature have sometimes attempted to define the concept of 'appropriate compensation', for example by stating that it would be fair if the monthly compensation reached 60–90% of the employee's average earnings (Gailums, 2002, p. 154).

At first glance, it might appear desirable for the LC to set a minimum threshold, but at the same time, the concept of appropriate compensation used there allows the parties to be more flexible and choose a mutually acceptable compensation. For example, if the restriction is quite narrow, such as prohibiting the employee from working for only one specific competitor of the former employer or in a small geographical area, the compensation could be lower than one-third or one-half of the previous salary, as is often stipulated in other countries.

The amount of appropriate compensation will vary in each case, and no specific limits can be set on what compensation will or will not be considered appropriate. It may be influenced by factors such as the duration of the restriction, the employee's position, the field of activity, the market situation, etc. (Zvērinātu advokātu birojs 'BDO Zelmenis&Liberte', 2020, p. 225). Since a restriction on competition does not mean that the employee is not allowed to work at all, but only not in a specific field of activity, the compensation does not have to replace all previous income. The LC does not specify the criteria to be used to determine compliance; this should be assessed individually in each situation. The compensation may be specified in the contract as a specific amount or, for example, as a percentage of the employee's previous salary, average earnings, etc. The fixed compensation payable per month may also vary; for example, it would be possible to agree that the compensation for the first six months of the restriction period is EUR 1000 but for the remaining months is EUR 500 (provided that this remains appropriate and fair).

If an agreement on restriction on competition is made at the time of establishing an employment relationship or during its existence, it would be preferable to set the compensation as a percentage of the salary rather than a specific amount, which, over time, taking into account the possibility of inflation, may no longer correspond to the concept of appropriate compensation when the employment relationship is terminated.

As mentioned above, the parties' agreement on restrictions on competition, including the compensation to be paid, may already be included in the employment contract. However, if a long period passes before the parties terminate the employment relationship, there is a possibility that the compensation initially agreed may no longer be adequate compared with the compensation prevailing in the labour market at the time of the termination of the employment relationship. Therefore, in order to assess the reasonableness and fairness of the compensation, one should be guided by the situation at the time when the restrictions on competition are actually applied, rather than those agreed upon in the contract initially.

It is also not possible to draw comprehensive objective conclusions about the amount of appropriate compensation from current case law. It can be concluded from case law that the range of compensation amounts set in Latvia is quite significant, but at the same time, the type and extent of the restrictions on competition set out in these agreements also vary considerably. When examining disputes about whether compensation is fair, courts should consider the agreed duration of the restriction on competition, the employee's position, criteria such as education and previous experience, the field of activity, and the situation in the labour market as a whole.

Prior to the 2017 amendments, the LC did not regulate when compensation should be paid, stipulating only that it be paid monthly and for the entire duration of the restriction period. At that time, the Supreme Court held that, if the parties agreed, such compensation could also be paid in advance, before the termination of employment (Judgment of the Senate of the Republic of Latvia, November 2008). The 2017 amendments clarified Article 84(1)(3) of the LC, specifying that compensation is payable as monthly payments after the termination of the employment relationship, thereby prohibiting advance payments during the employment period.

Although the parties have relatively broad discretion in determining the content of an agreement on restriction on competition, it would not be permissible to link the payment of compensation to the occurrence of certain circumstances, for example by stipulating that the compensation will only be paid if the former employee provides documentary evidence that he or she has been offered a job with a competitor of the employer, etc. As the Regional court has pointed out, the essence of a restriction on competition is not to prevent an employee from working in any paid job. Compensation for a restriction on competition is not remuneration payable to the employee, but compensation for seeking new employment (see Judgment of the Civil Division of the Riga Regional Court, 2019).

The Latvian LC does not provide for financial penalties or other forms of strengthening of obligations. For example, during the existence of an employment relationship, an employee cannot be fined or subjected to contractual penalties. However, with regard to post-employment restrictions on competition, contractual penalties are permissible, as the employment relationship between the employer and the employee has already been terminated. The Supreme Court has also recognised contractual penalties as permissible in the case of restrictions on competition (Judgment of the Senate of the Republic of Latvia, June 2008).

Sometimes, for preventive purposes, an agreement on a restriction on competition imposes an obligation on a former employee to pay compensation for damages in a specified amount, e.g. calculated according to a specific formula, payable regardless of whether the employer has actually incurred any damages as a result of the breach of the restriction on competition. When examining such a case, the Supreme Court concluded that the parties cannot agree that in the event of a breach of contract, a party will be obliged to pay a specific amount of compensation provided for in the contract without the need to prove the prerequisites for compensation for damages specified in the Civil Law, including the specific amount of damages (Judgment of the Senate of the Republic of Latvia, 2023, paras. 13–14).

During the period of restriction on competition, a former employee is considered an employee and is not eligible for the status of an unemployed person and the benefits provided for in regulatory enactments. The Law on State Social Insurance (Article 1(2)(o)) stipulates, inter alia, that an employee is 'a person who, after the termination of the employment relationship, has an agreement on the restriction of the employee's professional activity (restriction on competition)'. Case law shows that employees are often unaware of this aspect and have applied for unemployment benefits. If a person applying for unemployment status and benefits provides false information and is unjustifiably granted such a status and benefits, the overpayment of the benefits may be recovered at a later date (Decision of the Senate of the Republic of Latvia, 2023, para 2).

7. Understanding the location of a restriction on competition

Similar to the scope, type, and extent of a restriction on competition, the location (territorial scope) of a restriction on competition is also directly related to the economic activity of the employer. In order to assess the validity of the scope of the restriction on competition, each specific case must be evaluated, i.e. the territory in which the employer carries out its commercial activities and thus employs its employees.

The restricted territory may be a specific village, city, district, a region of a country, the entire country, or even several countries. For example, in international companies operating in several countries, agreements often stipulate restrictions on competition both in Latvia and in other countries where the company operates, and this practice is entirely permissible. In Latvia, it is common to agree on restrictions covering all three Baltic countries, as many companies operate in the Baltic states as a single market, but this would not always be proportionate, and the specific factual circumstances should be considered when assessing the admissibility of the restriction in each situation (Judgment of the Senate of the Republic of Latvia, 2007).

The territory should be determined on the basis of reasonable criteria; for example, it would be reasonable to impose a territorial restriction only if the former employer already carries out commercial activities within the specific territory or clearly knows that it will start commercial activities there in the near future, as a hypothetical possibility.[2]

8. Consequences if the restriction on competition does not meet the conditions laid down by law

In accordance with Article 84(3) of the LC, an agreement on restriction on competition is invalid insofar as, according to the type of restriction and its extent, place, and time, as well as taking into account the compensation payable to the employee, it is considered an unfair restriction on the employee's future professional activities.

The Supreme Court has ruled that 'the aforementioned legal provision links the recognition of an agreement as invalid with a restriction – insofar as the type, extent, place, and time of the restriction on competition specified therein, as well as the amount of compensation, are considered unfair' (Judgment of the Senate of the Republic of Latvia, 2007). Thus if, for example, an agreement provides for an overly

2 For more information on the elements of a restriction on competition and liability for non-compliance with such a restriction, see Kārkliņa, 2021.

broad territory of restriction on competition, this does not render the entire agreement invalid, but only the specific provision that is considered unfair. This judgment is very significant because the Supreme Court demonstrated the so-called 'blue pencil rule'; namely, it concluded that Article 84(3) grants the Court the right to declare an agreement on restriction on competition after the termination of employment relations invalid only in the part that is considered an unfair restriction on the employee's future professional activities.[3] For example, in the case in question, it was concluded that the provisions restricting the employee from working in Lithuania and Estonia were disproportionate, but that they were proportionate in relation to Latvia, and therefore there were no grounds for declaring the entire agreement invalid. In other words, the court upheld those provisions which, under the circumstances, could not be considered an unfair restriction on the employee's future professional activities, and declared invalid those provisions which, under the circumstances, were not such a restriction, thus 'rewriting' the agreement concluded by the parties (Judgment of the Senate of the Republic of Latvia, 2007).

The blue pencil rule gives a court the power either to strike out those provisions of the agreement which it considers to be unfair restrictions on the employee's professional activities, leaving in force those that comply with the requirements of the law, or to effectively amend the agreement concluded between the employer and the employee by including new provisions in accordance with the interests of the parties (see Pivateau, 2008, p. 673). However, each country's national regulations regarding the use of this rule differ, with most stipulating that courts may only delete unfair provisions, leaving the rest in force.

Although the Latvian Supreme Court has recognised the admissibility of the blue pencil rule in its practice, the LC does not provide a clear answer on the scope of its application. In our view, the Latvian legal system should accept courts' power to declare invalid and delete those provisions of an agreement that are disproportionate and overly restrictive for one party, but it would not be appropriate for courts to actually amend the agreement concluded between the employer and the employee by including new provisions in the contract. By declaring disproportionate provisions of the agreement invalid, the court already fulfils its task: to eliminate provisions that worsen the legal situation of the employee or the employer.

When examining a dispute, a court's task is to give substance to the concept of 'unfair restriction of professional activity' used in Article 84(3) of the LC. It may not interpret this concept broadly, but must assess each criterion separately, and if it finds that any of the provisions of the agreement on restriction on competition constitute an unfair restriction of the employee's future professional activity, it must declare the agreement invalid in that part (see Supreme Court of the Republic of Latvia, 2012). Authors agree with the conclusion that an agreement on restriction on competition is consid-

3 For more on the application of the blue pencil principle, see Pivateau, 2008.

ered reasonable if the factors examined, and the agreement as a whole, do not impose an unreasonable burden on the employee's future career (see Whiting, 2025, p. 309).

9. Understanding of the admissibility of restrictions on competition in state and public sector institutions

In recent years, the justification for imposing restrictions on competition in the public sector has become a topical issue in Latvia. This matter was examined by the State Audit Office, the country's supreme audit institution, in its 2021 report (State Audit Office, 2021). The audit reviewed a random selection of publicly owned capital companies, state-founded higher education institutions, and local governments, concluding that such agreements are not uncommon and that the amounts payable are often substantial. Previous analysis has focused on Article 84 of the LC, which governs agreements on restrictions on competition. In addition, public sector employers must ensure compliance with the Law on Prevention of Squandering of Public Resources and Property of Public Entities (Republic of Latvia, 1995), particularly the objective in Article 1 to use public funds and property lawfully and in the public interest. Accordingly, before concluding an agreement on restriction on competition, a public employer must assess whether there is an objective need for it (State Audit Office, 2021, p. 12).

The State Audit Office found that only a few employers provided justification for imposing restrictions on competition. During the audit, there was no evidence that public sector employers adequately assessed the impact of such agreements on labour market competition. The Competition Council also noted that it may be difficult to justify agreements concluded by employers with a dominant market position, such as capital companies. Moreover, the audit concluded that despite LC provisions, agreements often lack information on the territorial scope of the restriction and frequently fail to comply with the requirement that compensation may not be paid as a one-off payment.

In summary, the State Audit Office reasoned that in most cases, the purpose of the agreements concluded in the public sector cannot be determined and, moreover, is questionable. It should be noted that such actions by public sector employers may also be punishable by criminal law pursuant to Article 318 of the Criminal Law (Republic of Latvia, 1998) on abuse of official position if such agreements are concluded without justification and have thus caused significant damage. The possibility of criminal liability is also confirmed by a regional court's judgment of September 2025 in a case concerning benefits paid by the rector of a state-founded higher education institution to employees leaving the institution (Apollo, 2025), for which no objective justification was found. Notwithstanding the above, it should be noted that a public official may only be held liable for concluding an agreement on the restriction on professional activities if such an agreement is concluded contrary to the procedure laid down in the LC, the provisions of the Law on Prevention of Squandering of Financial Resources and Property of Public Entities, as well as the general purpose of concluding such an agreement. Otherwise, public sector employers are entitled to conclude agreements on restrictions on competition.

Conclusions

Employees may cause significant harm by disclosing a company's strategy, partners, know-how, or production secrets to competitors. Agreements on restrictions on competition after employment termination are therefore permissible and increasingly common. Article 84 of the LC sets requirements for their validity, with particular attention in the public sector to compensation and legality, as violations can entail legal or criminal liability.

Latvian law does not set fixed compensation amounts, instead requiring 'appropriate' compensation, which allows flexibility for narrow restrictions. Courts have consistently assessed appropriateness on a case-by-case basis, ensuring fairness even when the compensation agreed at the time of the contract being signed may no longer be adequate at the termination of employment.

Overall, Latvian regulation aligns with democratic principles and fundamental rights. The 2017 amendments to the LC strengthened the normative framework, but courts remain pivotal in interpreting general clauses and balancing employer protection with employees' professional freedoms.

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