## Status of Restrictive Covenants by State (July 2022)

## **Using this Document**

The purpose of this table is to provide an overview of state non-compete statutes and common law. As you will see, the subject of non-compete agreements are governed to some degree by statute in 31 states and the District of Columbia and judicial common law is the source of authority in 19 states. In both instances the rules for physicians are specifically addressed in many states.

You will see the term "trade secrets" throughout the table. This refers to confidential aspects of business operations and strategy that employers need to keep private and confidential to stay competitive. Examples include recruiting techniques, marketing, financial information, patient records and peer reviews.

States and courts generally apply a "reasonableness" standard when crafting or ruling on the permissibility of non-compete clauses. Are the restrictions on future employment reasonable or do they leave physicians with little career mobility? How far do employers need to go to reasonably protect trade secrets? At what point do those protections become impediments to physicians who are looking to move on and improve their knowledge base and clinical skills? The table reveals that increasingly employment duration and geographic boundaries are relied upon to balance the needs of employers and physicians.

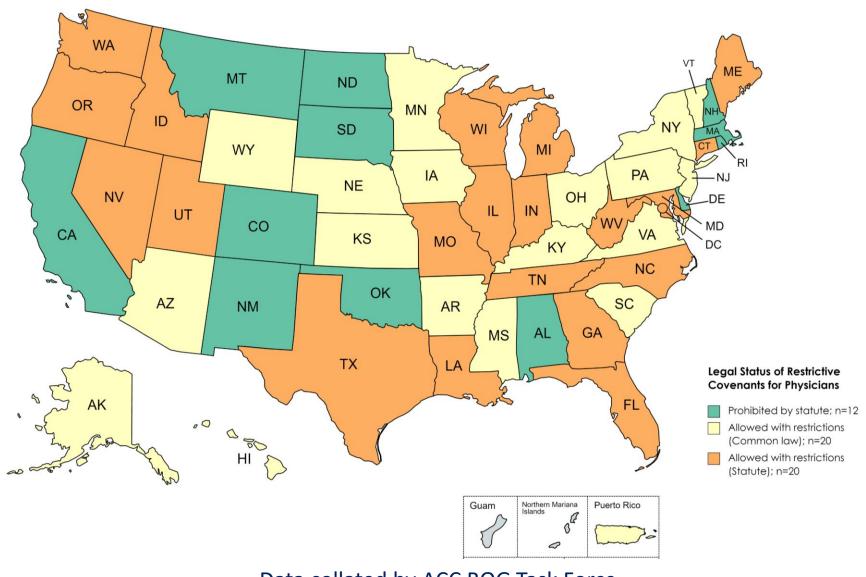
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Status	States
Common Law States - Allow Physician Non-Competes with Restrictions n=20	Alaska, Arkansas, Arizona, Hawaii*, Iowa, Kansas, Kentucky, Maryland, Minnesota, Mississippi, Nebraska, New Jersey, New York, Ohio, Pennsylvania, Puerto Rico, South Carolina, Vermont, Virginia, Wyoming
Statutory Law States – Allow Physician Non-Competes with Restrictions n=20  *Note that even if there is a statute, case law will also apply.	Connecticut, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Louisiana, Maine, Michigan, Missouri, Nevada, North Carolina, Oregon, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin
Statutory Law States – Do Not Allow Physician Non-Competes (But Some Allow Other Types of Restrictions) n=12 *Note that even if there is a statute, case law will also apply.	Alabama, California, Colorado, Delaware, Massachusetts, Montana*, New Hampshire, New Mexico, North Dakota, Oklahoma, Rhode Island, South Dakota

## Restrictive Covenants for Physicians – State-by-State as of July 2022



Data collated by ACC BOG Task Force

Map by Craig McPherson, MD, FACC (using MapChart)

State	Status of RCs for physicians	Governing Statute or Common Law	Exceptions, terms of enforcement
Alabama	Prohibited by statute	Section 8-1-190 - Void contracts; contracts allowed to preserve protectable interests. :: 2016 Code of Alabama :: US Codes and Statutes :: US Law :: Justia	Cannot enforce restrictive covenants against "professionals" including physicians.
Alaska	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
Arizona	Allowed with restrictions	No statute – common law governs	Based on public policy interests, covenants not to compete between physicians are to be strictly construed by courts for reasonableness.
Arkansas	Allowed with restrictions	No statute – common law governs	The state's law on covenants not to compete does not apply to individuals holding professional licenses, including physicians. <a href="https://law.justia.com/codes/arkansas/2017/title-4/subtitle-6/chapter-75/subchapter-1/section-4-75-101/">https://law.justia.com/codes/arkansas/2017/title-4/subtitle-6/chapter-75/subchapter-1/section-4-75-101/</a> . Thus, physician non-competes are governed by common law.
California	Prohibited by statute	https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml? lawCode=BPC&sectionNum=16600	Prohibits covenants not to compete for physicians, but allows for restrictions related to the sale of business goodwill and partnership dissolution or dissociation from a partnership.
Colorado	Prohibited by statute	C:\1317 rer.txt (colorado.gov)  CO non-compete law for physicians	Prohibits physician non-compete covenants in any employment, partnership, or corporate agreement between physicians, but does not prohibit damage provisions relating to competition. Damages do not apply when a physician discloses his or her continuing practice of medicine and new professional contact information to any patient with a rare disorder.
Connecticut	Allowed with restrictions	https://www.lawserver.com/law/state/connecticut/ct- laws/connecticut statutes 20-14p	Has restrictions and conditions on non-compete agreements including duration and geographic scope: (1) duration is limited to one (1) year, and (2) geographic scope is limited to 15 miles from the primary site of the physician's practice. Additionally, a non-compete agreement is not enforceable if (1) it was not made in anticipation or, as part of, a partnership or ownership agreement and expires or expires and is not renewed; or (2) the employment or contractual relationship is terminated by the employer, unless the termination is for cause. Covenants must be signed by the physician.

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Delaware	Prohibited by statute	https://delcode.delaware.gov/title6/c027/sc01/index.html	Prohibits physician employment, partnership, or corporate non-compete covenants, but allows for damages related to competition.
Florida	Allowed with restrictions	http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0500-0599/0542/Sections/0542.335.html	Has a detailed statutory scheme to determine if a non-compete is enforceable. A non-compete must be: (1) set forth in writing signed by the person against whom enforcement is sought; (2) be reasonable in time, area, and line of business; and (3) support a legitimate business interest. Florida law provides examples of legitimate business interests and sets forth presumptively reasonable and unreasonable time limitations. Additional restrictions in counties with a single employer of all physicians practicing a specialty.
Georgia	Allowed with restrictions		Restrictive covenant laws cover medical professionals and favor protecting employers' legitimate business relationships, including patient goodwill. A non-compete will be enforced if the restrictions are reasonable in terms of time, geographic area, and scope of activity restricted. Descriptions of the scope of the competition restricted can be general. Provides rebuttable presumptions for reasonable time periods. Allows courts to modify restraint provisions.
Hawaii	Allowed with restrictions*	No statute – common law governs	Lack of case law addressing physician non-competes.
Idaho	Allowed with restrictions	https://legislature.idaho.gov/statutesrules/idstat/Title44/T44CH27/	"A key employee or key independent contractor may enter into a written agreement or covenant that protects the employer's legitimate business interests and prohibits the key employee or key independent contractor from engaging in employment or a line of business that is in direct competition with the employer's business after termination of employment, and the same shall be enforceable, if the agreement or covenant is reasonable as to its duration, geographical area, type of employment or line of business, and does not impose a greater restraint than is reasonably necessary to protect the employer's legitimate business interests." Allows a court to modify an agreement to make it reasonable.

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Illinois	Allowed with restrictions	https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=3737&ChapterID=68&Print=True	In 2021, Illinois passed a statute codifying that a restrictive covenant is reasonable if it is not more restrictive than necessary to protect a legitimate business interest and codifying a totality of the circumstances test. The new statute bars "extensive judicial reformation" although courts may reform a covenant. Allows employees to recover attorneys' fees if successful and requires that employees be given 14 days to review an agreement. Employees must be given minimum consideration of at least two years employment or other benefits.
Indiana	Allowed with restrictions	https://www.lawserver.com/law/state/indiana/in-code/indiana code 25-22-5-5-5-2	Requires certain provisions be included in physician non-competition agreements entered into on or after July 1, 2020. Non-compete agreements must include: (1) a provision requiring the employer to provide the physician a redacted copy of the notice the employer sent to the patients the physician had seen or treated in the last two years regarding the physician's departure; (2) a provision requiring the employer to provide the physician's last known contact information to any patient from the last two years who requests it; (3) a provision that provides a mechanism for the physician to obtain medical records of patients seen or treated in the last two years with patient consent; (4) a provision allowing a physician to purchase a release from the terms of the non-compete agreement at a reasonable price; and (5) a provision prohibiting providing patient medical records to a physician in a materially different form than the one in which they are stored (unless otherwise agreed).
Iowa	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.

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Kansas	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
Kentucky	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
Louisiana	Allowed with restrictions	https://legis.la.gov/Legis/Law.aspx?d=84015	Requires that a physician or medical practice non-compete covenant meet certain requirements to be enforceable. Namely, an employer must show that the agreement: (1) limits competition in a business similar to that of the employer; (2) is limited to a specific geographic area; and (3) is limited to two (2) years after the employee's termination.
Maine	Allowed with restrictions	https://legislature.maine.gov/statutes/26/title26sec599-A.html	Non-compete agreements are only enforceable to the extent they are reasonable and not broader than necessary to protect an employer's interest in: (1) trade secrets, (2) confidential information, or (3) goodwill. A non-compete agreement will be presumed necessary if an employer's interest cannot be protected by other means, such as a nonsolicitation or nondisclsoure/confidentiality agreement. An employer must provide the agreement to an employee or prospective employee at least three days before it must be signed. Except for a noncompete agreement between an employer and an allopathic physician or an osteopathic physician, agreements are not effective until one year after an employee begins work or six months after they are signed, whichever is later.
Maryland	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case. Maryland's prohibition on non-competes only applies to workers making less than \$15 per hour or \$31,200 annually. <a href="http://media.sourceonhealthcare.org/Md">http://media.sourceonhealthcare.org/Md</a> Code Lab Empl 3 716.pdf

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Massachus etts	Prohibited by statute	https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXVI/Chapter112/Section12x http://masscases.com/cases/sjc/417/417mass176.html	Prohibits the enforceability of physician covenants not to compete and "compensation for competition clauses," such as liquidated damages or forfeiture provisions.
Michigan		http://www.legislature.mi.gov/(S(rw3hgafumtnuphcyd1okorwr))/mileg.aspx?page=getObject&objectName=mcl-445-774a	Permits covenants not to compete to protect employer's reasonable competitive business interests if the covenants are reasonable in duration, geographic area, and type of employment or business. A court may limit an agreement in order to render it reasonable.
Minnesota	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
Mississippi	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
Missouri	Allowed with restrictions	https://revisor.mo.gov/main/OneSection.aspx?section=431.202	Allowed to protect (a) confidential or trade secret business information; or (b) customer or supplier relationships, goodwill or loyalty; or which do not extend for more than than one year following the employee's employment.
Montana	Prohibited by statute*	https://leg.mt.gov/bills/mca/title_0280/chapter_0020/part_0070/section_003 0/0280-0020-0070-0030.html https://law.justia.com/cases/montana/supreme-court/2009/5c132ba1-1f4a-4f88-bf93-e68b8d0b14e1.html	Statutorily prohibits contracts from restraining exercising a lawful profession, trade, or business (except for the sale of business goodwill or partnership dissolution). However, this prohibition does not appear to be absolute and courts have considered whether employment contract covenants not to compete are reasonable.

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Nebraska	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
Nevada	Allowed with restrictions	https://nevada.public.law/statutes/nrs 613.195	Non-competes are unenforceable unless they are: (1) supported by valuable consideration, (2) do not impose any restraint that is greater than necessary to protect the employer, (3) do not impose undue hardship on the employee, and (4) impose restrictions that are appropriate in relation to the valuable consideration supporting the agreement. Cannot restrict an employee from providing service to a former client in certain situations. Courts can revise time, geographic area, and scope of activity.
New Hampshire	Prohibited by statute	http://www.gencourt.state.nh.us/rsa/html/XXX/329/329-31-a.htm	Holds unenforceable contracts or agreements that restrict the right of a physician to practice in a geographic area for a period of time after their employment ends. No explicit exceptions for certain business transactions or damage recovery.
New Jersey	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
New Mexico	Prohibited by statute	http://media.sourceonhealthcare.org/NM Stat 24 1I 1 through 24 1I 5.pdf	Statute makes the enforceability of a non-compete provision that restricts the right of a healthcare practitioner to provide clinical health care services in the state unenforceable after the termination of the agreement; a renewal or extension of the agreement; or a health care practitioner's employment with a party seeking to enforce the agreement. The statute does not prevent: (1) repayment of loans, relocation expenses, signing bonuses, or recruiting/education/training expenses; (2) nondisclosure related to confidential information and trade secrets; (3) nonsolicitation for a period of one year or less after the last date of employment; or (4) other provisions that are not unlawful, such as liquidated damages.
New York	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.

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North Carolina	Allowed with restrictions	https://www.ncleg.net/enactedlegislation/statutes/html/bychapter/chapter 75.html	Reasonable physician covenants not to compete may be enforceable depending on the case. General law that contracts limiting the rights of a person to do business in North Carolina must be in a signed writing to be enforceable.
North Dakota	Proninited by statilite	http://media.sourceonhealthcare.org/NDCC 9-08-01 through 9-08-06.pdf	Has a general restraint of trade law that likely applies to physician non-compete agreements. The law states, "[a] contract by which anyone is restrained from exercising a lawful profession, trade, or business of any kind is to that extent void." The statute includes exceptions for the sale of goodwill of business or the dissolution of a partnership.
Ohio	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
Oklahoma	Prohibited by statute	https://law.justia.com/codes/oklahoma/2014/title-15/section-15-217/ https://law.justia.com/codes/oklahoma/2014/title-15/section-15-218/ https://law.justia.com/codes/oklahoma/2014/title-15/section-15-219/ https://law.justia.com/codes/oklahoma/2014/title-15/section-15-219a	Generally prohibits contracts that restrict a person from exercising a lawful profession, trade, or business with exceptions for the sale of goodwill of a business and covenants not to compete related to the dissolution of a partnership.  The state does not allow non-compete agreements in employment contracts except for non-solicitation provisions.

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Oregon	Allowed with restrictions	https://oregon.public.law/statutes/ors 653.295	Generally prohibits non-compete agreements with certain exceptions. Non-compete agreements may be enforceable if the employee is "[a]n individual engaged in administrative, executive or professional work who: (a) Performs predominantly intellectual, managerial or creative tasks; (b) Exercises discretion and independent judgment; and (c) Earns a salary and is paid on a salary basis," such as physicians. Additionally, Oregon does not prohibit bonus restriction agreements or covenants not to solicit employees or customers of the employer.  A non-compete agreement may not exceed 18 months from the date of the employee's termination. Employers must also inform employees of the non-compete at least two weeks before they are to begin employment or provide a "bona fide advancement" as consideration for the covenant.
Pennsylvania	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
Rhode Island	Prohibited by statute	http://webserver.rilin.state.ri.us/Statutes/TITLE5/5-37/5-37-33.HTM	Prohibits restrictive covenants that restrict the right of a physician to practice medicine, including (1) the right to practice in a geographic area for a period of time; (2) the right to provide treatment, advise, consult with, or establish a physician/patient relationship with a current patient of the employer; or (3) the right to solicit a current patient of the employer. These prohibitions do not apply to the purchase and sale a physician practice if the restrictive covenant is for no more than five (5) years.
South Carolina	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.

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South Dakota	Prohibited by statute	https://www.lawserver.com/law/state/south-dakota/sd- laws/south_dakota_laws_53-9-11.1	As of July 2021, a contract that forms a professional relationship with a provider cannot restrict the right of health care providers (including physicians) to (1) practice or provide services in a geographic area for a period of time; (2) treat, advise, consult with, or establish a provider-patient relationship with any current patient of the provider; or (3) solicit a current patient of the provider. These prohibitions do not apply to a contract associated with the sale and purchase of a practice.
Tennessee	Allowed with restrictions	https://casetext.com/statute/tennessee-code/title-63-professions-of-the-healing-arts/chapter-1-division-of-health-related-boards/part-1-general-provisions/section-63-1-148-covenants-not-to-compete-signed-by-healthcare-providers  https://casetext.com/statute/tennessee-code/title-63-professions-of-the-healing-arts/chapter-1-division-of-health-related-boards/part-1-general-provisions/section-63-1-148-covenants-not-to-compete-signed-by-healthcare-providers  Summary of Tenn non-compete decisions	Allows reasonable restrictions on certain health care providers, including physicians. A restriction is considered reasonable if it is set forth in a written document signed by the provider and employer, the duration is two (2) years or less, and the geographic restriction is less than the statutorily allowed maximum (either a ten (10) mile radius or the county in which the practice was located) or only includes the facilities where the employer provided services while the provider was employed or contracted with them. These restrictions do not apply to physicians who practice emergency medicine. Additionally, the state has specific conditions regarding covenants not to compete for physicians employed by hospitals.  An agreement entered into in conjunction with the purchase and sale of a practice, or all or substantially all of the assets of a practice may restrict the provider's right to practice provided that the duration and area are reasonable.

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Texas	Allowed with restrictions	https://statutes.capitol.texas.gov/Docs/BC/htm/BC.15.HTM	A restrictive covenant is enforceable against a licensed physician if it is reasonable in time, area, and scope, and: (1) does not deny the physician access to a list of their patients seen or treated within the past year; (2) provides access to medical records of the physician's patients upon authorization of the patient; (3) does not require that the list or records be in a different format than the one they are maintained in. The covenant must also contain a mandatory buy out provision that allows the physician to pay to not comply with the restrictions and the covenant cannot prevent a physician from continuing treatment to specific patient(s) during the course of an acute illness.
Utah	Allowed with restrictions	https://le.utah.gov/xcode/Title34/Chapter51/C34- 51 2016051020160510.pdf	Utah limits post-employment restrictive covenants to a period of one (1) year from the date on which the employee is no longer employed by the employer. This restriction does not apply to "a reasonable severance agreement mutually and freely agreed upon in good faith at or after the time of termination," nor does it prohibit post-employment restrictive covenant related to the sale of a business.
Vermont	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
Virginia	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case. Virginia's prohibition on covenants not to compete only applies to low wage employees. <a href="https://law.lis.virginia.gov/vacode/title40.1/chapter3/section40.1-28.7:8/">https://law.lis.virginia.gov/vacode/title40.1/chapter3/section40.1-28.7:8/</a> .

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Washington	Allowed with restrictions	https://app.leg.wa.gov/RCW/default.aspx?cite=49.62	Covenants not to compete are unenforceable (1) unless provided in writing no later than the time of acceptance of an offer, or the employer provides independent consideration; (2) unless an employee's compensation exceeds a specified amount (currently \$100,000); (3) if an employee is terminated they must be compensated for the period of enforcement. Rebuttable presumption non-competes are unreasonable if they are longer than 18 months.  Non-compete covenants do not include (1) a nonsolicitation agreement; (2) a confidentiality agreement; (3) a covenant prohibiting use or disclosure of trade secrets or inventions; (4) a covenant entered into by a person purchasing or selling the goodwill of a business or otherwise acquiring or disposing of an ownership interest; or (5) a covenant entered into by a franchisee in a franchise sale.  "If a court or arbitrator reforms, rewrites, modifies, or only partially enforces any noncompetition covenant, the party seeking enforcement must pay the aggrieved person the greater of his or her actual damages or a statutory penalty of five thousand dollars, plus reasonable attorneys' fees, expenses, and costs incurred in the proceeding."
West Virginia	Allowed with restrictions	https://code.wvlegislature.gov/47-11E-2/ https://code.wvlegislature.gov/47-11E-3/ https://code.wvlegislature.gov/47-11E-4/	Limits a covenant not to compete contained in a contract between a physician and an employer to not more than: (1) one (1) year in duration and (2) thirty miles from the physician's primary place of practice with the employer. A covenant not to compete is not enforceable if the physician is terminated by the employer. These limitations do not prevent the following from being enforceable: (1) provisions prohibiting a physician from taking property, patient lists, or employee records; (2) provisions requiring a physician to repay loans, relocation expenses, signing bonuses, renumeration, and recruiting, education, and training expenses; (3) nondisclosure provisions; (4) nonsolicitation provisions; (5) liquidated damages; or (6) other provisions that are not violations of law. The limitations also do not apply to: (1) the sale of a business or practice, or (2) contracts between physicians who are shareholders, owners, partners, members, or directors of a health care practice.

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Wisconsin	Allowed with restrictions	https://docs.legis.wisconsin.gov/statutes/statutes/103/465? view=section	Wisconsin's restrictive covenant law applies to all employment contracts. Under the statute, restrictions are enforceable only if they are "reasonably necessary" for the protection of the employer and include a specified territory and time frame.
Wyoming	Allowed with restrictions	No statute – common law governs	Reasonable physician covenants not to compete may be enforceable depending on the case.
District of Columbia	Allowed with restrictions	https://code.dccouncil.us/us/dc/council/laws/23-209	Exempts highly compensated medical workers (>\$250k/year) from its general prohibition on non-compete covenants. The non-compete clause must be provided to the specialist at least 14 days before execution of the agreement.
Puerto Rico	Allowed with restrictions	No statute – common law governs	In Arthur Young Co. v. Vega III, 136 D.P.R. 157 (1994), the P.R. Supreme Court held that non-compete agreements in the employment context must strictly comply with certain requirements or face nullification, to wit: (1) the agreement must specify the restrictions on competition in terms of geographical areas or clientele; (2) sufficient consideration must be provided to the employee; (3) the scope of the prohibition must match the employer's legitimate interests; and (4) the restrictions must not exceed twelve months. It later held in 2010 that a two-year restriction was not reasonable.