

FTC Walks Away From Noncompete Ban

On September 5, 2025, the Federal Trade Commission (FTC) voted to dismiss its appeals in two court cases, effectively terminating the Biden Administration's pursuit of a comprehensive noncompete ban.¹ The 3-1 Commission vote² represents a fundamental shift in federal competition enforcement strategy. This Health Capital Topics article reviews the history of the noncompete ban, the FTC's recent activities regarding competition, and the implications for healthcare organizations.

Noncompete Background

Noncompete agreements are defined as "employment provisions that ban workers at one company from going to work for, or starting, a competing business within a certain period of time after leaving a job."³ Approximately 30 million Americans are bound by noncompete clauses, which restrict them from pursuing other employment opportunities.⁴ Further, workers in states where noncompete enforcement is easier typically experience lower wages.⁵ Specific to healthcare, the FTC previously reported that noncompetes increase healthcare costs and a noncompete ban would result in upwards of \$194 billion in reduced healthcare spending over a ten-year period.⁶

The presence, or absence, of noncompete agreements can impact the value of a business by:

- (1) Restricting the ability of owners or workers to leave and start a competing business or work for a competitor;
- (2) Impeding a potential buyer's ability to employ key personnel or enter specific markets; and/or,
- (3) Providing the business a competitive advantage.

If a noncompete agreement is too restrictive, it could also lower the value of a business by limiting its ability to retain and attract new employees, and by reducing the business's ability to develop and expand.⁷ It is important to note that the FTC's ban does not apply to noncompetes entered into by a person pursuant to a bona fide sale of a business entity, of the person's ownership interest in a business entity, or of all or substantially all of a business entity's operating assets.

Under the FTC's now-defunct final rule, finalized in April 2024, existing noncompetes for the majority of workers would have been unenforceable beginning September 4, 2024.⁸ Notably, noncompetes for senior

executives would have remained in force, but employers could not have entered into, or attempted to enforce, any new noncompetes, even for senior executives.⁹ The rule also did not apply to non-profit entities, as the FTC acknowledged that it has no jurisdiction over these entities.¹⁰

Lawsuits Challenging Noncompete Ban

A number of lawsuits challenging the noncompete ban were filed subsequent to the issuance of the FTC's final rule. Most notably, a tax company, the U.S. Chamber of Commerce, Business Roundtable, Texas Association of Business, and Longview Chamber of Commerce filed a lawsuit in the U.S. District Court for the Northern District of Texas to block the FTC from implementing the ban.¹¹ On July 3, 2024, the court granted a limited preliminary injunction in the case, staying the FTC's ban only for the plaintiffs involved in the case (i.e., the ruling did not extend to other businesses in the U.S.).¹² In that decision, the court stated that the FTC "lacked substantive rule-making authority with respect to unfair methods of competition" and noted that "the plaintiffs were likely to succeed on the merits of their challenge."¹³

In its August 20, 2024 ruling on the plaintiffs' motion for summary judgment, the court struck down the FTC ban in its entirety, and applied its ruling nationwide, finding that the FTC exceeded its statutory authority in promulgating its final rule banning noncompetes.¹⁴ The court also found the rule to be arbitrary and capricious, stating that the FTC's ban is "unreasonably overbroad without a reasonable explanation."¹⁵ The court added that "[t]he Rule imposes a one-size-fits-all approach with no end date, which fails to establish a 'rational connection between the facts found and the choice made.'"¹⁶

Other FTC Actions Regarding Competition

The FTC's abandonment of the noncompete ban coincided with launch of a multi-pronged enforcement strategy targeting noncompete practices.

On September 4, 2025, the FTC issued a comprehensive Request for Information (RFI) seeking public comment on the "scope, prevalence, and effects of employer noncompete agreements," with a 60-day comment period ending November 3, 2025.¹⁷ The RFI requests identification of employers using noncompete agreements (i.e., tips for potential enforcement actions). Specific to healthcare, the FTC seeks comment on whether:

- “any noncompete agreements covering workers in the healthcare sector [have] affected wages, labor mobility, or the availability, quality, or cost of healthcare services in particular”;
- “any noncompete agreements [have] made it more difficult for providers of healthcare services to hire physicians, nurses, or other professionals”; and
- “the provision of or the competition within any specific healthcare service in a geographic area [has] been substantially affected by noncompete agreements.”¹⁸

On September 10th, FTC Chairman Andrew Ferguson issued warning letters to major healthcare employers and staffing companies, specifically requesting review of non-compete agreements that may “unreasonably limit employment options for vital roles like nurses, physicians, and other medical professionals,” nothing that “[n]oncompetes may have particularly harmful effects in healthcare markets where they can restrict patients’ choices of who provides their medical care—including, critically, in rural areas where medical services are already stretched thin.”¹⁹ These letters emphasize the FTC’s particular scrutiny of healthcare industry noncompetes, given their potential impact on essential services and worker mobility.

On September 17th, the FTC announced it would host a hybrid workshop on October 8th titled “Moving Forward: Protecting Workers from Anticompetitive Noncompete Agreements.”²⁰ The workshop will include “public statements from FTC Commissioners, victims of unfair and anticompetitive noncompete agreements, and leading experts in the field.”²¹

Healthcare Sector Implications

Healthcare organizations now operate within a bifurcated regulatory framework. The comprehensive federal ban is eliminated, but targeted FTC enforcement actions against healthcare employers create ongoing compliance obligations and strategic considerations.

Further, the elimination of the federal noncompete ban perpetuates the complex state law landscape governing noncompetes. In 2025 alone, numerous states (Arkansas, Colorado, Illinois, Indiana, Montana, Oregon, Texas, and Utah) passed new legislation banning or limiting noncompetes and other restrictive covenants in healthcare provider employment agreements.²²

Conclusion

Recent FTC actions suggest that, although the agency has retreated from comprehensive noncompete regulation, it is moving to a more targeted approach in assessing an employment agreement’s potential benefits and harm. The shift from categorical rules to targeted enforcement creates a more nuanced compliance environment where case-specific factors may determine enforcement exposure.

The FTC’s coordinated approach of abandoning broad rulemaking while launching targeted enforcement actions, warning letters, and information gathering initiatives creates a complex regulatory environment. Healthcare organizations would be well-served to keep abreast of developments and review employment contracts in order to navigate this evolving landscape.

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3 “Noncompete Agreements” By Alexander Colvin and Heidi Shierholz, Economic Policy Institute, December 10, 2019, <https://www.epi.org/publication/noncompete-agreements/> (Accessed 9/18/25).

4 “FTC Announces Rule Banning Noncompetes” Federal Trade Commission, April 23, 2024, <https://www.ftc.gov/news-events/news/press-releases/2024/04/ftc-announces-rule-banning-noncompetes> (Accessed 9/18/25).

5 “Noncompetes in the U.S. Labor Force” By Evan Starr, J.J. Prescott, and Norman Bishara, Journal of Law and Economics, Revised April 5, 2023, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2625714 (Accessed 9/18/25).

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7 “FTC’s Proposed Ban on Non-Compete Agreements - Impact on Business Valuation” By Achille Ekeu, The Washington Valuation Group, March 20, 2023, <https://www.washingtonvaluation.com/post/ftc-s-proposed-ban-on-non-compete-agreements-impact-on-business-valuation> (Accessed 9/18/25).

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9 *Ibid.*

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12 *Ibid.*, p. 10, 32.

13 *Ibid.*

14 “Ryan LLC et al. v. FTC” No. 3:24-CV-00986-E, Memorandum Opinion & Order (N.D. Tex., August 20, 2024).

15 *Ibid.*, p. 23-24.

16 *Ibid.*, p. 24.

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18 *Ibid.*

19 “FTC Chairman Ferguson Issues Noncompete Warning Letters to Healthcare Employers and Staffing Companies” Federal Trade Commission, September 10, 2025, <https://www.ftc.gov/news-events/news/press-releases/2025/09/ftc-chairman-ferguson-issues-noncompete-warning-letters-healthcare-employers-staffing-companies> (Accessed 9/18/25); Letter from FTC Chairman Andrew N. Ferguson, available at: https://www.ftc.gov/system/files/ftc_gov/pdf/noncompete-warning-letter-template.pdf (Accessed 9/18/25).

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