

# The FTC Drops Ban on Noncompetes But Warns Healthcare Employers

## Publications

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The Federal Trade Commission (FTC) recently abandoned a prior rule that would have banned the use of most employee noncompete agreements in the United States. Many employers require employees to sign noncompete agreements, which typically limit employees from competing with their prior employers for defined periods of time. These agreements are sometimes challenged by the FTC or by private employees who claim that the agreements are overly broad.

In April 2024, the FTC voted for a rule that would have banned essentially all employee noncompete agreements. This rule would have been the first nationwide ban on noncompete agreements, which are generally governed by state laws. A federal judge in Texas blocked the FTC's rule from coming into effect in August 2024. The FTC initially appealed the case, but on September 5, 2025, the FTC abandoned its appeal. The FTC also vacated its rule banning noncompete agreements.

When the FTC abandoned its appeal, it indicated the FTC would still investigate employment practices, including noncompete agreements, on a case-by-case basis. Several days later, on September 10, 2025, the FTC sent letters to several large employers in the healthcare industry, urging them to review their employment agreements, including noncompete agreements, to ensure they are reasonably tailored. The FTC claimed it had information suggesting that healthcare employers and staffing companies use noncompete agreements in employment contracts, and such agreements may be anticompetitive. The FTC noted that such agreements may limit employment options in rural areas where medical services may not be widely available. The letter also noted that narrow noncompete agreements can serve legitimate purposes but encouraged employers to review and discontinue overbroad agreements.

The FTC's recent actions indicate that it intends to continue investigating and scrutinizing noncompete agreements, despite abandoning its prior broad non-compete ban. These actions underscore the importance for employers across all industries to understand the relevant rules around noncompete agreements.

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