UNT Dallas Law Review
ON THE CUSP

VOLUME 8 | ISSUE 2 | APRIL 2026

RESTRICTING THE RESTRAINTS: SENATE BILL 1318 AND THE FUTURE OF HEALTHCARE NON-COMPETES IN TEXAS

Alex Valdez

CONTENTS

RESTRICTING THE RESTRAINTS: SENATE BILL 1318 AND THE FUTURE OF HEALTHCARE NON-COMPETES IN TEXAS

Alex Valdez[1]

INTRODUCTION

Since 1414, people have attempted to restrain the autonomy of others in order protect their own interests, whether in personal or professional relationships.[2] Although the desire to restrain another's actions to serve one's own interests may appear selfish and spiteful, that desire has become widely accepted in the professional world.[3] These restraints, known as covenants not to compete, restrict an individual from engaging in certain competitive activities after employment or the end of a contractual relationship and are designed to protect an employer's business interests, goodwill, and confidential information.[4] However, over time, Texas courts and legislatures have struggled to balance those interests against an individual's right to earn a living and the public's interest in open competition.[5]

In Texas, restrictions on competition in the healthcare space affect not only a healthcare employer's private business interests, but also continuity of care and a patient's access to medical services.[6] For years, Texas lawmakers have attempted to reconcile these competing concerns by allowing non-

---

[1] Alex Valdez is a Healthcare Attorney with Clark Hill based in Dallas, Texas. His practice focuses on advising healthcare providers, including physicians, dentists, and other licensed professionals, on transactional and regulatory matters. He regularly assists clients with entity formation, contract drafting and negotiation, and healthcare compliance, including navigating federal and state regulatory requirements.

[2] John M. Mullen & Hannah Peterson, *A Brief History of Noncompete Regulation*, FAIR COMPETITION LAW (Oct. 11, 2021), https://faircompetitionlaw.com/2021/10/11/a-brief-history-of-noncompete-regulation/.

[3] Evan Starr, *Noncompete Clauses: A Policymaker's Guide Through the Key Questions and Evidence*, ECON. INNOVATION GRP. (Oct. 31, 2023), https://eig.org/noncompetes-research-brief/ (on file with the UNT Dallas Law Review) (noting that several states have upheld the enforceability of noncompete agreements).

[4] *Id.*

[5] Keith Lefkowitz, *Texas Senate Bill 1318: New Non-Compete Rules for Physicians, Dentists, Nurses & PAs*, HCH LAWYERS (June 27, 2025), https://www.hchlawyers.com/blog/2025/june/texas-senate-bill-1318-new-non-compete-rules-for/ (discussing how Texas Senate Bill 1318's non-compete reforms reflect a broader trend in narrowing non-compete restrictions in healthcare to balance employer interests with provider mobility and patient access to care).

[6] *Id.*

compete agreements in limited circumstances, while implementing specific requirements on covenants limiting physicians.[7] Even so, the proper scope and enforceability of these covenants are still in question.

In an attempt to resolve the difficulties posed by covenants not to compete for healthcare professionals, in 2025 the Texas Legislature enacted Senate Bill 1318, which significantly narrowed the enforceability of non-compete agreements in the healthcare sector and added new protections that extended beyond physicians to other licensed practitioners.[8] This legislation not only imposed new limits on the geographic reach, duration, and buyout provisions of physician non-competes, but also introduced a new statutory "for cause" requirement that can render a non-compete provision entirely unenforceable when a physician is terminated without adequate justification.[9]

This article examines Texas's evolving approach to covenants not to compete in the healthcare context, with particular attention to three issues. First, it examines Senate Bill 1318 and the new requirements governing non-compete agreements in the healthcare sector. Second, it explores the policy concerns that prompted the Texas Legislature to enact these reforms. Finally, it examines the statute's newly added "for cause" requirement and evaluates its likely impact on future litigation arising out of covenants not to compete in healthcare.

I. TEXAS'S STATUTORY UPDATES ON HEALTHCARE NON-COMPETES

On September 1, 2025, Senate Bill 1318 officially went into effect and largely reshaped how covenants not to compete with regard to healthcare professionals will function going forward.[10] The bill, signed by Governor Greg Abbott, amended § 15.50 of the Texas Business and Commerce Code and added new § 15.501.[11] The amended law applies to non-compete agreements that were entered into or renewed on or after September 1, 2025.[12]

---

[7] Tex. Bus. & Com. Code Ann. § 15.50 (West 2025) (as amended by Tex. S.B. 1318) (setting forth enforceability requirements for covenants not to compete, including physician-specific provisions).
[8] S.B. 1318, 89th Leg., Reg. Sess. (Tex. 2025).
[9] *Id.*
[10] William L. Davis & Clifford R. Atlas, *Texas SB 1318 Tightens Physician Non-Compete Rules, Extends Restrictions to Other Healthcare Practitioners*, JACKSON LEWIS P.C. (June 26, 2025), https://www.jacksonlewis.com/insights/texas-sb-1318-tightens-physician-non-compete-rules-extends-restrictions-other-healthcare-practitioners (on file with the UNT Dallas Law Review).
[11] *Id.*
[12] *Id.*

For physicians licensed by the Texas Medical Board, S.B. 1318 imposes several new constraints.[13] First, the geographic scope of a non-compete is now capped at a five-mile radius from a physician's primary practice location at the time of termination.[14] Second, the duration is limited to a maximum of one year following the end of the physician's employment or contract.[15] Third, the law replaces the prior "reasonable price" standard for buyout provisions with a cap set at the physician's total annual salary and wages at the time of termination.[16] In addition, the agreement must state its terms and conditions clearly and conspicuously in writing.[17] Finally, if a physician is terminated without "good cause," defined as a reasonable basis related to the physician's conduct, job performance, or contract record, the non-compete is void and unenforceable.[18]

Senate Bill 1318 also extends similar protections to other healthcare practitioners.[19] The new § 15.501 applies the same non-compete restrictions listed above to dentists, professional or vocational nurses, and physician assistants.[20] By largely mirroring the enforceability requirements that control physician non-competes, § 15.501 signifies that the Texas Legislature directly intended to improve professional mobility for all healthcare professionals, while still preserving employers' interests.[21]

This new update to the law regarding covenants not to compete in the healthcare context reflects a growing trend in Texas and across the country to re-think the balance between employers' business interests, practitioners' mobility, and patients' access to care.[22] Healthcare employers who rely on non-compete agreements will need to reassess their future contracts to ensure compliance with the new standards to minimize the risk of unenforceable restraints.[23]

II. THE POLICY CONCERNS UNDERLYING THE AMENDMENTS

Before the enactment of SB 1318, Texas law permitted non-compete

---

[13] *Id.*
[14] Tex. Bus. & Com. Code Ann. § 15.50(b)(4)(B) (West 2025).
[15] *Id.* § 15.50(b)(4)(A).
[16] *Id.* § 15.50(b)(2).
[17] *Id.* § 15.50(b)(4)(c).
[18] *Id.* § 15.50(d).
[19] *Id.* § 15.501(a).
[20] Tex. Bus. & Com. Code Ann. § 15.501(a) (West 2025).
[21] Davis & Atlas, *supra* note 10.
[22] *Id.*
[23] *Id.*

agreements with physicians so long as they satisfied a general reasonableness standard and included a buyout option at a "reasonable price."[24] The statute imposed no fixed limits on geographic scope or duration, leaving those terms to negotiation and, if challenged, to judicial review.[25] This relaxed standard allowed healthcare employers to impose physician non-competes that covered broad territories and extended for multiple years.

Lawmakers drafted SB 1318 in response to growing concerns that physician non-competes had become either "extremely broad or very narrow" and often imposed an undue burden on providers.[26] A bill analysis from the Senate Research Center noted that non-compete provisions frequently carried vast geographic limits, particularly when tied to large hospital systems, and raised concerns about their effects on the doctor-patient relationship and access to care.[27]

Representative Greg Bonnen, a physician and a leading advocate for S.B. 1318, warned that excessively restrictive non-competes in rural communities could "require a physician to actually leave the community…." which would result in less access to care in areas that are already underserved.[28] By enacting the amendments and limiting non-competes to five miles and one year, Bonnen explained that the legislature made these restraints "much more manageable," adding, "We want physicians to be able to be mobile and to continue to work in their communities."[29]

The House committee analysis also emphasized that SB 1318 was intended to create clearer guidelines that protect patient access, reduce legal ambiguity and litigation burdens, and promote a more mobile healthcare workforce.[30] In sum, these concerns explain why the legislature chose to replace the old and unpredictable standards with more defined rules that tightly regulate non-competes for healthcare professionals.

---

[24] Tex. Bus. & Com. Code Ann. § 15.50(b)(2) (West 2024).
[25] *Id.*§ 15.50(a).
[26] S. RESEARCH CENTER, BILL ANALYSIS OF S.B. 1318, 89th Leg., R.S. at 1 (2025).
[27] *Id.*
[28] Jessica Ridge, *2025 Legislative Wrap-Up: TMA Helps Craft Balanced Noncompete Compromise*, TEX. MED. ASS'N (Sept. 2, 2025), https://www.texmed.org/Template.aspx?id=66573 (on file with the UNT Dallas Law Review).
[29] *Id.*
[30] S. RESEARCH CENTER, BILL ANALYSIS OF S.B. 1318, 89th Leg., R.S. at 1 (2025), https://capitol.texas.gov/tlodocs/89R/analysis/pdf/SB01318I.pdf (on file with the UNT Dallas Law Review).

III. THE STATUTORY "FOR CAUSE" REQUIREMENT

One of the most significant changes enacted by S.B. 1318 is the addition of a "for cause" requirement that directly conditions the enforceability of physician non-compete agreements on the circumstances of termination.[31] Under the amended statute, a non-compete becomes void and unenforceable if the physician is terminated without "good cause." [32] The statute defines "good cause" as a reasonable basis related to the physician's conduct, job performance, or contract record.[33] This definition marks a shift away from the prior law, which focused primarily on the reasonableness of the restraint's scope, rather than on the employer's justification for ending the relationship.[34]

By creating a link between enforceability and the reason for termination, the legislature has repositioned the analysis of non-competition provisions from one centered solely on the reasonableness of the provision, to one that also looks to the employer conduct.[35] This change means that healthcare employers can no longer rely on a non-compete clause as a default post-termination restraint.[36] Instead, they must be prepared to show that they terminated the physician's employment for reasons grounded in performance, conduct, or contractual noncompliance.[37] If they cannot, the statute strips the covenant of any legal effect.[38]

While a dispute over the new good cause requirement in § 15.50 has yet to arise, previous cases in the healthcare context have thoroughly discussed what "good cause" means in cases involving physician termination. When an employment agreement requires cause to terminate an employee, the burden of proof for establishing cause rests upon the employer.[39] "Whether the employer has 'good cause' to terminate an employee is a fact question for the jury."[40] In employment law, an employee's conduct constitutes good cause for discharge if it is inconsistent with the continued

---

[31] Tex. Bus. & Com. Code Ann. § 15.50(d) (West 2025).
[32] *Id.*
[33] *Id.*
[34] *Id.*
[35] *Id*.
[36] *Id.*
[37] Tex. Bus. & Com. Code Ann. § 15.50(d) (West 2025).
[38] *Id.*
[39] Cushman & Wakefield, Inc. v. Fletcher, 915 S.W.2d 538, 543 (Tex. App.—Dallas 1995, writ denied).
[40] Ward v. Consol. Foods Corp., 480 S.W.2d 483, 486 (Tex. Civ. App.—Waco 1972, writ ref'd n.r.e.).

existence of the employer-employee relationship.[41] As listed in *Pinnacle Anesthesia Consultants, P.A. v. Fisher*, physician employment agreements have treated "good cause" as encompassing, among other things, the loss or restriction of a physician's license or clinical privileges, failure to perform required duties or comply with organizational policies, findings of unprofessional or unethical conduct, criminal convictions involving moral turpitude, material breaches of the employment agreement or fiduciary duties, conduct that damages the practice's reputation or disrupts its operations, fraud or embezzlement, loss of malpractice insurance attributable to the physician's actions, or adverse quality-of-care determinations following peer review proceedings.[42]

The categories of termination for cause discussed in *Pinnacle* would likely fall within § 15.50's definition of "good cause," because they reflect terminations grounded in a reasonable basis related to a physician's conduct, job performance, or contract record. However, at this stage, Texas courts have not yet had occasion to interpret or apply § 15.50's "for cause" requirement in practice.

A. "For Cause" Under Texas Law and its Likely Application to Physician Non-Competes

When Texas courts begin to apply § 15.50's "good cause" requirement, they will likely rely on existing employment and contract case law that treats good cause as a fact-intensive inquiry.[43] The burden will be on healthcare employers to show a termination rested on a reasonable, job-related basis tied to the physician's conduct, performance, or contract record, rather than on generalized dissatisfaction or business convenience.[44] This will likely shift the focus of litigation away from the abstract reasonableness of a non-compete's terms and toward the employer's termination decision and the record supporting it. Because Texas courts have traditionally treated good cause as a question of fact, early disputes under § 15.50 will likely turn on close factual questions.[45]

---

[41] Dixie Glass Co. v. Pollak, 341 S.W.2d 530, 543 (Tex. Civ. App.—Houston 1960, writ ref'd n.r.e.).
[42] *See* Pinnacle Anesthesia Consultants, P.A. v. Fisher, 309 S.W.3d 93, 101–05 (Tex. App.—Dallas 2009, no pet.).
[43] *Ward*, 480 S.W.2d at 486–87.
[44] *Cushman*, 915 S.W.2d at 543.
[45] *Ward*, 480 S.W.2d at 486.

IV. CONCLUSION

Senate Bill 1318 represents a meaningful shift of Texas's approach to covenants not to compete in the healthcare context. By imposing new limits on geographic scope, duration, and buyout provisions, and by extending those protections beyond physicians to other licensed healthcare practitioners, the legislature has moved away from a system relying heavily on case-by-case reasonableness and toward one prioritizing predictability, mobility, and patient access to care.[46] These reforms reflect a growing recognition that restraints on healthcare professionals carry consequences extending beyond private business interests and into the availability and continuity of medical services.[47]

The statute's newly added "for cause" requirement as to physician non-competes is a significant shift in enforcement.[48] By conditioning enforceability on the employer's justification for termination, § 15.50 reframes non-compete litigation around employer conduct rather than on the terms of the restraint itself. In so doing, the legislature has placed a premium on documentation, process, and objective, job-related decision-making, while limiting the ability of employers to rely on non-competes as automatic post-termination restraints.

Although Texas courts have not yet had occasion to interpret this provision, existing case law provides a framework for how "good cause" is likely to be applied, and early disputes will likely turn on close factual questions about performance, conduct, and contractual compliance. Over time, judicial application of this standard will determine how much practical force the reform carries. What is already clear, however, is that S.B. 1318 has fundamentally changed the landscape for healthcare non-competes in Texas, shifting the balance more decisively toward practitioner mobility and patient access, while still preserving a narrow space for employers to protect legitimate business interests.

---

[46] Tex. Bus. & Com. Code Ann. § 15.50 (West 2025).
[47] Senate Research Center, *Bill Analysis of S.B. 1318*, 89th Leg., R.S. (Mar. 24, 2025), https://capitol.texas.gov/tlodocs/89R/analysis/pdf/SB01318I.pdf (on file with the UNT Dallas Law Review).
[48] Tex. Bus. & Com. Code Ann. § 15.50 (West 2025).