

By: Bonnen, Lalani

H.B. No. 4504

A BILL TO BE ENTITLED

AN ACT

relating to restrictions on covenants not to compete for physicians and certain health care practitioners.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 15.50, Business & Commerce Code, is amended by amending Subsections (a) and (b) and adding Subsections (b-1) and (d) to read as follows:

(a) Notwithstanding Section 15.05 ~~[of this code]~~ and subject to any applicable provision of Subsection (b) and Section 15.501, a covenant not to compete is enforceable if it is ancillary to or part of an otherwise enforceable agreement at the time the agreement is made to the extent that it contains limitations as to time, geographical area, and scope of activity to be restrained that are reasonable and do not impose a greater restraint than is necessary to protect the goodwill or other business interest of the promisee.

(b) A covenant not to compete relating to the practice of medicine is enforceable against a person licensed as a physician by the Texas Medical Board if such covenant complies with the following requirements:

(1) the covenant must:

(A) not deny the physician access to a list of the physician's ~~[his]~~ patients whom the physician ~~[he]~~ had seen or treated within one year of termination of the contract or

1 employment;

2 (B) provide access to medical records of the
3 physician's patients upon authorization of the patient and any
4 copies of medical records for a reasonable fee as established by the
5 Texas Medical Board under Section 159.008, Occupations Code; and

6 (C) provide that any access to a list of patients
7 or to patients' medical records after termination of the contract
8 or employment shall not require such list or records to be provided
9 in a format different than that by which such records are maintained
10 except by mutual consent of the parties to the contract;

11 (2) the covenant must provide for a buyout ~~[buy-out]~~ of
12 the covenant by the physician in an amount that is not greater than
13 the physician's total annual salary and wages at the time of
14 termination of the contract or employment ~~[at a reasonable price~~
15 ~~or, at the option of either party, as determined by a mutually~~
16 ~~agreed upon arbitrator or, in the case of an inability to agree, an~~
17 ~~arbitrator of the court whose decision shall be binding on the~~
18 ~~parties]; [and]~~

19 (3) the covenant must provide that the physician will
20 not be prohibited from providing continuing care and treatment to a
21 specific patient or patients during the course of an acute illness
22 even after the contract or employment has been terminated; and

23 (4) the covenant must:

24 (A) expire not later than the one-year
25 anniversary of the date the contract or employment has been
26 terminated;

27 (B) limit the geographical area subject to the

1 covenant to no more than a five-mile radius from the location at
2 which the physician primarily practiced before the contract or
3 employment terminated; and

4 (C) have terms and conditions clearly and
5 conspicuously stated in writing.

6 (b-1) For the purposes of Subsection (b), the practice of
7 medicine does not include managing or directing medical services in
8 an administrative capacity for a medical practice or other health
9 care provider.

10 (d) Notwithstanding any other law, a covenant not to compete
11 relating to the practice of medicine is void and unenforceable
12 against a person licensed as a physician by the Texas Medical Board
13 if the physician is involuntarily discharged from contract or
14 employment without good cause. For purposes of this subsection,
15 "good cause" means a reasonable basis for discharge of a physician
16 from contract or employment that is directly related to the
17 physician's conduct, including the physician's conduct on the job
18 or otherwise, job performance, and contract or employment record.

19 SECTION 2. Subchapter E, Chapter 15, Business & Commerce
20 Code, is amended by adding Section 15.501 to read as follows:

21 Sec. 15.501. COVENANTS NOT TO COMPETE AGAINST HEALTH CARE
22 PRACTITIONERS. (a) In this section, "health care practitioner"
23 means:

24 (1) a person licensed by the State Board of Dental
25 Examiners to practice dentistry in this state;

26 (2) a person licensed under Chapter 301, Occupations
27 Code, to engage in professional or vocational nursing; or

1 (3) a physician assistant licensed under Chapter 204,
2 Occupations Code.

3 (b) A covenant not to compete relating to the practice of
4 dentistry or nursing, or practice as a physician assistant, as
5 applicable, is not enforceable against a health care practitioner
6 unless the covenant:

7 (1) provides for a buyout of the covenant by the health
8 care practitioner in an amount that is not greater than the
9 practitioner's total annual salary and wages at the time of
10 termination of the practitioner's contract or employment;

11 (2) expires not later than the one-year anniversary of
12 the date the contract or employment has been terminated;

13 (3) limits the geographical area subject to the
14 covenant to no more than a five-mile radius from the location at
15 which the health care practitioner primarily practiced before the
16 contract or employment terminated; and

17 (4) has terms and conditions that are clearly and
18 conspicuously stated in writing.

19 SECTION 3. Section 15.52, Business & Commerce Code, is
20 amended to read as follows:

21 Sec. 15.52. PREEMPTION OF OTHER LAW. The criteria for
22 enforceability of a covenant not to compete provided by Sections
23 [Section] 15.50 and 15.501 [of this code] and the procedures and
24 remedies in an action to enforce a covenant not to compete provided
25 by Section 15.51 [of this code] are exclusive and preempt [any]
26 other law, including [criteria for enforceability of a covenant not
27 to compete or procedures and remedies in an action to enforce a

1 ~~covenant not to compete under~~ common law [~~or otherwise~~].

2 SECTION 4. The changes in law made by this Act apply only to
3 a covenant not to compete entered into or renewed on or after the
4 effective date of this Act. A covenant not to compete entered into
5 or renewed before the effective date of this Act is governed by the
6 law in effect on the date the covenant was entered into or renewed,
7 and the former law is continued in effect for that purpose.

8 SECTION 5. This Act takes effect September 1, 2025.