



NON-COMPETES!
LEGAL?
ENFORCEABLE?
GET THE UPDATES!

Northeast Dairy Production Symposium

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VBA's Mission Statement

Veterinary Business Advisor's supports members of the veterinary industry as they navigate the complex web of risk management, business strategy, and the growth and development of their organization. As highly qualified professionals with a broad spectrum of experience, we provide the highest level of comprehensive business and legal advice in the profession.





***YOU HAVE
HOMEWORK***

To get copy of slides

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Restrictive Covenants

1. Prevent working or owning within a specific “restricted area”



2. Soliciting clients and/or employees



3. Require maintenance of confidential information

Parameters of Non- Competes

Distance

- Zip code analysis
- Don't use a multiple of 5

Time Period

- 1-5 years depending on type of agreement and state law

What do non-competes do?

Protect employer “goodwill” which drives practice’s cash flow

Incentivizes employer investment which provides jobs

Suppress employee wages and hinder job mobility

Where are non- competes found?

Employment agreements.....tough to enforce or unenforceable

- Section in an employment agreement
- Letter of employment, plus non-compete agreement
- Independent contractor agreements

Typically, enforceable in....

- Practice sale agreements
- Equity agreements
- Partnership agreements
- Leases

Reasonableness

Geographic Restriction

Scientific basis or “seat of the pants”

Problems with multiple hospitals

Different radii for various types of practices

Unreasonable to protect 100% of clientele!!!

Reasonable to protect 80 to 85% of client base

Large Animal Considerations

- Geographic area or farms or both?
- Best protection is to foster the relationship and check in with the Practice's clients' periodically if you are no longer the primary veterinarian



And then there is....

No Treat Clauses
No Hire Clauses

Enforcement

Was “Consideration” provided for signing the covenant


- **Key ingredient in some states where employers expect employees to sign covenants long after they were hired**

Employer’s remedies


- **Injunction**
- **Money damages**

FTC (Federal) Non-Compete Timeline

January 5, 2023 – The Federal Trade Commission (FTC) proposed a rule that would ban non-compete agreements nationwide.



April 23, 2024 – The FTC voted 3-2 to publish the “Non-Compete Clause Rule” to ban employers from entering into non-compete clauses with workers on or after the effective date. Before the FTC can enforce the rule, it must publish the final version in the Federal Register, which contains all government agencies' rules and regulations.



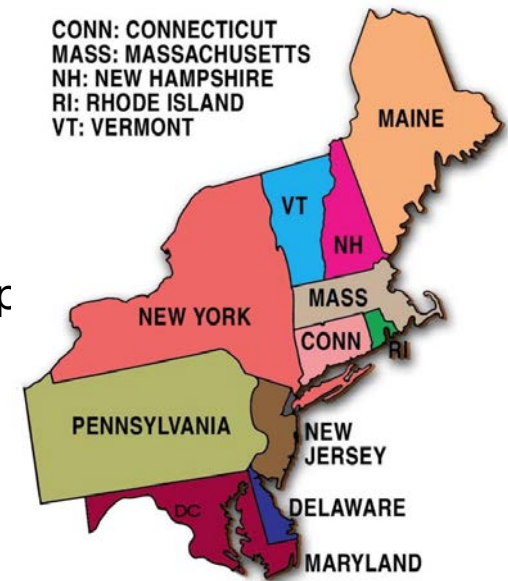
April 23, 2024 – Within hours of the FTC vote, global tax services firm Ryan filed a lawsuit (*Ryan LLC v. FTC*, No. 24-cv-00986-E) in the Northern District of Texas (a U.S. district court) seeking to “prevent the immense, undue burdens the FTC’s rule would impose on service-driven companies of every size nationwide.” The plaintiffs asked the court to set aside the rule and declare that the **FTC does not have the authority to issue rules defining acts to be unfair competition.**

- On September 5, 2025.....the Federal Trade Commission (FTC) ended its efforts to implement a nationwide ban on non-compete agreements, agreeing to vacate the Non-Compete Clause Rule and dismiss all pending appeals.
- However, the FTC has signaled its continued focus on unlawful post-employment non-compete agreements through case-by-case enforcement under Section 5 of the FTC Act, and states continue to propose and enact non-compete bans of varying degrees.
- Employers must continue to navigate a complex patchwork of state laws. Some states (e.g., **California, Oklahoma, North Dakota, Minnesota, Wyoming and Maryland**) ban most non-competes, while others enforce them with significant restrictions or limit them to higher-wage-earning employees.
- A few states, like **Florida and Kansas**, have enacted legislation providing for a presumption of enforceability for covered non-compete agreements for a certain period of time.

- **Pennsylvania:** Non-compete agreements in Pennsylvania are generally supported by adequate consideration (like a bonus or new job reasonable in time and geographic scope, and necessary to protect legitimate business interests. As of January 1, 2025, new laws strictly limit non-compete agreements for healthcare practitioners to a maximum of one year
- **New York:** As of early 2026, New York does not have a statutory ban on non-compete agreements, but they are heavily disfavored and strictly scrutinized under common law. To be enforceable, they must protect legitimate employer interests, be limited in time and geography, and not cause undue hardship. A broad ban (S4641) introduced in 2025 is pending, which would restrict, but not entirely eliminate, these agreements, allowing them only for high-income earners (ie, 500k)



- **Maine:** As of June 2023....Veterinarians who do not have an ownership interest in the practice; broadcast employee noncompetes are presumed unreasonable
- **Vermont:** Prevents cosmetology and barbering schools from signing noncompetes with their students, but the state has no statutes regulating noncompetes generally. Whether a noncompete agreement is “reasonable” and therefore enforceable is left up to the courts



Salary Restrictions

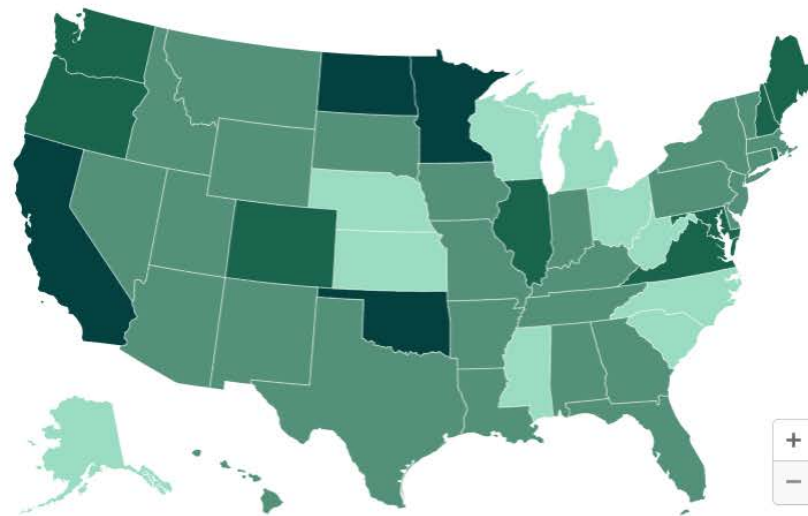
- Colorado limits non-compete agreements to employees making in excess of \$123,750.
- Washington, D.C. – \$154,200
- Illinois – \$75,000
- Maryland – \$46,800
- Maine – \$60,240
- New Hampshire – \$30,160
- Oregon – \$113,241
- Rhode Island – \$37,650
- Virginia – \$73,320
- Washington – \$120,559



enforceability is limited, and where they are allowed.

Legislative Restrictions

■ No restrictions ■ Full Ban ■ Income Restrictions ■ Other Restrictions



Interactive Map:

<https://eig.org/state-noncompete-map/#noncompete-map>

Employee May Negotiate....



BOTTOM LINE

- Continue using 4 restrictive covenants in your employment contracts within the “guardrails” imposed by your state
- Pay a [one time or annual] non-refundable signing bonus
- Use 12-18 months and perform a zip code analysis to measure practice’s trade area...do not use multiple of 5
- Each contract amendment should have reaffirmation of the restrictive covenants
- Consider adding “no treat” and “no hire” and legal fee payment clauses
- Make sure your contract never expires on its own
- Make sure your contract has employee represent not under restrictive covenants that would interfere with your employment of them
- Rotate your clients among all your veterinarians...it is easier than you think!
- Definitely continue to use in partnership and buy-sell agreements

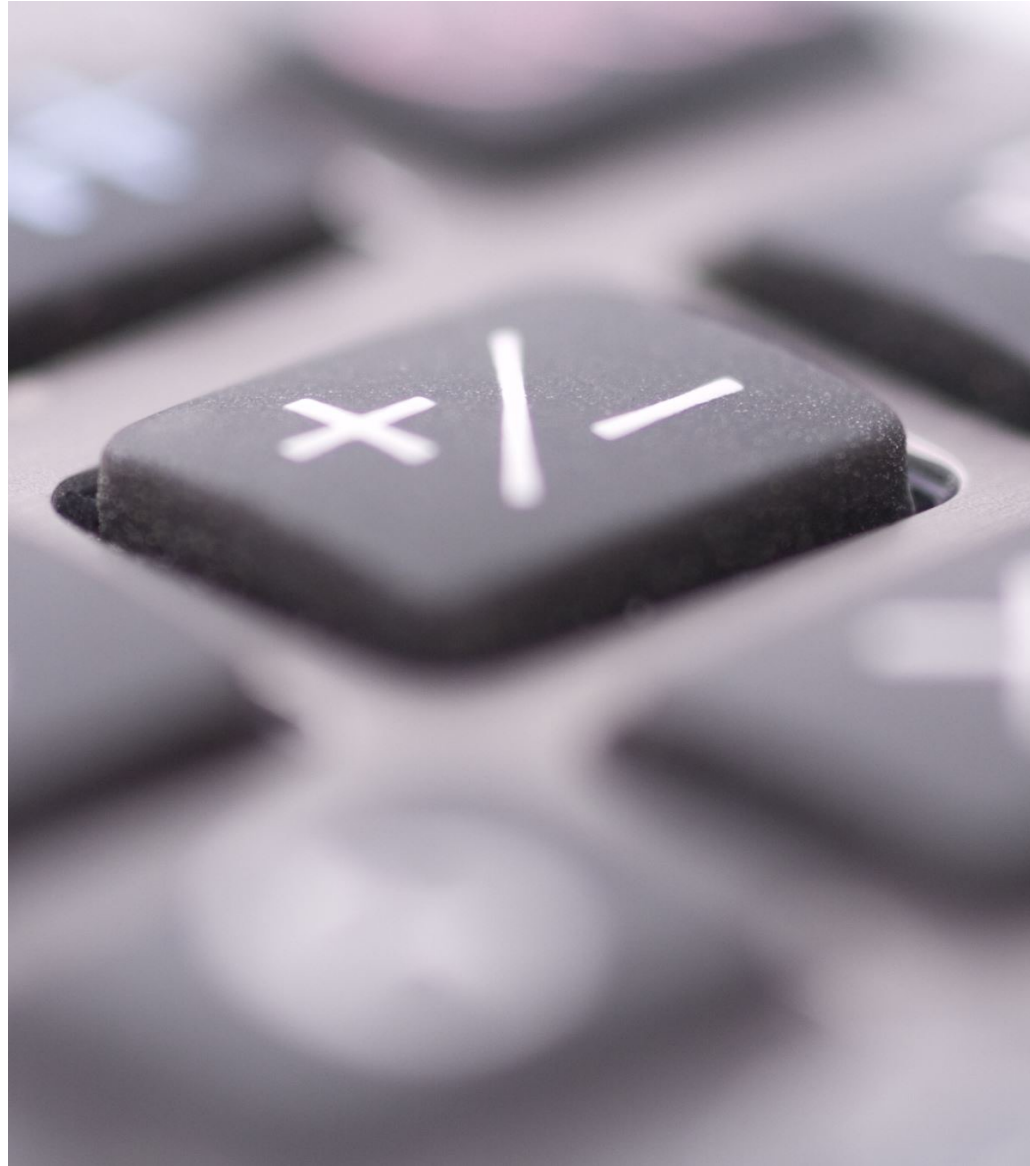


EMPLOYEE RETENTION

- Retention Bonuses
 - Equity
-


“RETENTION BONUSES”

- Bonus Types
 - Signing Bonus
 - Relocation Bonus
 - Retention Bonus
- Are they refundable to Employer
 - Death, Permanent Disability
 - Employee quits
 - Employee terminated for cause



Equity Opportunities

1. Private versus corporate
2. Issues
 1. When granted?
 2. Vested?
 3. Valuation
 4. Payout
 5. Puts and Calls
 6. Tax implications



equity:
ownership
in a
company

Thank You!



————— For slides email info@veterinarybusinessadvisors.com —————