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Evolving Landscape of Non-Compete Agreements

The legal landscape for non-compete agreements in the U.S. continues to shift, driven by increased regulatory scrutiny and significant state-level reforms. Developments over the past few months, including an aggressive Federal Trade Commission (FTC) enforcement action and new legislation in Washington, Virginia, and Tennessee, underscore a clear trend: broad, “one-size-fits-all” non-compete agreements should be permanently shelved.

Federal Enforcement: FTC’s Rollins Decision

On April 15, 2026, the FTC issued an order barring Rollins, Inc. (a major pest-control company) from entering into or enforcing non-compete agreements for 10 years. The FTC found that Rollins imposed sweeping non-compete restrictions across its workforce, including on lower-wage technicians and customer services representatives who lacked access to confidential or proprietary information. Rollins’ agreements prohibited employees from working in the pest control industry within a 75-mile radius for two years after their employment ended.

The FTC also criticized Rollins’ aggressive enforcement practices, which included lawsuits and cease-and-desist letters that discouraged former employees from pursuing competitive work or starting their own businesses. According to the FTC, these practices stifled general competition, restricted worker mobility, and contributed to lower wages and diminished working conditions.

Notably, the FTC emphasized that Rollins could have achieved its business objectives through less restrictive means, such as confidentiality and non-solicitation agreements. The decision reflects the FTC’s broader shift toward case-by-case enforcement following the failure of its proposed [nationwide non-compete ban](#) in 2024.

The FTC also issued warning letters to 13 other pest control companies, urging them to review their non-compete agreements

to ensure they comply with applicable law. It further encouraged these companies to discontinue any non-compete agreements that are not reasonably necessary to support fair competition.

The FTC's actions serve as a warning to employers that rely on broad, company-wide non-compete programs, but the outcome is not surprising. Most states evaluate non-competes under a "legitimate business interest" standard, requiring that restrictions protect specific interests, such as confidential information, customer relationships, or workforce stability, and be narrowly tailored when doing so. In addition, many states have [adopted wage thresholds](#) limiting non-competes for lower-wage workers. As a result, the FTC's decision aligns with broader national trends as states like Washington, Virginia, and Tennessee continue to tighten restrictions.

Washington: Near-Total Ban on Non-Competes

At the state level, Washington has adopted a near-total ban on non-competes. **Effective June 30, 2027**, the state will effectively ban all employment non-compete agreements for **all** Washington-based workers, including both employees and independent contractors. The ban applies retroactively and is no longer dependent upon the worker's pay. The law renders such agreements void and unenforceable and prohibits employers from attempting to enforce them or even representing that they remain valid.

Washington's statute defines non-compete agreements broadly to include any restriction that limits an individual's ability to engage in a lawful profession, trade, or business. However, the law preserves certain narrowly tailored alternatives. Employers may still rely on confidentiality agreements, limited employee non-solicitation provisions (focused on recruitment of active employees), and customer non-solicitation clauses that are closely tied to relationships developed through the employee and generally limited to 18 months post-employment. Certain educational repayment agreements are also permitted under strict conditions.

The law also imposes an administrative burden: employers and businesses must notify both current and former workers by **October 1, 2027**, that their non-compete agreements are void. Overall, Washington's approach reflects a strong policy preference for worker mobility while allowing narrowly tailored protections for legitimate business interests.

Virginia: Focus on Termination and Severance

Virginia has taken a more targeted approach with Senate Bill 170, **effective July 1, 2026**. Building on its existing prohibition of non-competes for low-wage employees, the new law expands protections based on the circumstances of termination. Specifically, non-competes will be unenforceable against employees who are terminated without cause, unless the employer provided severance pay or other monetary compensation in the non-compete agreement at the time it was executed. Additionally, the new law prohibits non-compete agreements with independent contractors if: (1) the individual is performing services independent of an employment relationship, and (2) the individual is paid less than the median hourly wage, which is currently \$25.49 per hour.

This framework introduces new complexities. The statute does not define "for cause" or specify the level of severance pay required, leaving employers with uncertainty in application. Additionally, the law appears to prohibit employers from curing deficiencies after the fact, meaning severance must be contemplated upfront in the non-compete agreement itself.

Notably, the law applies only prospectively and does not invalidate pre-existing agreements. It also preserves non-competes for employees who resign voluntarily or are terminated for cause, as well as customer non-solicitation and confidentiality agreements. Violations carry significant risk, including civil penalties of up to \$10,000 per occurrence and potential attorney's fees.

Virginia's approach highlights an emerging trend: conditioning enforceability not just on compensation, but also on "fairness" (however defined) at the time of separation.

Tennessee: Compensation Thresholds and Predictability

Tennessee's House Bill 1034, **effective July 1, 2026**, represents a hybrid approach that both restricts and strengthens non-compete enforcement. The law explicitly prohibits non-competes for both employees and independent contractors earning less than \$70,000 annually. Unlike some states, however, it does not extend these restrictions to other forms of restrictive covenants, such as non-solicitation or non-disclosure agreements.

The new statute establishes a presumption that non-competes lasting up to two years are reasonable in employment contexts. Longer durations are presumed unreasonable but may still be modified by courts. This presumption effectively shifts the burden of proof to workers, making it easier for employers and businesses to enforce two-year restrictions. The law also creates similar presumptions in other contexts, including up to five years for business-sale agreements and three years for certain commercial relationships.

While some ambiguity remains, particularly regarding the scope of these presumptions, the overall effect is to discourage blanket application of non-competes.

Key Trends and Practical Implications

Taken together, these developments illustrate several clear national trends. First, regulatory bodies and legislatures are increasingly skeptical of broad, indiscriminate non-compete programs, particularly those applied to lower-wage or non-sensitive roles. Second, there is growing emphasis on tailoring restrictions to legitimate business interests, such as protecting trade secrets, customer relationships, and workforce stability.

For employers, the implications are significant. Businesses should carefully audit their restrictive covenant agreements and ensure that non-competes are narrowly drafted in scope, duration, and geographic reach. Alternative tools — such as confidentiality, non-solicitation, and trade secret protections — are becoming

increasingly important and, in many cases, preferable. Multi-state employers must also remain attentive to ever-changing state-specific requirements, particularly with respect to compensation thresholds, notice obligations, and termination practices.

For more information or assistance in managing state law non-compete developments, please contact the authors or any member of FBT Gibbons' [Labor and Employment Practice Group](#).

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