

Puerto Rico Supreme Court Addresses Contract Assignments and Non-Compete Clauses in Independent Contractor Agreements

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In a significant decision for businesses that engage independent contractors, the Puerto Rico Supreme Court recently addressed, for the first time, the validity and effect of contract assignments involving non-compete provisions in the context of professional services agreements. The case arose in the healthcare sector and involved a psychologist providing services to special education students through a government-funded program.

Contract Assignment and Tacit Consent

The Court confirmed that Puerto Rico law recognizes the assignment of contracts as a valid mechanism through which a party may be substituted by another while preserving the contractual relationship. Under this framework, the assignee steps into the position of the original contracting party and succeeds to the rights and obligations arising from the agreement.

Importantly, the Court rejected the notion that a new agreement or written ratification is automatically required merely because a contract containing a restrictive covenant has been assigned. Instead, the Court explained that the effectiveness of the assignment depends on the consent of the non-assigning party, which may be manifested either expressly or tacitly.

The Court emphasized that tacit consent may be inferred from conduct that unequivocally demonstrates acceptance of the contractual relationship with the assignee. In the case before it, the contractor allegedly received notice of the assignment, continued providing services, submitted invoices, accepted payment, and raised no objection for an extended period. Accepting those allegations as true at the pleading stage, the Court concluded that the complaint sufficiently alleged tacit consent.

Non-Compete Clauses in Professional Services Agreements

The Court also held that non-compete clauses are not inherently invalid in professional services agreements involving independent contractors. Rather, their enforceability depends on a fact-specific reasonableness analysis. According to the Court, any restriction must protect a legitimate business interest, be reasonable in scope, and not impose disproportionate burdens or adversely affect the public interest.



In evaluating reasonableness, courts may consider factors such as:

- The contractor's proximity to and relationship with clients or patients;
- The specialized knowledge obtained through the contractual relationship;
- The contractor's ability to influence or retain those clients;
- General principles of fairness and equity; and
- Whether enforcement is necessary to prevent unjust enrichment at the expense of the contracting party.

The Court further noted that, in healthcare and similar service-based industries, the analysis may require balancing the contracting entity's business interests against broader public policy concerns, including access to essential services.

Procedural Posture Matters

A critical aspect of the decision is that it was issued in the context of a motion to dismiss. The Court did not determine whether the non-compete clause was ultimately enforceable, whether it had been breached, or whether damages were recoverable. Rather, it held only that the allegations in the complaint were sufficient to proceed beyond the pleading stage.

Practical Takeaways

Businesses that rely on independent contractors should consider:

- Including clear assignment provisions in service agreements;
- Carefully drafting restrictive covenants to ensure they are reasonable in scope and duration;
- Documenting notice of assignments;
- Maintaining records of post-assignment conduct that may demonstrate acceptance of the contractual relationship; and
- Evaluating industry-specific public policy considerations when implementing non-compete restrictions.

This decision provides important guidance regarding contract assignments and restrictive covenants under Puerto Rico law while leaving the ultimate enforceability of any particular non-compete provision to a case-by-case analysis.

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