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FTC Non-Compete Ban Struck Down by Nationwide Injunction

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On Tuesday, August 20, 2024, a federal court issued a nationwide injunction against the Federal Trade Commission (FTC), precluding it from enforcing its April 23, 2024 final rule purporting to ban non-compete agreements against most employees in the United States (the "non-compete ban"). **As a result, the non-compete ban is, at least for now, prevented from taking effect.**

In *Ryan LLC v. Federal Trade Commission,* the United States District Court for the Northern District of Texas ruled that the FTC exceeded its statutory authority by issuing a broad ban on non-compete agreements. This decision came on the heels of the Court's July 3, 2024 decision to grant a preliminary injunction staying the effective date of the FTC's proposed ban. In striking down the FTC rule, the Court also found that the ban would cause irreparable harm and was "arbitrary and capricious."

The Court's decision to set aside the FTC's action has a "nationwide effect, [ ] is not party-restricted, and affects persons in all judicial districts equally." As a result, employers nationwide can continue using non-compete agreements without concern of violating the FTC's non-compete ban.

However, this decision does not prevent the FTC from addressing non-compete agreements through case-by-case enforcement actions, nor does this impact state laws or judicial precedent that otherwise regulate non-compete agreements. Additionally, it remains unclear if the ban will be reinstated if the FTC appeals this decision, which it is "seriously considering." Therefore, even without the FTC's non-compete rule, employers must still use non-compete agreements with care.

If you have questions about the FTC non-compete rule or other labor & employment issues, please contact your Knox Law attorney, our labor & employment group, or call us at 814-459-2800.

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