

August 21, 2024

FEDERAL COURT BLOCKS FTC NON-COMPETE RULE NATIONWIDE

On August 20, 2024, the U.S. District Court for the Northern District of Texas struck down the proposed FTC nationwide ban against non-compete agreements. The FTC's Non-Compete Rule (the "Rule") will not go into effect on September 4, 2024.

As we **communicated in July**, the same court entered a preliminary injunction against the Rule, but limited the injunction only to the named plaintiffs in the lawsuit. While the court at that time declined nationwide relief, it indicated its intention to reach a decision on the merits prior to the Rule's effective date.

In its August 20 ruling, the court held that the Rule was arbitrary and capricious, and that the FTC lacked the statutory authority to issue and enforce it. Contrary to its ruling in July, this time the court held that the Administrative Procedures Act required the Rule to be "set aside" in its entirety, nationwide, specifically stating that the Rule "shall not be enforced or otherwise take effect on its effective date of September 4, 2024 or thereafter."

While the FTC is expected to appeal the decision to the Fifth Circuit Court of Appeals (and perhaps ultimately to the Supreme Court), the Rule is unlikely to be a risk on your radar in the near future.

JAH Can Help

If your business does require non-competes for its employees, it is always worthwhile that you **periodically review** them to ensure they are compliant with recent legal developments. Our attorneys at JAH can help. **Click here to contact a member of our Employment Practice Group** if you are in need of assistance.

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