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August 30, 2024

August Tip of the Month: Court Blocks FTC Rule Banning Employment-Related Noncompete Agreements



On August 20, 2024, a Texas district court issued a decision blocking a Federal Trade Commission (FTC) Rule, which would have banned employment-related noncompete agreements.

With limited exceptions, the FTC's Rule—which was set to take effect on September 4, 2023—would have banned the use of employment-related noncompete agreements and would have required employers to send written notices to employees, affirmatively invalidating existing noncompete agreements. Instead, the court held that the FTC lacked the authority to enact the Rule and further held that the Rule was arbitrary and capricious. Accordingly, until further notice, the Rule has been invalidated.

It is anticipated that the FTC will promptly appeal the district court's decision in an effort to restore the enforceability of the intended noncompete ban. Employers should continue to closely monitor the status of the Rule and be vigilant in utilizing noncompete restrictions that comply with applicable law.

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