FTC Final Rule Banning Non-Competes -- Texas Federal Court Blocks FTC's Non-Compete Rule

Alert

Print-friendly version.

In a critical ruling issued on Tuesday, a Texas federal court barred the Federal Trade Commission ("FTC") from implementing its anticipated ban on non-compete agreements for workers. In *Ryan, LLC v. FTC*, Case No. 3:24-cv-00986 (N.D. Tex), U.S. District Judge Ada E. Brown determined that the FTC exceeded its statutory authority, marking a significant setback for the Agency.

As discussed in our previous Client Alert, the FTC's Final Rule, which was scheduled to go into effect on September 4, would have prohibited non-compete clauses for employees and other individuals deemed to be "workers".

Judge Brown's decision came in response to a legal challenge spearheaded by the U.S. Chamber of Commerce and Ryan LLC, a tax services firm, both of which argued that the FTC overstepped its regulatory authority. The ruling underscored a stringent interpretation of the FTC's authority, particularly concerning its ability to promulgate rules governing competition. The court did not limit the relief to the plaintiffs, but rather issued a nationwide injunction.

Despite this setback, the FTC has indicated that it may appeal the decision. An Agency spokesperson expressed disappointment with the ruling and affirmed that the FTC remains committed to addressing non-compete clauses through case-by-case enforcement actions. This approach suggests that while the broad Final Rule is blocked, the Agency may still pursue individual cases where it believes non-compete agreements constitute an unfair restraint on competition.

Similar challenges have emerged in other jurisdictions, with varying outcomes, indicating that the legal battle over non-competes is far from settled. If appeals ensue, and a split in the Circuit Courts result, then the Supreme Court of United States may take up the issue.

Businesses and employees should remain vigilant as this issue continues to evolve, especially those in industries where non-compete agreements are widely used. The recent ruling adds a layer of complexity, but it is not the final word on the matter. Ongoing legal challenges and potential appeals could lead to further changes in the enforceability and scope of non-compete agreements, creating a fluid legal environment. Additionally, individual states have their own rules governing non-competes, which can vary widely and further complicate the landscape. Both employers and employees must stay informed and prepared to adapt to new developments, as these changes could significantly impact contractual obligations and competitive dynamics nationwide.

Contact

Our firm has closely followed the FTC's non-compete ban since it was first proposed and will continue to monitor the cases for any updates. If you would like assistance from our law firm, including how ruling may affect you, please do not hesitate to contact your Windels Marx relationship lawyer, **Scott Matthews** or **Marky Suazo** of our Employment and Employee Benefits Practice Group, or **Jonathan Gray** of our Corporate and Securities Practice Group.

Disclaimer

Possession of this material does not constitute an attorney/client relationship. This information is provided for your convenience and does not constitute legal advice. It is prepared for the general information of our clients and other interested persons and it may include links to websites other than the Windels Marx website. This information should not be acted upon in any particular situation without first consulting with an attorney and obtaining legal advice based on your facts and circumstances.