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## Federal Court Invalidates Ban on Non-Competes

By Nick Dertouzos, Esq.

It was widely reported earlier this year that Federal Trade Commission (FTC) proposed a new rule which determined the vast majority of employee non-competition agreements would no longer be enforceable after September of 2024. The new rule would effectively ban new noncompetes nationwide. As NGC anticipated, several lawsuits challenged aspects of the FTC's new rule, including the FTC's authority to issue such a broad sweeping prohibition. On August 20, 2024, a federal court in Texas blocked the FTC's rule on grounds that it was arbitrary and that the FTC lacked authority to create substantive regulations without Congressional approval. Accordingly, the Texas court set aside the FTC's new rule and issued an order that it shall not be enforced or take effect.



While the FTC is considering a potential appeal of that order, for now, existing and future noncompetes may continue to be negotiated or enforced. The enforceability of noncompetes will continue to be litigated and could eventually be decided by the U.S. Supreme Court. NGC recommends that employers and employees continue to monitor this Newsletter and contact us for specific guidance.

Ryan LLC v. FTC (N.D. Tex.)