

Texas Court Blocks Enforcement of FTC Non-Compete Ban

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The Federal Trade Commission (FTC) will **not** be able to enforce its proposed rule banning non-competes per the latest ruling from a federal district court in Texas.

What does this mean for businesses?

For now, it's business as usual. Companies can continue using non-compete agreements with their employees, provided they comply with applicable state and local laws.

Best practices regarding non-compete agreements

Companies should still exercise caution, however. The FTC may appeal the Ryan decision or there could be other legal or regulatory changes that could impact the enforceability of non-compete agreements. Future legislation or regulatory reform around the use of employee non-competes may be especially likely, given the recent and widely publicized scrutiny. Employers should review their existing non-compete agreements with employment counsel to ensure they comply with current laws and regulations in the states in which they operate and have employees. Attorneys experienced with non-competes and other restrictive covenants can provide you with valuable insights and alternative strategies to protect your interests. Being prepared to adapt your policies in response to any changes will help safeguard your business.

Background

Ryan LLC v. Federal Trade Commission, 3:24-cv-00986, (N.D. Tex.) was one of several lawsuits filed to challenge the FTC's proposed rule banning non-competes. This rule, set to take effect September 4, 2024, would have banned the use of future non-compete agreements and nullified most existing ones. In a victory for employers, U.S. District Judge Ada Brown for the Northern District of Texas issued a ruling in the Ryan case on August 20, 2024, blocking the FTC from enforcing its proposed non-compete rule.