

As Predicted, Judge Strikes Down FTC's Noncompete Rule

Description

By [Alicia J. Samolis](#), [Michael A. Gamboli](#), [Sean M. Fontes](#), & [Morgan E. Hedly](#)

As we predicted in our May 1, 2024 [Client Alert](#), the Federal Trade Commission's Noncompete Rule (the "Rule") has been struck down on a nationwide basis. On August 20, 2024, U.S. District Judge Ada Brown of the Northern District of Texas set aside the FTC nationwide ban on noncompetes and held that the Rule shall not be enforced or otherwise take effect nationwide.^[1] While the same court had previously held the noncompete ban to be unlawful, it declined to order nationwide relief "until now."

The court found that the administration overstepped its authority in implementing the ban, siding with business groups who argued that the Rule would impose an undue burden on employers. In her ruling, Judge Brown concluded that "the text and the structure of the FTC Act reveal the FTC lacks substantive rulemaking authority with respect to unfair methods of competition" and that "the Rule is arbitrary and capricious because it is unreasonably overbroad without a reasonable explanation." She emphasized that "the role of an administrative agency is to do as told by Congress, not to do what the agency think[s] it should do."

While the FTC may try to appeal the decision, for the foreseeable future, employers can breathe a sigh of relief. Because the press coverage of the Rule was extensive, employers may want to remind departing employees with noncompete restrictions that the restrictions are still enforceable.

The decision is a win for employers across the nation and presents a green light for employers to protect their businesses through restrictive covenant agreements. Unfortunately, the decision has no impact on state laws governing restrictive covenants, which vary widely and usually protect employees based upon where the person works (even if the person works remotely from their home). These laws not only make noncompliant agreements unenforceable but also may dictate that offering outdated agreements is illegal. Importantly, the most recent state laws are reaching not only true noncompete agreements, but also nonsolicitation and confidentiality agreements.

^[1] The case is *Ryan v. Federal Trade Commission*, 3:24-cv-00986, US District Court, Northern District of Texas (Dallas).

The [Employment & Labor](#) Practice Group at [Partridge Snow and Hahn LLP](#) is closely monitoring the legal landscape surrounding restrictive covenant agreements and is available to assist businesses in making critical decisions regarding how to best protect company goodwill and confidential information. If you have any questions or need assistance with the same, please connect with [Alicia J. Samolis](#), [Michael A. Gamboli](#), [Sean M. Fontes](#), or [Morgan E. Hedly](#).

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