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Federal Judge Blocks FTC's Nationwide Ban on Noncompete Agreements

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As we [previously reported](#), the Federal Trade Commission's (FTC) final rule banning noncompete agreements was set to take effect on September 4, 2024. This rule would have prohibited nearly all agreements that prevent workers from joining their employers' competitors or starting competing businesses after leaving their jobs. It also would have required employers to notify workers subject to noncompete clauses that such clauses are not enforceable.

However, on August 20, 2024, a Texas federal court struck down the final rule. U.S. District Judge Ada Brown determined that the FTC exceeded its authority with such a sweeping prohibition and that the rule is "arbitrary and capricious."

Other courts have issued their own decisions on the final rule. A Philadelphia District Court rejected a challenge to the FTC rule in July. In mid-August, a Florida District Judge sided with critics of the FTC rule, finding that the FTC lacked the power to adopt such a broad rule; however, that decision only applied to the single plaintiff who brought the lawsuit.

These differences suggest that additional legal challenges and appeals, and potentially Supreme Court intervention, may still occur. Indeed, the FTC has stated that it is considering an appeal from the August 20 Texas ruling.

Absent an immediate appeal and reversal of the Texas decision - which is very unlikely to occur - the FTC rule will not come into effect on September 4. Employers will need to remain alert for additional court decisions and ensure that their employment agreements continue to comply with state law requirements.

Foster Garvey's [Labor, Employment & Immigration](#) group is closely monitoring these developments and is ready to provide strategic advice on compliance with government regulations concerning noncompete agreements. For detailed guidance or to discuss how these developments might affect your operations, please contact our team.

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