

Texas District Court Permanently Blocks FTC Non-Compete Ban - Companies No Longer Need to Worry (For Now)

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Yesterday, a Texas Federal Court permanently blocked the Federal Trade Commission's attempt to ban noncompete agreements. In doing so, the Texas Court determined that the Rule exceeded the FTC's authority and, as such, was an illegal attempt to expand the FTC's rulemaking authority beyond its traditional consumer protection regulations. The Texas Court rubbed additional salt into FTC's wound by also finding that the Rule was arbitrary and capricious.

Consequently, the Rule will **not** go into effect on September 4th, and the FTC will have to appeal the Texas Court's ruling to the United States Court of Appeals for the Fifth Circuit. The FTC is unlikely to find any friends on the Fifth Circuit, as the Fifth Circuit has developed a reputation for striking down administrative actions/policies/orders brought by President Biden's administrative agencies.

Accordingly, Companies can now breathe a sigh of relief since they no longer have to comply with the FTC Rule, and will not have to comply until/unless the Fifth Circuit reverses the Texas Court's opinion (which is not going to happen). If you have any questions, please reach out to:

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