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Federal Court Strikes Down FTC's Non-Compete Ban Nationwide

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Executive Summary

On August 20, 2024, the U.S. District Court for the Northern District of Texas issued a nationwide injunction barring the Federal Trade Commission's Final Rule from taking effect, which sought to ban all non-compete agreements by September 4, 2024. The court concluded that the Final Rule was "an unlawful agency action" and found that the proper remedy under the Administrative Procedures Act was to set aside the agency action in its entirety, providing nationwide relief from the FTC's Final Rule.

On August 20, 2024, the U.S. District Court for the Northern District of Texas in *Ryan LLC v. Federal Trade Commission* issued an order setting aside the FTC's ban on employee non-competes. Specifically, the court concluded that the FTC exceeded its statutory authority when it adopted the Final Rule, and that such was arbitrary and capricious. The court's order provides much-needed relief to employers, who have been left in a state of complete uncertainty following inconsistent rulings on the FTC's authority to implement the Rule.

As we [previously reported](#) on July 23, 2024, the same court preliminarily enjoined the FTC from implementing or enforcing the Final Rule against the specific plaintiffs in the *Ryan* case only, leaving open the possibility of the Final Rule going into effect on its September 4, 2024 effective date. Then, on July 23, 2024, the U.S. District Court for the Eastern District of Pennsylvania in *ATS Tree Services, LLC v. Federal Trade Commission*, denied the company's request for a preliminary injunction staying the Final Rule, finding that the FTC had express legal authority to impose the nationwide non-compete ban pursuant to the FTC Act. Most recently, on August 14, 2024, the U.S. District Court for the Middle District of Florida, in *Properties of the Villages, Inc. v. FTC*, sided with the *Ryan* court and similarly limited its order blocking the Final Rule to only the specific plaintiff in the case. These inconsistent rulings left many employers who have non-compete agreements with current and former employees in a state of uncertainty and facing a dilemma regarding the best course of action with the September 4 effective date looming.

Now, based on the *Ryan* court's most recent order blocking the enforcement of the Final Rule on a national basis for all employers (*not just the plaintiffs in that case*), businesses finally have some clarity and can halt their plans to send notices to current and former employees advising that their non-competes are effectively void. While the FTC may appeal the *Ryan* court's recent decision to the U.S. Court of Appeals for the Fifth

Circuit and, if necessary, the U.S. Supreme Court, any final disposition of the issue could take years. For the foreseeable future, employers may continue enforcing non-compete agreements with current and former employees in accordance with applicable state and local law.

If you have any questions about the contents of this publication, please contact Naureen Amjad, Kevin Borozan or any other member of Masuda Funai's Employment, Labor and Benefits Group.

Masuda Funai is a full-service law firm with offices in Chicago, Detroit, Los Angeles, and Schaumburg.