



Court Issues Nationwide Injunction Against FTC Rule Banning Most Employee Non-Compete Clauses

On August 20, 2024, the U.S. District Court for the Northern District of Texas issued a nationwide injunction preventing the Federal Trade Commission (FTC) from enforcing its final non-compete rule. The rule, which was scheduled to go into effect on September 4, 2024, would have prohibited most non-competition clauses. Please review our [previous alert](#) for a more detailed overview of the rule.

Because the ruling applies nationwide, the FTC cannot enforce it against any employers while the injunction is in effect. This means that the rule's requirement that employers send out notices to employees and former employees who had entered into non-compete covenants is no longer applicable. It also means that existing non-compete covenants will not be invalidated by the rule, and employers will still be able to enter into new non-compete covenants. The FTC stated, however, that it is considering whether to appeal.

Although the FTC rule has been put on hold for now, state laws regulating non-competes continue to rapidly change. For example, Minnesota banned non-compete covenants in 2023 and New York came close to banning non-compete covenants before Gov. Hochul vetoed the legislation (she promised to support a ban, however, if revisions were made to the bill).

Employers should remain vigilant about the changing landscape of non-compete law and monitor legal developments regularly. Employers should also ensure that their existing non-compete covenants comply with applicable state laws.

Please contact a member of Reinhart's Labor and Employment Team or your Reinhart attorney if you have any questions or need help reviewing a non-compete agreement.

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