

Court Strikes Down FTC's Noncompete Rule

Article By:

John P. Rodgers

Anne R. Yuengert

Yesterday, the United States District Court for the Northern District of Texas set aside the Federal Trade Commission's (FTC) rule banning most noncompete agreements (the Noncompete Rule). As a result, the Noncompete Rule will not be taking effect on September 4, 2024.

[Previously](#), U.S. District Judge Ada Brown ruled that the plaintiffs were likely to prevail on the merits and issued a stay of the Noncompete Rule — but only as it related to the plaintiffs. Yesterday's 27-page [Memorandum Opinion](#), however, is not limited to the plaintiffs; it is nationwide. As a result, although the decision is subject to appeal, employers can cancel any plans to send out notices that their noncompetes with non-senior executives were invalid, which would have been required if the Noncompete Rule had been upheld.

In setting it aside, Judge Brown held that the FTC lacked statutory authority to promulgate the Noncompete Rule.

"In sum, the Court concludes the text and the structure of the FTC Act reveal the FTC lacks substantive rulemaking authority with respect to unfair methods of competition, under Section 6(g). (citation omitted) Thus, when considering the text, Section 6(g) specifically, the Court concludes the Commission has exceeded its statutory authority in promulgating the Non-Compete Rule."

In addition to holding that the FTC lacked statutory authority to promulgate the Noncompete Rule, the court also held that the Noncompete Rule was invalid because it was arbitrary and capricious.

"The Court concludes that the Rule is arbitrary and capricious because it is unreasonably overbroad without a reasonable explanation. The Rule imposes a one-size-fits-all approach with no end date, which fails to establish a 'rational connection between the facts found and the choice made.'"

Specifically, the court found that the FTC's "lack of evidence as to why they chose to impose such a sweeping prohibition — that prohibits entering or enforcing virtually all non-competes — instead of targeting specific, harmful non-competes, renders the Rule arbitrary and capricious."

As stated above, the decision is subject to appeal to the Fifth Circuit. We will keep you posted as to whether the FTC appeals. In the interim though, employers can cancel any plans to comply with the

Noncompete Rule by September 4 because it has been set aside.

[Listen to this post](#)

© 2025 Bradley Arant Boult Cummings LLP

National Law Review, Volume XIV, Number 234

Source URL: <https://natlawreview.com/article/court-strikes-down-ftcs-noncompete-rule>