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WHAT EMPLOYERS SHOULD DO REGARDING THE LOOMING EFFECTIVE DATE OF THE FTC'S NON-COMPETE BAN

As discussed previously, the Federal Trade Commission published a rule banning "non-compete clauses" in almost all cases involving employees, independent contractors, externs, interns, volunteers, apprentices, and sole proprietors who provide services to a person.

The rule is currently scheduled to go into effect on September 4, 2024. If the rule goes into effect, the majority of employers would not be permitted to enter into new non-compete clauses with any employees and will need to notify non-senior executives with existing non-competes that such agreements will not be enforced.

As expected, the FTC rule has faced legal challenges. On July 3, 2024, in *Ryan, LLC v. FTC*, a federal district court in Texas issued a preliminary injunction staying the FTC's implementation of its rule but *only* for the plaintiff and four plaintiff-intervenors in the case. The *Ryan* court intends to rule on the merits of the case by August 30, 2024, at which point the court could do one of three things: (i) allow the rule to go into effect; (ii) issue a nationwide injunction; or (iii) take some middle-ground approach. Another federal district court in Pennsylvania earlier denied a motion for a nationwide preliminary injunction against the FTC regarding its noncompete ban. The Pennsylvania federal district court's decision, however, has no precedential effect on the pending case before the federal district court in Texas.

Unfortunately, this leaves employers in a difficult spot–should they provide written notice regarding the unenforceability of their non-compete as required by the new FTC rule or should they do nothing and wait until all the legal challenges have played out? For now, employers should wait until at least August 30 when the federal district court in Texas is expected to rule. In the meantime, employers should compile a list of all current and former employees who have non-compete agreements still within their restricted periods and have the required written notices ready to go for such individuals in case a nationwide ban is not ordered by the federal district court in Texas.

As always, O'Neil Cannon is here for you. We encourage you to reach out with any questions, concerns, or legal issues you may have regarding your labor and employment policies and

practices, including discussion and review of your existing or future restrictive covenants.