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ARTICLE



Obstacles to the FTC's Noncompetition Rule Greater Following Supreme Court Ruling

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The article discusses the challenges faced by the Federal Trade Commission (FTC) in enforcing its rule to ban noncompetition agreements. The Supreme Court's decision in *Loper Bright Enterprises v. Raimondo* has overturned the *Chevron* doctrine, which allowed courts to defer to agency interpretations of statutes. This ruling means that the judiciary, rather than agencies, will now resolve legal ambiguities, leading to more challenges against agency regulations.

The FTC's noncompetition rule, which prohibits most noncompete clauses, is claimed to be under the FTC's authority as per Sections 5 and 6(g) of the Federal Trade Commission Act (FTCA). However, following the Supreme Court's decision, the rule's validity is in question.

The District Court for the Northern District of Texas, in *Ryan LLC v. Federal Trade Commission*, issued a preliminary injunction against the FTC rule, suggesting the FTC likely lacks the statutory authority to enforce it. The court's analysis, influenced by the Supreme Court's guidance, found that the FTC does not have the power to create substantive rules against unfair competition methods. The court also labeled the rule as arbitrary and capricious for being overly broad and failing to consider reasonable alternatives.

With the new legal landscape post-*Chevron*, the FTC is expected to face more obstacles in defending its authority to issue the noncompetition rule, as courts are now more empowered to scrutinize and potentially limit agency powers.

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CONTACTS

For more information, contact your Katten attorney or any of the following attorneys.



Mark T. Ciani
+1.212.940.6509
mark.ciani@katten.com



Janella T. Gholian
+1.310.788.4445
janella.gholian@katten.com



Sravya Vallapureddy
+1.212.940.8618
sravya.vallapureddy@katten.com

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