

FTC Noncompete Rule in Doubt Following Texas Court Ruling

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The article examines how the implementation of the Federal Trade Commission's (FTC) Noncompete Rule — originally set to take effect on September 4 — is now uncertain following a permanent injunction from a federal court in the Northern District of Texas. Issued on August 20, the court ruled that the FTC lacked the authority to issue such a rule and deemed it overly broad and inadequately considered.

Other courts have issued conflicting rulings. The Eastern District of Pennsylvania upheld the FTC's authority, while the Middle District of Florida also granted an injunction but acknowledged the FTC's rulemaking power, citing the need for clear congressional authorization.

The Texas court's final decision invalidated the rule nationwide, criticizing it as arbitrary and capricious. The FTC plans to appeal, and the rule's future may ultimately be decided by higher courts, including potentially the Supreme Court. For now, businesses do not need to comply with the rule, as its implementation is delayed.

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