FTC Abandons Non-Compete Rule Amid Policy Shift



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On September 5, 2025, in a significant policy reversal, the Federal Trade Commission (FTC) announced its official withdrawal of its non-compete rule that aimed to ban non-compete agreements for most U.S. workers. The withdrawal of the rule was accompanied by the dismissal of appeals that had been filed in an effort to overturn a federal court's decision striking down the rule.

On April 23, 2024, the FTC adopted the non-compete rule, which would have voided employer contracts, workplace policies, and compensation arrangements that prohibit, penalize, or in practice prevent a worker from working, with a few limited exceptions. At the time, the FTC argued that such agreements suppressed wages and hindered job mobility, thereby stifling competition and innovation in the labor market. However, the rule faced immediate legal challenge. In August 2024, the U.S. District Court for the Northern District of Texas ruled that the FTC lacked the statutory authority to enforce the rule, deeming it "unreasonably overbroad" and "arbitrary and capricious." The Department of Justice subsequently filed appeals of the decision.

While withdrawing the non-compete rule, the FTC has not refrained from a targeted approach, addressing specific instances of anti-competitive behavior rather than imposing a blanket ban. On September 4, 2025, the FTC took action against Gateway Services, Inc. and Gateway US Holdings, Inc., the largest pet cremation business in the U.S. The FTC alleges that Gateway required nearly all employees to sign non-compete agreements that typically prohibited them from working in the pet cremation industry anywhere in the U.S. for one year after leaving Gateway. Under a proposed consent order, Gateway would be required to immediately cease enforcing all existing non-compete agreements.

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