



American Road
& Transportation
Builders Association®

REGULATORY SUMMARY
US Federal Trade Commission
Noncompete Rulemaking
April 2024

On April 23, 2024 the U.S. Federal Trade Commission announced finalization of a rule banning noncompete agreements nationwide at for-profit companies. The final rule, will become effective once published in the *Federal Register*. ARTBA will update this fact sheet with the compliance date when available.

Key Features of the Rule

- Imposes a ban on all new non-compete agreements for workers, rendering existing agreements void.
- Permits existing non-competes solely for employees classified as "senior executives."
- Defines "senior executives" as individuals in "policy-making positions" earning over \$151,164 annually, excluding certain benefits.
- Requires written notice to employees that existing non-compete agreements are unenforceable.
- Defines "non-compete clause" as prohibiting or penalizing workers from seeking new employment or starting a business in the U.S. post-employment.
- Does not prohibit customer or employee non-solicitation or confidentiality agreements, though the definition of "non-compete" raises ambiguity about future challenges to these agreements.
- Defines "workers" broadly to include all individuals who have worked for the employer, regardless of title, classification, or pay, excluding franchisees in a franchisor-franchisee relationship. This may include salaried employees, contractors, interns, and volunteers.
- Permits non-compete agreements by sellers of a business and exempts nonprofit entities.
- Violating the FTC Act can lead to monetary penalties, fines, and injunctive relief.

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NEW REGULATORY TEXT

*The rule adds a new Subchapter J as outlined below.

§16 CFR Part 910

SUBCHAPTER J—RULES CONCERNING UNFAIR METHODS OF COMPETITION

PART 910—NON-COMPETE CLAUSES

Sec.

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Authority: 15 U.S.C. 45 and 46(g).

§ 910.1 Definitions.

As used in this part:

Business entity means a partnership, corporation, association, limited liability company, or other legal entity, or a division or subsidiary thereof.

Employment means work for a person.

Non-compete clause means:

(1) A term or condition of employment that prohibits a worker from, penalizes a worker for, or functions to prevent a worker from:

(i) seeking or accepting work in the United States with a different person where such work would begin after the conclusion of the employment that includes the term or condition; or

(ii) operating a business in the United States after the conclusion of the employment that includes the term or condition.

(2) For the purposes of this part 910, term or condition of employment includes, but is not limited to, a contractual term or workplace policy, whether written or oral.

Officer means a president, vice president, secretary, treasurer or principal financial officer, comptroller or principal accounting officer, and any natural person routinely performing corresponding functions with respect to any business entity whether incorporated or unincorporated.

Person means any natural person, partnership, corporation, association, or other legal entity within the Commission's jurisdiction, including any person acting under color or authority of State law.

Policy-making authority means final authority to make policy decisions that control significant aspects of a business entity or common enterprise and does not include authority limited to advising or exerting influence over such policy decisions or having final authority to make policy decisions for only a

subsidiary of or affiliate of a common enterprise.

Policy-making position means a business entity's president, chief executive officer or the equivalent, any other officer of a business entity who has policy-making authority, or any other natural person who has policy-making authority for the business entity similar to an officer with policy-making authority. An officer of a subsidiary or affiliate of a business entity that is part of a common enterprise who has policy-making authority for the common enterprise may be deemed to have a policy-making position for purposes of this paragraph. A natural person who does not have policy-making authority over a common enterprise may not be deemed to have a policy-making position even if the person has policy-making authority over a subsidiary or affiliate of a business entity that is part of the common enterprise.

Preceding year means a person's choice among the following time periods: the most recent 52 week year, the most recent calendar year, the most recent fiscal year, or the most recent anniversary of hire year.

Senior executive means a worker who:

(1) Was in a policy-making position; and

(2) Received from a person for the employment:

(i) Total annual compensation of at least \$151,164 in the preceding year; or

(ii) Total compensation of at least \$151,164 when annualized if the worker was employed during only part of the preceding year; or

(iii) Total compensation of at least \$151,164 when annualized in the preceding year prior to the worker's departure if the worker departed from employment prior to the preceding year and the worker is subject to a non-compete clause.

Total annual compensation is based on the worker's earnings over the preceding year. Total annual compensation may include salary, commissions, nondiscretionary bonuses and other nondiscretionary compensation earned during that 52-week period. Total annual compensation does not include board, lodging and other facilities as defined in 29 CFR 541.606, and does not include payments for medical insurance, payments for life insurance, contributions to retirement plans and the cost of other similar fringe benefits.

Worker means a natural person who works or who previously worked, whether paid or unpaid, without regard to the worker's title or the worker's status under any other State or Federal laws, including, but not limited to, whether the worker is an employee, independent contractor, extern, intern, volunteer, apprentice, or a sole proprietor who provides a service to a person. The term worker includes a natural person who works for a franchisee or franchisor, but does not include a franchisee in the context of a franchisee-franchisor relationship.

§ 910.2 Unfair methods of competition.

(a) *Unfair methods of competition*—(1) *Workers other than senior executives.* With respect to a worker other than a senior executive, it is an unfair method of competition for a person:

(i) To enter into or attempt to enter into a non-compete clause;

(ii) To enforce or attempt to enforce a non-compete clause; or

- (iii) To represent that the worker is subject to a non-compete clause.
- (2) Senior executives. With respect to a senior executive, it is an unfair method of competition for a person:
- (i) To enter into or attempt to enter into a non-compete clause;
 - (ii) To enforce or attempt to enforce a non-compete clause entered into after the effective date; or
 - (iii) To represent that the senior executive is subject to a non-compete clause, where the non-compete clause was entered into after the effective date.
- (b) *Notice requirement for existing non-compete clauses*—(1) *Notice required*. For each existing non-compete clause that it is an unfair method of competition to enforce or attempt to enforce under paragraph (a)(1)(ii) of this section, the person who entered into the non-compete clause with the worker must provide clear and conspicuous notice to the worker by the effective date that the worker’s non-compete clause will not be, and cannot legally be, enforced against the worker.
- (2) *Form of notice*. The notice to the worker required by paragraph (b)(1) of this section must:
- (i) Identify the person who entered into the non-compete clause with the worker;
 - (ii) Be on paper delivered by hand to the worker, or by mail at the worker’s last known personal street address, or by email at an email address belonging to the worker, including the worker’s current work email address or last known personal email address, or by text message at a mobile telephone number belonging to the worker.
- (3) *Exception*. If a person that is required to provide notice under paragraph (b)(1) of this section has no record of a street address, email address, or mobile telephone number, such person is exempt from the notice requirement in paragraph (b)(1) of this section with respect to such worker.
- (4) *Model language*. For purposes of paragraph (b)(1) of this section, the following model language constitutes notice to the worker that the worker’s non-compete clause cannot legally be enforced and will not be enforced against the worker. Figure 1 to paragraph (b)(4)—Model Language
- (5) *Safe harbor*. A person complies with the requirement in paragraph (b)(1) of this section if the person provides notice to a worker pursuant to paragraph (b)(4) of this section.
- (6) *Optional notice in additional languages*. In addition to providing the notice required in paragraph (b)(1) of this section in English, a person is permitted to provide such notice in a language (or in languages) other than English or to include internet links to translations in additional languages. If providing optional notice under this paragraph (b)(6), a person may use any Commission-provided translation of the model language in paragraph (b)(4) of this section.

§ 910.3 Exceptions.

- (a) *Bona fide sales of business*. The requirements of this part 910 shall not apply to a noncompete clause that is entered into by a person pursuant to a bona fide sale of a business entity, of the person’s ownership interest in a business entity, or of all or substantially all of a business entity’s operating assets.
- (b) *Existing causes of action*. The requirements of this part 910 do not apply where a cause of action related to a non-compete clause accrued prior to the effective date.
- (c) *Good faith*. It is not an unfair method of competition to enforce or attempt to enforce a non-compete clause or to make representations about a non-compete clause where a person has a good-faith basis to believe that this part 910 is inapplicable.

§ 910.4 Relation to State laws and preservation of State authority and private rights of action.

(a) This part 910 will not be construed to annul, or exempt any person from complying with any State statute, regulation, order, or interpretation applicable to a non-compete clause, including, but not limited to, State antitrust and consumer protection laws and State common law, except that this part 910 supersedes such laws to the extent, and only to the extent, that such laws would otherwise permit or authorize a person to engage in conduct that is an unfair method of competition under § 910.2(a) or conflict with the notice requirement in § 910.2(b).

(b) Except with respect to laws superseded under paragraph (a) of this section, no provision of this part 910 shall be construed as altering, limiting, or affecting the authority of a State attorney general or any other regulatory or enforcement agency or entity or the rights of a person to bring a claim or regulatory action arising under any State statute, regulation, order, or interpretation, including, but not limited to, State antitrust and consumer protection laws and State common law.

§ 910.5 Severability.

If any provision of this part 910 is held to be invalid or unenforceable by its terms, or as applied to any person or circumstance, or stayed pending further agency action, the provision shall be construed so as to continue to give the maximum effect to the provision permitted by law and such invalidity shall not affect the application of the provision to other persons or circumstances or the validity or application of other provisions. If any provision or application of this part is held to be invalid or unenforceable, the provision or application shall be severable from this part 910 and shall not affect the remainder thereof.

§ 910.6 Effective date.

This part 910 is effective [INSERT DATE 120 DAYS AFTER DATE OF PUBLICATION OF THE FINAL RULE].

PART 915—[Reserved]

By direction of the Commission.