

Press Coverage | August 22, 2024

Alts Industry Welcomes a Texas Court's Block of FTC Non-Compete Rule

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Matthew V. DelDuca

Matthew V. DelDuca, a partner in Troutman Pepper's Labor and Employment Practice Group, was quoted in the August 22, 2024 *Alternatives Watch* article, "[Alts Industry Welcomes a Texas Court's Block of FTC Non-Compete Rule](#)."

"Non-compete agreements are important tools for private equity and hedge fund managers to use in transactions and in connection with the operation of portfolio companies," said Matthew DelDuca, a partner in the Labor & Employment Practice Group at law firm Troutman Pepper. "The ability of key employees to compete against the PE or hedge fund portfolio company affected the decision whether to invest and valuation."

Troutman Pepper had recommended to clients to prepare for the final rule prior to the Texas court ruling this week. They advocated for firms to consider strengthening non-solicitation and confidentiality agreements, which were not covered by the rule, regardless of whether the ban would survive the legal challenges.

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"Without the Texas court's injunction, the FTC's ban on nearly all non-competes would have impacted managers' critical business judgments," DelDuca said. "Although the ban had a narrow 'sale of business' exception and grandfathered non-competes with a limited category of employees, strictly defined as 'senior executives,' non-competes are highly valuable for many employees not covered by those exceptions," he added.

"So, the FTC rule, if it had gone into effect, would have significantly impacted PE and hedge fund managers, specifically regarding the value of current investments and the assessment of future investments," he said.

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