

MEDIA MENTIONS

Schulte partner Ian Levin quoted on the FTC's non-compete ban in *The Drawdown*

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Schulte Roth & Zabel partner Ian Levin spoke with *The Drawdown* for the article, "The FTC's non-compete ban and its consequences."

The Federal Trade Commission (FTC) announced a final rule banning non-compete clauses on April 23, 2024. However, within 24 hours, two lawsuits were filed against the rule, with a third following later in the week. The chair of the FTC, Lina M Khan, argues that non-compete clauses keep wages low, stifle innovation and hinder economic growth.

Ian highlighted the potential impacts on private equity firms, stating, "Private equity is potentially affected at two levels. Internally, firms use non-competes to protect their IP and confidential information. While the same concerns exist at the portfolio company level, talent is often the 'product' they're backing, particularly at portfolio companies that provide services. If the FTC rule were to become effective, they could be at risk of losing their investments overnight."

Non-compete clauses aren't the sole method to retain talent; the industry's carry structure, which incentivizes seniority and long-term commitment, plays a role. Ian noted how the FTC rule's broad wording might encompass other retention measures, raising concerns about unintended consequences.

"While the preamble to the FTC rule elaborates on what is intended by the rule, the wording of the rule itself is so broad, it potentially captures any measures designed to prevent employees from leaving, such as long-term

incentive and other deferred compensation arrangements. Hopefully, we will see more guidance from the FTC on this, as it might be an unintended consequence,” he added.

[Read the article here.](#)

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