

Federal Court in Texas Issues Limited Preliminary Injunction Stopping the FTC's Non-Compete Rule

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On July 3, 2024, the Federal District Court in the Northern District of Texas in *Ryan LLC v. Federal Trade Commission* **granted a preliminary injunction staying the effective date of the FTC's [non-compete rule](#) and enjoining the FTC from enforcing it against the specific plaintiffs who challenged it** (Ryan, LLC, the US Chamber of Commerce, and a few other business groups which were previously permitted to intervene in the lawsuit). The Court declined to enter a nationwide injunction, and, absent additional legal developments or a voluntary nationwide stay by the FTC, the **non-compete rule is still set to go into effect on September 4, 2024** for all other covered employers. In its decision, the Court indicated that it intends to rule on the merits of the case by August 30, 2024, in advance of the rule's September 4, 2024 effective date. We previously covered the contours of the FTC rule [here](#), and discussed the rule's potential impact on corporate transactions [here](#).

In granting a preliminary injunction, the Court held that the plaintiffs are likely to succeed on the merits of their case, i.e., that **the FTC lacks the statutory authority to promulgate the final rule, and that the rule is arbitrary and capricious**. It is possible that the Court could rule differently on the merits, including broadening the reach of the injunction. Critically, the rule is still being challenged in other courts, and those courts could reach a different conclusion. For example, a federal court in Pennsylvania intends to rule on a similar challenge in the next few weeks. The Ryan LLC ruling (and other anticipated district court rulings on the FTC rule) come at a time when the U.S. Supreme Court has significantly narrowed the rulemaking and enforcement authority of federal agencies and signaled that it will continue to restrain overbroad federal agency actions.

However, **even if the rule fails, non-competes remain under attack from various quarters**, including from other state and local legislatures (some of which have already banned them, while others have introduced new legislation to limit or prohibit them) and by other federal agencies (like the National Labor Relations Board). **Employers are thus well-advised to continue to seek counsel before crafting and deploying non-compete covenants (or in continuing to do the same).**

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