

# FTC's Non-Compete Rule Enjoined for Now – But Only as to the Plaintiffs

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On Wednesday, July 3, a Texas federal court enjoined the [Federal Trade Commission's \(FTC\) rule banning most noncompetes](#) (the Noncompete Rule) and has stayed the implementation of the Noncompete Rule, but only as to the plaintiffs involved in that case.

The ruling is “preliminary,” with a subsequent ruling planned on the ultimate merits of the case on or before August 30, 2024. The Noncompete Rule is scheduled to go into effect on September 4, 2024.

In [Ryan LLC et al. v. Federal Trade Commission](#), a group of plaintiffs asked the United States District Court in the Northern District of Texas to enjoin the Noncompete Rule. Last week, Judge Ada Brown granted the plaintiffs' motion for preliminary injunction and postponed the implementation, but only for these plaintiffs.

The court held that:

- The FTC exceeded its statutory authority in implementing the Noncompete Rule, and therefore the plaintiffs were “likely to succeed on the merits” of the case;
- The Noncompete Rule was “arbitrary and capricious” because the FTC lacked evidence as to “why they chose to impose such a sweeping prohibition – that prohibits entering or enforcing virtually all non-competes – instead of targeting specific, harmful non-competes,” and did not sufficiently consider “less disruptive” alternatives;
- The plaintiffs would suffer “irreparable harm” if they were forced to comply with the Noncompete Rule through the nonrecoverable compliance costs; and
- Granting the preliminary injunction “serves the public interest by maintaining the status quo and preventing the substantial economic impact of the Rule, while simultaneously inflicting no harm on the FTC.”

The court limited the scope of the injunction and stayed the implementation of the Noncompete Rule as to just the named plaintiffs. For all other employers, this means that the Noncompete Rule is still scheduled to go into effect on September 4, 2024.

While the Northern District of Texas stated that it will issue a final decision on or before August 30, 2024, employers may receive more certainty before then, or may receive a conflicting decision, from another federal court in Pennsylvania. In an entirely different case, that court will issue an order by July 23 on a request for an injunction of the Noncompete Rule.

Given the court's ruling in the *Ryan* case, however, and the shaky ground that the Noncompete Rule is on, employers should watch and wait while the legal process plays out without counting on the FTC's rule going into effect by September 4, 2024.

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National Law Review, Volume XIV, Number 191

Source URL: <https://natlawreview.com/article/ftcs-non-compete-rule-enjoined-now-only-plaintiffs>