

Federal Judge Halts FTC's Noncompete Ban

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As expected, a federal judge in the Northern District of Texas has temporarily halted the Federal Trade Commission (FTC) from enforcing its new rule banning noncompete agreements against Ryan LLC and the U.S. Chamber of Commerce. On July 3, U.S. District Judge Ada Brown granted a preliminary injunction, stopping the rule from taking effect in September while the court reviews whether the FTC has the authority to issue such a broad ban. As discussed in our prior [update](#), the FTC voted 3-2 in April 2024 to issue a final rule that will prevent “for-profit” employers from enforcing noncompetes against their employees and other workers.

Judge Brown plans to issue a final ruling by August 30. In granting the preliminary injunction, she expressed doubts about the FTC’s enforcement authority and suggested that the ban might ultimately be overturned, stating the Plaintiffs “are substantially likely to prevail on the merits of their challenge to the FTC’s Non-Compete Rule” Despite this, the FTC reportedly remains firm in its position, asserting it has “clear authority, supported by statute and precedent,” to implement the rule and intends to continue defending it. This decision ultimately puts the enforcement of the noncompete ban on hold, creating an uncertain future for the Rule. The Eastern District of Pennsylvania has also indicated that it plans to issue its own ruling on the noncompete ban by July 23, after a small tree trimming business in Pennsylvania challenged the rule and filed a Motion to Stay the Effective Date.

Employers with noncompete restrictions should keep an eye out for additional developments as well as further developments at the state law level. Please contact your Haynes Boone attorney if you have any questions or guidance of how the FTC’s new rule may impact your business or workforce.