

LEGAL ALERT

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FTC BAN ON WORKER NON-COMPETE AGREEMENTS ENJOINED BY U.S. DISTRICT COURT JUDGE

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On July 3, 2024, a United States District Judge for the Northern District of Texas granted a stay and preliminary injunction on the United States Federal Trade Commission's near-total ban on noncompete agreements. *See Ryan v. Federal Trade Commission*, Case No. 3:24-cv-00986, (N.D. Tex. July 3, 2024) (order granting preliminary injunction).

In the case, the Plaintiff, Ryan, LLC, and Plaintiff-Intervenors, Chamber of Commerce of the United States of America, Business Roundtable, Texas Association of Business, and Longview Chamber of Commerce sought an order staying the effective date of the Non-Compete Rule and preliminarily enjoining the FTC from enforcing the Rule. In its decision, the court granted a stay and issued a preliminary injunction, finding that (1) The Plaintiff and Plaintiff-Intervenors are likely to succeed on the merits; (2) Irreparable harm will result without the issuance of injunctive relief; and (3) The balance of harms and public interest weigh in favor of granting injunctive relief. The court agreed with the Plaintiff's reasoning that the FTC lacks authority to create substantive rules defining unfair methods of competition. In addition, the court relied on the Plaintiff and Plaintiff-Intervenors' assertion that millions of workers and employers will be affected immediately, as they will lose bargained-for contractual protections, which would force employers to expend significant time and funds to offset the effects of the ban.

Despite the request for nationwide injunctive relief, the court limited the scope of its order to the named Plaintiff, Ryan, LLC, and Plaintiff-Intervenors, Chamber of Commerce of the United States of America, Business Roundtable, Texas Association of Business, and Longview Chamber of Commerce. As a result, the FTC's rule is still set to take effect September 4, 2024, for all other employers. Employers may still see a reprieve if a different result is reached in a case pending in the

Eastern District of Pennsylvania raising similar issues about the FTC’s rule or if the *Ryan* court rules on the merits of the lawsuit by late August, which the court represented in its decision that it will do.

Hahn Loeser’s labor and employment team continues to monitor potential lawsuits, rulings and updates. For questions on potential impacts to your organization, please contact Hahn Loeser’s [Labor & Employment team](#).

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