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FOR IMMEDIATE RELEASE:

May 14 2019

Ferguson's initiative has benefited workers at 62 corporate chains

SEATTLE — Attorney General Bob Ferguson today announced that, in order to avoid a lawsuit, five additional corporate chains eliminated no-poach practices nationwide, entering into legally enforceable agreements to remove the clauses from franchise contracts. The five chains have 73 locations in Washington and more than 2,500 locations nationwide. This brings the total number of corporate chains that have signed legally binding agreements with Ferguson to 62.

AAMCO, Famous Dave's, Meineke, Qdoba and Villa Italian Kitchen signed legally binding commitments to stop adding no-poach clauses to franchise contracts, and remove all existing clauses. All five must make these changes nationwide. The five join 57 other corporations that have now signed legally enforceable agreements with the Washington State Attorney General's Office to end the practice.

No-poach clauses appear in franchise agreements between owners of franchises and corporate headquarters. The clauses prohibit employees from moving among stores in the same corporate chain, a practice that economists believe stagnates wages. For example, the clauses would prohibit an employee at one Meineke's location from accepting employment from another Meineke's franchise location for higher pay.

With today's announcement, Ferguson moves closer to his goal of eliminating no-poach clauses nationwide. So far, Ferguson has filed one [lawsuit](#) against restaurant chain Jersey Mike's for refusing to end these practices.

"My office has secured an end to no-poach clauses at more than 60 corporate chains nationwide," said Ferguson. "We will continue my initiative until every Washington worker is free from these unfair practices."



Expansion of anti-no-poach initiative

Ferguson continues to investigate and obtain legally enforceable agreements from companies outside of the fast-food industry. Today's agreements, filed in King County Superior Court, include companies within the automobile services and restaurant industries.

This group builds on Ferguson's announcement in October 2018 of the first corporations outside the fast-food industry anywhere in the country to enter into legally enforceable agreements with Ferguson or any other state attorney general to end no-poach practices. Ferguson will continue to pursue other corporate chains across a wide range of industries.

To avoid a lawsuit, the following corporate chains entered into legally binding commitments to eliminate no-poach clauses nationwide:

- [AAMCO](#) (12 Washington locations, estimated 618 locations nationwide)
- [Famous Dave's](#) (6 Washington locations, estimated 142 locations nationwide)
- [Meineke](#) (21 Washington locations, estimated 799 locations nationwide)
- [Qdoba](#) (27 Washington locations, estimated 728 locations nationwide)
- [Villa Italian Kitchen](#) (7 Washington locations, estimated 225 locations nationwide)

These corporations will no longer include no-poach language in their contracts. Additionally, the companies will no longer enforce no-poach provisions currently included in franchise agreements at more than 2,500 locations nationwide where tens of thousands of workers are employed. Finally, the companies must remove current no-poach clauses from their Washington contracts in the next 60 to 120 days, and their nationwide contracts as they come up for renewal.

Background on Ferguson's initiative to eliminate no-poach clauses

As a result of Ferguson's initiative to eliminate no-poach clauses, 62 chains have signed legally binding commitments to end no-poach practices nationwide at an estimated 119,002 locations. The changes benefit millions of workers across the U.S.

The initiative began with a September 2017 article in the New York Times titled "[Why Aren't Paychecks Growing? A Burger-Joint Clause Offers a Clue.](#)" The article focused on the downward pressure no-poach agreements among fast-food franchises place on wages. After reading the article, Solicitor General Noah Purcell referred the subject to Attorney General Ferguson. The article cited research by Princeton economists Alan Krueger and Orley Ashenfelter highlighting the harms to workers caused by the practice.

Professors Krueger and Ashenfelter examined franchise agreements for 156 of the largest franchise companies in the United States. The franchise agreements for companies with more than 500 locations operating in the U.S. were analyzed for any language "restricting the recruitment and hiring of employees from other units within the franchise company."

The economists assert that "no-poach" clauses reduce opportunities for low-wage workers and stagnate wages, harming workers in Washington and across the nation.

In January 2018, Ferguson's Antitrust Division launched an investigation into no-poach clauses. The Attorney General's Office investigated the corporations on the economists' list to determine which fast-food companies used no-poach clauses and were present and employed people in Washington. Out of the original restaurants the Antitrust Division contacted, three chains — Hissho Sushi, Long John Silver's and Wendy's — did not use no-poach provisions in their franchise contracts. In addition to the five companies announced today, Ferguson negotiated an end to no-poach practices with 46 corporate chains in 2018, including McDonald's, Anytime Fitness, Sport

Clips and La Quinta. Ferguson's initiative has continued this year, with four chains in January and seven chains in February. For more information, [click here](#).

In September, Ferguson announced that he was expanding his investigation to industries beyond fast-food restaurants, starting with all the remaining companies on Krueger and Ashenfelter's list. Ferguson also announced that he was beginning to investigate fast-food chains that economists Krueger and Ashenfelter did not include in their analysis because they have fewer than 500 stores nationwide. The first chains outside of the restaurant industry to end no-poach practices included gyms, automotive services and convenience stores.

Corporate chains that do not agree to end the practice face a lawsuit from Ferguson's office. In October 2018, the Attorney General filed the first lawsuit by a state attorney general against a company for using no-poach clauses. That lawsuit against Jersey Mike's is ongoing.

The investigation now continues across several industries that utilize no-poach clauses in their franchise contracts, including:

- Automotive services
- Child care
- Cleaning services
- Convenience stores
- Custom window treatment services
- Electronics repair services
- Home healthcare services
- Hotels
- Insurance adjustor services
- Parcel services
- Tax preparation
- Travel services

Since the investigation began in early 2018, Ferguson's Antitrust Division has successfully negotiated an elimination of no-poach clauses at 62 companies nationwide, including the five announced today.

Senior Assistant Attorney General Jonathan Mark and Assistant Attorneys General Eric Newman and Rahul Rao of the Attorney General's Antitrust Division are leading the no-poach initiative.

The Office of the Attorney General's Antitrust Division is responsible for enforcing the antitrust provisions of Washington's Unfair Business Practices-Consumer Protection Act. The division investigates and litigates complaints of anticompetitive conduct and reviews potentially anticompetitive mergers. The division also brings actions in federal court under the federal antitrust laws. It receives no general fund support, funding its own actions through recoveries made in other cases.

The Antitrust Division investigates complaints about potential anti-competitive activity. For information about filing a complaint, visit <https://fortress.wa.gov/atg/formhandler/ago/AntitrustComplaint.aspx>.