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FOR IMMEDIATE RELEASE:

Aug 20 2018

Applebee's, Church's Chicken, Five Guys, IHOP, Jamba Juice, Little Caesars, Panera and Sonic to end restrictions on low-wage workers nationwide

SEATTLE — In a second major announcement as part of an initiative to eliminate no-poach clauses nationwide, Attorney General Bob Ferguson today announced that eight more corporate fast-food chains will remove “no-poach” provisions from their franchise contracts nationwide. No-poach clauses put

downward pressure on wages and restrict worker mobility.



WASHINGTON STATE ATTORNEY GENERAL'S OFFICE

WORKER PROTECTION INITIATIVE

As a result of Ferguson's investigation, eight companies $\frac{3}{4}$ Applebee's, Church's Chicken, Five Guys, IHOP, Jamba Juice, Little Caesars, Panera and Sonic $\frac{3}{4}$ will remove the language from current and future contracts, and will no longer enforce no-poach provisions included in franchise agreements.

These eight companies have more than 15,000 locations nationwide. This legally binding agreement will positively affect hundreds of thousands of workers nationwide.

"Businesses can't rig the system to avoid competition," said Ferguson. "My goal is to eliminate no-poach clauses in the fast-food industry nationwide. This is a major step forward in achieving that goal, but we're not done. Other fast food companies that use no-poach provisions are now on the clock to accept a similar deal or face litigation from my office."

The eight companies will immediately end the practice at all locations across the country and stop adding the provisions to new franchise contracts. The companies have 90 to 120 days to remove any no-poach provisions from their existing franchise contracts in Washington. Outside of Washington state, the fast-food chains must remove the no-poach language from existing contracts when those contracts come up for renewal.

Additionally, the chains must notify all franchisees, or independent franchise owners, of the requirements.

In January, Ferguson's Antitrust Division launched an investigation into these so-called "no-poach" clauses in fast-food chains. Ferguson negotiated an end to no-poach provisions at seven other fast-food chains in July.

No-poach provisions appear in lengthy franchise agreements that owners of fast-food franchises sign with corporate headquarters. Consequently, employees are generally unaware the provisions even exist. In effect, the provisions prohibit employees from moving among restaurants of the same corporate chain – for example, prohibiting one Little Caesars employee from accepting employment from another Little Caesars franchise location for higher pay.

Because employees cannot move to another location within their corporate brand, their current location has less incentive to give them raises.

Economists believe that “no-poach” clauses reduce opportunities for low-wage workers and stagnate wages. Ferguson asserts that no-poach provisions harm workers in Washington and across the nation. Restricting competition, whether in the labor market or the burger market, violates the state Consumer Protection Act.

To avoid a lawsuit, the eight companies agreed to end no-poach practices in legally binding agreements filed in King County Superior Court:

- Applebee's (42 Washington locations, estimated 1,788 locations nationwide)
- Church's Chicken (3 Washington locations, estimated 1,009 locations nationwide)
- Five Guys (26 Washington locations, estimated 1,321 locations nationwide)
- IHOP (31 Washington locations, estimated 1,679 locations nationwide)
- Jamba Juice (28 Washington locations, estimated 820 locations nationwide)
- Little Caesars (90 Washington locations, estimated 4,332 locations nationwide)
- Panera (32 Washington locations, estimated 2,043 locations nationwide)
- Sonic (16 Washington locations, estimated 3,500 locations nationwide)

Little Caesars stopped including no-poach clauses in their franchise contracts for most workers in 2017, but still restricted workers from moving between franchise and corporate stores. Applebee's, IHOP and Jamba Juice ended the practice in 2018, after Ferguson's office began investigating them. As a result of Ferguson's case, they are now legally bound to end the practice.

Ferguson continues to investigate other corporate chains that utilize no-poach agreements and expects more fast-food corporations will agree to remove any current and future no-poach provisions from their contracts. If other companies do not remove their no-poach provisions, Ferguson is prepared to file lawsuits.

Senior Assistant Attorney General Jonathan Mark and Assistant Attorney General Eric Newman 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>.