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STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT

IN RE: FRANCHISE NO POACHING
PROVISIONS

NO. **18-2-57777-2 BEA**

JIFFY LUBE INTERNATIONAL,
INC. ASSURANCE OF
DISCONTINUANCE

The State of Washington, by and through its attorneys, Robert W. Ferguson, Attorney General, and Rahul Rao, Assistant Attorney General, files this Assurance of Discontinuance (AOD) under RCW 19.86.100.

I. PARTIES

1.1 In January 2018, the Attorney General initiated an investigation into Jiffy Lube International, Inc. ("JLI") relating to certain provisions in its franchise agreements relating to the hiring practices of its franchisees.

1.2 JLI is a Delaware corporation with its principal office or place of business in Houston, Texas. JLI is in the business of offering franchises for the establishment and operation of lubrication, oil change and repair businesses for cars and light trucks under the "Jiffy Lube®" mark.

1 1.3 For the purposes of this AOD, JLI includes its directors, officers, managers,
2 agents acting within the scope of their agency, and employees as well as its successor and
3 assigns, controlled subsidiaries, divisions, groups, partnerships, and joint ventures.

4 II. INVESTIGATION

5 2.1 JLI has 108 stores in Washington, all of which stores are owned and operated
6 by franchisees.

7 2.2 For years, JLI has included language in its franchise agreements that restricted a
8 franchisee's ability to solicit or hire workers from another franchisee ("no-poaching
9 provision"). Specifically, the standard Jiffy Lube® franchise agreement stated the following:

10 **Section 15.1.2** Franchisee covenants that during the term of this Agreement,
11 Franchisee will not employ or seek to employ any person who is or within the
12 preceding six months has been an employee of Franchisor or of any System franchisee
13 of Franchisor, either directly or indirectly, for itself or through, on behalf of, or in
14 conjunction with any person.

15 **Section 15.2.1** Franchisee covenants that for one year after (a) expiration or
16 termination of this Agreement (regardless of the cause of termination) or (b) transfer of
17 the Franchised Center, Franchisee will not employ or seek to employ any person who is
18 or within the preceding six months has been an employee of Franchisor or of any
19 System franchisee, either directly or indirectly, for itself or through, on behalf of, or in
20 conjunction with any person.

21 The relevant no-poaching provisions restricted franchisees from hiring both employees from a
22 competing franchisee and from JLI's corporate-owned stores.

23 2.3 The Attorney General asserts that the foregoing conduct constitutes a contract,
24 combination, or conspiracy in restraint of trade in violation of the Consumer Protection Act,
25 RCW 19.86.030.
26

1 2.4 JLI expressly denies the conduct described above constitutes a contract,
 2 combination, or conspiracy in restraint of trade in violation of the Consumer Protection Act,
 3 RCW 19.86.030, or any other law, and expressly denies it has engaged in conduct that
 4 constitutes a contract, combination, or conspiracy in restraint of trade. JLI enters into this
 5 AOD to avoid the potential for protracted and expensive litigation and because it voluntarily
 6 removed the "no-poach" provisions from its franchise agreements before being informed of
 7 any investigation of such provisions by the Attorney General. Pursuant to RCW 19.86.100,
 8 neither this AOD nor its terms shall be construed as an admission of law, fact, liability,
 9 misconduct, or wrongdoing on the part of JLI.

10 **III. ASSURANCE OF DISCONTINUANCE**

11 3.1 Subject to paragraph 2.4 above, JLI agrees:

12 3.1.1. It will no longer include no-poach provisions in any of its future
 13 franchise agreements;

14 3.1.2. It will no longer enforce no-poaching provisions in any of its existing
 15 franchise agreements, and will not seek to intervene or defend in any way the legality of any
 16 no-poach provision in any litigation in which a franchisee may claim third-party beneficiary
 17 status rights to enforce an existing no-poach provision; for the avoidance of doubt, however,
 18 nothing in this paragraph prevents JLI from defending the legality of its contracts and practices
 19 in any first-party litigation filed against JLI;

20 3.1.3. It will notify all of its franchisees of the entry of this AOD and provide
 21 them a copy;

22 3.1.4. It will notify the Attorney General's Office if it learns of any effort by a
 23 franchisee in Washington to enforce any existing no-poach provision.

24 3.2 Within 60 days of entry of this AOD, JLI will have amended all existing
 25 franchise agreements with entities in Washington to remove any no-poaching provisions in its
 26 existing franchise agreements. If any franchise owner is unwilling to consent to the change to

1 its franchise agreement, prior to the 60-day deadline, JLI shall provide the name and address of
2 the objecting franchisee and the name and address of the franchisee's registered agent to the
3 Office of the Attorney General.

4 3.3 As they come up for either renewal or renegotiation during the ordinary course
5 of business, JLI will amend all of its existing franchise agreements on a nationwide basis to
6 remove any no-poach provision.

7 3.4 Within 30 days of the conclusion of the time periods referenced in this section
8 III, JLI will submit a declaration to the Attorney General's Office signed under penalty of
9 perjury stating that all provisions of this agreement have been satisfied.


10 IV. ADDITIONAL PROVISIONS

11 4.1 This AOD is binding on, and applies to JLI, including each of its respective
12 directors, officers, managers, agents acting within the scope of their agency, and employees, as
13 well as their respective successors and assigns, controlled subsidiaries, divisions, groups,
14 partnerships, and joint ventures, or other entities through which JLI may now or hereafter act
15 with respect to the conduct alleged in this AOD.
16


17 4.2 This is a voluntary agreement and it shall not be construed as an admission of
18 law, fact, liability, misconduct, or wrongdoing on the part of JLI. By entering into this AOD,
19 JLI neither agrees nor concedes that the claims, allegations and/or causes of action which have
20 or could have been asserted by the Attorney General have merit and JLI expressly denies any
21 such claims, allegations, and/or causes of action. However, proof of failure to comply with this
22 AOD shall be *prima facie* evidence of a violation of RCW 19.86.030, thereby placing upon the
23 violator the burden of defending against imposition by the Court of injunctions, restitution,
24 costs and reasonable attorney's fees, and appropriate civil penalties under the Consumer
25 Protection Act.
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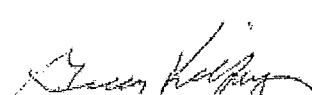
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