Re: Request for Information Regarding Franchise Agreements

Dear [redacted],

Our Offices have learned that certain franchise agreements used in our States and the District of Columbia (hereinafter collectively referred to as “States”) may contain provisions that impact some employees’ ability to obtain higher paying or more attractive positions with a different franchisee. These provisions are known by many terms, including “employee non-competition,” “no solicitation,” “no poach,” “no hire,” or “no switching” agreements (hereinafter referred to collectively as “No Poach Agreements”). As their names suggest, these agreements restrict a franchisee’s ability to recruit or hire employees of [redacted] and other franchisees of [redacted]. We have reason to believe that [redacted] may be including such provisions in its franchise agreements.

As State Attorneys General, we have a common interest in the economic health of our residents and the communities in which they live. Many of us enforce laws that ensure basic worker protections, such as minimum wage, overtime, and anti-discrimination laws, in addition to consumer protection and antitrust laws. Given these roles, we are concerned about the use of No Poach Agreements among franchisees and the harmful impact that such agreements may have on employees in our States and our state economies generally.1 By limiting potential job opportunities, these agreements may restrict employees’ ability to improve their earning potential and the economic security of their families. These provisions also deprive other franchisees of the opportunity to benefit from the skills of workers covered by a No Poach Agreement whom

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they would otherwise wish to hire. When taken in the aggregate and replicated across our States, the economic consequences of these restrictions may be significant.

Given these potentially harmful impacts, we would like to gather information relating to the purpose and effects of No Poach Agreements. To that end, we request that you provide the following information and documents:

For the purposes of the below Request for Information and Request for Documents, the term “No Poach Agreement” refers to any and all language contained within franchise agreements or any other document which restricts or prevents franchisees from hiring or soliciting employees of and/or other franchisees for employment. Such language includes, but is not limited to, any “employee non-competition,” “no solicitation,” and/or “no hire” provisions. In addition, all requests for information and documents shall encompass the time period from January 1, 2015 to the present (“Relevant Period”).

Requests for Information

1. At any point during the Relevant Period, have franchise agreements included any language restricting employee hiring between franchise locations? If yes, when did first start including such language in its franchise agreements? Does this practice continue to the present? If this practice does not continue, when did stop the practice and why was it stopped?

2. What categories of employees have been subject to No Poach Agreements? Please provide in your response information about the types of positions (including job titles), whether full-time or part-time employees, as well as the hourly wage and salary ranges for such workers.

3. Have employees who are subject to No Poach Agreements been informed of this restriction on their mobility? If yes, when and how have they been informed?

4. What is the temporal scope of No Poach Agreements? What is the geographic scope?

5. Please identify the franchise locations currently subject to No Poach Agreements, the number and percentage of your franchises to which No Poach Agreements apply, and an estimate of the number of workers currently subject to such agreements in each of the following States: California, Illinois, Massachusetts, Maryland, Minnesota, New Jersey, New York, Oregon, Pennsylvania, Rhode Island and the District of Columbia.

6. Has or any of its franchisees been a party to litigation or binding arbitration involving No Poach Agreements? If yes, please provide the case name, case number, and a summary of the case status as well as resolution (if applicable).
Requests for Documents

1. A copy of any and all franchise or other agreements used by [redacted] that include No Poach Agreements. Please provide sample franchise agreements or other documents containing the No Poach Agreements that have been used during the Relevant Period. If the terms or language of the No Poach Agreements have changed over the course of the Relevant Period, provide a copy of each version of the No Poach Agreements that have been used.

2. Any and all communications, including emails, correspondence and text messages, with franchisees, separate and apart from the franchise agreement, regarding No Poach Agreements, including any practices, rules, requirements, or contract provisions used within the past three years. This request includes, but is not limited to any and all documents related to training provided to franchisees or store management regarding No Poach Agreements.

3. Any and all documents demonstrating the business rationale and operational need for the No Poach Agreements.

4. Any and all communications, including emails, correspondence and text messages, by and between [redacted] employees, and/or franchisees relating to enforcement of the No Poach Agreements, such as for any employee subject to No Poach Agreements who requested a transfer from one franchisee to another, or a new job with a franchisee while employed at another franchisee, whether that request was granted or denied, and the reasoning for such a decision.

5. Any and all communications, including emails, correspondence and text messages, with other franchisors concerning No Poach Agreements, or related practices, policies, rules, requirements or provisions.

We request that you provide your responses on or before August 6, 2018. Please send all written communications via email to Cynthia.Mark@state.ma.us and provide all responsive documents in an electronic format according to the delivery standards separately attached to this communication to Cynthia Mark at the address listed below.

Let us know if you have any questions, and thank you in advance for your prompt attention.

Sincerely,

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