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STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT

IN RE: FRANCHISE NO POACHING
PROVISIONS

(ZEEK'S RESTAURANTS, INC.)

19-2-04326-1 SEA

ZEEK'S RESTAURANTS, INC.
ASSURANCE OF
DISCONTINUANCE

The State of Washington (State), 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 the "In re Franchise No Poaching Provisions Investigation," which included investigation of the hiring practices of franchisors and franchisees in the state of Washington, including Zeek's Restaurants, Inc.

1.2 Zeek's Restaurants, Inc. (ZRI) is a Washington corporation with its principal office or place of business in Washington. ZRI is in the business of operating a franchise system for pizza restaurants under the "Zeeks Pizza®" trademark.

1.3 ZRI includes its directors, officers, managers, agents acting within the scope of their agency, and employees as well as its successors and assigns, controlled subsidiaries,

ZEEK'S RESTAURANTS, INC.
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ATTORNEY GENERAL OF WASHINGTON
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1 divisions, groups, affiliates, partnerships, and joint ventures. ZRI does not include independent
2 franchise operators.

3 II. INVESTIGATION

4 2.1 There are seventeen Zeeks Pizza® restaurants in Washington. Nine of these
5 restaurants are independently owned and operated by ZRI's franchisees (two locations of
6 which are currently under construction); and the other eight restaurants are owned and operated
7 by ZRI's affiliate Zeeks Pizza, Inc.

8 2.2 Before August 2018, ZRI included in its franchise agreements one or more of
9 the following restrictive covenants related to the solicitation or hiring of certain employees,
10 which the Attorney General considers to be "no-poaching provisions":

- 11 a. "Neither Franchisee nor any Covered Person shall, directly or indirectly, for
12 itself or on behalf of any other person ... employ or seek to employ any person
13 who is at that time employed by Franchisor, Franchisor's Affiliates or another
14 franchisee of Franchisor or otherwise directly or indirectly induce or seek to
15 induce the person to leave his or her employment."
- 16 b. "Franchisee shall not solicit, employ, divert or attempt to employ any employee
17 of Franchisor, Franchisor's Affiliates or other franchisees of Franchisor."
- 18 c. "Therefore, other than the ZEEK'S PIZZA Restaurant licensed herein or
19 authorized by separate agreement with the Franchisor, neither the Franchisee
20 nor any of the Franchisee's officers, directors, shareholders, equity owners,
21 members, managers or partners, nor any member of his or their immediate
22 families, shall during the term of this Agreement: ... divert or attempt to divert
23 the employment of any employee of the Franchisor or another franchisee
24 licensed by the Franchisor to use the Marks and Licensed Methods, to any
25 Competitive Business by any direct inducement or otherwise."
26

1 affiliates, partnerships, and joint ventures, or other entities through which ZRI may now or
2 hereafter act with respect to the conduct alleged in this AOD.

3 4.2 This is a voluntary agreement and it shall not be construed as an admission of
4 law, fact, liability, misconduct, or wrongdoing on the part of ZRI. By entering into this AOD,
5 ZRI neither agrees nor concedes that the claims, allegations and/or causes of action, which
6 have or could have been asserted by the Attorney General, have merit and ZRI expressly
7 denies any such claims, allegations, and/or causes of action. However, proof of failure to
8 comply with this AOD shall be *prima facie* evidence of a violation of RCW 19.86.030, thereby
9 placing upon the violator the burden of defending against imposition by the Court of
10 injunctions, restitution, costs and reasonable attorney's fees, and appropriate civil penalties
11 under the Consumer Protection Act.

12 4.3 ZRI will not, nor will it authorize any of its officers, employees, representatives, or
13 agents to state or otherwise contend that the State of Washington or the Attorney General has
14 approved of, or has otherwise sanctioned, the conduct described in paragraph 2.2 with respect to
15 the provisions in ZRI's franchise agreement.

16 4.4 This AOD resolves all issues raised by the State of Washington and the Antitrust
17 Division of the Attorney General's Office under the Consumer Protection Act and any other
18 related statutes pertaining to the acts set forth in paragraphs 2.1 – 2.5 above that may have
19 occurred before the date of entry of this AOD and concludes the investigation thereof. Subject to
20 paragraph 4.2, the State of Washington and the Antitrust Division of the Attorney General's
21 Office shall not file suit or take any further investigative or enforcement action with respect to the
22 acts set forth above that occurred before the date of entry of this AOD, or that occurs between the
23 date of the entry of this AOD and the conclusion of the 90 day period identified in paragraph 3.2
24 above, against ZRI or any of its current franchisees in the state of Washington that sign the
25 proposed amendment. The Attorney General reserves the right to take further investigative or
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enforcement action against any current franchisee in the state of Washington that does not consent to the proposed amendment.

APPROVED ON this ____ day of _____, 2019.

JUDGE/COURT COMISSIONER

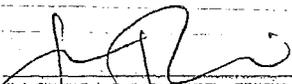
1 Presented by:

2 ROBERT W. FERGUSON
3 Attorney General

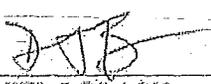
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14 Agreed to and approved for entry by:
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23 DANIEL J. BLACK
24 President
25 Zeek's Restaurants, Inc.

26 ZEEK'S RESTAURANTS, INC.
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