



December 7, 2016

## MADIGAN ANNOUNCES SETTLEMENT WITH JIMMY JOHN'S FOR IMPOSING UNLAWFUL NON-COMPETE AGREEMENTS

### *Attorney General's Settlement Ensures Sandwich Shop Workers Will No Longer Be Subject to Restrictive Non-Compete Agreements*

**Chicago** —Attorney General Lisa Madigan today announced a settlement with Jimmy John's for imposing highly restrictive non-compete agreements on its low-wage sandwich shop employees and delivery drivers whose primary job tasks are to take food orders and make and deliver sandwiches. Between its franchise and corporate-owned locations, Jimmy John's operates nearly 300 sandwich shops in Illinois.

Madigan's settlement agreement with Jimmy John's Enterprises LLC and Jimmy John's Franchise LLC requires the company to:

- Notify all current and former employees that their non-competition agreements are unenforceable and confirm that Jimmy John's does not intend to enforce them;
- Notify all franchisees in Illinois of the same and ask them to rescind any non-competes they used based on the model agreement provided by Jimmy John's corporation;
- Implement a process to remove all non-competes from Jimmy John's "new hire" packets and stores;
- Agree to use non-competes in compliance with Illinois law moving forward; and
- Provide \$100,000 to the Attorney General's Office to use toward education and outreach to raise public awareness regarding the legal standards for enforceability of non-compete agreements and promote employer best practices.

"This settlement helps ensure Illinois' workers have freedom to change jobs in order to seek better wages, further their careers and improve their lives," Madigan said. "Workers in Jimmy John's sandwich shops should know they are not subject to these unfair and unenforceable agreements."

Madigan filed a lawsuit in June 2016 that alleged Jimmy John's required all employees to sign a non-compete agreement as a condition of employment. The agreement restricted employees during their employment and for two years afterward from working in any other business that earns more than 10 percent of its revenue from selling "submarine, hero-type, deli-style, pita, and/or wrapped or rolled sandwiches." Under the terms of the non-compete agreement, this work restriction applied to any sandwich business located within three miles of any Jimmy John's Sandwich Shop in the country. A later, nearly identical version of the non-compete agreement modified the geographic limitation to two miles around any Jimmy John's Sandwich Shop in the country.

Madigan's lawsuit alleged the agreement was illegal and unenforceable under Illinois law. Madigan's office is currently investigating several additional employers for the use of unenforceable non-compete agreements.

According to White House and U.S. Treasury reports, non-competes impact approximately 30 million – nearly one in five – U.S. workers, including roughly one in six workers without a college degree. Under Illinois law, non-compete agreements must be premised on a legitimate business interest and narrowly tailored in terms of time, activity and place. Starting in January 2017, the Illinois Freedom to Work Act will prohibit use of non-compete agreements for employees earning minimum wage or less than \$13 an hour.

The settlement was handled by Madigan's Workplace Rights Bureau Chief Jane Flanagan, as well as Assistant Attorneys General Anna Crane and John Wolfsmith. The mission of the Workplace Rights Bureau is to protect and advance the employment rights of Illinois residents, particularly low and moderate-income and immigrant residents. The Bureau recently held a symposium on "Emerging Legal Issues in the Workplace" in which national and local experts discussed recent trends and policy proposals surrounding the increasing use of non-compete agreements.

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