

ASSEMBLY, No. 1596

STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblyman PEDRO MEJIA

District 32 (Bergen and Hudson)

SYNOPSIS

Prohibits no-poaching agreements in franchise arrangements.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** concerning franchise arrangements and employment
2 restrictions and amending P.L.1971, c.356.

3

4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6

7 1. Section 7 of P.L.1971, c.356 (C.56:10-7) is amended to read
8 as follows:

9 7. It shall be a violation of this act for any franchisor, directly
10 or indirectly, through any officer, agent or employee, to engage in
11 any of the following practices:

12 a. To require a franchisee at the time of entering into a
13 franchise arrangement to assent to a release, assignment, novation,
14 waiver or estoppel which would relieve any person from liability
15 imposed by this act.

16 b. To prohibit directly or indirectly the right of free association
17 among franchisees for any lawful purpose.

18 c. To require or prohibit any change in management of any
19 franchisee unless such requirement or prohibition of change shall be
20 for good cause, which cause shall be stated in writing by the
21 franchisor.

22 d. To restrict the sale of any equity or debenture issue or the
23 transfer of any securities of a franchise or in any way prevent or
24 attempt to prevent the transfer, sale or issuance of equity securities
25 or debentures to employees, personnel of the franchisee, or spouse,
26 child or heir of an owner, as long as basic financial requirements of
27 the franchisor are complied with, and provided any such sale,
28 transfer or issuance does not have the effect of accomplishing a sale
29 or transfer of control, including, but not limited to, change in the
30 persons holding the majority voting power of the franchise.
31 Nothing contained in this subsection shall excuse a franchisee's
32 obligation to provide prior written notice of any change of
33 ownership to the franchisor if that notice is required by the
34 franchise.

35 e. To impose unreasonable standards of performance upon a
36 franchisee.

37 f. To provide any term or condition in any lease or other
38 agreement ancillary or collateral to a franchise, which term or
39 condition directly or indirectly violates this act.

40 g. To prohibit a franchisee from employing or seeking to
41 employ an individual who is at the time or was previously
42 employed by the franchisor or any other franchisee of the
43 franchisor.

44 (cf: P.L.1999, c.45, s.1)

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 Limits on worker mobility may be a factor in wage stagnation
2 because the agreements limit job opportunities. The purpose of this
3 bill is to create greater labor market competition by prohibiting the
4 use of no-poaching agreements by franchisors.