

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS EASTERN
DIVISION**

STEPHANIE TURNER, on behalf of herself)	
and all others similarly situated,)	
)	
Plaintiff,)	Case No. 19-cv-05524
)	
v.)	Judge Jorge L. Alonso
)	Magistrate Judge M. David Weisman
McDONALD'S USA, LLC, a Delaware)	
limited liability company, McDONALD'S)	
CORPORATION, a Delaware corporation;)	
)	
Defendants.)	

**DEFENDANTS McDONALD'S USA, LLC AND McDONALD'S
CORPORATION'S ANSWER TO PLAINTIFF'S COMPLAINT**

Pursuant to Federal Rules of Civil Procedure 7, 8, and 12, McDonald's USA, LLC and McDonald's Corporation (collectively "Defendants"), by and through their undersigned counsel, hereby answer the Class Action Complaint [Dkt. No. 1] (the "Complaint") filed by Stephanie Turner ("Plaintiff").^{1, 2}

NATURE OF THE ACTION

1. This action challenges under Section 1 of the Sherman Act a no-solicitation and no-hiring contract, combination, or conspiracy between and among Defendants McDonald's USA, LLC, McDonald's Corporation (together, "Defendants" or "McDonald's"), and their franchisees, pursuant to which McDonald's and the franchisees agreed not to recruit or hire each other's employees.

Answer: This paragraph consists of Plaintiff's characterizations of her purported claims to which no response is required. To the extent a response is required, Defendants admit that Plaintiff purports to bring this lawsuit against Defendants under Section 1 of the Sherman Act concerning an alleged no-solicitation and no-hiring contract, combination, or conspiracy.

2. McDonald's, at its principal place of business formerly located in Oak Brook, Illinois, was intimately involved in forming, monitoring, and enforcing this anti-competitive contract, combination, or conspiracy. McDonald's orchestrated, dispersed, and enforced the agreement among itself and all franchisees, at least in part, through an explicit contractual prohibition contained in standard McDonald's franchise agreements. That standard agreement was executed by McDonald's and by franchisees alike—at least up until sometime in 2017. The practice at issue reflects a naked horizontal restraint of competition in the form of a market allocation agreement, a category of restraint long held to be *per se* unlawful under the antitrust laws. The agreement was not reasonably necessary to, and did not contribute to the success of, any legitimate procompetitive benefit or joint venture, nor did it promote enterprise or productivity when it was adopted or at any time since.

Answer: Defendants admit that until June 1, 2018, Defendants' principal places of business were in Oak Brook, Illinois; as of that date, Defendants' principal places of business moved to Chicago,

¹ For ease of reference, the headings below match the headings used in the Complaint; Defendants deny all allegations, if any, contained in the headings.

² Plaintiff's Complaint refers to "stores," which Defendants interpret to mean individual McDonald's-brand restaurants. While "stores" is not Defendants' preferred terminology, Defendants will use that terminology where Plaintiff used it for the purpose of this Answer only.

Illinois. The remainder of the paragraph consists of Plaintiffs' characterizations of their purported claims to which no response is required. To the extent a response is required, Defendants deny the allegations in Paragraph 2 of the Complaint.

3. Plaintiff and the Class (defined below) are current and former employees of McDonald's-branded restaurants operated by McDonald's or a McDonald's franchisee. Plaintiff and the Class have suffered depressed wages and benefits and diminished opportunities as a result of the unlawful agreement.

Answer: This paragraph consists of Plaintiffs' characterizations of their purported class and claims to which no response is required. To the extent a response is required, Defendants admit that the Complaint purports to describe the putative class in subsequent paragraphs and otherwise deny the allegations in Paragraph 3 of the Complaint.

4. McDonald's is the world's leading global food service retailer with over 36,000 locations in over 100 countries. More than 80% of McDonald's restaurants worldwide are franchise businesses that are independently owned and operated, and are separate and distinct entities from McDonald's.

Answer: Defendants admit that there are over 36,000 McDonald's-brand restaurants in over 100 countries. Defendants admit that more than 80% of McDonald's-brand restaurants worldwide are franchise businesses that are independently owned and operated. Defendants otherwise deny the allegations in Paragraph 4 of the Complaint.

5. In the U.S., approximately 90% of McDonald's restaurants are operated by independently-owned and -operated franchisees who have executed a standard form franchise agreement with either McDonald's USA, LLC or McDonald's Corporation. Some or all of the remaining U.S. McDonald's restaurants are operated by McDonald's itself.

Answer: Defendants admit the allegations in Paragraph 5.

6. McDonald's boasts on its corporate website that in the U.S. market, it possesses "a unique and powerful field organization structure that, when optimized, gives us a significant

competitive advantage.”¹ McDonald’s also considers itself an “iconic brand, moving toward the future” with “commitments to our people, our communities and our world.”²

Answer: Because the first uniform resource locator (URL) cited in footnote 1 of the Complaint automatically redirects to another URL, at which the quoted language does not appear, Defendants deny the allegations related to it. With respect to the remaining allegations in Paragraph 6 of the Complaint, Defendants deny that the quotations appear at the URL cited in footnote 2, and otherwise deny the allegations about them and deny that these out-of-context statements communicate the totality of the statements from which they are taken.

7. As part of McDonald’s system to maintain its significant competitive advantage, together with its franchisees, McDonald’s has colluded to suppress the wages of the restaurant- based employees who work not only at McDonald’s restaurants in Ohio or Kentucky, but also throughout the United States. In particular, McDonald’s and its franchisees have contracted, combined, and/or conspired to neither hire nor solicit each other’s employees. McDonald’s effected this plan, in part, through an explicit contractual “no hire” and “no solicitation” clause in its franchise agreements that expressly prohibits its franchisees from “employ[ing] or seek[ing] to employ any person” who at the time is, or within the preceding six months has been, employed by McDonald’s, by any of its subsidiaries, or by any other franchisee. This agreement, which is or was evidenced by express contractual provisions in the standard McDonald’s franchise agreement, is an unreasonable restraint of trade.

Answer: Defendants deny the allegations in Paragraph 7 of the Complaint.

8. As further described below, this also is or was not merely a one-way agreement by *franchisees* to not solicit or hire employees away from McDonald’s company-owned stores or from other franchisees; rather, *McDonald’s itself* adheres or adhered to the same agreement in the operation of its company-owned stores.

Answer: Defendants deny the allegations in Paragraph 8 of the Complaint.

9. As the Department of Justice Antitrust Division and Federal Trade Commission’s joint *Antitrust Guidance for Human Resource Professionals* (October 2016) states: “Naked wage-fixing

¹ Available at <http://corporate.mcdonalds.com/mcd/investors/company-overview/company-overview-segment-information.html> (last visited September 18, 2017).

² Available at <http://corporate.mcdonalds.com/mcd/our company.html> (last visited April 1, 2017).

or no-poaching agreements among employers, whether entered into directly or through a third party intermediary, are per se illegal under the antitrust laws.”³ The *Guidance* further elaborates:

From an antitrust perspective, firms that compete to hire or retain employees are competitors in the employment marketplace, regardless of whether the firms make the same products or compete to provide the same services. It is unlawful for competitors to expressly or implicitly agree not to compete with one another, even if they are motivated by a desire to reduce costs.⁴

Answer: Defendants admit that the quotations in Paragraph 9 appear at the URL cited in footnote 4. To the extent the allegations in Paragraph 9 are legal arguments, and not fact, no response is required. Defendants otherwise deny the allegations in Paragraph 9.

10. The no-hire and no-solicit agreement (hereafter, sometimes called the “No-Poach Agreement”) between and among McDonald’s and its franchisees has eliminated employers’ incentives and ability to compete for employees, and has depressed employees’ wages and restricted employees’ mobility.

Answer: To the extent the allegations in Paragraph 10 refer to entities other than Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. Defendants otherwise deny the allegation in Paragraph 10.

11. Consistent with the DOJ/FTC’s *Guidance*, the Washington Attorney General concluded in July 2018 that McDonald’s No-Poach Agreement constituted an agreement in restraint of trade that “restricts worker mobility and decrease[s] competition for labor by preventing workers from moving among the chain[]’s franchise locations.” The Washington AG also determined that this reduction in competition artificially reduced employee compensation by “put[ting] downward pressure on wages.” In July 2018, McDonald’s entered into an Assurance of Discontinuance, pursuant to which McDonald’s agreed to stop including the No-Poach Agreement or similar provisions in future franchise agreements, to stop enforcing the No-Poach Agreement in any existing agreements nationwide, and to notify McDonald’s franchise operators in Washington of the assurance and to begin amending those agreements to remove the No- Poach Agreement.

Answer: Defendants admit that McDonald’s USA, LLC filed an Assurance of Discontinuance in July 2018. Defendants lack knowledge or information sufficient to form a belief as to the truth of the

³ Available at <https://www.justice.gov/atr/file/903511/download> (last visited September 17, 2017).

⁴ Id.

allegations regarding the Washington Attorney General's conclusions or determinations, including the unattributed quotations in Paragraph 11, and on that basis deny these allegations. Defendants otherwise deny the allegations in Paragraph 11 of the Complaint.

12. Economists have confirmed the Washington AG's findings that no-hire and no-poach agreements, like the one implemented among McDonald's and its franchisees, depress employee compensation by artificially reducing competition in the labor market. Princeton University economists Alan Krueger and Orley Ashenfelter have studied franchise agreements extensively, and they conclude: (1) that "[a]greements to refrain from recruiting and hiring away employees from other units in a franchise chain are common in franchise contracts;" (2) that those agreements can reduce labor market competition, and reduce workers' job opportunities; and (3) that the prevalence of such agreements may help to explain why wage growth has been sluggish despite low unemployment rates.⁵

Answer: Defendants admit that the quoted language appears in the cited publication and otherwise lack knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 12 of the Complaint and on that basis deny them.

13. Similarly, Joseph Harrington, Wharton professor of business economics and public policy, says, "In terms of suppressing competition, companies agreeing not to compete for each other's employees is the same as companies agreeing not to compete for each other's customers."

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 13 of the Complaint and on that basis deny them.

14. According to Peter Cappelli, Wharton management professor and director of Wharton's Center for Human Resources, no-poaching agreements are unfair to employees and such a pact "benefits the companies at the expense of their employees." Mr. Cappelli notes that the reason such agreements are illegal and violate both anti-trust and employment laws is because "[c]ompanies could achieve the same results by making it attractive enough for employees not to leave."

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 14 of the Complaint and on that basis deny them.

⁵ Alan B. Krueger and Orley Ashenfelter, *Theory and Evidence on Employer Collusion in the Franchise Sector*, NATIONAL BUREAU OF ECONOMIC RESEARCH (July 2018) at 20-1.

15. The collusion of employers to refrain from hiring each other's employees restricts employee mobility and competition in the labor market. This raises employers' power at the expense of employees and diminishes employee bargaining power for workers within franchise chains. This is especially harmful to employees of McDonald's and its franchises as those employees are usually paid below a living wage⁶, and their marketable skills acquired through their work at McDonald's primarily have value only to other McDonald's restaurants and do not transfer to other fast food restaurants or similar businesses.

Answer: To the extent the allegations in this paragraph of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. To the extent the allegations in paragraph 15 of the Complaint relate to Defendants, Defendants deny them.

16. This no-solicitation and no-hiring agreement between and among McDonald's and McDonald's franchisees, pursuant to which McDonald's and its franchisees agreed not to recruit each other's employees (even those employees that approached another McDonald's restaurant for a job on their own volition) eliminated franchisees' and company-owned stores' incentives and ability to compete for employees, and restricted employees' mobility. This agreement, far from being a "commitment to [its] people," instead harmed employees by lowering salaries and benefits employees otherwise would have commanded in an open marketplace, and deprived such employees of better job growth opportunities.

Answer: Defendants deny the allegations in Paragraph 16 of the Complaint.

17. The McDonald's No-Poach Agreement has and had the effect of restraining competition for hiring employees among McDonald's-branded restaurants. It is a restraint of trade that is *per se* unlawful under Section 1 of the Sherman Act, 15 U.S.C. § 1. As a result of the No-Poach Agreement, Plaintiff and the Class suffered antitrust injury in the form of depressed wages.

Answer: The allegations in Paragraph 17 of the Complaint are legal arguments, not allegations of fact, and no response is required. To the extent a response is required, Defendants deny the allegations in Paragraph 17 of the Complaint.

THE PARTIES

⁶ In 2014, the average hourly wage of fast food employees is \$9.09 or less than \$19,000 per year for a full time worker. The poverty level of a family of four in the U.S. is \$23,850. Patrick M. Sheridan, *Low Wage, health activists prepare McDonald's attack*, CNN Money (May 20, 2014) <http://money.cnn.com/2014/05/20/news/companies/mcdonalds-meeting> (last visited May 17, 2017).

18. Plaintiff Stephanie Turner is a resident of Monroe, Ohio. Ms. Turner worked for a McDonald's corporate-operated restaurant in Latonia, Kentucky and then for McDonald's restaurants owned and operated by franchisee Copeland Investments Corporation in Florence and Hebron, Kentucky for a total of approximately 15 years.

Answer: Defendants admit that Plaintiff was an employee of a McDonald's corporate-operated restaurant in Latonia, Kentucky and that Plaintiff was an employee of a McDonald's restaurant owned and operated by Copeland Investments, Corp. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 18 of the Complaint and on that basis deny them.

19. Plaintiff has suffered reduced wages, loss of professional growth opportunities, and worsened, illegal working conditions because of the express restraint of trade agreed to between and among McDonald's and its franchisees, prohibiting each from "employ[ing] or seek[ing] to employ" anyone who works (or in the last six months has worked) as an employee at McDonald's, a McDonald's subsidiary, or any other McDonald's franchise. Specifically, Plaintiff Turner was told on numerous occasions that she could not seek jobs with other McDonald's restaurants without first obtaining a release from her current employer. That reduced her mobility within the McDonald's restaurant system and depressed her wages.

Answer: To the extent the allegations in Paragraph 19 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. To the extent the allegations in Paragraph 19 relate to Defendants, Defendants deny them.

20. Defendant McDonald's USA, LLC is a Delaware limited liability company with its principal place of business in Chicago, Illinois. It is a wholly-owned subsidiary of its parent and predecessor, McDonald's Corporation, which is a Delaware corporation with its principal place of business in Chicago, Illinois. McDonald's is in the business of selling food to customers primarily through independently owned and operated franchise restaurants. It has multiple McDonald's franchise restaurants in Illinois, Kentucky, and every state in the United States. During the period of interest in this lawsuit, it has owned and operated multiple company-owned McDonald's restaurants in Illinois, Ohio, Kentucky, and in approximately 35 other U.S. states and territories.

Answer: Defendants admit that McDonald's USA, LLC is a Delaware limited liability company and that its principal place of business is currently in Chicago, Illinois. Defendants admit that

McDonald's USA, LLC is a wholly-owned subsidiary of McDonald's Corporation, which is a Delaware corporation with its principal place of business in Chicago, Illinois. Defendants admit that there are multiple franchise-operated McDonald's-brand restaurants in every state in the United States.

Defendants deny the remaining allegations in Paragraph 20 of the Complaint.

CO-CONSPIRATORS

21. Various other corporations and persons not made defendants in this Complaint, including McDonald's franchisees and the McDonald's operating companies that operate company-owned restaurants, participated as co-conspirators in the violations alleged and performed acts and made statements in furtherance of the violations alleged. Defendants' agents, including their officers, employees, or other representatives, ordered, authorized, or performed the acts alleged in this Complaint on Defendants' behalf in the normal course of their duties as Defendants' agents engaged to manage and operate Defendants' business or affairs. Defendants are jointly and severally liable for the acts of their co-conspirators, whether named or not named as defendants in this Complaint.

Answer: To the extent the allegations in Paragraph 21 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. To the extent the allegations in Paragraph 21 relate to Defendants, Defendants deny them.

JURISDICTION AND VENUE

22. This action is instituted under Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26, to recover treble damages and the costs of this suit, including reasonable attorneys' fees, against Defendant for the injuries sustained by Plaintiff by virtue of Defendants' violations of Section 1 of the Sherman Act, 15 U.S.C. § 1 and to enjoin further violations. The Court has subject matter jurisdiction under Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26, under Section 4 of the Sherman Act, 15 U.S.C. § 4, and under 28 U.S.C. §§ 1331, 1332 and 1337 to prevent and restrain the Defendant from violating Section 1 of the Sherman Act, 15 U.S.C. § 1.

Answer: Paragraph 22 of the Complaint contains Plaintiff's jurisdictional allegations, to which no response is required. To the extent a response is required, Defendants admit that this Court has jurisdiction over the subject matter of Plaintiff's claims and otherwise deny the allegations as they relate to Defendants.

23. Venue is proper in this judicial district under Sections 4, 12, and 16 of the Clayton Act, 15 U.S.C. §§ 15, 22, and 26, and under 28 U.S.C. § 1391(b)(2), (c)(2). McDonald's transacts or has transacted business in this district and has its principal place of business here. Based on information and belief, a substantial part of the events that gave rise to this action occurred here, namely, the decision to implement the no-solicit and no-hire contract, combination, or conspiracy, the drafting of the no-solicit and no-hire clause in the franchise agreements, McDonald's entry into that agreement, and the selection of Illinois law to interpret and govern that agreement. McDonald's standard franchise agreement states that the provisions and terms of the agreement are to be interpreted in accordance with and governed by the laws of the state of Illinois. It specifies that all notices are to be directed and delivered to McDonald's address at its principal place of business, in this district.

Answer: Paragraph 23 of the Complaint contains Plaintiff's legal assertions regarding venue, to which no response is required. To the extent a response is required, Defendants admit that the franchise agreement between McDonald's USA LLC and franchisees in the U.S. states that it shall be interpreted in accordance with and governed by the laws of the state of Illinois and that all notices are to be delivered to Defendants' former principal place of business in this district. Defendants admit that on information and belief the drafting of the franchise agreements occurred in Illinois. Defendants deny that their principal place of business currently is in Oak Brook, Illinois, and otherwise deny the allegations in Paragraph 23 of the Complaint.

24. McDonald's is in the business of selling food to consumers, in part, through independently owned and operated franchise restaurants. These restaurants are in each state in the United States, and McDonald's has substantial business activities with each franchised restaurant, including entering into a contractual franchise agreement with the owner of the franchise.

Answer: To the extent Paragraph 24 of the Complaint contains legal conclusions, no response is required. To the extent a response is required, Defendants admit that there are McDonald's-brand restaurants in each state of the United States, and that there are contractual franchise agreements between McDonald's USA LLC and franchisees. Defendants otherwise deny the allegations in paragraph 20 of the Complaint.

25. McDonald's also sells food to consumers through its own company-owned stores. These restaurants are owned by McDonald's Operating Companies ("McOpCo's"), which are indirect or direct subsidiaries of Defendant McDonald's Corporation. During the period of interest in this

lawsuit, more than 35 U.S. states and territories, including Ohio, Kentucky, and Illinois, have boasted multiple McOpCo McDonald's restaurants. Hundreds of McOpCo McDonald's restaurants have operated in the U.S. every year since 2010. McDonald's engages in substantial business activities with the McOpCo restaurants.

Answer: Defendants admit that some McDonald's-brand restaurants in the U.S. are owned by McDonald's Operating Companies, which the company calls McOpCos (hereinafter "McOpCos"), which are indirect or direct subsidiaries of McDonald's Corporation. Defendants admit that more than 1,000 McOpCo restaurants have operated in the U.S. every year since 2010. Defendants admit that McDonald's USA, LLC engages in business activities with McOpCo restaurants. Defendants otherwise deny the allegations in paragraph 25 of the Complaint.

26. McDonald's engages in substantial activities at issue in this Complaint that are in the flow of and substantially affect interstate commerce.

Answer: To the extent Paragraph 26 of the Complaint contains legal conclusions, no response is required. To the extent a response is required, Defendants deny the allegations in Paragraph 26 of the Complaint.

FACTS COMMON TO ALL COUNTS

A. The McDonald's Model: "Freedom Within A Framework"

27. McDonald's is one of the world's largest restaurant chains, serving approximately 68 million customers daily in 120 countries across approximately 36,899 outlets. McDonald's primarily sells hamburgers, cheeseburgers, chicken products, french fries, breakfast items, soft drinks, milkshakes, wraps, and desserts.

Answer: Defendants admit that, world-wide, McDonald's-branded restaurants serve approximately 68 million customers daily at approximately 36,000 outlets in 120 countries. Defendants deny the remaining allegations in Paragraph 27 of the Complaint.

28. A McDonald's restaurant is operated by either a franchisee, an affiliate, or, in the case of company-operated stores, by a McOpCo. McDonald's revenues come from the rent, royalties, and fees paid by the franchisees, as well as from sales in the McOpCo restaurants.

Answer: Defendants admit that some McDonald's-brand restaurants in the U.S. are operated by franchisees and some are operated by McOpCos. Since 2005, McDonald's USA, LLC, not McDonald's Corporation, has been the franchisor for franchisee-operated McDonald's-brand restaurants in the U.S. Some McDonald's-brand restaurants in U.S. territories are operated by developmental licensees. Neither McDonald's Corporation nor McDonald's USA, LLC, owns, operates, or controls the day-to-day operations of franchisee restaurants in the U.S. or U.S. territories. Defendants deny the remaining allegations in Paragraph 28 of the Complaint.

29. Currently, McDonald's has franchised approximately 90% of its U.S. restaurants, while the remainder are owned and operated by the company. Most McDonald's franchisees are subject to a standard 20-year franchise license agreement.

Answer: Defendants admit that approximately 90% of McDonald's restaurants in the U.S. are franchised. Defendants further admit that McDonald's USA, LLC, uses a franchise agreement, which is periodically updated. Defendants further admit the term of a McDonald's USA, LLC franchise agreement is typically 20 years. Defendants deny the remaining allegations in Paragraph 29 of the Complaint.

30. Any existing McDonald's franchise agreement entered into (and not later amended or superseded) prior to approximately 2005 is an agreement in which McDonald's Corporation is the franchisor. Any existing McDonald's franchise agreement entered into since approximately 2005 is an agreement in which McDonald's USA, LLC is the franchisor.

Answer: Defendants admit that since 2005, McDonald's USA, LLC has been the franchisor for franchisee-operated McDonald's-brand restaurants in the U.S. Defendants admit that McDonald's Corporation was named as the franchisor in certain franchise agreements entered into prior to 2005. Defendants deny that McDonald's Corporation currently is a franchisor and otherwise deny the remaining allegations in Paragraph 30 of the Complaint.

31. Each franchise is operated by an entity that is a separate legal entity from McDonald's USA, LLC and McDonald's Corporation. Each franchise is an independently owned and independently managed business.

Answer: Defendants admit that neither McDonald's Corporation nor McDonald's USA, LLC, own or operate franchisee restaurants in the U.S. Defendants admit that each franchise is an independently owned and independently managed business. Defendants deny the remaining allegations, if any, in Paragraph 31 of the Complaint.

32. In McDonald's ownership and operation of the McOpCo company-owned restaurants, McDonald's acts as a competitor of independently-owned and -operated McDonald's franchisee restaurants.

Answer: Defendants deny the allegations in Paragraph 32 of the Complaint.

33. There are approximately 420,000 employees that work for McDonald's or its franchise restaurants in the United States. McDonald's had a net income of \$4.686 billion for the fiscal year 2016. McDonald's current valuation is over \$90 billion.

Answer: Defendants admit that there were approximately 375,000 employees of McDonald's Corporation, including employees of its corporate office and company-owned restaurants, as of year-end 2016. Defendants admit that McDonald's Corporation had a net income of approximately \$4.686 billion during the 2016 fiscal year. Defendants admit that, as of the date of this Answer, McDonald's Corporation's market capitalization is over \$90 billion. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 33 of the Complaint and on that basis deny them.

34. According to a BBC report published in 2012, McDonald's franchises are the world's second largest private employer, with 1.5 million employees working for franchises.

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 34 of the Complaint and on that basis deny them.

35. According to *Fast Food Nation* by Eric Schlosser (2001), nearly one in eight workers in the United States has at some time been employed by a McDonald's restaurant.

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 35 of the Complaint and on that basis deny them.

36. Overall, franchising is very important to McDonald's profitability. The chart below illustrates the margins McDonald's receives from this part of its business:

Franchised margins

<i>In millions</i>	2012	<i>2011</i>	<i>2010</i>
U.S.	\$3,594	\$3,436	\$3,239
Europe	2,352	2,400	2,063
APMEA	924	858	686
Other Countries & Corporate	567	538	476
Total	\$7,437	\$7,232	\$6,474

<i>Percent of revenues</i>	2012	<i>2011</i>	<i>2010</i>
U.S.	83.9%	83.9%	83.4%
Europe	79.0	79.1	78.2
APMEA	88.8	89.5	89.3
Other Countries & Corporate	85.6	86.1	86.0
Total	83.0%	83.0%	82.4%

Answer: Defendants admit that the excerpted chart in Paragraph 36 of the Complaint is derived from public filings, but deny that it is a full and accurate representation of those filings. Defendants admit that franchising is very important to Defendants' profitability.

37. In McDonald's operated restaurants/franchises, the company develops and refines operating standards, marketing concepts, and product and pricing strategies.

Answer: Defendants admit that McOpCos develop and refine operating standards, marketing concepts, and product and pricing strategies in restaurants that they own and/or operate. To the extent the allegations in Paragraph 37 of the Complaint state otherwise, Defendants deny them.

38. McDonald's also regularly leases to the franchisee the property where the McDonald's franchise is operated.

Answer: Defendants admit that McDonald's USA, LLC leases property to certain franchisees, including the property on which franchisee-operated restaurants are located. Defendants otherwise deny the allegations in paragraph 38.

39. McDonald's license agreements and operator's lease agreement both provide that the franchisees are independent of McDonald's and are responsible for all obligations and liabilities of the business, and responsible for the day-to-day operations of the business.

Answer: To the extent Paragraph 39 of the Complaint states a legal conclusion, no response is required. To the extent a response is required, Defendants admit that franchisees in the U.S. are responsible for all obligations and liabilities of the premises, as that term is defined in the operative lease agreement, that franchisees in the U.S. are responsible for all obligations and liabilities of the restaurant and its business, as those terms are defined in the operative franchise agreement, and that franchisees are responsible for the day-to-day operations of the business. Defendants otherwise deny the allegations in Paragraph 39 of the Complaint.

40. The franchise agreement specifies that McDonald's franchisees have no exclusive, protected, or territorial rights in the contiguous market area of their restaurant location(s). Franchisees are informed and McDonald's discloses that franchisees may face competition from other franchisees, new franchisees, and new McDonald's restaurants owned and operated by McDonald's itself.

Answer: Defendants admit that certain U.S. franchise agreements state that the agreements do not grant or infer an exclusive, protected, or other territorial right in the contiguous market area of a franchised restaurant business. Defendants admit that certain U.S. franchise disclosure documents state that franchisees may face competition from other franchisees, outlets owned by McDonald's USA, LLC, or other channels of distribution or competitive brands that McDonald's USA, LLC controls. Defendants deny the remaining allegations in Paragraph 40 of the Complaint.

41. Franchise agreements entered into with McDonald's franchisees before at least March 2017 included express language that contractually prohibited franchisees from employing, or seeking

to employ, any person who is at the time employed by McDonald's, any of its subsidiaries, or any of its other franchises, unless the employee has left that employment for a period in excess of six (6) months. The same franchise agreements contractually prohibited franchisees from inducing, directly or indirectly, such persons to leave such employment.

Answer: Defendants deny the allegations in Paragraph 41 of the Complaint.

42. McDonald's has treated this as a bilateral prohibition, precluding McDonald's company-owned stores from hiring persons employed by franchisees.

Answer: Defendants deny the allegations in Paragraph 42 of the Complaint.

B. McDonald's Has Continually Sought to Cut Employee Wages

43. Since the late 1990s, McDonald's has continually attempted to reduce labor costs. This included replacing employees with electronic kiosks which would perform actions such as taking orders and accepting money. In 1999, McDonald's first tested "E-Clerks" in suburban Chicago, Illinois, and Wyoming, Michigan, with the devices being able to "save money on live staffers" and attracting larger purchase amounts than average employees.

Answer: Defendants lack knowledge or information sufficient to form a belief as to whether EClerks were first tested in 1999 in suburban Chicago, Illinois, Wyoming, and Michigan and on that basis deny those allegations. To the extent the remaining allegations in Paragraph 43 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them; to the extent those allegations relate to Defendants, Defendants deny them.

44. A study conducted by Anzalone Liszt Grove Research and released by *Fast Food Forward* showed that approximately eighty-four percent (84%) of all fast food employees working in New York City in April 2013 had been paid less than their legal wages by their employers.

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 44 of the Complaint and on that basis deny them.

45. From 2007 to 2011, fast food workers in the U.S. drew an average of \$7 billion of public assistance annually resulting from receiving low wages.

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 45 of the Complaint and on that basis deny them.

46. Because McDonald's franchise employees were paid less than a living wage, McResource, the McDonald's intranet website, advised employees to break their food into smaller pieces to feel fuller, seek refunds for unopened holiday purchases, sell possessions online for quick cash, and to "quit complaining" as "stress hormone levels rise by 15 percent after ten minutes of complaining."⁷

Answer: To the extent the allegations in Paragraph 46 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. To the extent the allegations in Paragraph 46 relate to Defendants, Defendants deny them.

47. In December 2013, McDonald's shut down the McResource website amidst negative publicity and criticism.

Answer: Defendants admit that McResource was deactivated in December 2013. Defendants deny the remaining allegations in Paragraph 47 of the Complaint.

48. The *Roosevelt Institute* accuses some McDonald's restaurants of actually paying less than the minimum wage to entry positions due to "rampant" wage theft.⁸

Answer: To the extent the allegations in Paragraph 48 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. To the extent the allegations in Paragraph 48 relate to Defendants, Defendants deny them.

⁷ Susanna Kim, McDonald's Defends Telling Workers to 'Quit Complaining' to Reduce Stress, ABC News (November 21, 2013) <http://abcnews.go.com/Business/mcdonalds-defends-employees-tips-deemed-offensive-clueless-sdovcacy/story?id=20954354> (last visited April 1, 2017).

⁸ Harmony Goldberg, How McDonald's gets away with rampant wage theft, Salon, (April 6, 2015), http://www.salon.com/2014/04/06/how_mcdonalds_gets_away_with_rampant_wage_theft_partn_er/ (last visited April 1, 2017).

49. For example, in South Korea, McDonald's pays part-time employees \$5.50 per hour and is accused of paying less with arbitrary schedules, adjustments and pay delays, thereby taking full advantage when there are little to no legal protection of employees.

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 49 of the Complaint and on that basis deny them.

50. In late 2015, anonymous aggregated data collected by *Glassdoor* concluded that McDonald's pays entry-level employees in the United States between \$7.25 per hour and \$11 per hour, with an average of \$8.69 per hour. Shift managers are paid an average of \$10.34 per hour. Assistant managers are paid an average of \$11.57 per hour.

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 50 of the Complaint and on that basis deny them.

51. In 2015, McDonald's CEO, Steve Easterbrook, earned an annual salary of \$7.9 million, a 368% raise over his 2014 salary; all while low-wage McDonald's workers were striking around the world for a livable income.

Answer: Defendants lack knowledge or information sufficient to form a belief as to the motivations McDonald's workers have had in labor disputes and on that basis deny those allegations. Defendants deny the remaining allegations in Paragraph 51 of the Complaint.

52. McDonald's workers have on occasion decided to strike over pay, with most of the employees on strike seeking to be paid \$15.00. McDonald's has helped franchise owners beat back union-backed strikes calling for living wages.

Answer: Defendants deny the allegations in Paragraph 52 of the Complaint.

53. When interviewed about the strikes, former McDonald's CEO Ed Rensi argued that increasing employee wages would take away from entry-level jobs: "It's cheaper to buy a \$35,000 robotic arm than it is to hire an employee who's inefficient making \$15 per hour bagging french fries."⁹ McDonald's attitude towards working conditions is not much better than its attitude toward wages. In March 2015, McDonald's workers in 19 U.S. cities filed 28 health and safety complaints with OSHA, which allege that low staffing, lack of protective gear, poor training and pressure to work fast have resulted in injuries. The complaints also allege that, because of a lack of first aid

⁹ Kate Taylor, McDonald's ex-CEO just revealed a terrifying reality for fast-food workers, *Insider* (May 25, 2016), <http://www.businessinsider.com/mcdonalds-ex-ceo-takes-on-minimum-wage-2016-5> (last visited April 1, 2017).

supplies, workers were told by management to treat burn injuries with condiments such as mayonnaise and mustard.

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations respecting the alleged OSHA complaints filed in March 2015 and on that basis deny them. Defendants deny the remaining allegations in Paragraph 53 of the Complaint.

54. Despite the objections of McDonald's, the term "McJob" was added to Merriam-Webster's Collegiate Dictionary in 2003. The term is defined as "a low-paying job that requires little skill and provides little opportunity for advancement."¹⁰

Answer: Defendants admit that the term "McJob" was added to Merriam-Webster's Collegiate Dictionary in 2003 and admits that the quoted language in Paragraph 54 of the Complaint appears at the URL cited in footnote 10. Defendants deny the remaining allegations in Paragraph 54 of the Complaint.

C. Plaintiff and the Putative Class Members Are Employees at McDonald's McOpCo Restaurants or at McDonald's Franchise Restaurants

55. Like other fast food chains in the industry, McDonald's restaurants maintain teams of staff in order to oversee operations and guide entry-level employees through daily responsibilities.

Answer: To the extent the allegations in Paragraph 55 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. To the extent the allegations in Paragraph 55 relate to Defendants, Defendants admit that on information and belief each McDonald's-brand restaurant is staffed by employees. Defendants otherwise deny the allegations in Paragraph 55 of the Complaint.

56. Specific job titles falling under the category of "management" include shift or swing manager, assistant manager, and store manager.

Answer: Because the term "management" is undefined in Paragraph 56, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 56 of

¹⁰ Available at <https://www.merriam-webster.com/dictionary/McJob> (last visited September 18, 2017).

the Complaint and on that basis deny it. Defendants admit that at certain points in time, employees in McOpCo restaurants have held jobs with titles that include the term manager, which includes shift, swing, and general manager. Defendants deny the remaining allegations in Paragraph 56 of the Complaint.

57. Swing managers may work part-time or full-time, depending on the needs of the specific location.

Answer: Defendants admit that certain McOpCo restaurants have a position called swing manager. Defendants further admit that a given employee in the swing manager position may work fewer than forty hours per week depending on the needs of the specific restaurant in which that employee works and that employee's own needs. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 57 of the Complaint as those allegations apply to individual franchise restaurants or franchisees generally and on that basis deny them.

58. Assistant managers and store managers usually work full-time schedules of 40 hours or more per week. Processing payroll, updating time sheets, demonstrating protocol, tracking supply and shipment orders and communicating with the company regional offices are additional job duties of assistant and store managers.

Answer: Defendants admit that general managers at McOpCo restaurants may work 40 hours or more per week in certain circumstances and may perform the following job duties: Processing payroll, updating time sheets, demonstrating protocol, tracking supply and shipment orders, and communicating with the company regional offices. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 58 of the Complaint as they apply to individual franchise restaurants or franchisees generally, and on that basis deny them.

59. Wages and salaries for employees of franchised stores are not dictated in any way by McDonald's, but average pay scales start out at \$8.00 per hour for inexperienced shift managers and eventually rise to roughly \$12.00 per hour for highly qualified or tenured shift managers.

Answer: Defendants admit that wages and salaries for employees of franchised stores are not dictated in any way by Defendants. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 59 of the Complaint as they relate to franchised stores and on that basis deny them.

60. Assistant manager positions yield annual salary options slightly varied by location but usually falling between \$20,000 and \$30,000.

Answer: Defendants deny the allegations in Paragraph 60 of the Complaint to the extent they relate to McOpCo restaurants. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 60 of the Complaint as they relate to franchised stores and on that basis deny them.

61. Store managers may begin at \$30,000 per year and receive raises or pay increases.

Answer: Defendants deny the allegations in Paragraph 61 of the Complaint as they relate to McOpCo restaurants. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 61 of the Complaint as they relate to franchised stores and on that basis deny them.

62. Each franchise (and McDonald's itself, for the McOpCo restaurants) is its own economic decision-maker on employment issues, so wages are not uniform among the competing franchisee and McOpCo stores. Low wages, however, are consistent across the McDonald's empire of company and franchise-owned restaurants, and have allowed McDonald's shareholders and executives, and thousands of its franchise owners, to become very wealthy while full-time, hardworking employees have to seek government benefits just to put food on their own tables. A significant reason that gross inequity exists between McDonald's and franchise owners on the one hand, and their employees on the other, is that McDonald's has stifled employee wages through its no-hire prohibition.

Answer: Defendants admit that each franchise and each McOpCo restaurant is its own economic decision-maker on employment issues. Based on information and belief, Defendants admit that wages are not uniform at each franchise-operated or McOpCo restaurant in the U.S. Defendants

admit that McDonald's USA, LLC is a decision-maker on employment decisions for McOpCo restaurants. Defendants deny the remaining allegations in Paragraph 62 of the Complaint.

PLAINTIFF TURNER

63. Ms. Turner began working for a McOpCo restaurant in Latonia, Kentucky in approximately 2000 or 2001. She began her work in an entry-level crew position earning around \$5.35 an hour. Approximately one year later, Ms. Turner was promoted to Swing Manager, a role she maintained until about 2005, earning up to approximately \$9-10 per hour by the time she left. As a Swing Manager, her duties included preparing lineups of crew people, pre-shift preparation (checking stock levels and verifying safety and cleanliness issues), overseeing employee breaks, counting down cash drawers, counting nightly inventories when closing, and ensuring that the store ran at an acceptable level, consistent with McDonald's-specific training and procedures.

Answer: Defendants admit that Plaintiff worked for a McOpCo restaurant. Defendants admit that Plaintiff worked at some point as a Certified Swing Manager. Defendants lack knowledge or information sufficient to form a belief about Ms. Turner's job duties and on that basis deny those allegations. Defendants deny the remaining allegations in Paragraph 63 of the Complaint.

64. In 2005, Ms. Turner applied for a promotion to become an Assistant Manager, because she aspired eventually to become a General Manager. However, the promotion was given to a different candidate, a man who was several hours late to his interview. The experience disillusioned Ms. Turner. She felt that the chances for advancement at McDonald's were slim, so she decided to leave, and in fact left.

Answer: To the extent the allegations in Paragraph 64 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. Defendants otherwise deny the allegations in Paragraph 64 of the Complaint.

65. In or around November 2006, Ms. Turner ran into one of her former McDonald's managers, who told her that a new McOpCo restaurant would be opening soon and invited her to apply for a position there. Ms. Turner applied and was hired to the new location in Wilder, Kentucky as a Swing Manager, but was soon transferred back to the McOpCo in Latonia. She frequently performed the duties of a First or Second Assistant Manager, such as overseeing truck orders, counting inventory, ensuring that employees took their breaks, and so on, consistent with

McDonald's-specific training and procedures. During this time, Ms. Turner earned approximately \$10-11.25 an hour.

Answer: To the extent the allegations in Paragraph 65 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. Defendants otherwise deny the allegations in Paragraph 65 of the Complaint.

66. In or around 2009 or 2010, Ms. Turner began to consider applying to a franchise- owned McDonald's restaurant in Florence, Kentucky, approximately five miles closer to where she lived at the time. However, her supervisor at the McOpCo restaurant told her she could not be hired at a franchisee-owned McDonald's without a release unless she first stopped working at the McOpCo for six months. The supervisor also informed Ms. Turner that the franchisee would not be permitted to speak with her without a release from the McOpCo. Ms. Turner understood that, if she asked for a release, her supervisor would not give it to her. Because of the no-poach rules, Ms. Turner did not have the freedom to apply to the Florence location. If she had been offered and accepted a position there, she would have at the very least saved money associated with transportation to the more distant McOpCo restaurant. The fact that she could not even apply also contributed to downward pressure on her own wages at the McOpCo, as she could not use a competing offer to negotiate better wages or benefits at the McOpCo restaurant.

Answer: To the extent the allegations in Paragraph 66 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. Defendants otherwise deny the allegations in Paragraph 66 of the Complaint.

67. Ms. Turner eventually left her position as Swing Manager in Latonia on or around March 3, 2012. On or around September 25, 2012, Ms. Turner began working at a McDonald's restaurant in Florence, Kentucky, owned and operated by the franchisee Copeland Investments Corporation, as a Kitchen Department Manager. In this role, Ms. Turner's duties included all Swing Manager duties in addition to placing truck orders twice a week, counting weekly inventories, supervising her crew and assigning them cleaning and maintenance tasks, and reviewing her area of responsibility with the General Manager, all consistent with McDonald's- specific training and procedure. Ms. Turner's wages at Copeland Investments Corporation started at approximately \$11.25 an hour.

Answer: Defendants admit that Plaintiff stopped being employed by a McOpCo restaurant on or around March 3, 2012. Defendants also admit that Plaintiff, at some point thereafter, began working at a

McDonald's restaurant owned and operated by Copeland Investments Corp. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph 67 and on that basis deny them. Defendants otherwise deny the allegations in Paragraph 67 of the Complaint.

68. In or around 2016, Ms. Turner was considering moving to Florida for personal reasons. She mentioned the idea to her supervisor at the Florence, Kentucky restaurant, who told her that she would need a release if she intended to work for another McDonald's restaurant in Florida. Ms. Turner felt that, because of her supervisor's tone, the supervisor would not grant her a release if she asked. Ms. Turner ultimately decided not to move to Florida.

Answer: To the extent the allegations in Paragraph 68 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. Defendants otherwise deny the allegations in Paragraph 68 of the Complaint.

69. In or around 2017, Ms. Turner was considering moving to Louisiana, once again for personal reasons. She mentioned the possibility to her supervisor, who reminded Ms. Turner that she would not be able to work for a McDonald's restaurant in Louisiana without a release. Ms. Turner understood that her supervisor would not grant a release if asked. Ms. Turner ultimately decided not to move to Louisiana.

Answer: To the extent the allegations in Paragraph 69 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. Defendants otherwise deny the allegations in Paragraph 69 of the Complaint.

70. Ms. Turner continued to work for Copeland Investments Corporation at three of its McDonald's restaurants in Florence, Kentucky and the Cincinnati airport until approximately September 2018, when she moved to Monroe, Ohio. At the time she left Copeland Investments Corporation, Ms. Turner's hourly wage was approximately \$14.00.

Answer: To the extent the allegations in Paragraph 70 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the

allegations and on that basis deny them. Defendants otherwise deny the allegations in Paragraph 70 of the Complaint.

71. Ms. Turner's experience and long-term tenure made her a desirable employee for McDonald's. On the one hand, she was a proven reliable employee, and on the other hand, her know-how meant she had much to offer McDonald's restaurants, such as techniques to ensure efficient operation and management of its restaurants and other employees. But because of the unlawful agreement, Ms. Turner's mobility—and her ability to market her McDonald's-related experience—was artificially limited. These limits constrained competition between and among McOpCo restaurants and franchisee-operated restaurants for Ms. Turner's labor, which caused her wages to be depressed during her employment.

Answer: To the extent the allegations in Paragraph 71 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. Defendants otherwise deny the allegations in Paragraph 71 of the Complaint.

D. McDonald's Model Is Designed to Encourage Competition Between and Among Franchisees and McOpCo Stores

72. While McDonald's implemented policies to actively thwart competition for employees between and among it and franchises in order to suppress employee wages, it otherwise encouraged competition between franchises that benefitted McDonald's and it emphasized that franchisees are independent of McDonald's.

Answer: Defendants deny the allegations in Paragraph 72 of the Complaint.

73. McDonald's public disclosures and agreements with McDonald's franchisees emphasize that McDonald's franchisees operate separately from each other and from McDonald's.

Answer: Defendants deny the allegations in Paragraph 73 of the Complaint.

74. McDonald's standard franchise agreement itself contains a provision with the header "***Franchisee Not an Agent of McDonald's***" (emphasis in original), that characterizes franchisees as "independent contractors." Pursuant to that provision, McDonald's and franchisees agree that, "Franchisee shall have no authority, express or implied, to act as agent of McDonald's or any of its affiliates for any purpose. ... Further, Franchisee and McDonald's are not and do not intend to be partners, associates, or joint employers in any way and McDonald's shall not be construed to be jointly liable for any acts or omissions of Franchisee under any circumstances."

Answer: Defendants admit that certain U.S. franchise agreements include the quoted language, but deny that the allegations of Paragraph 74 accurately relay and reflect the content of those agreements.

75. Unlike other franchise business models, McDonald's does not permit its franchisees an exclusive geographic territory within which they will not face competition from other McDonald's restaurants, including McOpCo restaurants. The McDonald's Franchise Disclosure Document ("FDD") states at the outset that franchisees "should not have any expectation that the economic and demographic factors that exist at your McDonald's restaurant location will remain constant. In addition, other McDonald's restaurants (including those that we develop in the future) may have an effect on the sales of your McDonald's restaurant, since customers typically patronize various McDonald's restaurants depending on their travel patterns and other factors."

Answer: Defendants admit that certain U.S. franchise disclosure documents include the quoted language, but deny that the allegations of Paragraph 75 accurately relay and reflect the content of those documents, and otherwise deny the allegations in Paragraph 75 of the Complaint.

76. McDonald's FDD specifies that the Franchise Agreement "does not contain any exclusive grant, exclusive area, exclusive territorial rights, protected territory, or any right to exclude, control, or impose conditions on the location or development of future McDonald's restaurants at any time. You will not receive an exclusive territory."

Answer: Defendants admit that certain U.S. franchise disclosure documents include the quoted language, but deny that the allegations of Paragraph 76 accurately relay and reflect the content of those documents. Defendants otherwise deny the allegations in Paragraph 76 of the Complaint.

77. The FDD further stresses that the franchisee "may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control[.]" and that "[t]he sales and customer trading patterns . . . do not represent any continuing franchisee entitlement or expectation. McDonald's may establish other franchisee or . . . McOpCo company-owned outlets that may alter customer trading patterns and affect the sales of, and compete with, your location." The FDD notes that McDonald's reserves the right to use McDonald's trademarks and to sell similar goods and services through "any other channel of distribution."

Answer: Defendants admit that certain U.S. franchise disclosure documents include the quoted language, but deny that the allegations of Paragraph 77 accurately relay and reflect the content of those

documents. Defendants otherwise deny the allegations in Paragraph 77 of the Complaint.

78. McDonald's standard franchise agreement itself specifies that the franchisee is authorized to use the McDonald's system (for a specified period of time) only at the particular restaurant specified therein. It also states that the franchisee has no "exclusive," "protected," or other territorial rights in the contiguous market area" of the specified restaurant location.

Answer: Defendants admit that certain U.S. franchise agreements include the quoted language, but deny that the allegations of Paragraph 78 accurately relay and reflect the content of those agreements. Defendants deny the remaining allegations in Paragraph 78 of the Complaint.

79. While franchisees are required to pay to McDonald's a percentage of gross sales revenues, franchisees are free to negotiate purchasing terms with approved suppliers and to seek approval of new suppliers.

Answer: Defendants admit the allegations in Paragraph 79 of the Complaint.

80. Franchisees may also compete with each other by allowing customers to use certain credit and debit cards or certain gift cards, neither of which is a system-wide requirement.

Answer: Defendants admit that there is not a system-wide requirement that franchisees allow customers to use certain credit and debit cards or certain gift cards. Defendants lack knowledge or information sufficient to form a belief regarding the truth of the allegations as they apply to third parties and on that basis deny the remaining allegations in Paragraph 80 of the Complaint.

81. A franchisee's profitability is a function of a number of inputs, including its cost of labor, which McDonald's specifically identifies as a franchisee operating expense. Franchisees are required to enroll present and future managers at McDonald's training centers, the travel cost and expense of which is borne by franchisees.

Answer: Defendants admit that a franchisee's profitability is a function of a number of inputs, one of which is the cost of labor. Defendants admit that labor costs are an operating expense for franchisees. Defendants admit that franchisees' managers must enroll in training consistent with the franchisees' obligations under the applicable franchise agreement.

82. According to McDonald's Senior Director of U.S. Franchising, franchisees are responsible for the day-to-day operations of their restaurants, including employment matters and legal compliance.

Answer: Defendants lack knowledge or information sufficient to form a belief as to whether a Senior Director of U.S. Franchising made the statement alleged in Paragraph 82 of the Complaint and on that basis deny that such a statement was made. Defendants admit that franchisees are responsible for the day-to-day operations of their restaurants, including employment matters and legal compliance.

83. But for the no-hire agreement, each McDonald's franchise (and McDonald's itself in its McOpCo stores) is its own economic decision-maker with respect to hiring, firing, staffing, promotions and employee wages. But for the no-hire agreement, each McDonald's franchise (and McDonald's itself) would compete with each other for the best-performing employees.

Answer: The allegations in Paragraph 83 of the Complaint are legal conclusions to which no response is required. To the extent a response is required, Defendants deny the allegations in Paragraph 83 of the Complaint.

E. The "No Hire" Agreement

84. While independent business owners should be encouraged to compete with each other for employees, McDonald's and its franchisees have agreed not to compete among each other for employees.

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegation that "independent business owners should be encouraged to compete with each other for employees" and on that basis deny it. Defendants deny the remaining allegations in Paragraph 84 of the Complaint.

85. Franchises are made available on standardized terms, so a franchisee who enters into a franchise agreement knows that the same terms it has agreed to also apply to other franchisees.

Answer: Defendants lack knowledge or information sufficient to form a belief as to the allegation regarding franchisees' knowledge and on that basis deny it. Defendants otherwise deny the allegations in Paragraph 85 of the Complaint.

86. Until approximately March 2017, McDonald's and its franchisees entered into express contractual agreements forbidding competition for employees among franchisees and McDonald's company-owned stores. In particular, the standard language in McDonald's franchise agreements with all franchisees who executed franchise agreements prior to approximately March 2017 includes an express "no-solicit" and "no-hire" provision that prohibits franchisees from hiring employees of other McDonald's franchisees or of McDonald's or its subsidiaries.

Answer: Defendants deny the allegations in paragraph 86 of the Complaint.

87. The relevant provision from the McDonald's franchise agreement states:

Interference With Employment Relations of Others. During the term of this Franchise, Franchisee shall not employ or seek to employ any person who is at the time employed by McDonald's, any of its subsidiaries, or by any person who is at the time operating a McDonald's restaurant or otherwise induce, directly or indirectly, such person to leave such employment. This paragraph [] shall not be violated if such person has left the employ of any of the foregoing parties for a period in excess of six (6) months.

Answer: Defendants admit that certain U.S. franchise agreements include the quoted language, but deny that the allegations of Paragraph 87 accurately relay and reflect the content of those agreements.

88. This provision was interpreted and enforced by McDonald's itself as applying not only to franchisee hiring, but also to McDonald's hiring in its company-owned McOpCo stores. Plaintiff Turner was informed by McDonald's supervisors on several occasions, at both McOpCo and franchisee-operated restaurants, that she could not work for other McDonald's locations without a release.

Answer: To the extent the allegations in Paragraph 88 of the Complaint do not relate to Defendants, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis deny them. To the extent the allegations in Paragraph 88 relate to Defendants, Defendants deny them.

89. According to the standard franchise agreement, any breach of this no-hire and no-solicitation provision would give McDonald's the right to seek judicial enforcement of its rights and remedies, including injunctive relief, damages, or specific performance. An uncured breach qualifies as sufficient reason for McDonald's to withhold approval of its consent to any assignment or transfer of the franchisee's interest in the franchise, and repeated breaches could constitute grounds for termination of the franchise.

Answer: Defendants admit that certain U.S. franchise agreements state that an uncured breach of the terms and conditions of the agreement shall be sufficient reason for McDonald's USA, LLC to withhold approval of its consent to any assignment or transfer of the breaching franchisee's interest in the franchise, and that repeated breaches of the franchise terms and conditions may constitute grounds for termination of the franchise, but deny that the allegations of Paragraph 89 accurately relay and reflect the content of those agreements. Defendants otherwise deny the allegations in Paragraph 89 of the Complaint.

90. The no-hire and no-solicitation provision quoted above appeared in the standard McDonald's franchise agreement appended to its 2013 FDD (with "Issuance Date" of May 1, 2013, "as amended October 25, 2013").

Answer: Defendants admit that McDonald's USA, LLC's Franchise Disclosure Document with an issuance date of May 1, 2013 and amendment date of October 25, 2013 includes the language quoted in Paragraph 87.

91. The no-hire and no-solicitation provision quoted above also appeared (unchanged) in the standard McDonald's franchise agreement appended to its 2014 FDD, amended in 2015 (with "Issuance Date" of May 1, 2014, "as amended" on both November 6, 2014 and January 25, 2015).

Answer: Defendants admit that McDonald's USA, LLC's Franchise Disclosure Document with an issuance date of May 1, 2014 and amendment dates of November 6, 2014 and January 25, 2015 includes the language quoted in Paragraph 87.

92. In 2017, McDonald's removed the no-hire and no-solicitation provision from its standard franchise agreement. The no-hire and no-solicitation provision is no longer a part of the standard McDonald's franchise agreement appended to McDonald's current FDD. The first FDD incorporating a franchise agreement that removed the no-hire and no-solicitation provision has an "Issuance Date" of May 1, 2017, "as amended August 1, 2017."

Answer: Defendants admit that the provision quoted in paragraph 87 of the Complaint is no longer contained in U.S. franchise agreements. Defendants admit that certain U.S. franchise disclosure

documents issued May 1, 2017 and amended August 1, 2017 include a description of this lawsuit, which was filed on June 28, 2017. Defendants otherwise deny the allegations in Paragraph 92 of the Complaint.

93. At the beginning of 2017, McDonald's had more than 13,000 restaurants operating under existing franchise agreements. None of these franchisees executed the form of standard franchise agreement first issued in 2017 that removed the No Poach Agreement. The franchise agreement executed by each such franchisee included the no-solicitation and no-hire provision quoted above.

Answer: Defendants admit that at the end of 2016, more than 13,000 franchised McDonald's brand restaurants existed in the United States. Defendants otherwise deny the allegations in Paragraph 93 of the Complaint.

94. Any new provisions of the 2017 standard franchise agreement (including the absence of the express no-hire and no-solicitation provision) do not govern McDonald's contractual franchise relationship with existing franchisees. Those franchisees are governed by the franchise agreements that they previously executed with McDonald's, typically with 20-year terms. Execution of a new franchise agreement typically requires the franchisee to pay a new franchise fee (currently \$45,000) for a new term, if approved by McDonald's. The assurance of discontinuance to which McDonald's submitted to settle claims with the Washington AG only requires McDonald's to amend existing agreements with franchisees in the State of Washington.

Answer: Defendants deny the allegations in Paragraph 94 of the Complaint.

95. The franchise agreement itself contains an integration clause stating that the agreement "constitutes the entire agreement between the parties and supersedes all prior and contemporaneous, oral or written, agreements or understandings of the parties." It states further that nothing in the agreement "is intended to disclaim the representations made in the [FDD] furnished to the Franchisee."

Answer: Defendants admit that certain U.S. franchise agreements include the quoted language, but deny that the allegations of Paragraph 95 accurately relay and reflect the content of those agreements. Defendants otherwise deny the allegations in Paragraph 95 of the Complaint.

96. The FDD confirms that there are "No modifications generally" of the agreement, but that operations and training manuals may be subject to change. Further, "Only the terms of the Franchise Agreement are binding (subject to state law)." The FDD also specifies that "Internal policies which

McDonald's may apply and modify periodically in connection with decisions to develop new restaurants are not part of the Franchise Agreement and do not involve any contract right granted to [the franchisee]." Franchisees that executed franchise agreements prior to 2017, except with the possible exception of franchisees within the State of Washington, continue to be bound by the terms of those agreements.

Answer: Defendants admit that certain U.S. franchise disclosure documents contain the quoted language, but deny that the allegations of Paragraph 96 accurately relay and reflect the content of those documents. Defendants otherwise deny the allegations in Paragraph 96 of the Complaint.

F. Other Evidence of a Horizontal Agreement among Competing Franchisees and McDonald's

97. Public corporate filings reveal that McDonald's admits that its success depends in part on its "System's ability to recruit, motivate and retain a qualified workforce to work in our restaurants in an intensely competitive environment" and the "[i]ncreased costs associated" with retaining qualified employees applies to its franchisees.

Answer: Defendants admit that certain of McDonald's Corp.'s public filings include the quoted language in Paragraph 97 but deny that they accurately relay and reflect the full content of those filings.

98. Employment applications available online for McDonald's restaurants ask applicants whether they have worked for McDonald's before. That question is separate and apart from the history of employment portion on the application. This helps the prospective employer easily flag current employees employed by competing McDonald's franchisees or McOpCo stores and prevents violation of the no-hire provision.

Answer: Defendants admit that certain applications for employment at McDonald's-brand restaurants available online ask applicants whether they have worked for McDonald's in addition to asking applicants for their employment background more generally. Defendants deny the remaining allegations in paragraph 98 of the Complaint.

99. The "no-solicit" and "no-hire" agreement embodies norms that are widely accepted across the fast-food industry and familiar to franchisees. In advising new restaurant owners on how to hire their first general manager, one industry expert instructs that, "you have to be careful that you do not earn a reputation for stealing other people's employees."

Answer: Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 99 of the Complaint and on that basis deny them.

100. The potential for broader collusion in franchise chains is clearly enhanced when no-poaching agreements are in place. Collusion is promoted when the no-poach agreements can be easily generated and monitored amongst a concentrated group of competitors who all stand to gain profits from the collusion while maintaining similar costs.

Answer: Defendants deny the allegations in Paragraph 100 of the Complaint.

G. The “No-Hire” Agreement Is Against the Independent Interests of the Franchisees and of the McOpCo Restaurants in their Capacity as Competitors

101. This no-hire provision is short-sighted and ultimately not in the independent interests of the franchisees or the McOpCo restaurants in their capacity as competitors of each other, even though it is in the collective interest of the conspirators as a whole when acting together. Employees are critical to the success of McDonald’s franchisees and McOpCo restaurants.

Answer: Defendants admit that employees are critical to the success of McDonald’s franchisees and McOpCo restaurants. Defendants deny the remaining allegations in Paragraph 101 of the Complaint.

102. It is the sales in franchise-operated restaurants that brings the most revenue to McDonald’s, so McDonald’s profits hinge on the success or failure of its franchisees. A significant component of making the franchise profitable is hiring qualified, motivated, and superior employees.

Answer: Defendants admit that franchise-operated restaurants cumulatively bring the most revenue to Defendants. Defendants lack knowledge or information sufficient to form a belief as to whether a significant component of making a franchise profitable is hiring qualified, motivated, and superior employees and on that basis denies it. Defendants deny the remaining allegations in Paragraph 102 of the Complaint.

103. Therefore, it is in the independent interest of each McDonald’s franchisee to compete for the most talented and experienced restaurant employees.

Answer: To the extent this paragraph involves allegations regarding the independent interests of third-parties, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 103 of the Complaint and on that basis deny them.

104. By adhering to the no-hire agreement, franchisees and McOpCo restaurants artificially restrict their own ability to hire other employees in a manner that is inconsistent with their own unilateral economic interests. By acting in concert, however, they also artificially protect themselves from having their own employees poached by other franchises or locations that see additional value in those employees, such as their training, experience and/or work ethic. This allows franchisees or McOpCo restaurants to retain their best employees without having to pay market wages to these employees or compete in the market place relative to working conditions and promotion opportunities.

Answer: Defendants deny the allegations in Paragraph 104 of the Complaint.

105. The “no-hire” agreement does not serve the interests of ensuring that McDonald’s restaurants produce a quality product.

Answer: Defendants deny the allegations in Paragraph 105 of the Complaint.

106. The “no-hire” agreement does not serve employees because it does not incentivize McDonald’s franchisees and McOpCo restaurants to invest in higher wages, benefits, and working conditions. It also dis-incentivizes employees to perform their best work as their opportunities by doing so are limited. Alternatively, competition among employers helps actual and potential employees through higher wages, better benefits, or other terms of employment.

Answer: Defendants deny the allegations in Paragraph 106 of the Complaint.

107. The “no-hire” agreement does not serve fast-food customers because it does not incentivize McDonald’s franchisees or McOpCo restaurants to invest in training workers to improve the McDonald’s food, experience and service.

Answer: Defendants deny the allegations in Paragraph 107 of the Complaint.

108. Consumers can gain from competition among employers because a more competitive workforce may create more or better goods and services. Furthermore, unemployment is currently low and job openings are at an all-time high, yet wage growth has remained surprisingly sluggish with fast-food workers relying on public assistance to supplement their income. Higher wages will lessen the strain on public benefits, benefiting all consumers.

Answer: Defendants deny the allegations in Paragraph 108 of the Complaint.

H. Employment with Non-McDonald's Brands is Not a Reasonable Substitute for McDonald's Employees

109. Consistent with Plaintiff's experience, online reviews for employment at McDonald's restaurants report that there was little or no way "to advance after working for nearly two years;" "management told [employees] they were easily replaceable;" "advancement never an option" and working at McDonald's offered "no real opportunity for advancement." That is all made possible by the "no-hire" prohibition. If franchisees and McOpCo restaurants had to either pay and promote good employees, or lose them to competitor locations, they would be forced to pay competitive wages and provide competitive promotion opportunities. However, because of the no-hire prohibition, and because the education, training and experience within the McDonald's enterprise are unique to McDonald's and not transferrable to other restaurants, McDonald's franchisees and McOpCo restaurants do not have to compete with non-McDonald's businesses for their employees except at the entry-level position.

Answer: Defendants lack knowledge or information to identify the on-line reviews quoted in Paragraph 109 of the Complaint and on that basis denies the allegations about them. Defendants otherwise deny the remaining allegations in Paragraph 109 of the Complaint.

110. Training, education, and experience within the McDonald's system are not transferrable to other restaurants for a number of reasons. McDonald's franchises utilize McDonald's own proprietary computer systems and platforms, including proprietary applications and data systems, which new franchises must purchase through McDonald's approved suppliers. Franchises electronically submit their store financial information to McDonald's via a separate proprietary web-based system. Experience with these systems is of little value to other restaurants.

Answer: Defendants admit that certain McDonald's franchises utilize proprietary hardware and software for the point-of-sale system and that many franchisees elect to use proprietary in-store processor software, which is purchased through McDonald's-approved suppliers. Defendants deny the remaining allegations in Paragraph 110 of the Complaint.

111. McDonald's franchises also utilize proprietary store operating procedures, McDonald's methods of inventory control and bookkeeping/accounting procedures, and McDonald's-prescribed equipment. Training is also accomplished through proprietary curricula and systems. According to McDonald's Franchise Disclosure Document, training is designed to provide the "specific skill sets in the various facets of the conduct of a McDonald's restaurant, including such areas as equipment, standards, controls, and leading people." The Disclosure informs that it takes "approximately two years" to complete all of the learning plans from Shift Manager through General Manager.

Answer: Defendants admit that certain franchises may elect to use proprietary store operating procedures, methods of inventory control, bookkeeping/accounting procedures, and equipment. Defendants further admit that employee training is also accomplished at times through proprietary curricula and systems. Defendants admit that the quoted language appears in certain McDonald's franchise disclosure documents, but deny that the allegations of Paragraph 111 accurately relay and reflect the content of those agreements. Defendants deny the remaining allegations in Paragraph 111 of the Complaint.

112. A no-hire agreement like this one reduces workers' outside options and lowers their quit rate, increasing the share of net-returns captured by employers. Further, a franchise-wide no-hire agreement increases the specificity of human capital investment, as training that is productive throughout the franchise chain can only be used at one franchisee under the agreement.

Answer: Defendants deny the allegations in Paragraph 112 of the Complaint.

113. Plaintiff Turner was not free to work for McDonald's franchisees while employed by a corporate store, and was not free to work for a corporate store or competing franchisees when working for Copeland Investments Corporation, leaving her with very limited mobility to make the most of her McDonald's-specific experience and skills over the course of approximately 15 years.

Answer: Defendants deny the allegations in Paragraph 113 of the Complaint.

I. Plaintiff and the Class Members Have Suffered Antitrust Injury

114. Because of the "no-solicit" and "no-hire" agreement, Plaintiff and the putative class have suffered injury in the form of reduced wages and worsened working conditions.

Answer: The assertions in Paragraph 114 of the Complaint are legal conclusions to which no response is required. To the extent a response is required, Defendants deny the allegations in Paragraph 114 of the Complaint.

115. Suppressed wages due to employers' agreement not to compete with each other is injury of the type the antitrust laws were intended to prevent and flows from that which makes the "no-hire" and "no-solicit" agreement unlawful.

Answer: The assertions in Paragraph 115 of the Complaint are legal conclusions to which no

response is required. To the extent a response is required, Defendants deny the allegations in Paragraph 115 of the Complaint.

CLASS ALLEGATIONS

116. Plaintiff brings this action on her own behalf, and on behalf of a nationwide class pursuant to Federal Rules of Civil Procedure, Rules 23(a), 23(b)(2), and/or 23(b)(3).

All persons in the United States who are current or former employees and/or managers at all McDonald's restaurants whether operated by McDonald's itself or by a McDonald's Franchisee.

Answer: To the extent Paragraph 116 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent that Plaintiff alleges that a nationwide market exists for "current or former employees and/or managers at all McDonald's restaurants," the Court's June 25, 2018 Order stated that the "relevant market for employees to do the type of work alleged in this case is likely to cover a relatively-small geographic area," ECF No. 53 at 16, and therefore no response to that allegation is required. To the extent a further response is required, Defendants admit that Plaintiff purports to bring this action under Federal Rule of Civil Procedure 23 on behalf of herself and others. Defendants deny any other allegations in Paragraph 116 of the Complaint and specifically deny that there exists a class that is certifiable under Federal Rule of Civil Procedure 23, that Plaintiff's class definitions are proper, or that Plaintiff is an adequate class representative.

117. The Class and its members shall be referred to herein as the "Class" or "Class Members." Excluded from the Class are Defendant McDonald's, its affiliates, officers and directors, and the Judge(s) assigned to this case. Plaintiff reserves the right to modify, change, or expand the Class definition, or to propose Subclasses, on discovery and further investigation.

Answer: To the extent Paragraph 117 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants admit that Plaintiff purports to bring this action on behalf of herself and others and that Plaintiff purports to exclude the Court, Defendants, and Defendants' affiliates, officers, and directors from the putative classes.

Defendants deny any other allegations in Paragraph 117 of the Complaint and specifically deny that there exists a class that is certifiable under Federal Rule of Civil Procedure 23, that Plaintiff's class definitions are proper, or that Plaintiff is an adequate class representative.

118. Numerosity: Upon information and belief, the Class is so numerous that joinder of all members is impractical; there are over 14,000 McDonald's restaurants in the United States. While the exact number and identities of the individual Members of the Class are unknown at this time, such information being in the sole possession of Defendant and obtainable by Plaintiff only through the discovery process, Plaintiff believes, and on that basis alleges, that there are thousands of Class Members.

Answer: To the extent Paragraph 118 of the Complaint states legal conclusions, Defendants are not required to respond. Defendants admit that there are over 14,000 McDonald's-branded restaurants in the United States. Defendants deny the remaining allegations in Paragraph 118 of the Complaint.

119. Existence and Predominance of Common Questions of Fact and Law: Common questions of fact and law exist as to all Members of the Class. These questions predominate over the questions affecting individual Class Members. These common legal and factual questions include, but are not limited to, whether:

- a. Defendants engaged in unlawful contracts, combinations, and/or conspiracies in restraint of trade and commerce;
- b. Defendants' conduct constituted unfair competition;
- c. Defendants' conduct constituted unlawful, unfair, and fraudulent business acts and practices;
- d. Defendants violated the Sherman Antitrust Act, 15 U.S.C. §§ 1, *et seq.*;
- e. Defendants should be required to disclose the existence of such agreements, contracts, combinations, and/or conspiracies;
- f. Plaintiff and Class Members are entitled to damages, restitution, equitable relief, and/or other relief; and
- g. The amount and nature of such relief to be awarded to Plaintiff and the Class.

Answer: To the extent Paragraph 119 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 119 of the Complaint.

120. Typicality: All of Plaintiff's claims are typical of the claims of the Class inasmuch as Plaintiff was a McDonald's restaurant manager/employee (at franchisee and corporate locations), and each Member of the Class either was or is a McDonald's-owned or franchisee restaurant employee/manager subject to the same agreements and rules as Plaintiff. Further, Plaintiff and all the Members of the Class sustained the same monetary and economic injuries of being subjected to artificial suppression of compensation, wages, benefits, and growth opportunity, and the remedy sought for each is the same in which Plaintiff seeks relief against Defendant for themselves and all absent Class Members.

Answer: To the extent Paragraph 120 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 120 of the Complaint, except that Defendants admit that Plaintiff was a manager or employee at McOpCo and franchised McDonald's restaurants.

121. Adequacy: Plaintiff is an adequate representatives because her interests do not conflict with the interest of the Class that she seeks to represent, she has retained counsel competent and highly experienced in complex Class Action litigation, and she intends to prosecute this action vigorously. The interests of the Class will be fairly and adequately protected by Plaintiff and her counsel.

Answer: To the extent Paragraph 121 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 121 of the Complaint.

122. Superiority: A class action is superior to all other available means of fair and efficient adjudication of the claims of Plaintiff and members of the Class. The injuries suffered by each individual Class Member are relatively small in comparison to the burden and expense of the individual prosecution of the complex and extensive litigation necessitated by Defendants' conduct. It would be virtually impossible for members of the Class individually to redress effectively the wrongs done to them. Even if the Members of the Class could afford such individual litigation, the court system could not. Individualized litigation presents a potential for inconsistent or contradictory judgments. Individualized litigation increases the delay and expense to all parties, and to the court system, presented by the complex legal and factual issues of the case. By contrast, the class action

device presents far fewer management difficulties, and provides the benefits of single adjudication, an economy of scale, and comprehensive supervision by a single court. Upon information and belief, Members of the Class can be readily identified and notified based on, inter alia, Defendants' employment records and franchisees' records.

Answer: To the extent Paragraph 122 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 122 of the Complaint.

123. Defendants have acted, and refuse to act, on grounds generally applicable to the Class, thereby making appropriate final equitable relief with respect to the Class as a whole.

Answer: To the extent Paragraph 123 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 123 of the Complaint.

CLAIMS FOR RELIEF

COUNT I: VIOLATIONS OF SECTION 1 OF THE SHERMAN ACT

15 U.S.C. § 1, et seq.

(By Plaintiff on Behalf of the Class)

124. Plaintiff, on behalf of herself and all others similarly situated, re-alleges and incorporates by reference the allegations contained in the preceding and succeeding paragraphs of this Complaint, and further alleges against Defendants as follows:

Answer: Defendants incorporate its responses to Paragraphs 1 through 124 of Plaintiff's Complaint herein as if separately pled.

125. Beginning no later than 2013, Defendants entered into and engaged in unlawful contracts, combinations in the form of trust or otherwise, and/or conspiracies in restraint of trade and commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1, *et seq.*

Answer: To the extent Paragraph 125 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 125 of the Complaint.

126. Defendants engaged in predatory and anticompetitive behavior by restricting competition among and between franchisees and itself in McOpCo restaurants, which unfairly suppressed employee wages, and unreasonably restrained trade.

Answer: To the extent Paragraph 126 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 126 of the Complaint.

127. Defendants' conduct included concerted efforts, actions and undertakings among the Defendants and franchisee owners with the intent, purpose and effect of: (a) artificially suppressing the compensation of Plaintiff and Class Members; (b) eliminating competition among Defendants and franchise owners for labor; and (c) restraining employees' ability to secure better compensation, advancement, benefits, and working conditions.

Answer: To the extent Paragraph 127 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 127 of the Complaint.

128. Defendants perpetrated the scheme with the specific intent of lowering costs to the benefit of Defendants and franchise owners.

Answer: To the extent Paragraph 128 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 128 of the Complaint.

129. Defendants' conduct in furtherance of its contracts, combinations and/or conspiracies were authorized, ordered, or done by their respective officers, directors, agents, employees, or representatives while actively engaging in the management of Defendants' affairs.

Answer: To the extent Paragraph 129 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 129 of the Complaint.

130. Plaintiff and Class Members have received lower compensation from Defendants and independent franchise businesses than they otherwise would have received in the absence of

Defendants' unlawful conduct and, as a result, have been injured in their property and have suffered damages in an amount according to proof at trial.

Answer: To the extent Paragraph 130 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 130 of the Complaint.

131. Defendants' contracts, combinations, and/or conspiracies are per se violations of Section 1 of the Sherman Act.

Answer: To the extent Paragraph 131 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 131 of the Complaint.

132. In the alternative, Defendants are liable under a "quick look" analysis where an observer with even a rudimentary understanding of economics could conclude that the arrangements in question would have an anticompetitive effect on customers and markets.

Answer: To the extent Paragraph 132 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 132 of the Complaint.

133. Defendants' contracts, combinations, and/or conspiracies have had a substantial effect on interstate commerce.

Answer: To the extent Paragraph 133 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 133 of the Complaint.

134. As a direct and proximate result of Defendants' contract, combination, and/or conspiracy to restrain trade and commerce, Plaintiff and Class Members have suffered injury to their business or property and will continue to suffer economic injury and deprivation of the benefit of free and fair competition.

Answer: To the extent Paragraph 134 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 134 of the Complaint.

135. Plaintiff and the Class Members are entitled to treble damages, attorneys' fees, reasonable expenses, and costs of suit for the violations of the Sherman Act alleged herein.

Answer: To the extent Paragraph 135 of the Complaint states legal conclusions, Defendants are not required to respond. To the extent a further response is required, Defendants deny the allegations in Paragraph 135 of the Complaint.

PRAYER FOR RELIEF

Defendants deny that Plaintiff is entitled to any of the relief requested in the Prayer for Relief contained in the Complaint. Defendants further contend that Plaintiff is not entitled to any relief whatsoever.

JURY DEMAND

Plaintiff's request for a jury trial contained in the Complaint is not an allegation of fact for which a response is required.

SEPARATE AND ADDITIONAL DEFENSES

Without assuming any burden that they would not otherwise bear, and reserving their right to amend their Answer to assert additional defenses as they may become known during discovery or otherwise, Defendants assert the separate and additional defenses set forth below. All allegations of the Complaint not heretofore admitted or denied are here and now denied as though specifically denied herein.

FIRST SEPARATE AND ADDITIONAL DEFENSE

The claims of Plaintiff and the members of the putative class are barred, in whole or in part, by the applicable statute of limitations. Plaintiff alleges that members of the putative class were injured because they earned depressed wages. Upon information and belief, members of the alleged putative class were employed at McDonald's-brand restaurants and paid their final wages before August 15, 2015. Therefore, the purported claims of these members of the putative class accrued outside the applicable four-year statute of limitation. *See* 15 U.S.C. § 15b.

SECOND SEPARATE AND ADDITIONAL DEFENSE

The claims of Plaintiff and the members of the putative class are barred, in whole or in part by the doctrines of laches, waiver, unclean hands, and/or estoppel. Upon information and belief, Plaintiff was employed at a McOpCo restaurant in 2000 and at a McDonald's franchise restaurant in 2009. Upon information and belief, Plaintiff was aware of her wages and the relevant, alleged hiring practices. Plaintiff therefore knew, or should have known, of the allegedly relevant provisions of the standard franchise agreement and alleged employment practices. Yet Plaintiff failed to file suit until well after she learned of the alleged hiring practices and allegedly relevant provision of the franchise agreement. This delay prejudiced Defendants.

THIRD SEPARATE AND ADDITIONAL DEFENSE

The claims of Plaintiff and the members of the putative class are barred, in whole or in part, because recovery on such claims would result in unjust enrichment to Plaintiff. Plaintiff prays for relief that is duplicative and exceeds the injuries alleged in the Complaint. Therefore, awarding Plaintiff the relief requested would unjustly enrich Plaintiff.

FOURTH SEPARATE AND ADDITIONAL DEFENSE

The claims of Plaintiff and the members of the putative classes are barred, in whole or in part, due to settlement and release. Upon information and belief, members of the putative class may have

executed a settlement and release of the claims asserted in the Complaint. Upon information and belief, the terms of those settlements and releases bar, in whole or in part, the claims asserted in the Complaint.

FIFTH SEPARATE AND ADDITIONAL DEFENSE

The claims of Plaintiff and the members of the putative classes are barred, in whole or in part, because Defendants withdrew from the alleged conspiracy. Defendants had no intent to agree to restrain competition. Instead, Defendants engaged in conduct inconsistent with the purpose of the alleged conspiracy, including, but not limited, to not enforcing or otherwise maintaining use of the alleged no-hire provision. McOpCo restaurants also compensated its employees in a manner that promoted wage-based and other forms of competition in the properly defined labor markets. This and other conduct would have communicated withdrawal from any alleged conspiracy to other alleged co-conspirators.

SIXTH SEPARATE AND ADDITIONAL DEFENSE

The claims of Plaintiff and the members of the putative classes are barred, in whole or in part, because Plaintiff and the putative class failed to mitigate their alleged damages at or within a reasonable time after the occurrence of the violations alleged in the Complaint. Upon information and belief, Plaintiff began working at a McDonald's-brand restaurant in 2000. Under Plaintiff's theory of injury, Plaintiff was injured once she began earning wages in that job. Yet Plaintiff did not seek alternate employment or additional wages within a reasonable time. Upon information and belief, Plaintiff failed to seek higher compensation from the McDonald's at which she worked. Moreover, upon information and belief, Plaintiff eventually took a job with another company paying less than she could have obtained had she undertaken a reasonable job search.

SEVENTH SEPARATE AND ADDITIONAL DEFENSE

The relief sought by Plaintiff and the putative class—including compensatory damages, treble damages, attorney's fees and expenses—is grossly excessive, inequitable, punitive, duplicative and arbitrary so as to violate the Due Process Clauses of the Fifth Amendment and the Eighth Amendment

of the United States Constitution.

EIGHTH SEPARATE AND ADDITIONAL DEFENSE

Defendants have insufficient knowledge or information upon which to form a basis as to whether they may have additional, as yet unstated, separate defenses available. Defendants reserve the right to amend this Answer to add, delete, or modify defenses based upon legal theories that may be or will be divulged through clarification of the Complaint, through discovery, or through further legal analysis of Plaintiff's position in this litigation.

Dated: June 5, 2020

Respectfully submitted,

McDONALD'S USA, LLC and McDONALD'S CORPORATION.

By: /s/ Rachel S. Brass
Rachel S. Brass

GIBSON DUNN & CRUTCHER LLP

D. Jarrett Arp (admitted pro hac vice)
1050 Connecticut Ave., N.W.
Washington, D.C. 20036
Telephone: (202) 955-8500
Facsimile: (202) 467-0539
Email: JArp@gibsondunn.com

Rachel S. Brass (admitted pro hac vice)
Caeli A. Higney (admitted pro hac vice)

Julian W. Kleinbrodt (admitted pro hac vice)
555 Mission St., Suite 3000
San Francisco, California 94105
Telephone: (415) 393-8200
Facsimile: (415) 374-8458
Email: RBrass@gibsondunn.com

Matthew C. Parrott (admitted pro hac vice)
3161 Michelson Dr.
Irvine, CA 92612
Telephone: (949) 451-3800
Facsimile: (949) 451-4220
Email: MParrott@gibsondunn.com

A&G LAW LLC

Robert M. Andalman (Atty. No. 6209454)

Rachael Blackburn (Atty. No. 6277142)

542 S. Dearborn St.; 10th Floor Chicago, IL
60605

Tel.: (312) 341-3900

Fax: (312) 341-0700

CERTIFICATE OF SERVICE

I, Rachel S. Brass, an attorney, hereby certify that the foregoing **DEFENDANTS** **McDONALD'S USA, LLC AND McDONALD'S CORPORATION'S ANSWER TO PLAINTIFF'S COMPLAINT** was electronically filed on June 5, 2020 and will be served electronically via the Court's ECF Notice system upon the registered parties of record.

/s/ Rachel S. Brass _____