

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Andrew N. Ferguson, Chairman**
 Rebecca Kelly Slaughter
 Melissa Holyoak
 Mark R. Meador

In the Matter of

Gateway Services, Inc.

a corporation, and

Gateway US Holdings, Inc.

a corporation.

Docket No. C-

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, 15 U.S.C. § 41, et seq., and by virtue of the authority thereunder, the Federal Trade Commission (“Commission”), having reason to believe that Gateway Services, Inc. and Gateway US Holdings, Inc. (collectively “Gateway” or “Respondents”) have violated the provisions of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, as amended, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this Complaint stating its charges in that respect as follows:

NATURE OF THE CASE

1. This action addresses the unfair use by Gateway of post-employment covenants not to compete (“Non-Compete Agreements”). As used in this complaint, Non-Compete Agreements are contract terms that, following the conclusion of a worker’s employment with one employer, restrict the worker’s freedom to accept employment with competing businesses or otherwise to compete with the former employer for a period of 12 months post-employment.

RESPONDENTS

2. Gateway Services, Inc. is a corporation organized in Canada with its principal place of business located in Guelph, Ontario.
3. Gateway US Holdings Inc. is a wholly owned subsidiary of Gateway Services, Inc. and is a corporation organized, existing, and doing business under, and by virtue of, the laws of the State of Delaware, with its principal place of business located in Cranston, Rhode Island.

JURISDICTION

4. At all times relevant herein, Respondents have been, and are now, corporations, as “corporation” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.
5. Respondents have engaged in and continue to engage in commerce and activities affecting commerce in the United States, as the term “commerce” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

PET CREMATION SERVICES INDUSTRY

6. Gateway is a pet cremation company that operates throughout the United States and Canada. Gateway provides cremation services to veterinarians and directly to pet owners.
7. Gateway is by far the largest pet cremation services company in the United States, with 1,992 U.S.-based employees. Gateway operates over 100 locations servicing 17,000 customers across North America.

GATEWAY’S NON-COMPETE AGREEMENTS

8. In 2019, Gateway adopted a policy of requiring Non-Compete Agreements for all newly hired employees, regardless of their position or responsibilities. These agreements typically require that, for one year following the conclusion of employment with Gateway, the employee is prohibited from working in the pet cremation service industry anywhere in the United States.
9. Today, all Gateway employees, except for those working in the state of California, are subject to Non-Compete Agreements. In total, over 1,780 U.S.-based Gateway employees are currently subject to Non-Compete Agreements.
10. Gateway applies its Non-Compete Agreements without any individualized consideration of an employee’s role. The Non-Compete Agreements cover both highly compensated executives and hourly workers, including facility-level laborers such as Operations Team Members (employees performing everyday functions at cremation facilities, such as operating crematories and molding clay paw prints) and Customer Service Representatives (drivers and account management personnel who pick up deceased pets from veterinary clinics and deliver them to Gateway’s crematories). These types of

employees account for the majority of U.S.-based Gateway employees subject to Non-Compete Agreements.

11. In one instance, Gateway had employees at a facility enter Non-Compete Agreements only to close the facility weeks later and terminate the employees. On another occasion, Gateway viewed non-competes as still “[n]ice to have” for potential employees it might acquire as part of a transaction in markets where it was “likely to consolidate operations and let employees go.” Between January 2020 and October 2023, Gateway closed dozens of cremation facilities across the United States. Gateway’s Non-Compete Agreements restrict its employees’, including those terminated, freedom to work in their chosen professions or to open competing pet cremation businesses—even when Gateway no longer operates facilities in the same area.
12. Gateway recognizes that Non-Compete Agreements for employees reduce competitive pressures. Gateway “[s]trongly preferred” Non-Compete Agreements for potential employees it might acquire as part of a transaction in competitive markets while considering these agreements “[n]ice to have” in other markets based on its assessment that “competitors in [those] markets are at a smaller scale and less of a threat so [Gateway] could get comfortable with the risk” of not having Non-Compete Agreements.
13. In this same context, Gateway viewed Non-Compete Agreements as important for suppressing competition, not just for employees it might terminate, but also those it intended to retain: “Even if we fire our sales person and give [the newly acquired employee] the position, it doesn’t prevent [the newly acquired] sales person from jumping ship or being solicited by a competitor (now, next yr, or at another point in time). In fact, if they are that good, there’s more of a reason to get the non-compete/non-solicit because that risk will always be there. At some point, we’ll have to deal with the competitive concerns which will cost \$.”
14. Gateway also uses Non-Compete Agreements as a direct response to competitive threats. In one market, Gateway responded to the entry of a competing pet cremation business by executing Non-Compete Agreements with Gateway employees not already subject to these agreements, including hourly employees.
15. The Non-Compete Agreements are anticompetitive because they alter the bargaining position between employees and Gateway. Employees under Non-Compete Agreements occupy a worse position to negotiate for better terms of employment in the pet cremation services industry. The Non-Compete Agreements deny them access to job opportunities and restrict their mobility. The Non-Compete Agreements likely cause lower wages and salaries, reduced benefits, less favorable working conditions, and, among other things, personal hardship to employees.
16. The Non-Compete Agreements are also anticompetitive because they have the likely purpose and effect of suppressing competition by impeding the entry and expansion of Gateway’s competitors in the pet cremation services industry.

17. The Non-Compete Agreements also have the likely purpose and effect of suppressing competition by preventing or discouraging Gateway employees from opening competing pet cremation businesses. Some former Gateway employees have attempted to enter the pet cremation services industry despite high entry barriers. Gateway's Non-Compete Agreements significantly diminish the timeliness and likelihood of competitive entry in markets where Gateway has a significant presence.
18. Any legitimate objectives of Gateway's conduct as alleged herein could have been achieved through significantly less restrictive means.

VIOLATIONS CHARGED

19. The allegations in all the paragraphs above are re-alleged and incorporated by reference as though fully set forth herein.
20. Gateway's Non-Compete Agreements are unfair methods of competition in violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.
21. Gateway's conduct constitutes an unfair method of competition with a tendency or likelihood to harm competition, consumers, and employees in the pet cremation services industry, in violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.
22. Such conduct, or the effects thereof, will continue or recur in the absence of appropriate relief.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this _____ day of _____, 2025, issues its complaint against Respondents.

By the Commission, Commissioner Slaughter dissenting.

April J. Tabor
Secretary