

DMS Notice QC - 10 - 5

June 10, 2010 Discard: Retain

TO WEIGHTS AND MEASURES OFFICIALS

SUBJECT: Petco Animal Supplies, Inc. Settlement

Attached is a final judgment and permanent injunction pursuant to stipulation issued by the District Attorney's Office of San Diego County, in conjunction with the District Attorney's Offices of the City of San Diego, San Mateo, Santa Barbara, Los Angeles and Marin Counties. This final judgment was filed against Petco Animal Supplies, Inc., on June 2, 2010 for improper computation of value, selling a product by gross weight or measure, and failing to locate or position a weighing or measuring device used in retail where indicators can be accurately read by purchasers under ordinary circumstances, pursuant to California Business and Professions Codes 12024.2, 12023, and 12510(a)(6) respectively. Petco was also in violation of the Pet Store Animal Care Act and other animal health issues.

We greatly value the fine work done on behalf of the people, by the prosecution team representing the various District Attorney's Offices, as well as the State and county investigators that pursued these violations. Petco was assessed civil penalties and cost recovery of \$1,749,000. Investigative costs reached \$75,438. and \$1,674,562. in civil penalties.

San Diego County should be sure to report these penalties in the County Monthly Report (CMR). All participating counties should separately record their individual investigative cost reimbursements in the appropriate columns in the report.

Sincerely,

Edmund E. Williams

Director

Cc PQV Special Investigators



JUN - 2 7010 By: M. MASES, Deputy

SUPERIOR COURT OF CALIFORNIA COUNTY OF SAN DIEGO

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff.

PETCO ANIMAL SUPPLIES, INC., a Delaware Corporation doing business as PETCO stores,

Defendant.

Case No. 37-2010-00093302-CU-MC-CTL

FINAL JUDGMENT AND PERMANENT INJUNCTION PURSUANT TO STIPULATION

The People of the State of California, by and through their attorneys, JAN I.

GOLDSMITH, San Diego City Attorney, by MICHAEL RIVO, Deputy City Attorney; BONNIE

M. DUMANIS, San Diego County District Attorney, by GINA F. DARVAS, Deputy District

Attorney; STEVE COOLEY, Los Angeles County District Attorney, by LESLIE A. HANKE,

Deputy District Attorney; EDWARD S. BERBERIAN, JR., Marin County District Attorney, by

ROBERT E. NICHOLS, Deputy District Attorney; JAMES P. FOX, San Mateo County District

Attorney, by JOHN E. WILSON, Deputy District Attorney; and ANN BRAMSEN, Santa

Barbara County District Attorney, by B. ALLAN KAPLAN, Senior Deputy District Attorney;

and Defendant, PETCO ANIMAL SUPPLIES, INC., a Delaware corporation, by and through its

attorneys, Sheppard Mullin Richter & Hampton LLP, by ERIK S. BLISS, Esquire, having

stipulated that this Court has jurisdiction over this matter, and this Final Judgment and Permanent

Injunction Pursuant to Stipulation (Judgment) may be signed without the taking of proof, without trial or adjudication of any issue of fact or law herein, and without the stipulation or Judgment constituting evidence of an admission by Defendant;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

JURISDICTION

1. This action is brought under California law and this Court has jurisdiction of its subject matter and the parties.

INJUNCTION

- 2. The provisions of this Judgment are applicable to Defendant, PETCO ANIMAL SUPPLIES, INC., a Delaware corporation ("Defendant"), and to its officers, directors, employees, agents, and representatives acting within the course and scope of their agency and employment, and to successors and assignees of Defendant, and to all persons, partnerships, corporations, and other entities acting for, through, on behalf of, or in concert with Defendant, with actual or constructive notice of this Judgment. All obligations imposed upon Defendant by the terms of this Judgment are ordered pursuant to Business and Professions Code sections 17203 and 17535, except where provided otherwise.
- 3. Defendant, and all persons and entities set forth in Paragraph 2 above, are hereby permanently enjoined and restrained from directly or indirectly:
- A. Representing a price in an advertisement or on an item, store shelf or sign near the item, and charging a greater price at the time the item is purchased;
- B. Computing at the time of sale of an item a value which is more than the price which is then advertised, posted or quoted, in violation of Business and Professions Code section 12024.2;
- C. Selling any commodity by gross weight or measure, in violation of Business and Professions Code section 12023;
- D. Failing to locate or position a weighing or measuring device used in retail trade so that the indicators can be accurately read by purchasers under ordinary circumstances, in violation of Business and Professions Code section 12510(a)(6);

C. Defendant shall utilize an external, third-party auditor (EA) for its California stores. The EA shall conduct a monthly price audit in each California store of at least fifty randomly selected items offered for sale in that store, including bulk sale and advertised sale items. The results of these audits shall be forwarded to Defendant's Vice President of Internal Audit and Loss Prevention;

D. Defendant shall designate an Inventory and Pricing Department Manager (IPDM) in each store. The IPDM shall be responsible for pricing accuracy in the store, including all price scanning issues. The IPDM shall also be responsible for verifying all prices in PETCO advertisements. The IPDM shall be clearly identified by a name tag designation to PETCO employees and to members of the public. In the absence of the IPDM, the store's manager on duty shall perform the duties and obligations of the IPDM;

E. The IPDM, with the assistance of other PETCO employees as may be necessary, shall conduct weekly price audits of at least thirty items offered for sale in each store, including bulk sale and advertised sale items. At least twenty of the thirty items in each weekly price audit shall be randomly selected. The twenty randomly selected items may be from a department or other subset of the store's items offered for sale, so long as all departments are part of the selection at least once every four weeks. Up to ten of the thirty items in each weekly price audit may be targeted items selected by Defendant based on considerations such as a recent advertisement, price change, regulatory inspection, or similar reason. None of the items audited in a particular week shall be repeated in audits in any of the following three weeks;

F. Defendant shall create a log of each audit, which shall include the date and time of the audit; the number of items audited; a list of pricing errors discovered during the audit, including a description of the item, the correct price, the scanned price, and a certification that the errors were corrected. Within two weeks of each audit, the IPDM or his or her designee shall forward the audit log to the PAQAEC and Defendant's Vice President of Internal Audit and Loss Prevention;

- G. Defendant shall retain all audit logs for at least five years at its National Support Center;
- H. Every pricing error discovered during an audit shall be promptly corrected. If, in any audit, there are pricing errors for three or more items, that fact shall be conspicuously noted on the audit log before it is forwarded to the designated PETCO employee. The PAQAEC shall keep a separate log for each PETCO store in California, noting every audit in which there were pricing errors for three or more items;
- I. During any week where there are actively advertised items, the IPDM and/or a store's manager on duty shall walk the store and conduct a random audit of at least thirty advertised items to verify the accuracy of the price of these advertised items on the shelf. Every pricing error discovered during the walk shall be promptly corrected;
- J. Whenever an item has scanned at a price that is higher than the lowest shelf or in-store advertised price, the customer shall receive a three dollar reduction from the lowest advertised price for one of the items or, if the item's lowest shelf or in-store advertised price is three dollars or less, the customer shall receive one such item for free. Defendant shall inform customers of this policy by posting a sign in a location clearly visible to customers standing in the checkout line at every checkout stand in every PETCO store in California. The signs shall be at least six inches by six inches in size and shall state: "IF AN ITEM SCANS AT A PRICE HIGHER THAN THE SHELF LABEL PRICE OR STORE SIGN PRICE, WE WILL CORRECT THE ERROR AND DEDUCT \$3.00 FROM THE LOWEST IN-STORE PRICE OF ONE SUCH ITEM. IF THE LOWEST IN-STORE PRICE IS \$3.00 OR LESS, YOU WILL RECEIVE ONE SUCH ITEM FOR FREE;"
- K. Defendant shall train every employee responsible for weighing items sold in bulk in the placement and use of scales, including the deduction of tare, before the employee is permitted to weigh any item sold by bulk weight for a customer. Defendant shall maintain a list certifying that such training has taken place, including the date of the training, the name of the trainer, and the employee trained. Defendant shall retain all bulk weighing training certification lists for at least two years at its National Support Center;

FINAL JUDGMENT AND PERMANENT INJUNCTION PURSUANT TO STIPULATION

- D. Each PETCO store in California shall require all animals and habitats be inspected every morning within one hour of opening (or by noon on a holiday) by a trained animal care employee. The inspections shall be completed and documented in a computerized system. Each employee conducting an inspection shall certify that the inspection has been conducted;
- E. All animals and habitats shall be inspected every four hours and cleaned and refreshed as needed:
- F. Defendant shall develop and maintain a centralized Computerized Daily Inspection Record (CDIR), memorializing each morning inspection which shall include all of the following information:
 - (1) The county, address and store code of each store;
- (2) The name of each person conducting any portion of the inspection.

 Each person conducting any portion of the inspection must have an individual personal ID number known only to the employee for the system;
 - (3) The date and time the inspection is completed;
- (4) The CDIR shall either acknowledge that each animal is contained in a sanitary facility of appropriate size, with proper heating and ventilation for the animal(s) contained therein and that the animal has proper nourishment and water, or the need for immediate action/correction:
- (5) The CDIR shall either acknowledge that each pet animal has or has not been provided proper nutrition and water or the need for immediate food and/or water;
- (6) The CDIR shall either acknowledge each of the pet animals has been examined and showed no observable symptoms of sickness, injury or disease; or if such symptoms are observed, that the animal was removed from the sales floor. Any treatment or other action taken for the health and well being of the animal shall be noted on the CDIR;
- (7) The CDIR may be divided by animal species or department so as to permit the reasonable progress of the inspection. (As used herein, the phrase, "animal species or department," refers to groupings or types of animals which are generally located in the same area

- (3) Any animal that is found to be or appears ill, diseased, injured or in discomfort shall be immediately removed from the general population and housed separately in a wellness or isolation habitat that is separated from the store's primary animal enclosures and grooming areas. Any animal food kept in the same room as this habitat shall be in sealed containers. The isolation area shall be cleaned and maintained at least once per day;
- (4) Each PETCO store shall maintain computerized records documenting all sick, injured, or diseased animals, including the name of the employee who discovered the animal, the date and time the condition was discovered, the date and time the animal was removed from the general habitat, the date and time a veterinarian was contacted, the name of the veterinarian and any care instructions received, the date and time the animal was taken to the veterinarian, and the diagnosis and treatment instructions (if a veterinary visit was made). The same information shall be generated into the form of an Animal Status Card and placed in a secure, visible and accessible location with each animal placed into isolation;
- (5) Upon written request, each PETCO store shall provide access to these records in each store and Defendant shall make said reports available to any Peace Officer, District Attorney, City Attorney, Humane Society, Animal Control Official, or their respective designee, within two weeks of such request;
- (6) The CACC or his or her designee shall review all Animal Status Cards to assure that sick, injured or diseased animals are receiving proper care;
- (7) If there is a determination that any animal (excluding fish) not intended as food for another animal may require euthanasia, veterinary treatment shall be provided without delay;
- M. An animal intended as food for another animal may only be destroyed using methods as set forth in the Pet Store Animal Care Act as contained in the Health and Safety Code. These policies and procedures shall be included in the animal training provided to animal and store managers. Euthanasia may only be carried out by the CADM or the store manager. Failure to follow such policies and procedures shall result in the immediate dismissal of any employee who violates such policies and procedures;

MONETARY RELIEF

- 7. Pursuant to Business and Professions Code sections 17206 and 17536, Defendant shall, on the date of the filing of this Judgment, pay to Plaintiff the sum of One Million, Six Hundred Seventy Four Thousand, Five Hundred Sixty Two Dollars (\$1,674,562.00) in the form of one certified check payable to the Marin County District Attorney. The check shall be divided equally among the offices of the six prosecutors bringing this action.
- 8. Pursuant to Business and Professions Code sections 17206 and 17536, Defendant shall, on the date of the filing of this Judgment, pay consumer agency costs totaling Seventy Five Thousand Four, Hundred and Thirty Eight Dollars (\$75,438.00) in the form of one certified check payable to the Marin County District Attorney to be distributed as follows:

Agency		Amount
California I	Division of Measurement Standards	\$14,132.65
Marin County Humane Society		\$ 4,072.80
	Weights and Measures Butte County	\$ 210.90
	Weights and Measures Fresno County	\$ 253.60
	Weights and Measures Humboldt County	\$ 378.11
	Weights and Measures Kern County	\$ 410.64
	Weights and Measures Los Angeles County	\$17,018.60
	Weights and Measures Marin County	\$ 1,561.60
	Weights and Measures Orange County	\$ 1,134.00
	Weights and Measures Riverside County	\$ 3,569.00

1			
1	Weights and Measures	0.2.201.25	
2	San Bernardino County	\$ 3,281.25	
3	Weights and Measures San Diego County	\$13,716.12	
4	Weights and Measures		
5	San Francisco County	\$ 420.00	
6	Weights and Measures		
7	San Joaquin County	\$ 323.32	
8	Weights and Measures	ф. 171.00	
9	San Luis Obispo County	\$ 171.88	
10	Weights and Measures San Mateo County	\$ 1,201.34	
11		Ψ 1,ωU1.J¬	
12	Weights and Measures Santa Barbara County	\$ 612.00	
13	Weights and Measures		
14	Santa Clara County	\$ 8,597.02	
15	Weights and Measures		
16	Solano County	\$ 2,148.30	
	Weights and Measures		
17	Sonoma County	\$ 255.00	
18	Weights and Measures	Ф 040 AO	
19	Stanislaus County	\$ 342.40	
20	Weights and Measures Sutter County	\$ 467.47	
21		Ψ 107.11	
22	Weights and Measures Tulare County	\$ 92.00	
23			
24	Weights and Measures Ventura County	\$ 1,068.00	
25			
26	9. The two checks shall be delivered to the attention of Robert E. Nichols, Deputy Distri		
27	Attorney, Marin County District Attorney's Office, Consumer and Environmental Protection		
1	1		

Unit, 3501 Civic Center Drive, Room 130, San Rafael, California 94903.

RETENTION OF JURISDICTION

- 10. Jurisdiction is retained for the purpose of enabling any party to this Judgment to apply to the Court at any time for such further orders and directions as may be necessary and appropriate for the construction or carrying out of this Judgment, for the modification of any of its injunctive provisions, and for the enforcement of, compliance with, and for the punishment of violations of the Judgment.
 - 11. The clerk is directed to immediately enter this Judgment.

ated: JUN - 2 2010	RICHARD S. WHITNEY
	Judge of the Superior Court