

# Calif. judges: Juries should hear driver vs Uber, Lyft suits

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In this photo taken Tuesday, Dec. 16, 2014, a man leaves the headquarters of Uber in San Francisco. In rulings filed Wednesday, March 11, 2015, two San Francisco federal judges said juries will have to decide whether former drivers for Uber and Lyft were independent contractors, or employees of the ride-hailing companies with all of the protections and benefits the state affords regular workers. The rulings have potentially expensive ramifications for Uber and Lyft. (AP Photo/Eric Risberg, File)

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The rulings have potentially expensive ramifications for Uber and Lyft.

Two former Lyft [drivers](#) and four current Uber drivers have filed two separate lawsuits alleging that they were misclassified as independent contractors and thus deprived of California's minimum wage, reimbursement for work-related expenses, and other protections. The plaintiffs seek class-action status on behalf of current and former drivers in California.

Lyft and Uber dispute the claims and had asked the courts to issue summary judgments against the plaintiffs.

But in respective rulings filed Wednesday, U.S. District Judges Edward M. Chen and Vince Chhabria said only a jury could decide the issues because evidence could sway a reasonable jury in either direction.

They agreed that California laws are "outmoded," and even suggested that laws may at some point be written specifically to address the so-called "sharing economy." But until then, the burden would be on Uber and Lyft to prove drivers weren't employees.

Lyft and Uber declined to comment on the rulings.

The ride-hailing companies each operate apps that link would-be riders up with nearby drivers. Payment is made via the apps and Uber and Lyft cut checks to drivers for the rides, after taking a commission of about 20 percent.



In this Jan. 17, 2013 file photo, a Lyft car drives across Market Street in San Francisco. In rulings filed Wednesday, March 11, 2015, two San Francisco federal judges said juries will have to decide whether former drivers for Uber and Lyft were independent contractors, or employees of the ride-hailing companies with all of the protections and benefits the state affords regular workers. The rulings have potentially expensive ramifications for Uber and Lyft. (AP Photo/Jeff Chiu, File)

Privately held Uber has raised nearly \$6 billion since it started six years ago and is valued at about \$40 billion. Its ride-hailing network is available in more than 250 cities in 50 countries.

The company has faced legal and regulatory challenges, concerns about rider safety and the screening of its drivers, and criticism of how it has raised prices during storms and other high-demand periods.

Smaller rival Lyft, known for previously putting pink mustaches on drivers' cars, is in 65 markets and recently raised \$530 million in new

funding. Reports value the 3-year-old company at over \$2 billion.

One plaintiff, Patrick Cotter, drove for Lyft for four months while also working for Facebook. He was fired after using a substitute vehicle to give rides, rather than the car Lyft approved. Another, Alejandra Maciel, drove for Lyft for six weeks in 2013 and was fired after getting passenger ratings in the bottom 5 percent of drivers. They contend Lyft owes them money because it should have paid them as employees, not independent contractors.

Chhabria wrote in his ruling that a central question is whether Lyft's right to control drivers' working environment—its setting of rules for behavior while driving—and fire them at will makes them employees instead of contractors. However, the flexibility afforded by the Lyft business model to drivers—they set their own hours and can reject or ignore ride requests—means reasonable people could differ on whether a worker is an employee or an independent contractor.

"The jury in this case will be handed a square peg and asked to choose between two round holes," Chhabria wrote, noting what he called "California's outmoded test for classifying workers."

The Uber case involves plaintiffs Douglas O'Connor and Thomas Colopy, who drive mainly for Uber's "UberBlack" service—which transports passengers in black sedans or other limousine-like vehicles—and Matthew Manahan and Elie Gurfinkel, who drive principally for Uber's "uberX" service in their own cars. Chen noted that each of them signed contracts with Uber that explicitly state that the relationship between the transportation providers and Uber "is solely that of independent contracting parties."

But Chen called Uber's argument that it is merely a [technology company](#) and not in the transportation business "strains credulity."

"Uber is no more a 'technology company' than Yellow Cab is a 'technology company' because it uses CB radios to dispatch taxi cabs," Chen wrote.

However, he agreed that California's traditional employment test evolved in an economy very different from today's and that prior cases don't address all of the challenges presented by Uber's business mode.

The two cases turn on a complex area of state law that will likely be the focus of more disputes, said law professor Eric Goldman, who is director of Santa Clara University's High Tech Law Institute.

"There are lots of other sharing economy services that create new ways of people working together," he said. "This is going to come up for other online marketplaces."

In the cases involving Uber and Lyft, Goldman said both judges seem skeptical of the companies' arguments that their drivers are independent contractors. "We'll have to see what the juries say," he added, "but certainly if I'm Uber and Lyft, I'm thinking carefully about my Plan B."

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