

California prosecutors sue Uber; Lyft settles

December 10 2014, by Paul Elias



San Francisco District Attorney George Gascon, at podium, answers questions while standing with members of his staff and the Los Angeles District Attorney's office during a news conference about the ridesharing companies Uber and Lyft Tuesday, Dec. 9, 2014, in San Francisco. California prosecutors have filed a lawsuit against Uber over the ridesharing company's background checks and other allegations, adding to the popular startup's worldwide legal woes. Meanwhile, Gascon said Tuesday that Uber competitor Lyft has agreed to pay \$500,000 and change some of its business practices to settle its own lawsuit. (AP Photo/Eric Risberg)

California prosecutors sued Uber on Tuesday over the ride-booking

company's background checks of drivers and other allegations, adding to the popular startup's worldwide legal woes.

San Francisco County District Attorney George Gascon also announced that Uber competitor Lyft agreed to pay \$500,000 and change some of its business practices to settle its own lawsuit. Lyft will have to pay only half the fine if it complies with the agreement's terms over the next year.

The lawsuits filed in San Francisco Superior Court are the latest legal hurdles to confront the nascent ride-hailing industry. The industry in general—and Uber in particular—have been battling lawsuits and regulatory issues over whether the businesses are regulated taxi services or app-making technology companies.

"Uber continues to misrepresent and exaggerate background checks on drivers," Los Angeles District Attorney Jackie Lacey said. "It's not our goal to shut them down. What we're saying is their advertising is false."

Lyft, on the other hand, agreed to drop similar claims that its background checks are the "best available" and the "gold standard."

Among other concessions, Lyft also agreed to submit its fare-setting app to the state regulators to ensure it's fairly charging riders, and it agreed not to do business at any airport unless it receives a permit.

Lacey partnered with Gascon in a probe of the ride-app industry. A third company—Sidecar—is still under investigation and could face a lawsuit of its own if it can't reach an agreement with prosecutors, Gascon said.

Uber's lawsuit accuses the company of misleading consumers by claiming it conducts "industry-leading" background checks on its drivers. Gascon said that claim is false since the company doesn't fingerprint its drivers.

Uber uses information supplied electronically by its applicant drivers for background checks. But applicants can get around those checks by using stolen or false identifications, Gascon said.

"Only a fingerprint-based process can ensure this is not happening," he said.

Uber spokeswoman Eva Behrend defended the company's role in California in a statement that did not address specific allegations.



San Francisco District Attorney George Gascon speaks during a news conference about the ridesharing companies Uber and Lyft Tuesday, Dec. 9, 2014, in San Francisco. California prosecutors have filed a lawsuit against Uber over the ridesharing company's background checks and other allegations, adding to the popular startup's worldwide legal woes. Meanwhile, Gascon said Tuesday that Uber competitor Lyft has agreed to pay \$500,000 and change some of its business practices to settle its own lawsuit. (AP Photo/Eric Risberg)

"Uber is an integral, safe and established part of the transportation ecosystem in the Golden State," Behrend said. "We will continue to engage in discussions with the district attorneys."

Uber also is being sued for charging passengers an additional \$4 for trips to and from San Francisco International Airport even though the company lacks a permit to do business at the airport and neither Uber nor its drivers pay the airport fee.

Taxis must pay for a permit to do business at San Francisco's airport and other major airports in the state.

Further, Uber is being sued for charging passengers an additional \$1 per trip for a "safe ride fee," which the company claims helps pay for its "industry-leading" background checks.

Finally, the lawsuit accuses the company of failing to obtain approval from state regulators on how drivers calculate fares. Taxi cab meters are tested and verified by an agency in California's Department of Agriculture.

Uber has endured negative attention about the actions of some of its drivers.

An Uber driver was arrested in San Francisco in September and charged with felony assault after allegedly using a hammer to attack and seriously injure a passenger who complained about a route. Another Uber driver was arrested in June in Los Angeles and accused of abducting a drunken female passenger and taking her to a hotel with the intention of sexually assaulting her.

In October, a Los Angeles woman reported that an Uber driver drove 20 miles out of her way and ignored her complaints and questions before

stopping the car in a dark and deserted parking lot. She said the driver then locked the doors when she tried to leave. The woman reported that she escaped only after screaming. Uber refunded her fare.

Government entities around the globe are grappling with how to regulate and monitor ride-hailing companies. Taxi and limousine drivers and companies complain that the app makers should be subjected to the same regulations and fees they face around the world.



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The ride-booking companies counter that their drivers are private contractors who use the startups' technology to find customers in need of rides.

Uber, in particular, is fighting numerous legal and regulatory battles as it aggressively expands worldwide.

The city of Portland, Oregon, on Monday filed a lawsuit seeking to halt Uber's expansion in that city, arguing the company failed to obtain the proper permits.

A Nevada judge has temporarily barred Uber from operating in the state.



In this Jan. 17, 2013 file photo, a Lyft car drives across Market Street in San Francisco. California prosecutors have filed a lawsuit against Uber over the ridesharing company's background checks and other allegations, adding to the popular startup's worldwide legal woes. Meanwhile, San Francisco County District Attorney George Gascon said Tuesday, Dec. 4, 2014, that Uber competitor Lyft has agreed to pay \$500,000 and change some of its business

practices to settle its own lawsuit. (AP Photo/Jeff Chiu, File)

Overseas, police in India recently questioned an Uber executive about the company's claim it conducts comprehensive [background checks](#). And a top official called for the service to be banned nationwide after one of its New Delhi drivers was arrested Sunday and accused of rape.

Separately, Spain has barred the company's operation, and Thailand said it was illegal for private cars to be used as taxis and threatened fines of \$60 for each violation.

Nonetheless, San Francisco-based Uber raised \$1.2 billion in its latest round of funding from venture capitalists, a sign investors aren't fazed by the legal woes.

The latest investment put a value on Uber of \$40 billion.

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