



Judge Greenlights Class-Action Lawsuit Against Uber, Drivers Say They're Being Stiffed

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A San Francisco judge isn't buying Uber's claim that its drivers are independent contractors rather than employees -- an argument it deployed to stave off a class-action lawsuit over tips and expenses.

On Thursday, U.S. District Judge Edward Chen rejected the startup's motion to dismiss, allowing a group of jilted drivers to pursue claims that the company hijacks portions of its drivers' gratuities and refuses to reimburse them for fuel and other automobile expenses. Chen also ruled that drivers in other states can join the suit, since Uber's licensing agreement includes a clause specifying that all disputes be settled under California law.

Chen did, however, absolve Uber's President Travis Kalanick and Vice President Ryan Graves from individual allegations, saying that they aren't necessarily culpable for *all* of the company's labor practices. It was a small silver lining in what could ultimately be a severe blow to the car-hire startup.

And the suit could extend well beyond Uber. In his opinion, Chen notes that Uber exercises enough control over its drivers' day-to-day operations to "make the existence of an employment relationship plausible on its face." If that claim prevails, it could undermine one of the core tenets of the car-hire startup business model, also implemented by Lyft, Sidecar, and scads of other companies. All define themselves as technology startups rather than transportation companies, a status that they say exempts them from laws and regulations governing conventional taxis.

If that contention falls apart under judicial scrutiny, it could also impair the startups' rather tenuous standing with the California Public Utilities Commission, whose members are still delineating rules to keep Uber and its ilk from unfairly driving taxis out of business.

We learned last week that Uber is profiting enormously from what could be an unfair labor strategy, with more than \$22 million in revenue harvested during the last week of November, according to reports leaked to *Valleywag*. But this class-action suit could stymie its business, especially if it paves the way for others.