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Juries To Decide Landmark Cases Against Uber and Lyft

By: Ellen Huet | March 11, 2015



Two class-action lawsuits claiming that Uber and Lyft drivers are employees, not independent contractors, are headed to jury trial. (Rafiq Maqbool/AP)

Two landmark lawsuits that claim that drivers for ride-hailing services Uber and Lyft should be considered employees rather than contractors will both go to jury trial, two U.S. judges ruled Wednesday. The decisions could have a ripple effect on the business models of the burgeoning on-demand and sharing economies.

Uber and Lyft are facing two separate suits seeking class action status in U.S. district court in San Francisco from drivers who claim that although the services classify them as independent contractors, they are actually employees and are therefore owed certain benefits, reimbursements and protections.

The drivers claim that because they are told how much they can charge and risk being fired if they don't obey certain rules, they should be considered employees. But Uber and Lyft argue that drivers have many freedoms that typical employees don't, like the ability to set their own hours or work as often or as little as they like.

If the jury finds that the drivers are employees, Uber's and Lyft's business models will be severely shaken. Both companies rely heavily on the independent contractor model to provide a cheap workforce that drives around customers. And the ruling would also undercut many of the other startups in the on-demand economy who use independent contractors to do everything from laundry to food delivery but don't want to pay labor costs like health insurance. On-demand housecleaning service Handybook faces a similar worker misclassification lawsuit.

So are the drivers employees or independent contractors? It seems like neither label applies, noted U.S. District Judge Vince Chhabria, the judge in the Lyft lawsuit.

"At first glance, Lyft drivers don't seem much like employees," he wrote. "But Lyft drivers don't seem much like independent contractors either," he added later.

"The jury in this case will be handed a square peg and asked to choose between two round holes," he wrote. "The test the California courts have developed over the 20th Century for classifying workers isn't very helpful in addressing this 21st Century problem."

In the Lyft case, the judge denied the drivers' request that they be deemed employees and turned it over to a jury. In the Uber case, the judge denied Uber's request that its drivers be deemed independent contractors and did the same. In both cases, the drivers are represented by Boston attorney Shannon Liss-Riordan, who has won cases in the past arguing that FedEx drivers are employees and not contractors.

Representatives from Uber and Lyft declined to comment on pending litigation.

Liss-Riordan's next task will be trying to establish class-action status for both cases, she said. Both lawsuits have also been limited in scope to California drivers for now.

"I'm very excited — this has been a long time coming," Liss-Riordan said. "We're looking forward to pushing these cases further and showing that Uber and Lyft are not above the law."