



Uber Sued Again Over Tip-Skimming Claims, Case Could Go National

Curt Woodward 8/28/13

Car-hailing startup **Uber**, which just raised **an enormous amount of money** from Google Ventures and other investors, will have to earmark some of that new cash for legal bills.

The San Francisco-based company is being sued again in federal court, this time over claims that it's stiffing drivers on tips.

A similar case was previously filed in Boston on behalf of all Massachusetts-based Uber drivers. But this new lawsuit seeks to broaden those claims nationally, seeking class-action status to represent Uber drivers across the country.

The lawsuit was filed by **Shannon Liss-Riordan**, a Boston-based lawyer who **specializes in cases that involve unfair labor practices**. She's represented American Airlines skycaps who said they were cut out of tips by the airline's fees, and cab drivers seeking to be recognized as employees rather than independent contractors.

In this case, Uber is being hit on both of those points. The federal lawsuit, filed earlier this month on behalf of two drivers, alleges that Uber is illegally taking a bite out of the drivers' tips.

The lawsuit also alleges that Uber has "misclassified" drivers as independent contractors rather than employees, improperly making them pay work-related costs like gas and car maintenance.

This new lawsuit mirrors **the central claim in the Boston case**, in which cab driver David Lavitman said Uber was effectively skimming half his 20 percent tip by taking a \$1 booking fee and 10 percent of the fare. Liss-Riordan is also one of the attorneys in that case.

“In some situations, they charge 20 percent gratuity to the customer and they only give 10 percent of that to the driver,” Liss-Riordan said. “In other instances, they just say the gratuity is included, but they don’t actually give the drivers a gratuity. So they’re basically lying to the customers.”

Uber hasn’t formally responded to the allegations in court, but Uber spokesman Andrew Noyes rejected the lawsuit’s claims, calling the lawsuit “frivolous.”

“The allegations made against our company are entirely without merit and we will defend ourselves vigorously,” Noyes wrote in an e-mailed statement. “Uber values its partners above all else and our technology platform has allowed thousands of drivers to generate an independent wage and build their own small businesses on their own time.”

It’s another tricky legal situation for Uber, which has earned tons of praise from consumers but faces a lot of regulatory and competitive struggles getting its service consistently operating in many cities around the U.S.

Uber’s slick, easy-to-use smartphone app hails cabs, “black car” sedans, and in some cases “ride-sharing” cars with a few taps on the touchscreen. The app shows how far away a car is, giving the user an idea of when their ride will arrive.

Uber also calculates fares, and payments are done entirely digitally, with no need to swipe a credit card or hand over cash (Uber keeps a bank card number on file to charge for the transaction).

The regulatory and industry pressures come because Uber sometimes crosses established lines in the cab and car-service markets. In many cities, longstanding local regulations have restricted the number of cab licenses and kept on-demand cars-for-hire separate from higher-end “black car” services, which are supposed to arrange rides well ahead of time.

Laws also generally haven’t caught up with the technological leaps enabled by smartphones, which can use GPS sensors to calculate cab fares. In many markets, it’s only legal to calculate a running car fare by using one of those boxes mounted to a cab’s dash.

Uber has been pugnacious in battling those limits, expanding to new cities and upsetting established players, often times generating backlash from regulators before marshaling its many fans to the cause. Success has been somewhat mixed so far—in Boston, for instance,

court records unearthed by Xconomy show Uber claiming a very small slice of the city's cab market through the beginning of this year. But overall, Uber's ability to break into a closed-off, highly regulated U.S. market has been impressive for such a young company.

All of this—the quality of its product, quick expansion across the country and into overseas markets, battles with incumbent industries and government regulators—has made Uber into something of a rock-star company for this era of tech entrepreneurs.

Financiers like what they see, too. After raising some \$50 million in venture cash, Uber recently confirmed that it had racked up **a massive \$258 million investment round** from Google Ventures and other investors, which valued the company at about \$3.5 billion.

In a blog post discussing the financing, CEO Travis Kalanick said the money would be spent to “expand into new markets, accelerate customer and driver acquisition, and fight off protectionist, anti-competitive efforts.”

It looks like he might have to add lawsuits from disgruntled drivers and labor-law specialists to that list of tasks, too.