



Rideshare Companies Get Last-Minute California Reprieve – But Pivotal Gig Economy Appeal Will Be Heard At Warp Speed

Insights

8.20.20

Just a few hours before they were subject to a court order forcing them to transform all of their drivers from independent contractors to employees, a California appeals court spared the nation's two largest rideshare companies from having to immediately overhaul their fundamental business models. The court blocked a San Francisco judge's order from taking effect while it heard the companies' appeal, handing the gig economy giants a much-needed reprieve. But it comes at a cost – the appeal was fast-tracked and will be played out at groundbreaking speed, meaning that we will be closer to a final answer to this momentous question sooner rather than later.

Delay Granted

On August 10, San Francisco Superior Court Judge Ethan Schulman granted an injunction forcing the two biggest ride-sharing drivers in the nation to classify their drivers as employees in California. A full summary of his ruling and its significance can be found here. However, he gave a 10-day window before the order would take effect to permit the parties to seek relief from the court of appeals. That window of time was set to expire at midnight tonight, and the businesses – and gig economy businesses across the country – waited on pins and needles to see if the Court of Appeal would extend the delay.

With hours to spare, the court issued a ruling that was large in significance but short on detail. It didn't address the substance of the arguments brought by the companies. It simply said that their "petitions are granted and the preliminary injunction is stayed pending resolution of their appeals."

Warp Speed Appeal

However, if the businesses thought they would just run out the clock with the litigation and get saved by a possible Election Day victory on a ballot measure preserving their ability to classify their drivers as contractors, the Court of Appeal had different thoughts. It hinged the stay of the preliminary injunction on the companies agreeing to fast-track the appeal in a manner that could lead to a final ruling in under two months.

Not only did the court order the cases against them both to be consolidated for efficiency purposes, it set an aggressive briefing and argument schedule. The first briefs in the case will be due in two weeks, and all briefing will be completed by September 25. "Absent unforeseen extraordinary circumstances," the court said, "there shall be no extensions." The court will hear oral argument on October 13, 2020, setting the stage for an immediate ruling several weeks before Election Day.

The court will also require the chief executive officers of each company to submit a sworn statement within two weeks confirming they have developed implementation plans that would permit them to transform their businesses to an employment model should the preliminary injunction be affirmed and the ballot measure fail to pass. Such a blueprint would need to be carried out within 30 days of the appeal being resolved.

What's Next?

We should now see the battle waged at the state court level renewed at the appellate level. Given the accelerated briefing schedule, it is probable that the appeals court will issue a final ruling on the matter shortly after oral argument on October 13. If the companies lose, it is likely they would seek to elevate the dispute the state supreme court as soon as possible, but it is unclear whether that court would extend another postponement of the preliminary injunction.

As you would expect, we will monitor this litigation closely and report back with any significant developments.

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