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24 **UNITED STATES DISTRICT COURT**
25 **NORTHERN DISTRICT OF CALIFORNIA**

26 UNITED STATES OF AMERICA,

27 Plaintiff,

28 v.

LYFT, INC., a corporation,

Defendant.

Case No. 24-cv-7443

**COMPLAINT FOR PERMANENT
INJUNCTION, CIVIL PENALTY
JUDGMENT, AND OTHER RELIEF**

Plaintiff, the United States of America, acting upon notification and referral from the Federal Trade Commission (“FTC” or “Commission”), for its Complaint alleges:

COMPLAINT FOR PERMANENT INJUNCTION, CIVIL PENALTY JUDGMENT, AND OTHER RELIEF
Case No. 24-cv-7443

1 1. Plaintiff brings this action for Defendant’s violations of Section 5(a) of the Federal Trade
2 Commission Act (“FTC Act”), 15 U.S.C. § 45(a), and prior Commission determinations concerning
3 unfair and deceptive acts or practices in commerce. For these violations, Plaintiff seeks relief, including
4 a permanent injunction, civil penalties, and other relief, pursuant to Sections 5(m)(1)(B) and 13(b) of the
5 FTC Act, 15 U.S.C. §§ 45(m)(1)(B), 53(b).

6 2. Defendant Lyft, Inc. (“Lyft”) operates a mobile app ride-hailing platform that connects
7 consumers who provide rides (“Drivers”) with consumers seeking transportation (“Passengers”). Lyft
8 recruits and approves consumers to become Drivers, sets the rates that Drivers charge for providing
9 transportation, and collects a portion of the fares that Drivers charge for each ride.

10 3. Lyft classifies its Drivers as independent contractors rather than employees. Drivers pay
11 the expenses associated with providing rides through Lyft’s platform, such as gas, car payments, and
12 maintenance. To become a Driver, consumers may incur significant start-up costs. For example, they
13 may need to secure a qualifying vehicle, acquire rideshare insurance, and pay business license and
14 vehicle inspection fees to local or state regulators.

15 4. In early 2021, consumer demand for ride-hailing services began to rise as access to the
16 COVID-19 vaccine became more widespread. Lyft recognized that it had a shortage of Drivers to meet
17 the renewed demand, a challenge Lyft referred to internally as the “Supply Crunch.”

18 5. Lyft addressed its Supply Crunch by, among other things, disseminating advertisements
19 that highlighted Drivers’ hourly earnings. Lyft’s ads, however, featured hourly earnings based on the
20 top 20% of Drivers. Thus, most Lyft Drivers were unlikely to earn the advertised pay.

21 6. Lyft has also disseminated advertisements featuring “Earnings Guarantees” that misled
22 Drivers into believing that they would receive the guaranteed amount as a bonus in addition to their
23 ordinary earnings. Lyft is aware that consumers perceive these ads to be misleading because it has
24 received tens of thousands of Driver complaints about the Earnings Guarantees.

25 7. On October 26, 2021, the FTC sent a letter to Lyft with a copy of the Notice of Penalty
26 Offenses Concerning Money-Making Opportunities. The FTC’s letter noted that Lyft could be subject
27 to civil penalties if it violated the FTC Act in connection with its advertising claims, pursuant to 15

1 U.S.C. § 45(m)(1)(B) and 16 C.F.R. § 1.98(e). The accompanying Notice of Penalty Offenses stated,
2 *inter alia*, that it is an unfair or deceptive trade practice to make false, misleading, or deceptive
3 representations concerning the earnings that may be anticipated by a participant in a money-making
4 opportunity. Lyft continued to make deceptive earnings claims in its advertisements even after
5 receiving the Notice of Penalty Offenses.

6 **PLAINTIFF**

7 8. The United States brings this action upon notification and referral from the FTC, pursuant
8 to Section 16(a)(1) of the FTC Act, 15 U.S.C. § 56(a)(1). The FTC is an independent agency of the
9 United States Government created by the FTC Act. 15 U.S.C. §§ 41–58. The FTC enforces
10 Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in
11 or affecting commerce.

12 **DEFENDANT**

13 9. Lyft is a Delaware corporation with its principal place of business at 185 Berry Street,
14 Suite 400, San Francisco, CA 94107. Lyft transacts or has transacted business in this District and
15 throughout the United States. At all times relevant to this Complaint, Lyft has advertised and marketed
16 its mobile app ride-hailing platform throughout the United States.

17 **COMMERCE**

18 10. At all times relevant to this Complaint, Defendant has maintained a substantial course of
19 trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

20 **JURISDICTION**

21 11. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331
22 because it arises under the laws of the United States. The Court also has subject matter jurisdiction over
23 this action pursuant to 28 U.S.C. § 1337(a) because it arises under an Act of Congress regulating
24 interstate commerce or protecting trade and commerce against restraints and monopolies, and under 28
25 U.S.C. § 1345 because the United States is the Plaintiff. This Court also has subject matter jurisdiction
26 pursuant to 28 U.S.C. § 1355 because this action is for the recovery or enforcement of a penalty incurred
27 under an Act of Congress.

1 **VENUE**

2 12. Venue is proper in this District under 28 U.S.C. §§ 1391(b)(1), (b)(2), (c)(2), and (d),
3 1395(a), and 15 U.S.C. § 53(b).

4 **DIVISIONAL ASSIGNMENT**

5 13. Pursuant to Rule 3-2(c) of the Civil Local Rules of the Northern District of California, the
6 San Francisco Division serves the county in which this action arises. A substantial part of the events
7 giving rise to the claims occurred in the City and County of San Francisco.

8 **DEFENDANT’S BUSINESS ACTIVITIES**

9 ***Background on Driver Earnings***

10 14. The primary components of a Driver’s earnings are (1) the driver fare, (2) tips from
11 Passengers, and (3) bonuses, Earnings Guarantees, or other incentives. Earnings Guarantees are
12 discussed in more detail in Paragraphs 30–46 below. In most cases, the fare consists of a base fare or
13 pick-up fare, plus incremental amounts based on the actual time and distance of the ride. The applicable
14 fares and time and distance amounts are shown to the Driver in Lyft’s driver-facing app. In some cases,
15 Drivers may receive cancellation or no-show fees when a Passenger cancels a ride request or fails to
16 show up for a ride. Drivers may also receive surcharges or subsidies, such as fuel surcharges or the
17 California state healthcare subsidy.

18 15. Lyft offers ride-hailing services in hundreds of cities throughout the United States. The
19 company divides its service area into more than 300 geographic regions, which are generally identified
20 by the airport code of the regional airport (e.g., “SFO” for the San Francisco region). The fare amounts
21 that apply to the region in which the Driver picks up the Passenger will apply to the ride, even if the ride
22 ends in a different region.

23 ***Hourly Earnings Advertisements***

24 16. From around April 2021 to June 2022, Lyft widely disseminated inflated hourly earnings
25 claims in web search ads, on social media, on internet job boards, and on Lyft’s website. For example,
26 Lyft ran ads on Facebook and Instagram making the following claims for Driver positions in various
27 markets:

Atlanta, GA	
"Start driving and earn up to \$33/hour"	July 2021
"Up to \$30/hour"	October 2021
"Drivers in Atlanta make up to \$29.00 an hour"	December 2021
"Earn up to \$29/hour driving with Lyft"	February 2022
Boston, MA	
"Drivers Earn Up to \$42/hr in Boston"	July 2021
"Up to \$43/hour"	October 2021
"Earn up to \$37/hour driving with Lyft"	December 2021
"Drivers in Boston make up to \$33.00 an hour"	February 2022
Dallas, TX	
"Drivers Earn Up to \$31/hr in Dallas"	July 2021
"Start driving and earn up to \$29/hour"	October 2021
"Drivers in Dallas make up to \$30.00 an hour"	December 2021
"Earn up to \$28/hr driving with Lyft"	February 2022
Los Angeles, CA	
"Start driving and earn up to \$43/hour"	July 2021
"Up to \$41/hour"	October 2021
"Drivers in Los Angeles make up to \$37.00 an hour"	December 2021
"Earn up to \$34/hour driving with Lyft"	February 2022
Miami, FL	
"Start driving and earn up to \$31/hour"	July 2021
"Up to \$21/hour"	October 2021
"Drivers in Miami make up to \$23.00 an hour"	December 2021
"Earn up to \$27/hour driving with Lyft"	February 2022

New Jersey	
“Start driving and earn up to \$34/hour”	July 2021
“Up to \$34/hour”	October 2021
“Earn up to \$28/hour driving with Lyft”	December 2021
“Drivers in New Jersey make up to \$28.00 an hour”	February 2022
San Francisco, CA	
“Start driving and earn up to \$44/hour”	July 2021
“Up to \$42/hour”	October 2021
“Drivers in San Francisco make up to \$40.00 an hour”	December 2021
“Earn up to \$38/hour driving with Lyft”	February 2022

17. Many of Lyft’s Facebook and Instagram ads making the inflated earnings claims resembled the representative ads presented in Figures A–D below.

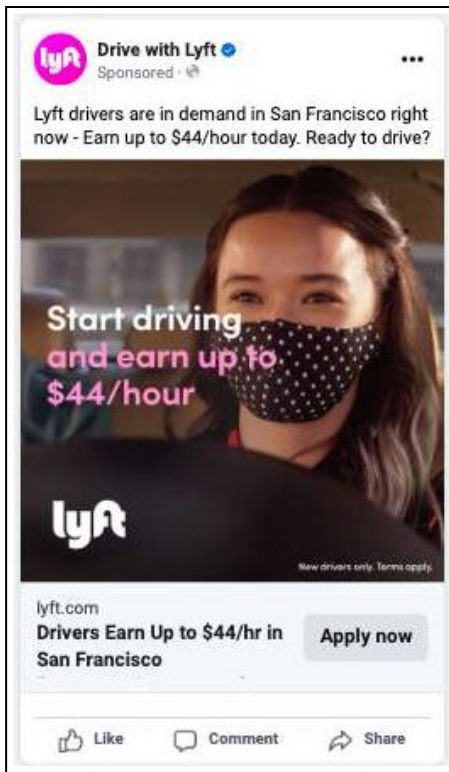


Fig. A: Facebook ad (July 2021)



Fig. B: Facebook ad (October 2021)

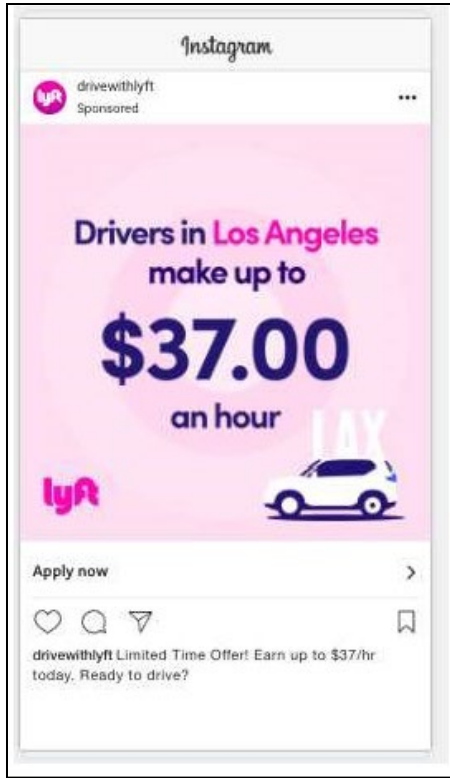


Fig. C: Instagram ad (December 2021)



Fig. D: Facebook ad (February 2022)

18. Lyft disseminated its search ads with inflated hourly earnings claims on Google and Bing. Figure E below shows an example of a typical Lyft web search ad from September 2021.

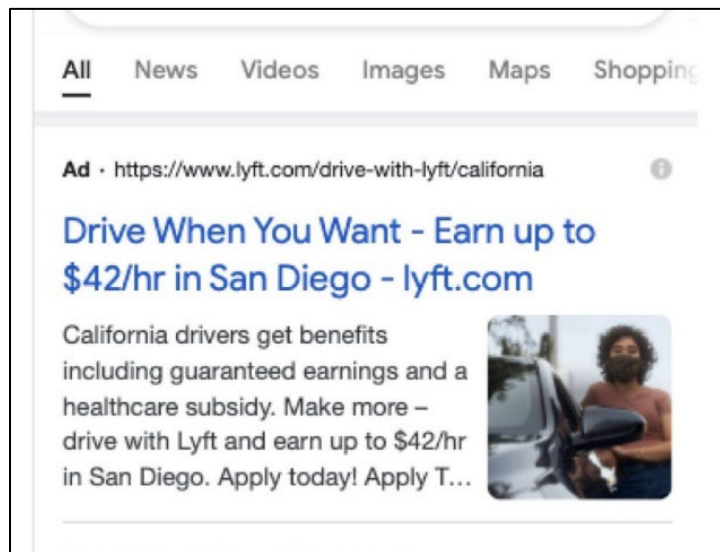



Fig. E: Google ad (September 2021)

19. Lyft disseminated its job board ads with inflated hourly earnings claims on websites like Craigslist. Figure F below shows an example of a typical Lyft job board ad from February 2022.

*** Lyft Driver - Earn up to \$41.00/hr in Portland * (Portland)**



**Drivers are needed
in your area**

[APPLY NOW](#)

**Your health and
safety is our priority**

We're in this together
Our new Health Safety program requires that drivers and riders wear face masks and follow CDC and local guidelines.


Boost your income
We'll help you find the best places and times to drive.

Get 24/7 support
Reach us with the tap of a button – on and off the road.

To drive, you'll need to

- Meet the age requirement for your region
- Have a driver's license
- Have a 4-door car
- Consent to our driver screening and background checks

[APPLY NOW](#)



compensation: **\$41.00**
employment type: **full-time**

This opportunity is for an independent contractor. Driving with Lyft is perfect for a those looking for entry level work, seasonal work, temporary work, part time work or for those looking for a flexible full time opportunity. Be your own boss, hours are completely flexible. Drive when you want, Drive more to earn more. Drive parttime or fulltime-it is your choice! You can also cash out instantly! No previous experience as a transportation driver, truck driver, taxi driver, shuttle driver, courier driver or delivery driver is necessary. We welcome those who have driven with other peer-to-peer ride-sharing networks or on-demand jobs, gigs, opportunities such as Uber, Uber X, Uber Taxi, Uber Pool, Uber XL, Uber Black, or other services like Amazon, Amazon Fresh, Amazon Flex, Caviar, Door Dash, Eat24, Faveo, Google Express, GrabBike, Handy, Instacart, Luce, Munchery, OrderAhead, Peach, Postmates, Seamless, Sprig, Shyp, Washo, Wingz, Gett, Juro, Flywheel, DoorDash. Our drivers come from all backgrounds, industries, job, gig, internship types ranging from driving to retail, customer service, creative industries and general labor. If you are an actor, actress, adult, agency, artist, assistant, barista, bartender, broker, cab driver, cashier, chauffeur, cleaner, college student, customer service agent, chef, contract worker, cook, designer, dishwasher, dog walker, entrepreneur, fitness trainer, food prep, food services, freelancer, handyman, hostess, insurance broker, instructor, intern, janitor, maid, maintenance, messenger, manager, management, musician, maid, office assistant, office administrator, photographer, private hire, professional driver, realtor, retail associate, sales associate, sales person, security, server, student, teacher, tutor, valet, veteran, waiter, waitress who is looking for a flexible part-time, full-time or summer gig, apply to drive with Lyft to supplement your income this summer! Esta oportunidad es para un contratista independiente. La conducción con Lyft es perfecta para aquellos buscando el trabajo de nivel de entrada, el trabajo estacional, el trabajo temporal, el trabajo de tiempo parcial o para aquellos buscando una oportunidad a tiempo completo flexible. Este su propio jefe, las horas son completamente flexibles. Trabajo cuando usted quiere. Conduce mas para ganar mas. Usted también puede cobrar en efectivo al instante. No se requiere experiencia. Nuestros choferes vienen de industrias de conducción y transporte a servicio de cliente, industrias creativas y trabajo general. Si usted es un actor, la actriz, el artista, el ayudante, barista, el camarero, el agente de bolsa, el conductor del taxi, el chofer, el encargado de limpieza, el estudiante de colegio, el agente de servicio de cliente, contrate a trabajador, diseñador, persiga a paseante, empresarios, entrenador de buena forma física, servicios de alimento, trabajador independiente, masajes, autónoma, corredor de seguros, instructor, interno, portero, criada, mantenimiento, mesajero, músico, criada, chofer de alquiler privado, agente inmobiliario, socio de venta al público, socio de ventas, persona de ventas, seguridad, servidor, estudiante, profesor, tutor, mozo de camara, veterano, camarero, camarera aplicar y conducir con Lyft para complementar tus ingresos!

[Apply to Drive](#)

Fig. F: Craigslist ad (February 2022)

20. As noted above, Lyft also widely disseminated its inflated hourly earnings claims on its own website. Figure G below shows an example of a typical earnings claim on Lyft’s website from January 2022.

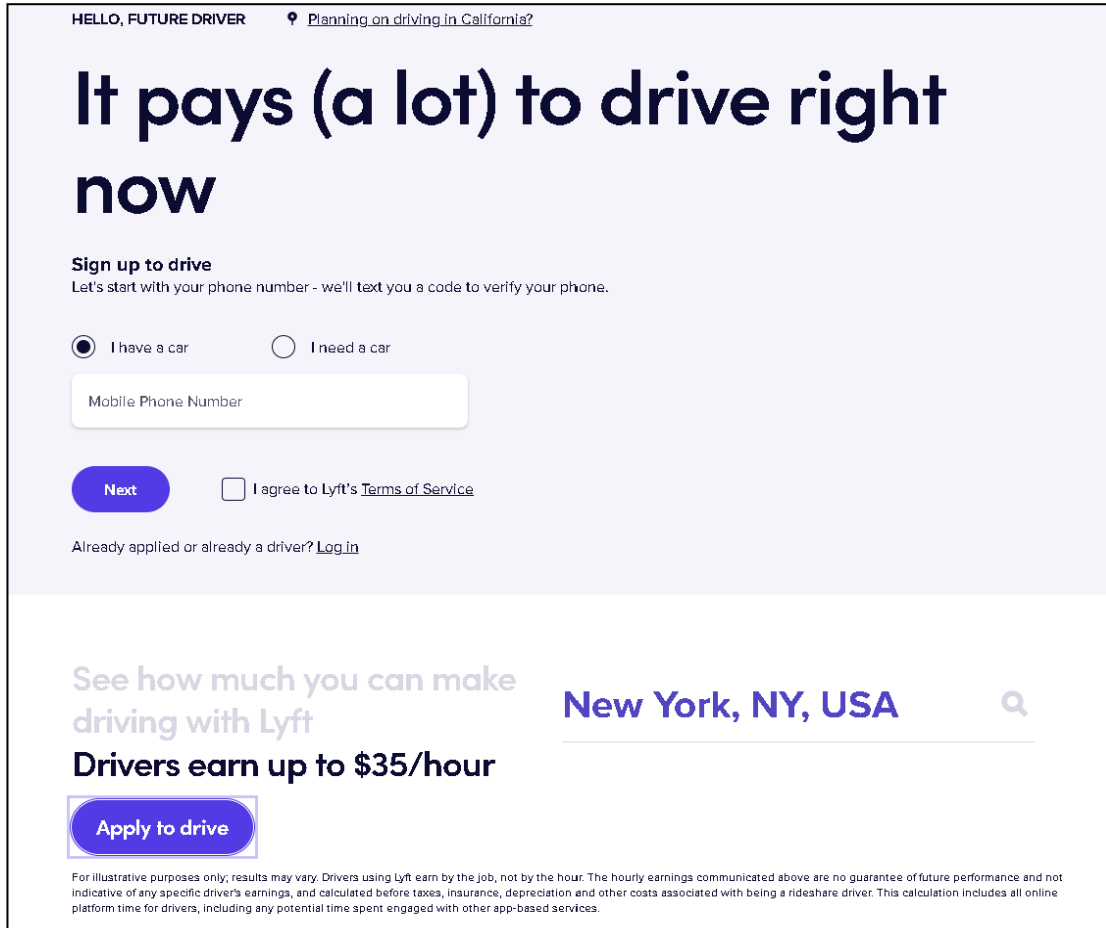


Fig. G: Lyft website (January 2022)

21. Lyft also disseminated variations of the hourly earnings claim on its website, including, for example, “Most drivers in New York City earn up to \$28 per hour*” in January 2022.

22. The vast majority of Drivers were not likely to achieve the hourly earnings figures cited in Lyft’s ads. Lyft’s ads regularly exaggerated hourly earnings by 20% more than what most Drivers earned, and in some cases by more than 30%.

23. The hourly earnings figures that Lyft used in its ads were based on internal data related to Driver earnings. Essentially, for each geographic region, Lyft calculated the hourly earnings for each

1 day a Driver gave a ride that began in that region. For the calculations, Lyft used data on Driver
2 earnings and hours from a recent 28-day period. Lyft included all types of earnings in its calculation,
3 including the Driver fare, bonuses and incentives offered by Lyft (excluding certain types of bonuses,
4 such as sign-up bonuses for new Drivers), earnings guarantees, and fuel surcharges, as well as tips from
5 Passengers. For the hours portion of the equation, Lyft included the entire time a Driver (a) was logged
6 into the Lyft Driver app and was available to accept ride requests, (b) was driving to pick up a
7 Passenger, (c) or was giving a ride to a Passenger.

8 24. After performing its hourly earnings calculations, Lyft ranked the results for each region
9 by percentiles from the lowest hourly earnings to the highest.

10 25. In the ads described above, Lyft used the hourly earnings calculation at the 80th
11 percentile for a given region. As a result, even relying on Lyft's own calculations, only the top 20% of
12 Drivers—that is, only one in five Drivers—earned the hourly earnings figures quoted in the ads. For
13 example, in August 2021, Lyft claimed that Drivers in New Jersey could earn up to \$34 per hour when
14 Lyft's own calculations put the median earnings at only \$25 per hour. In the same month, Lyft claimed
15 that Drivers in Boston could earn up to \$42 per hour when median earnings were just \$33 per hour.

16 26. In addition, as noted above, the hourly earnings figures used in Lyft's ads factored in tips
17 that Passengers paid to Drivers. Because Lyft presented the earnings claim as an hourly amount and did
18 not disclose that tips were factored into the figure, many Drivers were likely to believe that the tips they
19 earned would be additional to the hourly earnings advertised by the company.

20 27. Lyft's deceptive hourly earnings claims were typically preceded with the phrase "up to."
21 Many consumers were unlikely to notice the phrase or understand that it meant that typical Driver
22 earnings would be significantly less than the figure cited in the ad, and the phrase does not make clear
23 that only one in five Drivers earned the hourly figure. The hourly earnings figure was more likely to
24 draw their attention. In addition, Lyft made hourly earnings claims without the "up to" qualification in
25 job board ads. *See* Fig. F ("compensation: \$41.00").

26 28. Lyft's hourly earnings claims on its website were followed by small-print language that
27 noted, among other things, that "The hourly earnings communicated above are . . . not indicative of any

1 specific driver’s earnings” Consumers were unlikely to read this language, due to its small size,
2 lack of prominence, and legalistic language. Even those who did read the small-print language were
3 unlikely to understand that typical hourly earnings would be significantly less than the hourly figure
4 cited on the website. As with “up to,” the text does not adequately convey that only one in five Drivers
5 earned the hourly figure, nor does the text adequately convey that the hourly figure already factors in
6 tips.

7 29. Lyft’s deceptive hourly earnings claims were effective in attracting Drivers. For
8 example, an internal analysis by Lyft employees concluded that “[d]isplaying hourly earnings in paid
9 campaigns have shown 24% increase in overall leads with the highest increase via job boards and social
10 channels (~35%).”

11 *Earnings Guarantee Promotions*

12 30. Since at least January 2021, Lyft has also disseminated advertisements touting
13 promotions that the company refers to as “Earnings Guarantees.”

14 31. Typically, an Earnings Guarantee requires a Driver to complete a specified number of
15 rides within a certain time frame. If the Driver meets the requirements of the promotion and earns less
16 than the guaranteed amount in the advertisement, Lyft will pay the Driver the difference between what
17 the Driver earned and the guaranteed amount. For example, if the Earnings Guarantee is \$2,200 for 140
18 rides in the Driver’s first month, and the Driver completes 140 rides in their first month but earns only
19 \$2,000 in total, Lyft would pay the Driver \$200 to make up the difference.

20 32. However, if a Driver earns the same or more than the guaranteed amount in the
21 advertisement, the Driver is not eligible for additional compensation. For example, if the Earnings
22 Guarantee is \$2,200 for 140 rides in the Driver’s first month, and the Driver completes 140 rides in their
23 first month but earns \$2,200 or more, the Driver does not receive any additional payment.

24 33. Lyft uses Earnings Guarantee promotions both to attract new Drivers and to incentivize
25 current Drivers to provide more rides. Internally, Lyft has noted that “[o]ne of the advantages about
26 displaying guarantees is that the face values are much higher than the actual payout (*i.e.*, \$200 bonus per
27

1 130 rides vs \$2000 guarantees for 130 rides), which may seem more attractive than the bonus (*i.e.*,
2 \$200) to the applicants.”

3 34. Lyft typically sets the ride requirements for Earnings Guarantee promotions at the 80th
4 percentile of the rides in the past 30 days in a given region. An internal Lyft document points out that
5 “[s]etting the requirement high, such as the 80th percentile, encourages drivers to work more hours in
6 the first 30 days of the activations.” The document goes on to note that “if we use the 80th percentile of
7 the rides as the ride requirement, we can assume that ~20% of drivers may meet the ride requirement
8 and get paid for incentives.”

9 35. Lyft also regularly offers Drivers bonuses in addition to their ordinary earnings for
10 completing a certain number of rides within a certain time frame. According to consumer complaints,
11 many drivers understood Lyft’s Earnings Guarantee advertisements to offer bonus promotions and
12 believed that they would receive the amount cited in the advertisement in addition to their ordinary
13 earnings from providing the rides.

14 36. The difference between an “Earnings Guarantee” and a “bonus” can be especially
15 confusing to consumers who do not speak English as their first language. In recent years, Lyft has
16 publicly reported that more than a third of its Drivers speak a language other than English at home.

37. Lyft has widely disseminated Earnings Guarantee advertisements via social media, email, text messages, push notifications, and Lyft’s website. For example, many of Lyft’s Facebook and Instagram ads making the misleading Earnings Guarantee claims for new Drivers looked like the examples of ads presented in Figures H–I below.



Fig. H: Facebook ad (July 2021–Mar. 2022)



Fig. I: Instagram ad (Nov. 2021–Mar. 2022)

38. Figure J below shows an example of an Earnings Guarantee email ad for new Drivers, and Figure K below is an example of an Earnings Guarantee email ad to current Drivers.

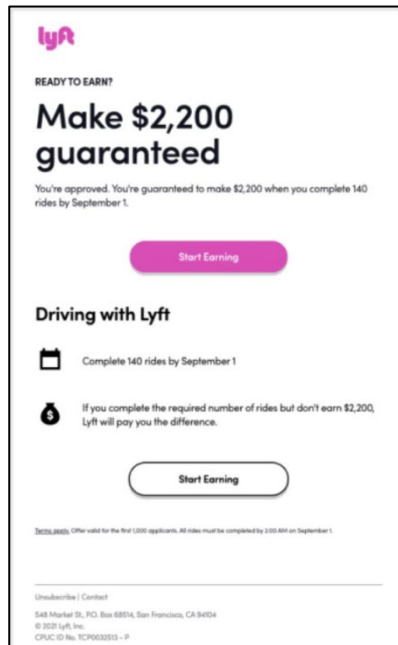


Fig. J: Email ad for new Drivers

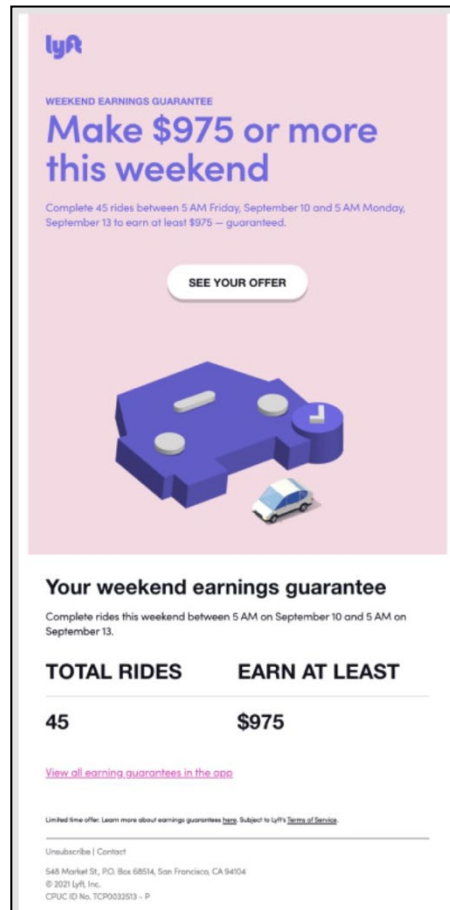


Fig. K: Email ad for current Drivers

39. Lyft has long been on notice that its Earnings Guarantee advertisements are misleading Drivers.

40. From January 2021 to at least April 2022, Lyft received tens of thousands of complaints from Drivers stating that they were led to believe that the Earnings Guarantee promotions were a lump-sum bonus. For example:

- a. In a March 2021 complaint, a Driver wrote: “That is not right and it’s not fair false information on [Lyft’s] behalf. . . . This is complete false advertisement [Y]our promotion that was offered to me was very misleading. It seemed like if I

1 completed 15 rides I would instantly receive an extra \$125. Next time the promotion
2 needs to be worded differently so that it's not misleading."

3 b. From an April 2021 complaint: "I'm going to need Lyft to reference the
4 guarantee thing differently and not put it as you getting this amount for a certain number
5 of rides because it's makes it confusing between [earnings guarantees and bonuses]. If it
6 says you get \$140/24 rides that's what you should get not a whole different explanation
7 for something different because it's misleading."

8 c. From a June 2021 complaint (translated from Spanish): "I don't
9 understand. I was told that if I'm a new hire and make 100 or more trips within a
10 month's period I will get a bonus, but I haven't received anything."

11 d. From a July 2021 complaint: "[T]he offer said complete 220 rides and get
12 3,500[.] [It] never said complete 220 and get the difference of what you make while
13 driving[.] [T]his is wrong. [V]ery very disappointed. . . . I regret working for you. . . . I
14 was counting on that money. . . . [M]e and everyone would think we will get the offer of
15 3,500 not including the earnings."

16 e. From a September 2021 complaint: "[T]he wording was exactly the same
17 as the wording on the bonus I got over the weekend for \$300. [V]erbatim except \$100
18 for 15 rides and \$300 for 30 rides. [T]he word guarantee was nowhere written down. . . .
19 [I]f I saw the word guarantee for 15 rides in \$100, I never would have busted my butt to
20 try to get that because I know that I'll way surpass that."

21 f. From a November 2021 complaint: "This [is] false advertis[ing]. This
22 [was] not explained to me as the driver and [is] not acceptable. Maybe [Lyft does] not
23 understand[] how difficult it is to be out in bad weather, dealing with all kinds of people
24 and the wear and tear on the driver vehicle and the person, and then [Lyft] [r]efuses to
25 pay the driver. This [is] unacceptable and not fair. . . . [Lyft] is misleading their drivers.
26 [Lyft] should pay their driver[s] as stated, it shows I completed the task. As the driver, I
27 expected to be paid for the service I rendered."

1 g. From a November 2021 complaint: “[T]he program was not a guaranteed
2 difference[.] [I]t was do 100 rides by [November] 29th and get 1400 dollars”

3 h. From a December 2021 complaint: “I worked late last night to meet it. . . .
4 Some feedback, the[] way it’s presented looks [like it’s a bonus] to this new driver. I am
5 very disappointed I misunderstood.”

6 i. From a January 2022 complaint: “I feel cheated some how this does not
7 make sense. . . . I thought I was making extra but I’m not.”

8 j. From a February 2022 complaint: “I’m very upset [right] now because it’s
9 always confusion with this [guaranteed] earnings. . . . I drive hard to complete my work
10 and now I’m not getting paid.”

11 k. From an April 2022 complaint: “The verbiage you guys are using is very
12 misleading. Show me where it says it’s a prorated amount and we can help you get up to
13 [\$]190? It specifically says complete 17 rides and get [\$]190 If [I] was an attorney
14 I would have a very solid case this is very misleading You guys need to be more
15 specific and clear with the verbiage on your promotions[.] I had two other people look at
16 this and they said the same thing. . . . Please send this up to your management team and
17 marketing team”

18 41. Lyft’s own employees who handled Driver complaints acknowledged that Drivers were
19 confused about the Earnings Guarantees in their interactions with Drivers. For example:

20 a. In response to a March 2021 complaint, a Lyft employee who stated that
21 they were a manager wrote: “We understand that this promotion terms and conditions
22 may be a little confusing. We apologize for this misunderstanding.”

23 b. In response to a November 2021 complaint, a Lyft employee wrote:
24 “[D]rivers usually get confused with this Earnings Guarantee promotion. They often
25 confuse this with the usual Ride Challenge or Weekend Bonus wherein an[] ‘additional’
26 bonus is being given.”
27

1 c. In response to a February 2022 complaint, a Lyft employee wrote: “Most
2 of the drivers are confused with Earnings Guaranteed but please allow me to explain this
3 further.”

4 42. In a message thread from May and June 2021, employees from Lyft’s “field team,” which
5 directly interacts with Drivers, provided feedback concerning the Earnings Guarantee confusion to
6 Lyft’s marketing team. A field team employee reported: “We continue to have incredible escalations
7 with Drivers over the ‘guarantee’ verbiage. Drivers believe they are ‘guaranteed’ that money as a bonus
8 and when it is explained what the purpose of the guarantee is, they become escalated and believe we are
9 being misleading in our communications.”

10 43. In the same thread, another field team employee wrote: “I am talking to a driver right
11 now. . . . [T]he main feedback from drivers is that the offer is not explained. . . . [The promotional email
12 from Lyft says] “Complete 20 rides between 5 AM Friday, May 28 and 5 AM Monday, May 31 to earn
13 at least \$350 — guaranteed.” Especially for an ESL driver [a driver whose primary language is not
14 English], I can see how this can be deceiving. Since we’re offering guarantees more often, the issue is
15 becoming more prominent. He’s very frustrated with Lyft Is there a chance we can revisit this
16 language to make it clearer for drivers?”

17 44. An internal Lyft report from July 2021 noted “field team feedback that guarantees
18 continue to be a major driver of confusion for drivers who misinterpret the offer structure.”

19 45. An internal Lyft document from October 2021 described a test of revised Earnings
20 Guarantee ads that Lyft was conducting “in an effort to reduce confusion amongst drivers and new
21 applicants.” The document noted that Earnings Guarantees are “often misunderstood by our drivers and
22 result in unintentional dissatisfaction.” The test revised ads are presented in Figures L and M below.
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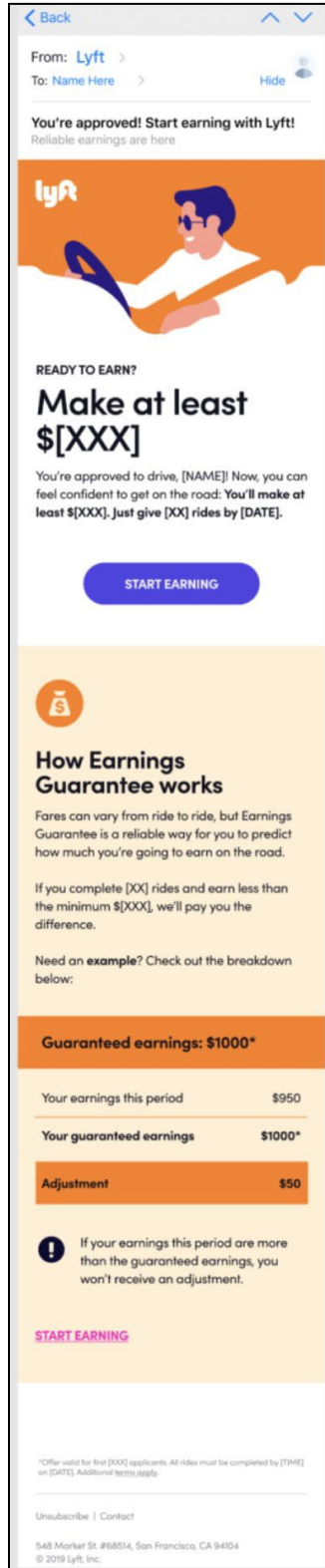


Fig. L: Revised email ad for new Drivers

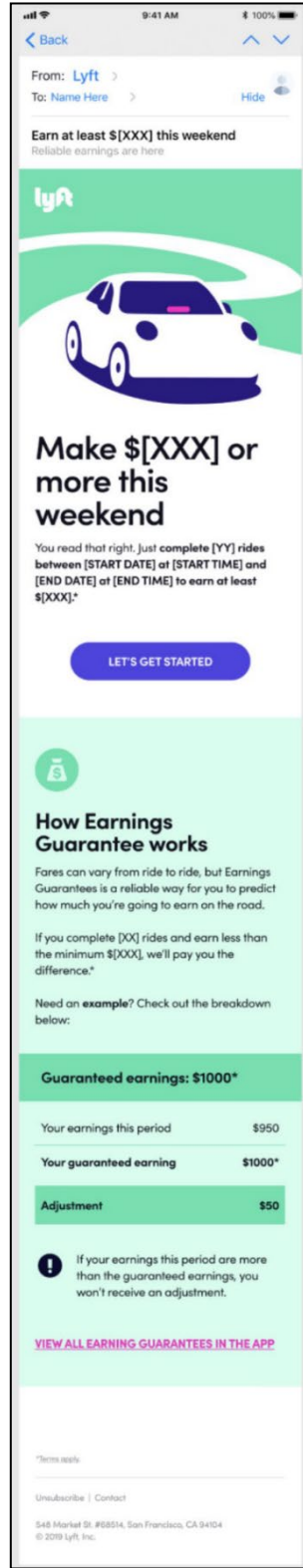


Fig. M: Revised email ad for current Drivers

1 46. Based on the test described in the October 2021 document, Lyft adopted the revised
2 Earnings Guarantee ads for future Earnings Guarantee promotions and widely disseminated the ads.
3 However, Lyft continued to receive thousands of complaints each month from Drivers stating that the
4 Drivers thought the Earnings Guarantees were lump-sum bonuses. *See, e.g.*, Paragraphs 40(f)–(k).

5 ***Lyft Continues to Make Deceptive Earnings Claims Despite FTC Warning***

6 47. In October 2021, the FTC sent a letter to Lyft, along with a copy of the Notice of Penalty
7 Offenses Concerning Money-Making Opportunities (“Notice”) (attached hereto as Exhibit A). The
8 Notice and accompanying letter identified specific acts or practices that the FTC has determined are
9 unfair or deceptive and violate Section 5 of the FTC Act.

10 48. As detailed in the Notice, in a series of litigated decisions the Commission determined,
11 among other things, that it is an unfair or deceptive trade practice to make false, misleading, or deceptive
12 representations concerning the earnings that may be anticipated by a participant in a money-making
13 opportunity (*i.e.*, a person who has been accepted or hired for, has purchased, or otherwise is engaging
14 in the money-making opportunity). This includes, for example, misrepresenting, explicitly or implicitly,
15 that participants will or are likely to earn any specific amount or percentage; and misrepresenting the
16 profits or earnings that may be anticipated by a prospective participant by failing to disclose conditions
17 or limitations affecting such income.

18 49. As the letter accompanying the Notice stated, the above acts or practices were prohibited
19 by final cease and desist orders, other than consent orders, issued in the cases (cited in the Notice) in
20 which the Commission determined they were unfair or deceptive and unlawful under Section 5(a)(1) of
21 the FTC Act. The letter warned Lyft of its potential liability for civil penalties under Section 5(m)(1)(B)
22 of the FTC Act, 15 U.S.C. § 45(m)(1)(B), if it knowingly engaged in acts or practices determined by the
23 Commission to be unfair or deceptive and unlawful.

24 50. Lyft received the Notice and accompanying letter on October 29, 2021. Lyft continued to
25 make deceptive earnings claims in its advertisements even after receiving the Notice.

1 51. Approximately four months later, in March 2022, the FTC served Lyft with a Civil
2 Investigative Demand seeking documents and information pertaining to, among other things, Lyft’s use
3 of earnings claims in advertisements and any substantiation it had for these earnings claims.

4 52. Lyft ceased making hourly earnings claims in its advertisements only after learning of the
5 FTC’s investigation into Lyft’s practices.

6 ***Lyft’s Unlawful Conduct***

7 53. Based on the facts and violations of law alleged in this Complaint, the FTC has reason to
8 believe that Lyft is violating or is about to violate laws enforced by the FTC because, among other
9 things:

- 10 a. Lyft continues to disseminate misleading Earnings Guarantee claims;
- 11 b. Lyft disseminated its misleading hourly earnings claims repeatedly over a period
12 of more than a year;
- 13 c. Lyft continued their misleading hourly earnings claims after receiving the Notice;
- 14 d. Lyft ceased its misleading hourly earnings claims only after becoming aware of
15 the FTC’s investigation; and
- 16 e. Lyft remains in the mobile app ride-hailing business and maintains the means,
17 ability, and incentive to continue or resume its unlawful conduct.

18 **VIOLATIONS OF THE FTC ACT**

19 54. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts or
20 practices in or affecting commerce.”

21 55. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or
22 practices prohibited by Section 5(a) of the FTC Act.

23 **Count I**

24 **False or Unsubstantiated Hourly Earnings Claims**

25 56. Paragraphs 1–55 are incorporated as if set forth herein.

26 57. In numerous instances in connection with the advertising, marketing, and promotion of
27 Defendant’s mobile app ride-hailing platform, including through the means described in Paragraphs 16–

1 29, Defendant has represented, directly or indirectly, expressly or by implication, that Drivers in specific
2 cities or regions are likely to earn specific hourly amounts.

3 58. Defendant’s representations as described in Paragraph 57 are false, misleading, or were
4 not substantiated at the time the representations were made. Among other reasons, Lyft’s hourly
5 earnings claims were based on the earnings achieved by the top 20% of Drivers and factored in tips that
6 Passengers paid to Drivers.

7 59. Therefore, Defendant’s representations as described in Paragraph 57 constitute a
8 deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

9 **Count II**

10 **Failure to Disclose Earnings Guarantee Terms**

11 60. Paragraphs 1–59 are incorporated as if set forth herein.

12 61. In numerous instances in connection with the advertising, marketing, and promotion of
13 Defendant’s mobile app ride-hailing platform, including through the means described in Paragraphs 30–
14 46, Defendant has represented, directly or indirectly, expressly or by implication, that Drivers will earn a
15 specified amount of compensation for performing a specified number of rides within a specified time
16 frame.

17 62. In numerous instances when Defendant has made the representations described in
18 Paragraph 61, Defendant has failed to disclose or disclose adequately to consumers that it will pay only
19 the shortfall, if any, between the amount the Driver earns from performing the specified number of rides
20 and the amount of compensation specified in the offer. This fact would be material to consumers in
21 deciding to perform ride-hailing services for Defendant.

22 63. In light of the representations described in Paragraph 61, Defendant’s failure to disclose
23 or disclose adequately the material information as described in Paragraph 62 constitutes a deceptive act
24 or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

25 **VIOLATIONS OF PRIOR COMMISSION DETERMINATIONS CONCERNING UNFAIR OR**
26 **DECEPTIVE ACTS OR PRACTICES**

1 **Violations of Prior Commission Determinations Known to Defendant**
2 **Regarding Defendant’s False or Unsubstantiated Hourly Earnings Claims**

3 68. Paragraphs 1–67 are incorporated as if set forth herein.

4 69. Lyft received the Notice and accompanying letter on October 29, 2021. Since that time,
5 Defendant had actual knowledge that, in connection with the advertising or promotion of money-making
6 opportunities, making false, misleading, or deceptive earnings claims—including, specifically,
7 misrepresenting, explicitly or implicitly, that participants will or are likely to earn a specific amount—is
8 an unfair or deceptive act or practice, unlawful under Section 5(a)(1) of the FTC Act, and subject to civil
9 penalties.

10 70. In numerous instances, as set forth in Paragraphs 16–29, Defendant represented, directly
11 or indirectly, expressly or by implication, that Drivers in specific cities or regions were likely to earn
12 specific hourly amounts.

13 71. Defendant’s representations as described in Paragraph 70 were false, misleading, or were
14 not substantiated at the time the representations were made. Among other reasons, Lyft’s hourly
15 earnings claims were based on the earnings achieved by the top 20% of Drivers and factored in tips that
16 Passengers paid to Drivers.

17 72. Defendant engaged in the acts and practices described in Paragraphs 70–71 with the
18 actual knowledge, as set forth in Paragraphs 47–50, that the acts or practices are unfair or deceptive and
19 violate Section 5(a)(1) of the FTC Act, 15 U.S.C. § 45(a)(1), and the Commission issued final cease and
20 desist orders, other than consent orders, with respect to those acts or practices. Defendant, therefore, is
21 liable for civil penalties under Section 5(m)(1)(B) of the FTC Act. 15 U.S.C. § 45(m)(1)(B).

22 **Count IV**

23 **Violations of Prior Commission Determinations Known to Defendant**
24 **Regarding Defendant’s Failure to Disclose Earnings Guarantee Terms**

25 73. Paragraphs 1–72 are incorporated as if set forth herein.

26 74. As set forth in Paragraphs 47–50, at least since receiving the Notice and accompanying
27 letter, Defendant had actual knowledge that, in connection with the advertising or promotion of money-

1 making opportunities, making false, misleading, or deceptive earnings claims—including, specifically,
2 misrepresenting the profits or earnings that may be anticipated by a prospective participant by failing to
3 disclose conditions or limitations affecting such income—is an unfair or deceptive act or practice,
4 unlawful under Section 5(a)(1) of the FTC Act, 15 U.S.C. § 45(a)(1), and subject to civil penalties.

5 75. In numerous instances, set forth in Paragraphs 30–46, Defendant represented, directly or
6 indirectly, expressly or by implication, that Drivers will earn a specified amount of compensation for
7 performing a specified number of rides within a specified time frame.

8 76. In numerous instances when Defendant made the representation described in
9 Paragraph 75, Defendant failed to disclose or disclose adequately to consumers that it will pay only the
10 shortfall, if any, between the amount the Driver earns from performing the specified number of rides and
11 the amount of compensation specified in the offer. This fact would be material to consumers in deciding
12 to perform ride-hailing services for Defendant.

13 77. Defendant engaged in the acts and practices described in Paragraphs 75–76 with the
14 actual knowledge, as set forth in Paragraphs 47–50, that the acts or practices are unfair or deceptive and
15 violate Section 5(a)(1) of the FTC Act, 15 U.S.C. § 45(a)(1), and the Commission issued final cease and
16 desist orders, other than consent orders, with respect to those acts or practices. Defendant, therefore, is
17 liable for civil penalties under Section 5(m)(1)(B) of the FTC Act. 15 U.S.C. § 45(m)(1)(B).

18 **CONSUMER INJURY**

19 78. Consumers are suffering, have suffered, and will continue to suffer substantial injury as a
20 result of Defendant’s violations of the FTC Act. Absent injunctive relief by this Court, Defendant is
21 likely to continue to injure consumers and harm the public interest.

22 **CIVIL PENALTIES**

23 79. Section 5(m)(1)(B) of the FTC Act, 15 U.S.C. § 45(m)(1)(B), authorizes this Court to
24 award civil penalties for each violation of prior Commission determinations known to Defendant.

25 **PRAYER FOR RELIEF**

26 Wherefore, Plaintiff requests that the Court:

27 A. Enter a permanent injunction to prevent future violations of the FTC Act by Defendant;

1 B. Impose civil penalties on Defendant for every instance Defendant participated in an act or
2 practice with actual knowledge that it was unfair or deceptive; and

3 C. Award any additional relief as the Court determines to be just and proper.
4

5 Dated: October 25, 2024

Respectfully submitted,

6 **FOR THE UNITED STATES OF AMERICA:**

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13 Director

14 LISA K. HSIAO
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25 Northern District of California

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28 Assistant United States Attorney

Attorneys for the United States of America

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EXHIBIT A

FEDERAL TRADE COMMISSION
NOTICE OF PENALTY OFFENSES
CONCERNING MONEY-MAKING OPPORTUNITIES

The Federal Trade Commission has determined that the following practices used in the advertising or promotion of money-making opportunities are deceptive or unfair and are unlawful under Section 5(a)(1) of the Federal Trade Commission Act.

1. It is an unfair or deceptive trade practice to make false, misleading or deceptive representations concerning the profits or earnings that may be anticipated by a participant in a money-making opportunity (i.e., a person who has been accepted or hired for, has purchased, or otherwise is engaging in the money-making opportunity).¹ For example:
 - a. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, that participants will be or are likely to be profitable (i.e., to earn or receive more income through the use of the money-making opportunity than the amount of any purchase price and expenses).²
 - b. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, that a substantial number of participants have made or can make the represented profits or earnings.³
 - c. It is an unfair or deceptive trade practice to represent, explicitly or implicitly, the earnings which may be secured by participants, when the representation is made

¹ *Macmillan, Inc., et al.*, 96 FTC 208, 232, 301-02, 325-29, 331 (1980); *Encyclopaedia Britannica, Inc., et al.*, 87 FTC 421, 450, 486-88, 505, 510, 531-32 (1976); *National Dynamics Corp.*, 82 FTC 488, 512-13, 543-44, 568 (1973), as modified at 85 FTC 1052, 1059-61 (1975); *Ger-Ro-Mar, Inc.*, 84 FTC 95, 113-14, 117-119, 123-125, 132-135, 138, 149-150, 160-162 (1974), affirmed in relevant part at 518 F.2d 33 (2d Cir. 1975), as modified at 86 FTC 841 (1975); *Holiday Magic*, 84 FTC 748, 948, 984, 1032-1034, 1065, 1069 (1974), as modified at 85 FTC 90 (1975); *Universal Credit Acceptance Corp.*, 82 FTC 570, 591-600, 633, 668-70 (1973); *Universal Elec. Corp.*, 78 FTC 265, 271-74, 294, 297 (1971); *Windsor Distrib. Co.*, 77 FTC 204, 212-17, 220-23 (1970); *Waltham Watch Co.*, 60 FTC 1692, 1703-05, 1710, 1724-25, 1727-28, 1730 (1962); *Abel Allan Goodman Trading As Weavers Guild*, 52 FTC 982, 984, 987-88, 991-92, 996-97 (1956), order affirmed 244 F.2d 584 (2d Cir. 1957); *Washington Mushroom Indus., Inc.*, 53 FTC 368, 370, 376, 379-80, 383-84, 386 (1956); *Von Schrader Mfg. Co.*, 33 FTC 58, 63-66 (1941).

² *Encyclopaedia Britannica*, 87 FTC 421, 450, 486-87, 505, 510, 531-32 (1976); *Ger-Ro-Mar*, 84 FTC 95, 113-14, 117-119, 123-125, 132-135, 138, 149-150, 160-162 (1974); *Universal Credit*, 82 FTC 570, 592-93, 595, 632-33, 668-70 (1973); *Universal Elec.*, 78 FTC 265, 271-74, 294-95, 297 (1971); *Waltham Watch*, 60 FTC 1692, 1703-05, 1710-11, 1716, 1724-25, 1727-28, 1730 (1962).

³ *National Dynamics*, 82 FTC 488, 511-13, 543-44, 564, 568 (1973), as modified at 85 FTC 1052, 1059-61 (1975).

without knowledge, or with only limited knowledge, of the actual profits or earnings usually and ordinarily received by participants.⁴

- d. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, that participants will or are likely to earn any specific amount or percentage.⁵
 - e. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, that the represented profits or earnings are the ordinary, typical, or average profits or earnings made by participants.⁶ This includes by means of the representation of an earnings figure or the attribution of earnings figures to specific participants, both of which impliedly represent that such figures are likely, are earned by a substantial number of participants, or are the typical, ordinary, or average results, absent clear and conspicuous disclosure of the relevant context, such as the time and effort actually expended by participants who made the amount represented, the percentage of participants making the amount represented, and the amount typically and ordinarily made by participants.⁷
 - f. It is an unfair or deceptive trade practice to misrepresent the profits or earnings that may be anticipated by a prospective participant by failing to disclose conditions or limitations affecting such income, such as expenses to be borne by the participant.⁸
2. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, that sales of a money-making opportunity will be made to only a limited number of prospective participants (including, for example, that sales will be made to only a limited number of prospective participants in a geographic region), when sales will be made to any person who is willing and able to pay.⁹

⁴ *Von Schrader Mfg. Co.*, 33 FTC 58, 63-66 (1941).

⁵ *Encyclopaedia Britannica*, 87 FTC 421, 450, 486-87, 505, 510, 531-32 (1976); *National Dynamics*, 82 FTC 488, 511-13, 543, 564, 568 (1973), as modified at 85 FTC 1052, 1059-61 (1975); *Holiday Magic*, 84 FTC 748, 948, 984, 1032-1034, 1065, 1069 (1974); *Universal Credit*, 82 FTC 570, 592, 594-95, 632-33, 668-70 (1973); *Universal Elec.*, 78 FTC 265, 272-74, 294, 297 (1971); *Windsor*, 77 FTC 204, 214-17, 220-21, 223 (1970).

⁶ *Macmillan*, 96 FTC 208, 232, 235-36, 245-46, 254-55, 301-02, 325-29, 331 (1980); *National Dynamics*, 82 FTC 488, 511-13, 543-44, 564, 568 (1973), as modified at 85 FTC 1052, 1059 (1975); *Abel Allan Goodman*, 52 FTC 982, 984, 987-88, 991-92, 996-97 (1956), order affirmed 244 F.2d 584 (2d Cir. 1957); *Washington Mushroom*, 53 FTC 368, 370, 376, 379-380, 383-84, 386 (1956); *Von Schrader*, 33 FTC 58, 63-66 (1941).

⁷ *Macmillan*, 96 FTC 208, 232, 301-02, 326-29, 331 (1980); *National Dynamics*, 82 FTC 488, 511-13, 543-44, 563-64, 568 (1973), as modified at 85 FTC 1052, 1059-61 (1975).

⁸ *Encyclopaedia Britannica*, 87 FTC 421, 445-50, 486-87, 505, 510, 531-32 (1976).

⁹ *Universal Elec.*, 78 FTC 265, 273-74, 295-97 (1971); *Windsor*, 77 FTC 204, 213, 215-17, 220-21, 223 (1970); *Waltham Watch*, 60 FTC 1692, 1704-05, 1710-11, 1723, 1725, 1727-28, 1730 (1962); *Washington Mushroom*, 53 FTC 368, 370-71, 379-380, 386 (1956).

3. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, that prospective participants will be screened or evaluated for suitability to use or benefit from the money-making opportunity.¹⁰
4. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, that participants do not need experience in order to earn income.¹¹
5. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, that a prospective participant must act immediately to purchase or to be considered for a money-making opportunity.¹²
6. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, that purchasing a money-making opportunity is risk-free or involves little risk.¹³
7. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, the position being offered to prospective participants in a money-making opportunity, such as by failing to disclose that it is a sales position when such is the case.¹⁴
8. It is an unfair or deceptive trade practice to misrepresent, explicitly or implicitly, the amount or type of training that will be given to participants in a money-making opportunity.¹⁵

¹⁰ *Macmillan*, 96 FTC 208, 272-73, 320, 327, 331 (1980); *Universal Credit*, 82 FTC 570, 608-09, 633, 637, 668, 673 (1973); *Windsor*, 77 FTC 204, 213, 215, 217, 220-21, 223 (1970); *Waltham Watch*, 60 FTC 1692, 1704-05, 1710-11, 1725, 1727-28, 1730 (1962).

¹¹ *Universal Elec.*, 78 FTC 265, 272-74, 295, 297 (1971); *Washington Mushroom*, 53 FTC 368, 370-71, 378-80, 386 (1956).

¹² *Universal Credit*, 82 FTC 570, 610, 632-33, 637-38, 668, 673 (1973).

¹³ *Universal Credit*, 82 FTC 570, 594, 611-12, 633, 638, 668, 673 (1973).

¹⁴ *Encyclopaedia Britannica*, 87 FTC 421, 486-88, 505, 510, 531 (1976).

¹⁵ *Encyclopaedia Britannica*, 87 FTC 421, 486-88, 505, 509-10, 531-32 (1976).

CIVIL COVER SHEET

The JS-CAND 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved in its original form by the Judicial Conference of the United States in September 1974, is required for the Clerk of Court to initiate the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. a PLAINTIFFS

United States of America

b) County of Residence of First Listed Plaintiff (EXCEPT IN U.S. PLAINTIFF CASES)

c) Attorneys (Firm Name, Address, and Telephone Number)

Pauline Stamatelos, Department of Justice, Consumer Protection Branch, 450 5th St. NW, Washington, DC 20530, pauline.a.stamatelos@usdoj.gov, (202) 353-7744
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DEFENDANTS

Lyft, Inc.

County of Residence of First Listed Defendant San Francisco (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

Christopher Olsen, Wilson Sonsini Goodrich & Rosati, 1700 K St. NW, Washington, DC 20006 (202) 973-8803 colsen@wagr.com

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff 3 Federal Question (U.S. Government Not a Party)
2 U.S. Government Defendant 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

Table with columns for Plaintiff (PTF) and Defendant (DEF) citizenship: Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, Incorporated or Principal Place of Business In This State, Incorporated and Principal Place of Business In Another State, Foreign Nation.

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Large table with categories: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding 2 Removed from State Court 3 Remanded from Appellate Court 4 Reinstated or Reopened 5 Transferred from Another District (specify) 6 Multidistrict Litigation-Transfer 8 Multidistrict Litigation-Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

Brief description of cause:

The United States seeks monetary civil penalties, permanent injunction, and other relief for alleged violations of the FTC Act.

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, Fed. R. Civ. P. DEMAND \$

CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE S, IF ANY (See instructions):

JUDGE

DOCKET NUMBER

IX. DIVISIONAL ASSIGNMENT (Civil Local Rule 3-2)

(Place an "X" in One Box Only) SAN FRANCISCO/OAKLAND SAN JOSE EUREKA-MCKINLEYVILLE

DATE 10/25/2024

SIGNATURE OF ATTORNEY OF RECORD

/s/ Ekta Dharia