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TURO INC.

11 UNITED STATES DISTRICT COURT
12 CENTRAL DISTRICT OF CALIFORNIA
13 WESTERN DIVISION

15 TURO INC.,

16 Plaintiff,

17 v.

18 CITY OF LOS ANGELES,

19 Defendant.

Case No. 2:18-cv-6055

**COMPLAINT OF TURO INC. FOR
DECLARATORY JUDGMENT AND
OTHER RELIEF**

DEMAND FOR JURY TRIAL

21 Plaintiff Turo Inc. (“Turo”) alleges as follows:

22 **PRELIMINARY STATEMENT**

23 1. Turo is a software company that provides its community of users a
24 platform to share their personal cars. As California law makes clear, Turo is not a rental
25 car company because it does not own or rent a fleet of cars. In stark contrast, Turo
26 operates a website¹ and mobile-device app platform through which users engage in
27

28 ¹ Turo’s website can be found at <https://turo.com/>.

1 **personal** vehicle sharing. That is, Turo allows users to connect with each other. Turo
2 works as follows: Owners list their privately-owned cars on Turo, indicating
3 availability, price, and options for pickup. Users seeking a car (“guests”) use Turo to
4 search listings, select and book a car, and arrange with the car’s owner to pick it up at a
5 mutually-agreed time and place.

6 2. Turo’s technology has benefitted the public by revolutionizing short-term
7 car use. Turo helps car owners, from students to retirees, turn idle cars into an income
8 source. Guests, in turn, love Turo because it gives them access to a wide selection of
9 privately-owned cars with a superior user experience.

10 3. The California legislature has embraced this innovative “sharing
11 economy” model by amending the Insurance Code to recognize “personal vehicle
12 sharing program[s]” as a new kind of entity, distinct from rental car companies (users
13 of Turo’s personal vehicle sharing program² are called “Users” herein). Cal. Ins. Code
14 § 11580.24. California is not alone: Oregon, Washington, and Maryland have enacted
15 similar laws to promote peer-to-peer car sharing and to clarify responsibilities in
16 connection with such car sharing. *See* Or. Rev. Stat. §§ 742.585-742.600; Wash. Rev.
17 Code §§ 48.175.005-48.175.900; S.B. 743, 2018 Reg. Sess. (Md. 2018).

18 4. Californians love Turo. Hundreds of thousands of Californians are Turo
19 Users, and more than 10,000 California car owners have listed their vehicles for sharing
20 on Turo.

21 5. Some Users coordinate through Turo’s platform to exchange cars at or near
22 Los Angeles International Airport (“LAX”), which is owned by the City of Los Angeles
23 (the “City”). Because of these User exchanges, the City asserts that Turo must obtain
24 an LAX rental car company permit. This makes no sense as Turo is a software company
25 and website operator, not a rental car company.

26 _____
27 ² Turo has other offerings beyond providing a personal vehicle sharing platform, and it
28 plans to offer additional verticals in the coming year. However, its personal vehicle
sharing line of business is the subject of this lawsuit.

1 6. Pursuant to the rental car company permit, the City would require Turo
2 and its Users to pay exorbitant charges designed for rental car companies operating at
3 LAX. Specifically, on information and belief, the City would charge Turo and its Users
4 meeting at or near the LAX ten percent of each booking (the “Gross Receipts Charge”).
5 This would be a pure revenue grab from local car owners that is totally unconnected to
6 any benefit provided to, or service used by, Turo and its Users, or any supposed burden
7 those Users cause by exchanging cars at or near LAX.

8 7. Remarkably, this is not the only fee that the City seeks to impose. It also
9 seeks a per-transaction “Customer Facilities Charge” meant to finance rental car
10 infrastructure at the airport (the “LAX Facilities Charge”). On information and belief,
11 the LAX Facilities Charge is calculated as \$7.50 per day for the first five days of a car
12 rental. If applied to a five-day Turo car share, it would require Turo and its Users to
13 make a costly \$37.50 payment to LAX—more than the price many travelers pay for
14 private ground transportation from LAX to their final destination.

15 8. For a week-long car share that costs a guest \$500, this amounts to an eye-
16 popping \$87.50 in additional charges (\$50 for the Gross Receipts Charge and \$37.50
17 for the LAX Facilities Charge)—**all for simply exchanging keys at the LAX curb.**
18 By contrast, Uber and Lyft users pay LAX a mere \$4 to meet cars curbside at the same
19 LAX terminals. Limousines and taxis likewise meet passengers curbside and require a
20 staging area, yet pay only \$4 (limousines) or \$5 (taxis) per trip. In other words, the City
21 irrationally seeks to charge Turo and its Users ten or even twenty times as much as
22 others who use similar or greater LAX resources.

23 9. These exorbitant charges are not only arbitrary and unjust, but illegal. As
24 an initial matter, LAX has threatened to sue Turo for the decision of its Users to meet
25 at or near LAX. But such an action would run afoul of federal law, specifically the
26 immunity provided by the Communications Decency Act, 47 U.S.C. § 230. Turo in no
27 way requires that owners offer, or guests select for, LAX delivery—any such exchanges
28 are arranged by the Users themselves. The Communications Decency Act thus provides

1 that Turo, an online platform that publishes the selections and offerings of its Users,
2 cannot be liable for such publication or for User conduct stemming from the same.

3 **10.** Moreover, under California Government Code § 50474.3, the LAX
4 Facilities Charge can only be charged to rental car companies, which excludes both
5 Turo and its Users. In fact, the LAX Facilities Charge is collected specifically to finance
6 construction of a behemoth “Consolidated Rent-a-Car Facility,” which will provide a
7 wide range of expensive services to rental car companies and their customers. On
8 information and belief, it will feature 30+ car washing bays, 60+ car maintenance bays,
9 180+ refueling stations, and 17,000+ stalls for rental cars—as well as over 100,000
10 square feet of customer service counters, booths, back-office space for rental car
11 companies, and customer lobbies. But Turo is democratizing car sharing, allowing
12 Users to bypass this precise manner of expensive overhead and share cars directly with
13 one another using nothing more than an online app or website. Accordingly, Turo Users
14 require none of the Consolidated Rent-a-Car Facility’s amenities and will never need to
15 visit this sprawling facility for any purpose. Imposing the LAX Facilities Charge on
16 Turo and its Users is thus unfair and unlawful under Government Code § 50474.3, and
17 not rationally related to the purpose for which the fee is being collected.

18 **11.** Both the Gross Receipts Charge and LAX Facilities Charge are also
19 unconstitutional because they are unapproved taxes. In 2010, California voters enacted
20 Proposition 26 (the “Stop Hidden Taxes Initiative”), which amended Article XIII C of
21 the California Constitution to require that any “fee” charged by a local government bear
22 a reasonable relation to the cost of the service covered by the fee. Any “fee” that fails
23 this reasonable relation test is not legally a fee, but a tax that California voters are
24 entitled to approve or reject. Both of LAX’s proposed charges fail the reasonable
25 relation test as applied to Turo and its Users, and voters have never approved either.
26 Thus, it is unconstitutional for the City to impose these charges on Turo and its Users.

27 **12.** These arbitrary charges also violate the “dormant” commerce clause of
28 Article I, Section 8 of the United States Constitution and the equal protection clauses of

1 the Fourteenth Amendment to the United States Constitution and Article I, Section 7 of
2 the California Constitution. The City has ignored the fact that these constitutional
3 provisions prohibit it from (a) imposing an undue burden on interstate commerce by
4 imposing exorbitant charges that are not actually related to any benefit provided to or
5 service used by Turo and its Users; and (b) discriminating against Turo and its Users
6 via charges that are dramatically higher than those imposed on businesses that use
7 airport property in a similar manner.

8 **13.** Turo would have preferred cooperation with LAX over litigation. Turo's
9 CEO, Andre Haddad, has repeatedly asked to meet with LAX executives to work
10 towards an amicable resolution, but LAX has refused to meet with him even once. Turo
11 is prepared to (a) submit to a permitting regime appropriate for its business model as a
12 personal vehicle sharing program; and (b) pay reasonable fees to LAX, similar to those
13 charged to TNCs or taxis. But LAX has refused even to engage with the idea of
14 developing an appropriate permit for Turo and other personal vehicle sharing programs,
15 instead arbitrarily (and incorrectly) insisting that Turo is a rental car company and must
16 be permitted as one. Indeed, LAX has aggressively cited Turo Users exchanging cars
17 at the airport, sometimes even impounding their cars without cause.

18 **14.** Turo is committed to protecting its community of Users and itself from
19 arbitrary, unfair, unreasonable, and unlawful charges and LAX's aggressive, misplaced,
20 and unconstitutional enforcement efforts. Given no other choice, Turo brings this
21 lawsuit. Specifically, Turo seeks to ensure that its new approach to peer-to-peer car
22 sharing is not stymied by heavy-handed regulations meant to protect the interests of the
23 large national car rental companies, to the detriment of entrepreneurial local residents
24 looking to offset the high cost of car ownership in California by taking advantage of the
25 economic opportunity Turo's platform provides. Turo asks the Court for a judicial
26 declaration that:

27 **(a)** The City cannot hold Turo, an online platform, liable for its Users'
28 decisions to meet at or near LAX. Any such attempt would run afoul of immunity

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