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17 *Attorneys for Plaintiff, SC Innovations, Inc.*

18 **UNITED STATES DISTRICT COURT**
 19 **NORTHERN DISTRICT OF CALIFORNIA**
 20 **SAN FRANCISCO DIVISION**

21 SC INNOVATIONS, INC.,
 22
 23 Plaintiff,
 24
 v.
 25 UBER TECHNOLOGIES, INC., RASIER, LLC,
 RASIER-CA, LLC, RASIER-PA, LLC, RASIER-
 26 DC, LLC, RASIER-NY, LLC, AND UBER USA,
 LLC,
 27
 28 Defendants.

Case No. 3:18-cv-07440-JCS

SECOND AMENDED COMPLAINT

DEMAND FOR JURY TRIAL

1 **NATURE OF ACTION**

2 1. Through an array of anticompetitive acts, Uber Technologies, Inc. (“Uber”) has
3 stifled competition in the market for ride-hailing applications. Those anticompetitive actions drove
4 Sidecar Technologies, Inc. (“Sidecar”), a maverick, innovator, and one of Uber’s most significant
5 competitors, out of business. Uber is now a monopolist, which has harmed both Sidecar and the
6 consumers who previously benefitted from the competitive pressure Sidecar placed on Uber.

7 2. The ride-hailing market is a two-sided market. Uber can exercise its monopoly power
8 by controlling both the prices it charges to consumers (riders), and the prices it pays to drivers. In
9 other words, Uber has both monopoly power over the customer side of the market and monopsony
10 power over the driver side of the market. Both sides of the two-sided market are subject to
11 substantial network effects—the more riders Uber has, the more drivers it is able to attract, and the
12 increased driver availability attracts even more riders. These network effects raise substantial
13 barriers to entry and obstacles for other competitors to compete effectively against Uber, allowing
14 Uber to exercise monopoly power. Uber exploited these barriers to entry with a “winner takes all”
15 strategy it has pursued since its inception of predatorily pricing below its costs. Because of the
16 unique nature of platforms such as this one that furnishes connections between two groups, Uber was
17 able through its “winner takes all” strategy to capture the overwhelming power over the market
18 while enjoying the protections afforded by the barriers to entry.

19 3. Uber’s predatory pricing strategy has significantly weakened competition in the ride-
20 hailing applications market by eliminating or substantially weakening its competitors. Uber is able to
21 recoup its losses on its ride-hailing application business by charging supra-competitive prices, above
22 the level that would prevail in a market in which Uber faced strong competition. Uber’s predatory
23 pricing strategy is consistent with Uber’s stated business strategy as understood by its more
24 sophisticated investors. As explained in an article predating Uber’s IPO presciently titled: “Uber is
25 Basically Promising Investors it will become a Monopoly”:

26 The other thing to note is that a big part of why Uber is unprofitable is
27 that it pays drivers too much and charges too little for fares. Under the
28 status quo, there's no way for it [to] grow into profitability simply by
claiming a bigger market share. All of which gets us back to the
question of why investors keep throwing gobs of money at the

1 company. The simple story about how it's just better than its rivals
2 doesn't scan. Something else is going on. The point about Uber's fares
3 being too low for it to make enough money is telling. Most likely,
4 Uber is making a long-game effort to price out all its rivals. "[Uber's]
5 IPO documents show that it plans to keep spending heavily to win
6 market share, even if it continues to rack up multi-billion dollar annual
7 losses," the *Financial Times* reported. "It amounts to a forceful
8 reminder of the company's founding mantra that ride-hailing is a
9 business with strong network effects and a winner-takes-most, if not
10 all, market."¹

11 4. Such a strategy would be unprofitable unless Uber knew it could recoup its losses
12 from below-margin pricing in a market in which it was able to set supra-competitive prices due to
13 substantially reduced competition. Uber's anticompetitive conduct has resulted in significant harm to
14 consumers through long-term higher prices, lower quality, reduced innovation, reduced control over
15 personal information and privacy, and reduced choice. This case is designed to compensate Sidecar
16 for the damages caused by Uber, bring an end to Uber's anticompetitive practices, and prevent future
17 anticompetitive acts so that consumers can once again enjoy the lasting benefits of lower prices,
18 higher quality, more innovation, improved data and personal information privacy protections, and
19 greater options.

20 5. In 2009, Uber launched its ride-hailing smartphone app. Uber's app allowed
21 consumers to use their smartphones to arrange on-demand transportation in "black cars" and
22 limousines driven by licensed chauffeurs. Uber viewed any app-based ride hailing as its exclusive
23 domain, and was determined to do whatever was necessary to stamp out any threatening innovation
24 related to its business.

25 6. In 2012, Sidecar debuted its own ride-hailing app. Unlike Uber's app, which only
26 connected passengers to professional drivers, Sidecar's app could be used by passengers to arrange
27 rides with drivers who were using their personal cars, pioneering a new concept called "ridesharing."

28 7. Sidecar's app was the first to offer many popular features that since have become
commonplace in ride-hailing apps today. For example, Sidecar's app was the first to provide

¹ Spross, *Uber is Basically Promising Investors it will become a Monopoly* (The Week, April 15, 2019)

1 passengers with estimated fares and trip durations before booking their trip. It also was the first ride-
2 hailing app capable of scheduling carpool rides between strangers heading in the same direction,
3 which could dramatically lower costs for passengers using that feature. In addition, the Sidecar App
4 provided an easy means of ensuring price-competition by private drivers, to the benefit of customers.
5 It allowed those private drivers to set their own proposed fare rates, competing with one another.

6 8. In response to such competitive ride-sharing offerings from Sidecar and others, Uber
7 extended its offerings in the ride-hailing market by launching its own “UberX” ridesharing service in
8 2013, as an addition to its “Uber Black” limousine service. At the time, Uber was growing in rides
9 and revenue at a staggering pace. In 2013 alone, Uber was the dominant ridesharing platform in the
10 United States and was estimated to have grown at a rate of 364%. In addition, Uber was enormously
11 capitalized, the result of Uber’s pitch to its investors of its “winner-take-all” strategy, with the ability
12 to outlast its competitors in the ride-hailing market in a bruising price war. To be clear, neither
13 growth nor financial strength, nor price cuts, are in and of themselves anti-competitive. Indeed, price
14 cutting can be entirely pro-competitive. But, when a company with a substantial and growing share
15 of rides is intent on eliminating competition and uses predatory, below-cost price cuts as a means of
16 wielding its enormous financial strength to eliminate competition, that conduct plainly contravenes
17 the Sherman Act and injures competition. With the launch of its UberX service, Uber became hell-
18 bent on stifling competition from competing ride-hailing apps, including Sidecar. But rather than
19 compete on the merits, Uber engaged in a campaign of anticompetitive tactics, orchestrated by its
20 senior executives, a campaign designed to impair Sidecar and other competing ride-hailing apps
21 from serving as a check on Uber’s quest for a monopoly. Sidecar’s superior functionality proved to
22 be no match for Uber’s anticompetitive actions, and as a result, Sidecar went out of business in
23 December 2015.

24 9. There is no dispute that Uber has and continues to price below cost, however cost
25 may be measured. Uber’s CEO has publicly admitted in security filings that Uber intentionally
26 prices its rides in certain markets below the costs paid to drivers for the ride. Thus, Uber has
27 admittedly engaged in classic predatory pricing. This case is far removed from the case of a
28 traditional manufacturing business, where a market entrant may have excess capacity in early market

1 penetration and thus may be pricing below some measures of cost during growth that it plans to fill
2 out its excess capacity. Here, Uber could *never* grow its way to profitability with its pricing below
3 the variable cost of each individual ride. Uber heavily subsidized payments to drivers, and at the
4 same time, it subsidized the fares it charged to passengers. As a result of these subsidies, the
5 average price paid by a passenger was well below Uber's average variable cost for completing a
6 transaction on its platform. A cursory look at Uber's financials shows the results of this predatory
7 conduct: Uber has lost billions of dollars, but as it expected, it has not outrun its ability to attract
8 equity and financing because in the unusual economic world of platforms with significant network
9 effects, the long run will eventually financially reward Uber's platform for its elimination of
10 competition.

11 10. Uber's most senior officers, directors, and executives specifically planned for this
12 subsidized pricing strategy to foreclose competition. Uber intentionally sustained near-term losses
13 that were designed to drive Sidecar and other competing ride-hailing apps out of the market while
14 Uber acquired a dominant market position. When the market finally tipped in Uber's favor and Uber
15 could leverage network effects to insulate itself from meaningful competition, it planned to raise
16 prices to consumers and reduce compensation to drivers. By imposing higher prices on consumers
17 and reducing driver compensation while it was protected by the substantial barriers to entry created
18 by network effects, Uber planned to recoup the losses it had incurred while pushing out its rivals.
19 This practice will have significant negative effects on consumers in the form of long-run higher
20 prices, lower quality, reduced innovation, reduced control over personal information and privacy,
21 and fewer options.

22 11. Uber's plan has now reached the second act. Initially, even after Uber successfully
23 eliminated Sidecar from the market in late 2015, Uber continued to price below cost in an ongoing
24 effort to weaken the only remaining significant US competitor, Lyft. This contributed to continuing
25 losses for both entities. The two-sided nature of the ride-hailing market provided Uber with the
26 incentive and ability to engage in predation on both sides of the market: (i) paying initially high
27 prices to drivers (mostly in the form of incentives), with reduced payments later as Uber moves to
28 the recoupment phase, and (ii) charging low prices to customers early, and higher prices during the

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