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16 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
17 **CITY AND COUNTY OF SAN FRANCISCO**
18 **UNLIMITED JURISDICTION**
19

20 THE PEOPLE OF THE STATE OF CALIFORNIA,
21 Plaintiff,
22 vs.
23 HANDY TECHNOLOGIES, INC., and DOES 1
through 10, inclusive,
24 Defendants.

CASE NO.:

**COMPLAINT FOR INJUNCTIVE
RELIEF, CIVIL PENALTIES,
RESTITUTION AND OTHER
EQUITABLE RELIEF**

Amount in Controversy Exceeds
\$25,000

25
26 Plaintiff, the People of the State of California (“People”), by and through Chesa Boudin,
27 District Attorney for the City and County of San Francisco, and George Gascón, Los Angeles
28 County District Attorney, acting to protect the general public within the State of California from

1 unlawful and unfair business practices, hereby brings this action against Handy Technologies,
2 Inc. and Does 1 through 10 (collectively “Handy”), and alleges as follows:

3 INTRODUCTION

4 1. Handy is a business that offers and sells household services, including prearranged
5 home cleaning and handyman services.

6 2. Handy employs and pays individuals to clean its customers’ homes and offices
7 and/or to provide its customers with handyman services such as furniture assembly. Customers
8 use Handy’s website or smartphone application (the “Handy App”) to order and pay Handy for
9 such cleaning and handyman services. Handy refers to its cleaners (“Cleaners”) and handymen
10 (“Handypersons”) as “Pros.”

11 3. In direct contravention of California law, Handy has and continues to misclassify
12 its Pros as independent contractors when, in fact, they are Handy’s employees. Pros are
13 employees of Handy because, under California law, “a person providing labor or services for
14 remuneration shall be considered an employee rather than an independent contractor . . .” (Lab.
15 Code, § 2775.) To rebut this presumption, Handy must demonstrate it meets all three prongs of
16 California’s “ABC test” for employment classification. But Handy cannot show that (A) Pros are
17 free from Handy’s direction and control, (B) Pros perform work outside of the usual course of
18 Handy’s cleaning and handyman business, *and* (C) Pros are engaged in an independently
19 established trade or occupation.

20 4. Despite California’s presumption that workers are employees, misclassification of
21 employees remains a persistent economic problem in California. Speaking to the scale of the
22 problem, the California Supreme Court in *Dynamex Operations West, Inc. v. Superior Court*
23 (2018) 4 Cal.5th 903 (*Dynamex*) cited to regulatory agencies of both federal and state
24 governments that found misclassification is a “very serious problem” that was depriving
25 “millions of workers of the labor law protections to which they are entitled.” (*Dynamex*, 4
26 Cal.5th at p. 913.) Additionally, the California Legislature has stated that misclassification
27 contributes to the rise in income inequality and the shrinking of the middle class. (Assembly Bill
28 5, § 1, subds. (c), (e).)

1 5. The distinction between Pros being classified as employees instead of independent
2 contractors is critical. California law affords employees a multitude of rights that independent
3 contractors do not have. When employees are misclassified, they are unlawfully denied their
4 guaranteed rights to minimum labor standards, including minimum wage and overtime pay, meal
5 and rest breaks, workers’ compensation coverage, paid sick leave, family leave, reimbursement
6 for business expenses, and access to wage replacement programs like disability insurance and
7 unemployment insurance. Additionally, misclassified workers are not protected by most anti-
8 discrimination laws, do not have as much protection from sexual harassment/assault and do not
9 have nearly as robust legal rights to unionize and to bargain collectively.

10 6. The public good also suffers from misclassification: (1) the substandard wages and
11 unhealthy working conditions that can result from misclassification often force the public to
12 assume the responsibility for the ill effects suffered by workers and their families; (2) the State of
13 California (“State”) is deprived of tax revenue used to fund social safety net programs such as
14 unemployment insurance; and (3) businesses who properly classify their workers and pay the
15 associated costs must compete with companies who misclassify, allowing unscrupulous
16 employers to gain an unfair advantage over their law-abiding competitors.

17 7. In addressing the widespread and systematic issue of employer misclassification of
18 workers as independent contractors, the *Dynamex* Court, in a unanimous decision, adopted the
19 straightforward ABC test for determining employment status under California’s Industrial
20 Welfare Commission (“IWC”) Wage Orders. (*Dynamex*, 4 Cal.5th at p. 916.)

21 8. In 2019, the Legislature took action to curb misclassification by passing Assembly
22 Bill 5, which seeks to restore “protections to potentially several million workers who have been
23 denied . . . basic workplace rights that all employees are entitled to under the law.” (Assembly
24 Bill 5, § 1, subd. (e).) Assembly Bill 5 codified the ABC test set forth in *Dynamex* and also
25 expanded the test’s application to contexts beyond those at issue in *Dynamex*, to include workers’
26 compensation, unemployment insurance, and disability insurance. (See Lab. Code, §§ 2775;
27 3351, subd. (i); Unemployment Ins. Code, § 621.) On September 4, 2020, the California
28 Governor signed into law Assembly Bill 2257, which made certain amendments to Assembly Bill

1 5 (hereafter, Assembly Bill 5 and its amendments in Assembly Bill 2257 are collectively referred
2 to as “AB 5”).

3 9. From the Court’s 2018 decision in *Dynamex* to the Legislature’s passing of AB 5 to
4 the Governor’s execution of the bill in 2019, all three branches of California government have
5 made clear that businesses need to follow the ABC test when it comes to the classification of
6 their workers.

7 10. Yet, despite this clear message, Handy has and continues to misclassify its Pros
8 throughout California as independent contractors instead of employees.

9 11. By misclassifying its Pros, Handy has denied them minimum labor protections,
10 violated California’s workplace laws, failed to fulfill its tax obligations to the State, and gained
11 an unfair advantage over its law-abiding competitors. Handy’s illegal misclassification and
12 accompanying failure to comply with numerous provisions of California law constitute an
13 unlawful and unfair business practice and, therefore, violate California’s Unfair Competition Law
14 (“UCL”) as set forth in California Business and Professions Code section 17200 *et seq.*

15 **JURISDICTION AND VENUE**

16 12. The Superior Court has original jurisdiction over this action pursuant to Article VI,
17 Section 10 of the California Constitution.

18 13. The Superior Court has jurisdiction over Handy because: (1) Handy is authorized to
19 and conducts business in and across the State of California, including in the City and County of
20 San Francisco; and (2) Handy otherwise has sufficient minimum contacts with and purposefully
21 avails itself of the markets of this State, thus rendering the Superior Court’s jurisdiction
22 consistent with traditional notions of fair play and substantial justice.

23 14. Venue is proper under Code of Civil Procedure section 393(a) because thousands
24 of the illegal acts described below occurred in the City and County of San Francisco.

25 **PARTIES**

26 15. The People of the State of California bring this civil enforcement action by and
27 through San Francisco District Attorney Chesa Boudin and Los Angeles County District Attorney
28 George Gascón pursuant to California Business and Professions Code sections 17204 and

1 17206(a). The District Attorneys for the City and County of San Francisco and the County of
2 Los Angeles also have the express statutory authority under AB 5 to bring an action for injunctive
3 relief to prevent the continued misclassification of employees. (Lab. Code, § 2786.)

4 16. Defendant Handy Technologies, Inc. is incorporated under Delaware law and is
5 authorized to and conducts business in and across the State of California, including in the City
6 and County of San Francisco.

7 17. The true names and capacities of the Defendants sued herein as DOES 1 through 10
8 are unknown to the People. The People will amend the Complaint to allege the true names and
9 capacities of such Defendants when ascertained. The People are informed and believe, and
10 thereon allege, that each of the fictitiously named Defendants is legally responsible in some
11 manner for the events referred to herein.

12 18. The People are informed and believe, and upon such information and belief allege,
13 that, at all times herein mentioned, Defendants Handy Technologies, Inc. and DOES 1 through 10
14 were all involved in the decisions and actions complained of herein. Further, the People are
15 informed and believe, and upon such information and belief allege, that, at all times herein
16 mentioned, Defendants Handy Technologies, Inc. and DOES 1 through 10, and each of them,
17 were the agents, co-conspirators, parent corporation, joint employers, alter ego, and/or joint
18 venturers of the other Defendants, and each of them, and in doing the things alleged herein, were
19 acting at least in part within the course and scope of said agency, conspiracy, joint employer, alter
20 ego status, and/or joint venture and with the permission and consent of each of the other
21 Defendants.

22 **FACTS COMMON TO ALL CAUSES OF ACTION**

23 **I. Handy Operates a Cleaning and Handyman Service Company**

24 19. Handy is a business that provides its customers with cleaning and handyman
25 services. Handy describes itself as “The Best Cleaning Service” and “The Best Handyman
26 Service.”

1 20. Handy’s cleaning and handyman business uses a website and the Handy App to
2 receive cleaning or handyman requests from customers and then Handy Pros perform the
3 requested cleaning or handyman services on the date and time of customers’ bookings.

4 21. Handy solicits and hires its Pros, who must meet certain eligibility requirements set
5 by Handy before being approved to work. For instance, Handy requires that Cleaners have prior
6 cleaning experience and requires all Pros to pass a background check and complete Handy’s
7 orientation.

8 22. Handy also requires its Pros to agree to a standard-form contract as a pre-condition
9 of providing cleaning and handyman services for the company (“Pro Agreement”). The Pro
10 Agreement contains non-negotiable terms and conditions set by Handy concerning the Pro’s
11 work, including boilerplate language designating the Pro as an independent contractor.

12 23. In order to perform work, Pros who have been approved by Handy must be logged
13 into the Handy App because that is the only way Handy allows them to discover customers’
14 cleaning or handyman requests. On the Handy App, Handy only shows Pros a limited amount of
15 information about a potential cleaning or handyman job, including its general location, its date
16 and time, the amount of pay, a description of the job, and any special instructions from the
17 customer. Before a Pro has claimed a job, Handy does not reveal the customer’s name, address
18 or provide any way the Pro can contact the customer to further assess the scope and requirements
19 of the job being requested. However, once Pros sign up for specific jobs, Handy requires Pros to
20 complete the work or risk being fined by Handy and/or terminated.

21 24. Handy unilaterally sets the costs of the cleaning and handyman services, for which
22 it bills the customers directly. Handy then pays Pros an amount that Handy has determined in its
23 sole discretion.

24 **II. Handy Misclassifies Its Pros as Independent Contractors**

25 25. Handy has and continues to misclassify thousands of Pros across the State of
26 California as independent contractors instead of employees. For instance, Handy states on its
27 home cleaning webpages that it has over 6,000 active Cleaners in San Francisco, over 9,000 in
28 Los Angeles, and over 2,500 in San Diego. Handy’s handyman webpages state that it has over

1 3,000 active Handypersons in San Francisco, over 4,400 in Los Angeles and over 2,500 in San
2 Diego.

3 26. Under California law, the burden rests with employers like Handy to establish that
4 the workers they classify as independent contractors meet each element of the three-pronged
5 ABC test. (See Lab. Code, § 2775, subd. (b)(1).) Failure to meet any single prong of the test
6 means an employer cannot classify the worker as an independent contractor, but instead must
7 fulfill the legal obligations that come with hiring employees.

8 27. Under the ABC test, a worker can be classified as an independent contractor only if
9 the hiring entity establishes each of the following elements: (A) that the worker is free from the
10 control and direction of the hirer in connection with the performance of the work, both under the
11 contract for the performance of such work and in fact; (B) that the worker performs work that is
12 outside the usual course of the hiring entity's business; and (C) that the worker is customarily
13 engaged in an independently established trade, occupation, or business of the same nature as the
14 work performed for the hiring entity.

15 28. Handy cannot meet this strict standard with respect to its Pros because it cannot
16 satisfy any prong of the ABC test.

17 **A. Handy Cannot Establish That Pros Are Free From Handy's Control and**
18 **Direction (Prong A of the ABC Test)**

19 29. Under the ABC test, Handy bears the burden of proving that Pros are free from its
20 direction and control in connection with the performance of their work.

21 30. Through Handy's omnipresent App and the policies and structure imposed on Pros
22 by the company, Handy directs and controls the work of its Pros.

23 31. Handy determines the eligibility requirements that Pros must meet before they are
24 allowed to begin performing cleanings or handyman work for the company. Handy reserves
25 complete discretion to change those eligibility standards at any point in time.

26 32. After Handy confirms Pros meet its requirements to start cleaning or providing
27 handyman services, Handy controls access to cleaning and handyman jobs by mandating that
28 Pros use a smartphone equipped with Handy's App in order to have access to any jobs. Further,
Handy is responsible for obtaining the cleaning and handyman requests from customers and then

1 providing them to Pros through the Handy App. When trying to secure customers, Handy
2 advertises that “we work to assign the best [Pros] available.” Additionally, Handy automatically
3 assigns specific Cleaners to future bookings with customers that are part of a Handy cleaning
4 plan and Cleaners must contact Handy, not the customers, to change those future assignments.
5 Because Handy completely controls the process of securing customers and deciding which job
6 requests it makes available to which Pros, Handy determines whether Pros actually work.

7 33. Handy only makes a limited amount of job details available to Pros before they
8 accept jobs. For instance, Handy does not provide a Pro with the customer’s name or address
9 until two hours before the scheduled start time of the work. However, by that time, the Pro will
10 be charged a fee by Handy if the Pro cancels the job (as described more below).

11 34. Handy sets the parameters of cleaning and handyman jobs. Handy chooses the
12 hours that Pros will be available to customers to provide cleaning and handyman services.
13 Cleaners, for example, cannot negotiate with customers to clean for less than a 3-hour block of
14 time because Handy requires that “[t]he minimum booking length is 3 hours . . .” Handy
15 determines, as part of the cleaning service, what the scope of cleaning certain rooms involves
16 (e.g., Handy details that a “Kitchen cleaning” entails “[d]ust all accessible surfaces . . . [e]mpty
17 sink and load up dishwasher with dirty dishes . . . [w]ipe down exterior of stove, oven and fridge .
18 . . [c]lean all floor surfaces . . . [t]ake out garbage and recycling”). Handy restricts the work its
19 Pros are allowed to perform for customers (e.g., “The following [cleaning] services are not
20 currently offered: Exterior window cleaning, Deep stain removal . . .” and “Our furniture
21 assembly service does not include removal of old furniture.”). Handy dictates what aspects of a
22 cleaning it considers an “Extra” for which it charges the customer an additional fee (e.g., “For a
23 deeper clean, consider adding one or more cleaning extras. Most cleaning extras add one half
24 hour of time and cost to your booking . . . Inside cabinets . . . Inside fridge . . . Inside oven . . .
25 Laundry wash & dry . . . Interior windows”).

26 35. Handy controls the performance of Pros’ work. For example, starting with its
27 onboarding process, Handy explains how it expects Cleaners to perform the work, including in
28 what order Cleaners should clean the rooms of a home and the preferred supplies Cleaners should

1 use. Although Handy has phrased many of its instructions as mere expectations, suggestions or
2 tips, in actuality, these suggestions and expectations operate like rules due to Handy’s strict
3 management of customer expectations and use of fines and customer ratings to discipline and
4 terminate Pros (as described more below). Handy tells its customers that “we give [Pros]
5 guidelines and expectations.” Handy also tells customers who request cleanings that it has a
6 “standard cleaning checklist” for Cleaners to follow. Under the Pro Agreement, failure to
7 perform the cleaning and handyman services “in accordance with best industry standards for
8 similar services . . . shall constitute a material breach of this Agreement.”

9 36. During the current COVID-19 pandemic, Handy has exercised even further control
10 and monitoring of its Pros. Handy now “require[s] that Pros wear PPE during bookings” and
11 “[s]tay home and rest if they feel sick.” Handy also mandates that Pros do “daily self-
12 certifications,” explaining to customers that “[w]e are requiring every pro to confirm that they are
13 not experiencing a fever, cough, or shortness of breath and committing to following CDC and
14 local health regulations on a daily basis.” And Handy has turned all “indoor
15 assembly/installations” into “no contact services” whereby Handy requires that Pros follow
16 detailed instructions on how to conduct themselves before, during and after the job. These
17 instructions include:

- 18 a. What to do before the booking:
 - 19 i. “Verify you have received a box of protective equipment from
20 Handy”
 - 21 ii. “Bring a box of cleaning supplies and EPA-registered disinfectants
22 to customer’s home”
 - 23 iii. “You are required to wear a mask and gloves; wash hands with hand
24 sanitizer for 20 seconds before and after putting on gloves”
- 25 b. What to do at the start of the booking:
 - 26 i. “Contact the customer to ask for entry instructions and where the
27 service is to take place”

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ii. “Enter the apartment and directly walk to room where the item(s) will be assembled or installed”

c. What to do during the booking:

- i. “Disinfect any surface your [sic] are working on before you touch it”
- ii. “Any communication throughout the service should be done contactlessly via phone”
- iii. “You and the customer should be in separate rooms at all times”
- iv. “Use EPA-registered disinfectants to clean the surfaces after you’ve touched. Also be mindful of the surface type(s) you are wiping, and make sure that the disinfectant will not damage it”

d. What to do after the booking:

- i. “Step outside of the customer’s home and let them know that you are ready for the service to be reviewed”

37. Handy exercises significant oversight over its Pros by closely monitoring their locations and job progress. As explained in the Pro Agreement, Handy begins tracking Pros’ locations “starting 4 hours prior to the scheduled start of a Job” and “ending 2 hours following the scheduled end of a Job.” The Pro Agreement also explains that Handy can track the location of its Pros at any point in time “for the purpose of notifying a [Pro] of Jobs that are posted on short notice by [Customers] in the [Pro’s] vicinity.” Through the Handy App, Handy requires Pros to check in with Handy when they arrive at jobs and to inform Handy when they leave jobs. Handy also tracks the progress of Cleaners during the cleaning itself by requiring Cleaners to update the status of the cleaning throughout the job, and customers can see that progress using the Handy App. Handy uses its ability to track Pros to enforce various policies, like its “3-step procedure” that it requires Pros to follow if Pros arrive to a job and the customer is not home. Part of this procedure is the requirement that Pros must physically stay “around the [job site]” for 30 minutes before they are allowed to leave.

1 38. Handy handles issues that arise before, during and after cleaning and handyman
2 jobs. For instance, Pros do not have the ability to reschedule or cancel a customer’s booking,
3 only Handy can do so. Likewise, Pros cannot add or subtract time from a booking (even if, for
4 example, the booked hours do not line up with what a Pro can actually complete in the scheduled
5 amount of time booked). Handy also deals with such issues as: customer complaints, what to do
6 if Pros break something during the job, what to do if Pros leave an item behind, what to do if Pros
7 have issues with an animal at the job-site, and resolving any problems with Pros’ pay. In the case
8 of dissatisfied customers, Handy has a “Happiness Guarantee” to ensure that the quality of Pros’
9 services satisfy Handy’s customers.

10 39. Handy fines its Pros. Handy uses the monetary fees it levies on Pros (and the threat
11 of such fees) to control its workforce. As Handy explains, “fees are used to enforce platform
12 standards.” Handy ensures Pros arrive to their jobs on-time by charging Pros who arrive late a
13 fee of \$15. Handy ensures Pros do not leave jobs early by assessing them an “early departure
14 fee” of \$15 if they finish the job early and leave the job-site. To prevent scheduling changes to
15 booked jobs, Handy charges Pros (1) \$10 if they cancel or reschedule on less than 48 hours’
16 notice but with more than 24 hours’ notice prior to job start time, (2) \$20 if they cancel or
17 reschedule on less than 24 hours’ notice but with more than 4 hours’ notice prior to job start time,
18 (3) \$40 if they cancel or reschedule on less than 4 hours’ notice prior to job start time, and (4)
19 \$50 if Pros fail to appear for booked job without notice to the customer and Handy. Handy also
20 charges Pros a variety of other fees, including an “Off Platform Fee” of \$100 for working with
21 customers without going through the Handy App, a fee for breaking customers’ property (usually
22 “\$5 based on the loss or as otherwise negotiated”), and a fee for losing a customer’s key (“\$100
23 based on the loss or as otherwise negotiated”). Handy even reserves the right under the Pro
24 Agreement to charge Pros an undefined amount of “liquidated damages” if Pros fail to perform
25 jobs up to the satisfaction of customers. Handy reserves the discretion to change these fees at any
26 point.

27 40. In order to supervise and manage Pros’ performance, Handy uses customer ratings
28 of its Pros, and Handy provides performance feedback to Pros. After each job, Handy prompts

1 the customer to give the Pro a rating on a scale from one to five stars. Handy uses these ratings to
2 identify Pros who are performing poorly and then terminates them based on low ratings. Handy
3 also uses these ratings to motivate good performance from Pros because in some markets, for
4 example, ratings actually “help to determine [Pros] pay tier [and] status on the platform” such
5 that the higher a Pro’s rating, the more the Pro can get paid. In addition to a rating, Handy also
6 solicits customers to provide areas where Pros could improve. If Handy detects consistent
7 underperformance in a particular area, it will alert the Pro to improve that area of the Pro’s
8 performance. Another way Handy monitors its Pros’ performance is by tracking Pros’ “Keep
9 Rate,” which is a measurement of the jobs Pros claim without cancelling. Handy rewards Pros
10 who have a Keep Rate above 85% with access to certain future jobs. Handy further supervises
11 and manages its fleet of Pros by offering them rewards and incentives to ensure it always has
12 enough Pros to meet the demands of its customers.

13 41. Handy maintains all billing information for its customers, processes all payments
14 from customers, and then remits amounts to Pros.

15 42. Handy unilaterally sets and modifies the cleaning and handyman fees charged to its
16 customers and Pros cannot adjust those fees. Handy also has complete discretion to set the pay
17 scheme and rate of pay for its Pros’ services. In doing the above, Handy controls Pros’ earning
18 potential.

19 **B. Handy Cannot Establish That Pros Perform Work That Is Outside the Usual**
20 **Course of Handy’s Business (Prong B of the ABC Test)**

21 43. Under the ABC test, Handy must prove that Pros perform work that is outside the
22 usual course of Handy’s business.

23 44. Handy fails to meet prong B of the test because Pros perform services in the usual
24 course of Handy’s business, which is providing cleaning and handyman services.

25 45. Because Handy sells and provides cleaning and handyman services, the actual
26 performance of the cleaning and handyman work is not outside the usual course of Handy’s
27 business, but is instead *the* central part of the business.
28

1 46. Pros do not perform work that is merely incidental to the company’s business.
2 Quite the opposite, Pros’ cleaning and handyman services are integral to Handy’s business and
3 their work is a regular and continuing part of the business.

4 47. Handy generates its revenue from customers paying for the very cleanings and
5 handyman work that Pros provide. Without Pros to perform the cleanings and handyman tasks,
6 Handy’s business of offering cleaning and handyman services would not exist. Pros’ work lies at
7 the very heart of Handy’s operations.

8 48. Consistent with its core cleaning and handyman services, Handy holds itself out as
9 a cleaning and handyman company, including, as described more below, in its advertisements, on
10 its website, and in various public statements. These public self-descriptions are designed to and
11 do result in the public’s perception of Handy’s business being one that provides cleaning and
12 handyman services.

13 49. On its website, Handy promotes itself as “The Best Cleaning Service,” “The
14 Trusted Name in Cleaning Service,” “The Most Reliable Name in House Cleaning,” “The Best
15 Handyman Service,” and “The Trusted Name in Handyman Service.” Handy’s website has also
16 given the impression that a customer is purchasing a cleaning or handyman service that will be
17 done by Handy (e.g., “Book expert home cleaners . . . at a moment’s notice. Just pick a time and
18 we’ll do the rest,” “Since we were founded in 2012, Handy has installed thousands upon
19 thousands of TVs for our customers,” and “When would you like us to come?”). Handy also
20 markets its Pros as being part of Handy, not independent businesses (e.g., “Here is what you can
21 expect from a house cleaning from a Handy professional,” “[A] Handy handyman will bring all
22 the tools required to get the job done,” “Handy Pros Come Prepared to Assemble Your
23 Furniture,” “Meet Some of Our Top Handyman Service Professionals,” and “Meet Some of Our
24 Top Cleaning Service Professionals”).

25 50. Handy has placed advertisements on Facebook touting its cleaning service, such as
26 advertising itself as “[t]he most reliable name in home cleaning.”

27 51. Handy’s services go far beyond that of a mere matchmaker. For instance, with
28 Handy’s “Happiness Guarantee,” Handy guarantees that customers will be satisfied with Pros’

1 work and if they are not, then Handy will “work to make it right. Our friendly customer service
2 agents are available 24 hours a day, 7 days a week.” Similarly, Handy insures its customers’
3 belongings (e.g, “In the rare event of damage, Handy’s got your back. Bookings made and paid
4 for directly on the Handy platform are insured.”).

5 52. In 2015, Handy’s founder, Oisin Hanrahan, said, “Cleaning is the core of what we
6 do today because it gets us in your home on a regular basis.” In 2016, Mr. Hanrahan publicly
7 described cleaning as 80 percent of Handy’s business, and said that Handy was built to “take[]
8 care of your home magically.”

9 53. The level of micro-management Handy exercises over its Pros, as described above,
10 further demonstrates that Pros’ work performing cleanings and handyman tasks is absolutely
11 essential to Handy’s business.

12 54. Because Pros provide a core function of Handy’s business, Handy cannot establish
13 that it meets part B of the test with respect to its Pros.

14 **C. Handy Cannot Establish That Pros Are Engaged in an Independently**
15 **Established Trade or Business (Prong C of the ABC Test)**

16 55. Under the ABC test, Handy must prove that its Pros are engaged in an
17 independently established trade or business.

18 56. Pros working for Handy are not customarily engaged in an independently
19 established trade, occupation, or business of the same nature as that involved in the work
20 performed for Handy. To clean for Handy, Pros do not need to take any steps to establish
21 themselves as independent businesses such as incorporation or licensure, or marketing of their
22 services like a traditional independent business would since Handy is responsible for obtaining all
23 customers. Instead, Pros need only have a smartphone, download the Handy App, pass Handy’s
24 background check and agree to the terms of the Pro Agreement to begin performing cleanings
25 and handyman jobs. By doing so, Pros have not thereby made the decision to go into business for
26 themselves.

27 57. Cleaning-for-hire and completion of basic handyman tasks are not considered
28 skilled work. In soliciting Pros, Handy promotes the low barriers of entry to working for Handy
(e.g., “The entire application can be completed from your couch . . .”).

1 58. At no time during the course of providing cleanings or handyman work do Pros
2 make important business decisions that would serve their entrepreneurial interests or increase
3 their profits through exercising managerial skills. Pros are unable to negotiate their pay, the
4 length of their jobs, and the tasks to be completed. Pros cannot offer on-demand cleanings or
5 handyman services on terms and conditions that differ from those set by Handy. Pros cannot
6 realistically increase their opportunity for profit by hiring assistants because Handy’s payment
7 and fine structure make the use of assistants extremely unprofitable since Pros may not charge
8 more for the use of an assistant and can be penalized for leaving early. Like a traditional
9 employee, Pros simply perform the requested cleaning or handyman task, generate income for
10 Handy and then get paid by Handy. In the process, Handy controls all meaningful aspects of
11 their work. In fact, in order to carry out their cleaning and handyman services, Pros rely
12 extensively on Handy’s App and infrastructure, including customer support, payment processing
13 and insurance.

14 59. Handy uses an atomized business model that effectively prevents Pros from
15 building relationships with customers and being entrepreneurs who develop their own businesses
16 outside of Handy. For instance, Handy tightly controls and limits the relationship Pros and
17 customers have with each other. Pros and customers only receive a small amount of obfuscated
18 information on the other. The Pro and customer can only contact each other during a limited time
19 period leading up to and during the job, but the phone numbers of each are masked on both sides.
20 Even if Pros and customers had a way to connect outside of the Handy App, Handy charges Pros
21 a “referral fee” of \$100 if a Pro and customer arrange work outside of Handy.

22 **III. By Misclassifying Pros, Handy Has and Continues to Engage in Unlawful and Unfair**
23 **Business Practices**

24 60. As described above, Handy cannot overcome the presumption under California law
25 that its Pros are employees because it cannot carry its burden on even a single prong of the ABC
26 test, let alone meet the high burden of establishing all three prongs.

27 61. Yet, Handy has and continues to unlawfully misclassify its Pros as independent
28 contractors.

1 62. Handy's incorrect and illegal designation of its Pros as independent contractors is
2 more than a technical mistake with little consequences. To the contrary, Handy's
3 misclassification strips Pros of essential workplace protections, lowers their income, deprives
4 them of social safety net benefits, causes lost tax revenues to the State, and harms other
5 businesses who classify their workers properly.

6 **A. Handy's Misclassification of Pros Leaves Them Without Legally-Entitled**
7 **Workplace Protections**

8 63. By wrongly characterizing Pros as non-employees, Handy has violated various
9 California laws meant to protect workers from exploitative business and labor practices. Handy's
10 violations of California law with respect to its Pros include, but are not limited to:

- 11 a. Failing to guarantee and pay Pros minimum wage under State and local laws:
12 Handy does not pay its Pros for all their hours worked. Instead, setting aside
13 any fees Handy may deduct from Pros' pay, Handy only pays Pros for the
14 length of time a customer booked for the job. Examples where Handy fails to
15 pay its Pros a minimum wage for tasks necessary to perform their work include
16 time they spend (1) performing additional cleaning or handyman work beyond
17 the scheduled period of a given job, (2) time spent traveling between jobs
18 (including, in some cases, refueling and maintaining their vehicles), (3)
19 preparing in advance for customer assignments (e.g., securing all cleaning
20 supplies or necessary tools), (4) communicating with customers via text and
21 phone calls, and (5) communicating with Handy;
- 22 b. Failing to pay Pros overtime pay as required by State and local laws: Pros have
23 worked in excess of forty hours per week and in excess of eight hours per day,
24 but Handy has not paid them the applicable overtime rate of pay for these
25 hours. Instead, as described above, Handy pays Pros for only the amount of
26 time that a client booked a cleaning or handyman task, regardless of the number
27 of hours Pros worked;
- 28 c. Failing to provide Pros with meal and rest periods as required by State and local
 laws: Pros have worked more than five hours without Handy providing one 30-

1 minute duty-free meal period, and Pros have worked more than ten hours
2 without Handy providing a second 30-minute duty-free meal period. Further,
3 Pros have worked more than a four-hour work period without Handy providing
4 a ten-minute, paid, off-duty rest period. Indeed, Handy does not provide Pros
5 off-duty meal periods and does not authorize or permit paid, off-duty rest
6 periods. Additionally, Handy does not provide a premium of one hour of pay at
7 Pros' regular rate of compensation for each failure to fulfill these meal and rest
8 period obligations, as required by law;

9 d. Failing to furnish Pros with itemized wage statements as required by law: Pros
10 have not received regular and complete itemized wage statements from Handy,
11 which include, as applicable, gross and net wages earned, hours worked, hourly
12 wages, piece rate wages, rest period pay, and nonproductive time pay. Handy
13 does not provide Pros with itemized wage statements in conformance with
14 California law, which has the result of Pros not having wage statements to use,
15 for instance, to calculate whether they received all wages owed them, including
16 overtime, and causes Pros the difficulty and burden of reconstructing pay
17 records;

18 e. Failing to accrue paid sick leave benefits and make health care expenditures for
19 its Pros: the law requires Pros to be provided paid sick leave benefits as
20 specified under California law and various local laws, including, but not limited
21 to, the Los Angeles, San Diego, and San Francisco sick leave ordinances. As
22 an example, Pros have worked in California, San Francisco, Los Angeles and
23 San Diego and met the eligibility requirements to accrue the applicable paid
24 sick leave benefits under the respective laws and ordinances of the State and
25 those cities (e.g., Pros have: worked for Handy in California for 30 or more
26 days within a year from the commencement of employment; performed 56 or
27 more hours of work in San Francisco within a calendar year; performed at least
28 two hours of work within the geographic boundaries of Los Angeles in a

1 particular week and worked for Handy 30 days or more within a year from the
2 commencement of employment; performed at least two hours of work within
3 the geographic boundaries of San Diego in one or more calendar weeks of the
4 year), but Handy has denied them those benefits and has not accrued those
5 benefits that employers are required to provide them under the law.

6 Additionally, the San Francisco Health Care Security Ordinance currently
7 requires Pros in San Francisco to receive health care expenditures (e.g., \$3.18
8 per hour in 2021), but Pros have worked at least 8 hours in San Francisco in a
9 particular week, but Handy has not provided the legally obligated health care
10 expenditure;

- 11 f. Failing to pay or reimburse Pros for their necessary business expenses in
12 performing their work: Pros pay for business expenses they incur in the course
13 and scope of performing their work for Handy, including, but not limited to,
14 cleaning supplies, tools, vehicle expenses on vehicles used to transport Pros
15 between jobs (e.g., wear-and-tear, gas, insurance, and maintenance), parking
16 fees, tolls, and phone and data expenses associated with using Handy's App.
17 These expenses, such as those related to Pros' cleaning supplies, tools, phones
18 and vehicles, are necessary to perform cleanings and/or handyman services for
19 Handy and without incurring such expenses, Pros could not perform the work.
20 Handy is aware of Pros incurring such expenses because Handy's own policies,
21 including its Pro Agreement, provide that Pros are responsible for all costs and
22 expenses arising from Pros' work for Handy; and
- 23 g. Failing to remit contributions or take other mandatory actions under the State's
24 social insurance programs, including, but not limited to, unemployment
25 insurance, disability insurance, paid family leave, workers' compensation, and
26 San Francisco's Paid Parental Leave Ordinance (despite Pros meeting the
27 requirements to receive this benefit such as having worked in San Francisco at
28 least 8 hours per week). For instance, the Pro Agreement informs Pros that

1 “Handy will not be responsible for withholding or paying any income, payroll,
2 Social Security, or other federal, state, or local taxes, making any insurance
3 contributions, including unemployment or disability, or obtaining workers’
4 compensation insurance on [Pro’s] behalf.”

5 64. Pros’ misclassification also means that (1) Pros are not protected by most State and
6 local anti-harassment and discrimination laws, including those aimed at preventing sexual
7 harassment, (2) Pros do not receive any employer-provided retirement benefits, and (3) most laws
8 around the right to form a union and collectively bargain do not apply to Pros.

9 65. Not only does Handy’s legal violations leave Pros without essential workplace
10 protections but it also burdens them with significant costs usually borne by the employer. For
11 instance, along with bearing the cost of their own business expenses, Pros are saddled with
12 paying the entire annual self-employment tax, half of which would have been paid by Handy if it
13 properly classified Pros as employees. Pros are also forced to either pay for workers’
14 compensation insurance themselves or pay the costs that arise from workplace injuries if they go
15 without that insurance.

16 **B. Handy’s Illegal Misclassification of Pros Harms the Public Good and Law-**
17 **abiding Businesses**

18 66. By wrongly classifying Pros as independent contractors, Handy degrades the
19 quality of jobs, contributing to income inequality and causing more workers (and their families)
20 to rely upon the social safety net. Yet, with respect to its Pros, Handy is not paying into that
21 social safety net. Handy does not contribute to the unemployment trust fund, the workers’
22 compensation fund, or make any payroll taxes whatsoever for its Pros.

23 67. Handy’s payroll fraud robs the State of tax revenues. Businesses like Handy
24 should not get a free pass on making their legally-obligated contributions to existing social
25 insurance programs. The fiscal integrity of these systems depends on proper classification of
26 workers as employees, which in turn ensures an employer does not avoid its share of
27 contributions.

28 68. The illegal employment practices of Handy further harm responsible businesses
that comply with State and local laws because misclassification skews the market and allows

1 companies like Handy to reap the benefits of, *inter alia*, artificially low labor costs, which can
2 drive competitors out of business or prevent new businesses from ever entering the market.

3 **FIRST CAUSE OF ACTION**
4 **Violation of Unfair Competition Law**
(Cal. Bus. & Prof. Code § 17200, *et seq.*)

5 69. The People reallege and incorporate by reference each allegation set forth in the
6 above paragraphs as if fully set forth herein.

7 70. As set forth in Business and Professions Code section 17206(a), “[a]ny person who
8 engages, has engaged, or proposes to engage in unfair competition shall be liable for a civil
9 penalty not to exceed two thousand five hundred dollars (\$2,500) for each violation, which shall
10 be assessed and recovered in a civil action brought in the name of the people of the State of
11 California by . . . any district attorney . . . in any court of competent jurisdiction.”

12 71. Handy is a “person” as defined by the Business and Professions Code section
13 17201, which includes “natural persons, corporations, firms, partnerships, joint stock companies,
14 associations and other organizations of persons.”

15 72. Handy has failed, and continues to fail, to classify its Pros as employees, thereby
16 violating California law, including but not limited to Labor Code section 2775. By illegally
17 classifying Pros as independent contractors, Handy has engaged, and continues to engage, in an
18 act or practice that is unlawful, unfair, or fraudulent and which constitutes unfair competition
19 within the meaning of California’s UCL as set forth in Business and Professions Code section
20 17200 *et seq.*

21 73. The unlawful consequences that stem from Handy’s illegal misclassification of its
22 Pros include, but are not limited to, the following unlawful, unfair or fraudulent acts or practices
23 which constitute unfair competition within the meaning of California’s UCL as set forth in
24 Business and Professions Code section 17200 *et seq.*:

- 25 a. Failing to pay Pros at least the California minimum wage for all time worked as
26 required by Labor Code sections 1182.12, 1182.13, 1194, 1197, section 4 of
27 IWC Wage Orders 4-2001, 5-2001, 15-2001, and 16-2001 (currently \$14.00 per
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hour for employers with 26 or more employees), and the California Minimum Wage Order (MW-2019);

- b. Failing to pay Pros who worked in San Francisco at least the San Francisco minimum wage for all time worked as required by the San Francisco Minimum Wage Ordinance, San Francisco Administrative Code, Chapter 12R (currently \$16.07 per hour);
- c. Failing to pay Pros the appropriate premium for overtime hours worked as required by Labor Code sections 510, 1194, 1198, section 3(A) of IWC Wage Orders 4-2001, 5-2001, and 16-2001, and IWC Wage Order 15-2001, section 3(C);
- d. Failing to reimburse Pros for business expenses and losses as required by Labor Code section 2802;
- e. Failing to provide Pros meal periods and pay meal period premiums as required by Labor Code sections 226.7, 512, and section 11 of IWC Orders 4-2001, 5-2001 and 15-2001, and section 10 of IWC Order 16-2001;
- f. Failing to authorize, permit, and pay Pros for rest periods and rest period premiums as required by Labor Code section 226.7 and section 12 of IWC Orders 4-2001, 5-2001 and 15-2001, and section 11 of IWC Order 16-2001;
- g. Failing to provide Pros with itemized written statements as required by Labor Code section 226, and failing to maintain and provide Pros with records as required by section 7 of IWC Orders 4-2001, 5-2001 and 15-2001, and section 6 of IWC Order 16-2001;
- h. Failing to provide paid sick leave to Pros as required by Labor Code section 246;
- i. Violating Labor Code section 226.8 by charging Pros who Handy willfully misclassified as independent contractors a fee, making deductions from Pros' compensation, and imposing fines arising from Pros' employment;

- 1 j. Failing to provide paid sick leave to Pros who worked in San Francisco, as
2 required by the San Francisco Paid Sick Leave Ordinance, San Francisco
3 Administrative Code, Chapter 12W;
- 4 k. Failing to make health care expenditures on behalf of Pros who worked in San
5 Francisco as required by the San Francisco Health Care Security Ordinance,
6 San Francisco Administrative Code, Chapter 14;
- 7 l. Failing to pay Pros who worked in San Francisco as required by the San
8 Francisco Paid Parental Leave Ordinance, San Francisco Police Code, Article
9 33H;
- 10 m. Failing to pay unemployment insurance taxes for Pros as required by
11 Unemployment Insurance Code section 976;
- 12 n. Failing to pay Employment Training Fund taxes for Pros as required by
13 Unemployment Insurance Code section 976.6;
- 14 o. Failing to withhold and remit State Disability Insurance taxes for Pros as
15 required by Unemployment Insurance Code section 986;
- 16 p. Failing to withhold and remit state income taxes for Pros as required by
17 Unemployment Insurance Code sections 13020 and 13021; and
- 18 q. Failing to provide workers' compensation for Pros as required by Labor Code
19 section 3700.

20 74. Each misclassification by Handy of its Pros constitutes an unlawful and unfair
21 business practice and, therefore, violates California's UCL.

22 WHEREFORE, the People pray for relief as set forth below.

23 **SECOND CAUSE OF ACTION**
24 **Violation of AB 5**
(Cal. Lab. Code § 2775)

25 75. The People reallege and incorporate by reference each allegation set forth in the
26 above paragraphs as if fully set forth herein.

1 76. AB 5 permits an action for injunctive relief to prevent the continued
2 misclassification of employees as independent contractors. (Lab. Code, § 2786.) This action
3 may be prosecuted by a District Attorney.

4 77. Handy continues to misclassify its Pros as independent contractors, in violation of
5 California Labor Code section 2775.

6 78. The People seek an order of this Court, pursuant to Labor Code section 2786, to
7 enjoin and restrain Handy from continuing to misclassify its Pros as independent contractors.

8 WHEREFORE, the People pray for relief as follows:

9 **PRAYER FOR RELIEF**

10 WHEREFORE, the People pray for the following relief:

11 1. Pursuant to Business and Professions Code section 17203, that Defendant, its
12 successors, agents, representatives, employees, and all persons who act in concert with
13 Defendant, be permanently enjoined from engaging in unfair competition as defined in Business
14 and Professions Code section 17200 *et seq.*, including, but not limited to, the acts and practices
15 alleged in this Complaint;

16 2. Pursuant to Business and Professions Code section 17203, that the Court enter all
17 judgments as may be necessary to restore to any person in interest any money or property that
18 may have been acquired by violations of Business and Professions Code section 17200 *et seq.*, as
19 may be proved at trial;

20 3. Pursuant to Business and Professions Code section 17206, that Defendant be
21 assessed a civil penalty in an amount up to \$2,500 for each violation of Business and Professions
22 Code section 17200 *et seq.*, as may be proven at trial;

23 4. Pursuant to Business and Professions Code section 17206.1, that Defendant be
24 assessed an additional civil penalty in an amount up to \$2,500 for each violation of the UCL
25 perpetrated against a senior citizen or disabled person, as may be proven at trial;

26 5. Pursuant to Labor Code section 2786, an order to enjoin and restrain Defendant
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1 from continuing to misclassify its Pros as independent contractors;

2 6. That the People recover their costs of suit; and

3 7. Such other and further relief that the Court deems appropriate and just.

4 Dated: March 17, 2021

5 CHESA BOUDIN
6 District Attorney, City and County of San Francisco
7 EVAN H. ACKIRON
8 Assistant Chief District Attorney
9 SCOTT M. STILLMAN
10 Assistant District Attorney



11 By: _____
12 EVAN H. ACKIRON
13 Assistant Chief District Attorney

14 GEORGE GASCÓN
15 Los Angeles County District Attorney
16 HOON CHUN
17 Acting Head Deputy District Attorney
18 DUKE CHAU
19 Deputy District Attorney

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