No. 26-2082

IN THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

LYFT, INC.,

Plaintiff-Appellee,

v.

CITY OF NEW YORK,

Defendant-Appellant.

On Appeal from the United States District Court
for the Southern District of New York
No. 1:26-cv-4931
The Honorable Gregory H. Woods, District Judge

BRIEF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PLAINTIFF-APPELLEE AND AFFIRMANCE

Jonathan D. Urick
Kevin R. Palmer
U.S. CHAMBER LITIGATION CENTER
1615 H Street, NW
Washington, DC 20062
(202) 463-5337

Adam G. Unikowsky
Counsel of Record
Arjun R. Ramamurti
JENNER & BLOCK LLP
1099 New York Avenue, NW
Suite 900
Washington, DC 20001
(202) 639-6000
aunikowsky@jenner.com

DISCLOSURE STATEMENT

Pursuant to Federal Rules of Appellate Procedure 26.1(a) and 29(a)(4)(A), undersigned counsel states that *amicus curiae* The Chamber of Commerce of the United States of America (the "Chamber") is a non-profit, tax-exempt organization incorporated in the District of Columbia. The Chamber has no parent corporation, and no publicly held company has 10% or greater ownership in the Chamber.

Date: November 5, 2026

/s/ Adam G. Unikowsky
Adam G. Unikowsky

Counsel of Record for Amicus Curiae *The Chamber of Commerce of the United States of America*

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IDENTITY AND INTEREST OF *AMICUS CURIAE*[1]

The Chamber of Commerce of the United States of America (the "Chamber") is the world's largest business organization. As the nation's leading advocate for business, the Chamber represents companies and professional organizations of every size, in every industry sector, and from every region of the country. An important function of the Chamber is to represent the interests of its members in matters before Congress, the Executive Branch, and the courts. To that end, the Chamber regularly files *amicus curiae* briefs in cases, like this one, that raise issues of concern to the nation's business community.

The Chamber routinely files *amicus* briefs in this Court. *See, e.g.*, Brief of the Chamber of Commerce of the United States of America as *Amicus Curiae* in Support of Plaintiffs-Appellants, *Wheely USA, Inc. v. City of New York*, No. 26-956 (2d Cir. July 2, 2026), ECF No. 56.1; Brief of the Chamber of Commerce of the United States of America et al. as *Amici Curiae* in Support of Plaintiff-Appellant and Reversal, *Maplebear,*

[1] All parties have consented to the filing of this brief. Pursuant to Fed. R. App. P. 29(a)(4)(E), *amicus curiae* states that no counsel for any party authored this brief in whole or in part, and no entity or person, aside from *amicus curiae*, its members, or its counsel, made a monetary contribution to fund the preparation or submission of this brief.

Inc. v. City of New York, No. 26-172 (2d Cir. May 18, 2026), ECF No. 66.1; Brief of the Chamber of Commerce of the United States of America et al. as *Amici Curiae* Supporting Respondents and Affirmance, *Raritan Baykeeper, Inc. v. N.Y. State Dep't of Env't Conservation*, No. 25-2938 (2d Cir. Mar. 30, 2026), ECF No. 45.1.

The Chamber has a strong interest in this case, which presents important questions about the scope of protection that the U.S. Constitution's Contracts Clause affords to commercial agreements. Many of the Chamber's members structure their relationships with others through contracts that define when and how those relationships can be terminated. They trust that they can rely on those contractual terms when they make investment, staffing, and safety decisions. The challenged law at issue introduces uncertainty as to the sanctity of such contractual terms by displacing them in favor of the government's chosen procedures and substantive standards governing driver deactivation. Worse, the law reaches back seven years to require ride-sharing companies to reconsider prior deactivations, and it requires driver reinstatement unless the companies can satisfy new standards under a burden of proof that did not govern when the deactivations were made. The Chamber provides the

business perspective as to why the Contracts Clause—particularly its "substantial impairment" dimension—must be properly interpreted to bar such efforts to interfere with the stability and predictability of companies' private contractual arrangements.

INTRODUCTION AND SUMMARY OF ARGUMENT

This case and the companion case concern whether New York City's Local Law 52 violates the Contracts Clause of the U.S. Constitution by displacing the driver deactivation standards and procedures that Uber Technologies, Inc. and Uber USA, LLC (collectively, "Uber") and Lyft, Inc. ("Lyft") have set forth in their contracts in favor of the City's preferred standards and procedures. Under the Contracts Clause, "[n]o State shall … pass any … Law impairing the Obligation of Contracts." U.S. Const. art. I, § 10, cl. 1. To determine when a law "affecting pre-existing contracts violate[s] the Clause," the Supreme Court has "long applied a two-step test." *Sveen v. Melin*, 584 U.S. 811, 819 (2018). The "threshold issue is whether the state law has 'operated as a substantial impairment of a contractual relationship.'" *Id.* (citation omitted). If that threshold requirement is satisfied, the reviewing court then asks "whether the state law is drawn in an 'appropriate' and 'reasonable' way

to advance 'a significant and legitimate public purpose.'" *Id.* (citation omitted); *see also, e.g.*, *Conn. State Police Union v. Rovella*, 36 F.4th 54, 63 (2d Cir. 2022) (undertaking the same inquiry divided into three steps).

Below, the District Court correctly concluded that Local Law 52 likely violates the Contracts Clause and issued a preliminary injunction enjoining its enforcement in full. SPA52-53. As to the threshold question of "substantial impairment," the District Court held that the law likely imposes a "severe impairment" on the companies' contractual obligations regarding deactivation. SPA31. As a result, the District Court undertook a "careful examination" of the law's nature and purpose, SPA31 (quotation marks omitted), and concluded that the companies were likely to show that the law did not further a significant and legitimate public purpose because it was passed "in the pursuit of the interests of a narrow class, rather than in service of a broader public interest." SPA38. That conclusion rendered it unnecessary for the District Court to assess whether Local Law 52's "deactivation regime" is a reasonable and necessary means of furthering a significant and legitimate interest, though the court noted that the companies had "raised substantial questions" on that score as well. *Id.*

The Chamber's focus in this brief is on refuting the City's various arguments on appeal regarding the threshold inquiry into "substantial impairment." To determine whether a law substantially impairs a contract, the Supreme Court has directed courts to examine "[1] the extent to which the law undermines the contractual bargain, [2] interferes with a party's reasonable expectations, and [3] prevents the party from safeguarding or reinstating his rights." *Sveen*, 584 U.S. at 819 (citations omitted); *see also Melendez v. City of New York*, 16 F.4th 992, 1032-33 (2d Cir. 2021) (same). The City's brief misconstrues how the Supreme Court and this Court have understood all three aspects of the substantial-impairment inquiry.

First, in arguing that its deactivation law does not undermine the contractual bargain, the City offers a series of unpersuasive and unsupported ways to measure the law's effect on the contractual bargain—all of which downplay the essential fact that the law replaces the contracted-for deactivation process with an entirely different one. For example, the City argues that the deactivation provisions in the companies' contracts cannot be central because they are just "one term among many" that the companies "claim to rely on infrequently." City

Br. 2. But the relevant doctrinal question is not what proportion of the contract is affected by the challenged law, nor how often a contract term is invoked, but rather whether the affected provisions are "central" to the contractual arrangement. *See, e.g.*, *Buffalo Tchrs. Fed'n v. Tobe*, 464 F.3d 362, 368 (2d Cir. 2006). Here, the deactivation provisions are central to the bargain because they are the terms by which the companies can ensure their counterparties adhere to the rest of the contract, and they reflect the parties' choices about how to allocate the risk of dangerous or fraudulent driver conduct.

Second, in arguing that its deactivation law was foreseeable, the City takes the position that businesses operating in a "heavily regulated" industry should expect further regulation of their contracts, "even if prior laws did not 'specifically' address the issues set out in the contract." City Br. 41; *see id.* at 25. Although the City acknowledges that "prior regulation alone does not shield a law from Contract Clause scrutiny," *id.* at 41, its argument in practice treats extensive prior regulation in the industry as dispositive, and it misstates the law in several respects. Most significantly, the Supreme Court's and this Court's cases make clear that a party's reasonable expectations are best measured by whether the

particular subject of the affected contractual provisions had been regulated at the time the parties contracted, not merely whether the industry in general is heavily regulated. Under the proper rule, the City has identified no law in effect when the companies adopted their deactivation terms that prescribed the grounds or procedures by which they could deactivate a driver—much less a law that did so retroactively.

Third, the City contends that Local Law 52 imposes only "something akin to a 'paperwork requirement,'" City Br. 37, and that the companies can safeguard their rights by "documenting their reasons" and proving their case to a factfinder, *id.* at 48. But that argument, too, misstates the relevant test and ignores that the law destroys the companies' contractual right to deactivate in their discretion pursuant to their terms of service. *Sveen* makes clear that the question here is whether a party can, "with only minimal effort," "protect his original contract rights against the law's operation." *Sveen*, 584 U.S. at 820 n.3. Thus, where a regulated party can undertake some simple, momentary act (such as completing a change-of-beneficiary form) to avoid the law's burdens, the law does not substantially impair the contract. But that is plainly not the case here: documenting reasons does not restore the

companies' original contract rights as reflected in their bargained-for, discretionary deactivation standard, and it therefore does not safeguard those contractual rights against the law's operation.

Taken together, the City's errors with respect to substantial impairment threaten to dilute the threshold step of the Contracts Clause analysis. It is essential that this Court reject the City's efforts in this regard. A robust substantial-impairment inquiry is necessary to ensure that laws that genuinely impair contracts face means-end scrutiny at all. In addition, because the "severity of the impairment measures the height of the hurdle the … legislation must clear," *Allied Structural Steel Co. v. Spannaus*, 438 U.S. 234, 245 (1978), a proper assessment of substantial impairment helps ensure that the reviewing court will conduct an appropriately careful and searching examination into the law's ends and means.

This Court should affirm the District Court's order.

ARGUMENT

I. THE CITY MISCONSTRUES ALL THREE ASPECTS OF THE SUBSTANTIAL-IMPAIRMENT STANDARD.

A. Local Law 52 Undermines the Contractual Bargain, and the City Measures Centrality by the Wrong Standards.

Local Law 52 undermines the companies' contractual bargains because deactivation terms are central to the operation of their contracts. In assessing this first prong of the substantial-impairment inquiry, the fundamental question is whether the law "superimpos[es] … obligations … conspicuously beyond those that [a party] had voluntarily agreed to undertake" and modifies "a basic term" of the contract. *Allied Structural Steel*, 438 U.S. at 240, 246; *see also* SPA24-25 (adopting this standard). Thus, this Court has examined whether the affected provision was a "primary inducement" to contract or a "central provision upon which [the party] reasonably relie[d]," *Buffalo Tchrs.*, 464 F.3d at 368; whether the affected provisions were a "crucial component" of the contracts, *Sullivan v. Nassau Cnty. Interim Fin. Auth.*, 959 F.3d 54, 64 (2d Cir. 2020); or whether the law affects "essential elements" of the contracts, *Real Estate Board of New York, Inc. v. City of New York ("REBNY")*, 182 F.4th 140, 164 (2d Cir. 2026).

The deactivation provisions in the companies' contracts easily satisfy this standard. How a contractual arrangement may be ended is a central feature of contractual bargains for businesses across the country. Businesses that contract with a counterparty on specified conditions rely on their contractual right to terminate the relationship when those conditions are breached, and it is that right to terminate on the contract's chosen terms that often gives the contract's other provisions their force. Recognizing this reality, the District Court correctly found that the companies' deactivation provisions "define a central aspect of the parties' relationship: whether, when, and under what circumstances a driver may use the platform." SPA25.

Indeed, both Uber and Lyft have emphasized the centrality of the deactivation provisions to their contracts. For example, Uber has described its deactivation provisions as "central to the Agreement and Uber's willingness to enter into it," SPA25 (quoting Perl Decl. ¶ 16), and Lyft has described its deactivation terms as "integral both to the success of the platform for all users and Lyft's commitments to safety," SPA25 (citation omitted). And both companies reserve broad authority over deactivation. As the District Court held, however, "Local Law 52

undermines that authority" because "whether a violation warrants deactivation is no longer committed to Uber's discretion under the standards incorporated into its agreement but is governed instead by the City's criteria and ultimately decided by an outside factfinder if challenged." SPA25-26. The same is true for Lyft. *See* SPA26 ("Lyft may still deactivate drivers, but the Law supersedes the agreement's deactivation standards to the extent that they conflict with the statutory regime, limits when deactivation may be immediate, and subjects challenged decisions to review by a third-party factfinder under statutory criteria.").

On appeal, the City seeks to muddy this straightforward conclusion by measuring the centrality of the deactivation provisions according to metrics that have little legal or practical significance.

First, the City suggests that the deactivation provisions are not central because the companies' "contracts govern all aspects of their relationships with drivers, and the deactivation provisions are just one term among many." City Br. 2; *see also id.* at 23 (describing the deactivation provisions as "just one part of contracts covering every aspect of the relationship between the companies and drivers"). The test

for substantial impairment, however, is not what proportion of the contract's terms are affected by the legislation. *Cf.* Lyft Br. 34 ("[T]he question is whether the impaired term is central to the contract, not how many terms the law impairs."). Taken to its logical end, the City's proportion metric would require something close to the total destruction of contractual rights. But the Supreme Court repeatedly has made clear that "[t]otal destruction of contractual expectations is not necessary for a finding of substantial impairment." *Energy Rsrvs. Grp., Inc. v. Kan. Power & Light Co.*, 459 U.S. 400, 411 (1983) (citing *U.S. Tr. Co. of N.Y. v. New Jersey*, 431 U.S. 1, 26-27 (1977)); *see also, e.g.*, *REBNY*, 182 F.4th at 164 (finding the challenged law "undermine[d] the contractual bargain" where it effectively prohibited two of three "essential elements" of the affected contracts (quotation marks omitted)).

Moreover, assessing centrality cannot be reduced to a rote calculation but, rather, requires functionally assessing how the affected contractual provision(s) fit within the broader contract. A comparison with *City of El Paso v. Simmons*, 379 U.S. 497 (1965), is instructive. There, the impaired contractual provision was a defaulting purchaser's right to reinstate a forfeited land contract—a right that arose only after

the purchaser's own default, and only if no third party's rights had intervened. *Id.* at 498-500, 514. The Supreme Court explained: "[W]e do not believe that it can seriously be contended that the buyer was substantially induced to enter into these contracts on the basis of a defeasible right to reinstatement in case of his failure to perform." *Id.* at 514. Here, however, the situation is quite different. The affected term is not ancillary but rather the central term governing how the companies have chosen to allocate risk if a driver engages in fraudulent or dangerous behavior. As a result, the situation here resembles *Allied Structural Steel*, where the affected pension plan as a whole remained in effect, yet a "basic term of the pension contract … was substantially modified." 438 U.S. at 246.

Second, the City suggests that the deactivation provisions are not central because the companies exercise their deactivation rights "infrequently." City Br. 2; *see also id.* at 34. But a provision can be central even if it is rarely invoked. That is especially true in the context of termination provisions, which work by deterring the contractual breaches that would trigger them. Indeed, the City's own *amici* recognize that termination rules work this way, explaining that "the protection

against unjust termination structures the relationship between worker and hiring entity well before any termination takes place," because "[t]he likelihood of being terminated without cause, explanation, or meaningful review impacts a driver's everyday calculus at work." Professors' Amicus Br. 14.

Third, the City argues that "even if the deactivation clauses were central to the bargain, the companies remain free to deactivate drivers in most cases where they claim to be doing so." City Br. 24; *see also id.* at 36 (citing Uber figure that 92% of its deactivations are for safety violations or fraud, for which the City contends immediate deactivation remains available under the law). Along similar lines, the City argues that the contractual bargain has not been undermined because the City merely has codified a notice regime that the companies already are providing voluntarily. City Br. 23-24, 39-40. But it is irrelevant for assessing centrality that the law and the contracts both—at a high level of generality—permit deactivation for misconduct and safety concerns.

The details tell a different story. Although it is true that in assessing whether a law "undermines the contractual bargain," the Supreme Court has considered whether the law "support[s], rather than

impair[s], the contractual scheme," *Sveen*, 584 U.S. at 819-20, the scheme here does not support the contractual bargain. Rather, it replaces a process the parties actually agreed to with a different one. For example, for safety-related conduct, the law makes immediate deactivation available only for "egregious misconduct," which requires conduct posing an "imminent danger." N.Y.C. Admin. Code § 20-1281. "Imminent danger" is facially narrower than the safety concerns the companies provide for in their agreements. As the District Court found, the "imminent danger" standard "may not encompass every serious safety concern that Plaintiffs reasonably conclude disqualifies a driver." SPA46 (citing N.Y.C. Admin. Code § 20-1281). And even egregious-misconduct deactivations remain subject to the City's additional requirements, including just-cause review under a preponderance burden, N.Y.C. Admin. Code §§ 20-1282(a), 20-1285(a), and the five-day notice of "all the precise and detailed reasons" for the decision, with any defect in that notice requiring reinstatement. SPA46 (citing N.Y.C. Admin. Code §§ 20-1208(c)(1), 20-1211(c), 20-1282(e)). In addition, the law's fraud carve-out requires "a *pattern* of repeated fraudulent behavior," N.Y.C. Admin. Code § 20-1282(d) (emphasis added), meaning that the law, in contrast to the

contracts, "does not permit immediate deactivation after a single substantial fraud." SPA46 (citing N.Y.C. Admin. Code § 20-1282(d)).[2] Likewise, as to notice, the District Court correctly held that the law does not merely codify the companies' existing practices but rather "converts a voluntary practice into a mandatory obligation." SPA27.

More broadly, the City's theory creates perverse incentives. Businesses currently may voluntarily adopt notice provisions and appeal procedures because it is good practice and counterparties and customers expect it. If doing so were treated as evidence that the term is not "central" for Contracts Clause purposes, the rational response would be to undertake voluntarily fewer actions that are good practice or expected by counterparties and customers.

Fourth, and related, the City contends that the companies have not met their burden of showing that the law impairs their contracts "in every application" because there will be many applications where the law

[2] The City's reliance on the Department of Consumer and Worker Protection's proposed rules, which it says define "imminent danger" broadly and allow the companies to cure defective notices, City Br. 14-15, 61 (citing LA2487; LA2492), does not change the analysis. Proposed rules are not law. Nor could an agency rule displace the statute's command that the factfinder "shall order" reinstatement for each violation. N.Y.C. Admin. Code §§ 20-1208(c)(1), 20-1211(c).

and the contracts produce the same result. City Br. 23-25, 40, 48. But in every case, the law replaces the contractual standard with a statutory one, and in every case, it transfers the ultimate deactivation decision away from the companies to "an outside factfinder applying standards that the parties' agreement does not contain." SPA27. That impairment remains even if a factfinder later reaches the same conclusion that the companies would have reached. And that is all the more true with respect to the law's lookback provision, § 20-1283, which undoes performance the companies already completed under their contracts.

B. Local Law 52 Upsets Reasonable Expectations, and the City Mistakenly Treats Heavy Regulation of an Industry as Rendering a Law Foreseeable.

The City again goes astray with respect to the second prong of the substantial-impairment inquiry. In assessing whether Local Law 52 interferes with the companies' reasonable expectations, the District Court correctly held that the "relevant question is whether prior regulation 'pertained to' the contractual right at issue so as to alert the party 'to the possibility of state action in that regard.'" SPA27 (quoting *Melendez*, 16 F.4th at 1034-35). Applying that standard here, the District Court concluded that "[a]lthough the City extensively regulates for-hire

vehicles, drivers, and services, that regulation did not 'pertain[] to' the contractual rights that Local Law 52 displaces." SPA28 (quoting *Melendez*, 16 F.4th at 1034). As the District Court explained, the City's "other regulations did not govern a vehicle service's contractual authority to determine whether a qualified driver may continue using its platform." SPA29. And the District Court further concluded that the City's fast-food just-cause law, which governs a "different industry, with different operational and safety concerns, and a different legal relationship," could not support the conclusion that the challenged law was foreseeable. SPA29.

On appeal, the City's primary response with respect to this prong is that Local Law 52 was "eminently foreseeable" because the "for-hire vehicle industry is heavily regulated, so the companies were on notice of the possibility of additional regulation." City Br. 25; *see also id.* at 41-43. The City also invokes public advocacy and the Council's other worker protections, which are discussed below. *See id.* at 25, 44-46. But the notion that operating in a "heavily regulated" industry renders additional regulations in that industry foreseeable misstates the governing standard in several respects.

First, precedent from this Court and the Supreme Court makes clear that reasonable expectations run to the particular subject of the affected contract term, not to the industry as a whole. For example, in *Veix v. Sixth Ward Building & Loan Ass'n of Newark*, 310 U.S. 32 (1940), the Supreme Court rejected a Contracts Clause challenge to a New Jersey law restricting withdrawals from building and loan associations because New Jersey had already "laid down specifically by statute the requirements for withdrawal." *Id.* at 38. As a result, the Court explained, a shareholder who "purchased into an enterprise already regulated *in the particular* to which he now objects," "purchased subject to further legislation *upon the same topic*." *Id.* (emphases added). Here, of course, the situation is very different: No law in effect when the companies undertook their obligations prescribed the grounds or procedures by which they could deactivate a driver, SPA28, let alone did so retroactively. The Taxi & Limousine Commission rules on which the City relies, which require deactivation when a driver's license is revoked or a vehicle is found unsafe, City Br. 42, confirm the point: They expand the companies' obligation to remove unqualified drivers rather than restricting the companies' authority to remove qualified ones. Indeed,

the law's sponsor described Local Law 52 as "starting a nationwide movement" and "setting an important national precedent," SPA28—statements that confirm as a factual matter that the law broke new ground.

Energy Reserves Group, Inc. v. Kansas Power & Light Co., 459 U.S. 400 (1983), applies a similar rule. There, the Court found it significant that the contracts at issue contained escalator, price-redetermination, and other clauses showing that they "were structured against the background of regulated gas prices." *Id.* at 415. The Court viewed these clauses as contract-specific facts that confirmed that "[p]rice regulation existed and was foreseeable as the type of law that would alter contract obligations." *Id.* at 416. This Court has read *Energy Reserves* the same way, as recognizing foreseeability where "price regulation already existed and [the] contract *specifically* contemplated such regulation." *Melendez*, 16 F.4th at 1035 (emphasis added).

This Court's decision in *Principle Homecare, LLC v. McDonald*, 158 F.4th 326 (2d Cir. 2025), fits the same pattern. The City relies on this case, *see* City Br. 40, 49, but there this Court noted that the plaintiffs' contracts "necessarily depended on [the] *then-existing fiscal intermediary*

structure," and so supported at most "a reasonable expectation of payment *contingent* upon Plaintiffs' ability to participate in [the program] as fiscal intermediaries," *Principle Homecare*, 158 F.4th at 333 (emphasis added). As in *Energy Reserves*, the contracts themselves were structured around the regulatory scheme that later changed. The companies' deactivation provisions here, by contrast, depended on no regulatory structure governing deactivation, because none existed.

And this Court applied the same principle in adopting the "pertain[s] to" test in *Melendez*. In that case, the Court found it significant that "[n]othing in the pleadings record suggests that such regulation has ever *pertained to personal guaranties* so as to alert New York commercial landlords, prior to the pandemic, to the possibility of state action *in that regard*." *Melendez*, 16 F.4th at 1034 (emphases added). Thus, the Court's focus was squarely on prior regulation of the specific contractual obligation being impaired. More recently, in *REBNY*, this Court reaffirmed the specific nature of the inquiry, explaining that the "parties, in entering into these contracts, reasonably expected their bargains would not be upended by the City notwithstanding 'the fact that

New York has sometimes, and to varying degrees, regulated its … real estate market.'" 182 F.4th at 164 (quoting *Melendez*, 16 F.4th at 1034).

Second, to the extent the degree of regulation in the broader industry is relevant, the cases are clear that a party's operation in a "heavily regulated" industry is only one consideration among many. Nearly thirty years ago, this Court stated that "[w]hen an industry is heavily regulated, regulation of contracts *may be* foreseeable." *Sanitation & Recycling Indus., Inc. v. City of New York*, 107 F.3d 985, 993 (2d Cir. 1997) (emphasis added). This Court has since described the consideration in similarly qualified terms, explaining that the "reasonableness of expectations depends, *in part*, on whether legislative action was foreseeable, and this, in turn, *is affected by* whether the relevant party operates in a heavily regulated industry." *Sullivan*, 959 F.3d at 64 (citing *Sanitation & Recycling Indus.*, 107 F.3d at 993) (emphasis added). And this Court recently stressed that the fact that a market "is heavily regulated in New York does not shield any regulation of that market from scrutiny under the Contracts Clause." *REBNY*, 182 F.4th at 164. Although the City acknowledges that "prior regulation alone does not shield a law from Contract Clause scrutiny," City Br. 41,

its argument in practice turns these qualified expressions of the relevance of the nature of the industry into a dispositive test.

Any broader language in Supreme Court decisions must be read in context. For example, in *Energy Reserves*, the Court noted that, "[i]n determining the extent of the impairment, we are to consider whether the industry the complaining party has entered has been regulated in the past," 459 U.S. at 411, and it acknowledged that, although Kansas "did not regulate natural gas prices specifically" when the contracts were executed, "its supervision of the industry was extensive and intrusive," *id.* at 413-14. But the Court there cited to *Veix*'s "regulated in the particular" formulation, *see id.* at 411; noted that Kansas had previously regulated "the wellhead price of natural gas," *id.* at 413 n.17; and rested its holding on contracts "structured against the background of regulated gas prices," *id.* at 415. Similarly, the City cites *Allied Structural Steel*'s reference to "an area" already subject to regulation. City Br. 42 (citing 438 U.S. at 250). But the *Allied Structural Steel* dissent unsuccessfully made the exact argument the City now makes, contending that the majority took "an exceedingly restrictive view of the subject matter of the Act." 438 U.S. at 261 n.8 (Brennan, J., dissenting).

Third, the City's analysis of reasonable expectations pays insufficient attention to the relevant time period. The case law is clear that reasonable expectations are assessed at the time of contracting. *See Energy Reserves*, 459 U.S. at 413 (examining "the time of the execution of these contracts"); *Allied Structural Steel*, 438 U.S. at 250 (examining when the contractual obligations were "originally undertaken"); *see also, e.g.*, *Sal Tinnerello & Sons, Inc. v. Town of Stonington*, 141 F.3d 46, 53 (2d Cir. 1998) (assessing "what Tinnerello should have expected at the time its contracts were executed"). Under that standard, the relevant dates are 2019 for Lyft and 2020 for Uber, when the deactivation provisions now in effect were adopted. *See* SPA28 (noting Uber's provisions "have remained unchanged since 2020," and Lyft's "have remained substantively similar since 2019"). None of the regulations the City identifies that were in effect at those times governed the grounds or procedures by which the companies could deactivate a driver. And those provisions pre-date the first New York bill (June 2023), the fast-food law the City references (2021), and every out-of-state statute the City cites. *See* City Br. 46. The City measures expectations from the companies' most recent contract updates in 2022 and 2026, *id.* at 40, but that

approach would mean that companies risk losing the Contracts Clause's protection if they simply modify unrelated terms.

Fourth, and finally, the City's expansive view of reasonable expectations could have dire consequences for many businesses. Banking, insurance, utilities, telecommunications, pharmaceuticals, transportation, and healthcare all arguably are "heavily regulated" industries. If that fact alone suffices for foreseeability, no term in any contract in those industries would enjoy Contracts Clause protection. Similarly, if the government can use a company's lobbying activities to argue that a law was reasonably foreseeable, *see* City Br. 46-47, companies would be discouraged from participating in the legislative process—a result that disserves the government, the companies, and the broader public. *See* SPA29 (explaining correctly that the lobbying history "shows that Plaintiffs knew the City was considering restrictions on deactivation," but "knowledge that the City might enact such restrictions did not make them foreseeable in the relevant sense"). And if news articles and advocacy campaigns could be treated as forms of prior regulation for Contracts Clause purposes, as the City seems to suggest, *see* City Br. 44-46, then any contractual term that attracts public

criticism would be rendered foreseeable. The District Court wisely declined to go down that misguided path.

C. Local Law 52 Leaves No Means to Safeguard the Bargained-For Right, and the City Misreads the Paperwork Cases.

Finally, the City misreads the third prong of the substantial-impairment inquiry. That prong asks whether the challenged law prevents the party from safeguarding or reinstating its contractual rights. *Sveen*, 584 U.S. at 819. As *Sveen* makes clear, a statute does not substantially impair a contract when it "enable[s] a party with only minimal effort to protect his original contract rights against the law's operation." *Id.* at 820 n.3. The District Court correctly concluded that Local Law 52 "provides no filing, election, or other act through which Plaintiffs may preserve the contractual standard or restore it after displacement." SPA30. Worse, because the law requires reinstatement for each violation of its procedural and notice requirements, even when the contract authorized the deactivation, the companies "may deactivate the driver again only by satisfying Local Law 52," and "cannot restore the legal effect of the original contractual decision." SPA31.

On appeal, the City's arguments fail for two fundamental reasons.

First, the City ignores the damage the law inflicts on the companies' original contract rights. In their contracts, the companies bargained for the right to determine, in their discretion, that a driver had materially breached the agreement and should be deactivated. SPA30 (citing Uber PAA § 5.3 and Lyft TOS §§ 9, 10, 16). But the "right" the City says can be safeguarded is the different right to deactivate a driver if a factfinder, applying the City's criteria, agrees. If that kind of compliance with the law constituted safeguarding, the third consideration would never support a finding of substantial impairment.

Put differently, the City conflates paperwork required to comply with a statute with the filings that *Sveen* and earlier cases held did not substantially impair a contract because they allowed a party to escape the law's reach. The City contends that the companies can "safeguard their rights to deactivate drivers … by documenting their reasons, giving warnings for minor problems, and presenting their evidence to a fact-finder if challenged." City Br. 48. But documenting reasons, giving warnings, and proving just cause to a factfinder are precisely what Local Law 52 itself commands. *See* N.Y.C. Admin. Code §§ 20-1282(c)-(e), 20-

1285(a)-(b). The law imposes new paperwork burdens that do not result in the restoration of the companies' prior contractual rights.

Second, the City's authorities do not support its position. The City describes *Sveen* as finding no violation "where [the] party could safeguard rights 'by taking an action,'" and *Texaco, Inc. v. Short*, 454 U.S. 516 (1982), as finding no violation "where [the] company could safeguard its rights by filing papers with the county." City Br. 48. Those parentheticals omit the fact that the papers filed allowed the party to preserve its original contract rights notwithstanding the statute. In *Sveen*, for example, a policyholder who disagreed with the statute's default rule could override it by submitting a new beneficiary designation, restoring the arrangement the contract originally contemplated. 584 U.S. at 822. In *Texaco*, a mineral-interest owner could avoid the statute's burden by filing a statement of claim. 454 U.S. at 531. In *El Paso*, a purchaser could preserve its reinstatement right by submitting a written request and paying accrued interest. 379 U.S. at 514-15. And in *Conley v. Barton*, the mortgagee could foreclose once it filed an affidavit. 260 U.S. 677, 679 (1923).

In each of these cases, a simple act within the party's own control fully preserved the original entitlement. There is no analogous option available under Local Law 52—e.g., filling out a form that, once completed, reinstates the status quo that existed prior to the law's enactment. Rather, the companies have no choice but to comply with the City's different substantive standards and procedural requirements.

II. PROPERLY ASSESSING SUBSTANTIAL IMPAIRMENT IS ESSENTIAL TO MEANINGFUL CONTRACTS CLAUSE REVIEW.

Faithful adherence to the Supreme Court's and this Court's precedent regarding the three substantial-impairment prongs is crucial to ensure that the Contracts Clause operates as a meaningful check against state and local efforts to interfere with existing contracting arrangements.

As an initial matter, *Sveen* makes clear that the "substantial impairment" step is a "threshold" inquiry, such that if no substantial impairment is shown, no means-end analysis is necessary. *See Sveen*, 584 U.S. at 819 ("Here, we may stop after step one because Minnesota's revocation-on-divorce statute does not substantially impair pre-existing contractual arrangements."); *Allied Structural Steel*, 438 U.S. at 245

("Minimal alteration of contractual obligations may end the inquiry at its first stage."). If the "substantial impairment" requirement is watered down in the manner the City seeks, then challenged laws can pass muster without courts even inquiring into their ends and means. *Cf. Allied Structural Steel*, 438 U.S. at 245 (recognizing that "[s]evere impairment … will push the inquiry to a careful examination of the nature and purpose of the state legislation").

In addition, ensuring a proper examination of substantial impairment is essential because the degree of impairment determines how searching the second-step scrutiny must be. The Supreme Court has held that the "severity of the impairment measures the height of the hurdle the state legislation must clear." *Allied Structural Steel*, 438 U.S. at 245. Similarly, this Court has explained that the "more severe the impairment, the greater the level of scrutiny given it." *Sanitation & Recycling Indus.*, 107 F.3d at 993; *see also Melendez*, 16 F.4th at 1035 (recognizing that the "weight any purpose and means showing must bear to avoid unconstitutionality can vary with the degree of contract impairment"). Consistent with this understanding, the District Court recognized that the "severity of the impairment" triggered a "careful

examination" of the nature and purpose of Local Law 52. SPA31 (quotation marks omitted).

This case shows how states and localities can try to leverage creative arguments regarding the degree of impairment to circumvent the correct level of scrutiny of their laws. The City has now enacted multiple laws that rewrite the central terms of commercial contracts. For example, in parallel with Local Law 52, the City simultaneously enacted Local Law 34, a just-cause regime for app-based delivery workers. *See* N.Y.C. Admin. Code §§ 20-1531 *et seq.* (eff. Jan. 17, 2027); *see also* Complaint, *Uber Technologies, Inc. v. City of New York*, No. 1:26-cv-09455 (S.D.N.Y. Oct. 28, 2026), ECF No. 1 (challenging Local Law 34 on several grounds, including Contracts Clause grounds). Based on such laws, the City then seeks to argue that the next impairment is foreseeable. *See* City Br. 5-6, 25, 46. And the City can then further argue (as it does here) that the "district court greatly overstated the law's degree of impairment," and that the "court's application of excessively exacting scrutiny infected its entire analysis and constituted an abuse of discretion." City Br. 49-50. This Court should resist this effort to dilute the substantial-impairment standard. The Contracts Clause applies in

New York City with the same force as it applies elsewhere, and businesses that operate there are entitled to the same certainty that their bargains will not be rewritten.

Nearly fifty years ago, the Supreme Court recognized the basic fact that "[c]ontracts enable individuals to order their personal and business affairs according to their particular needs and interests," and that "[o]nce arranged, those rights and obligations are binding under the law, and the parties are entitled to rely on them." *Allied Structural Steel*, 438 U.S. at 245. Local Law 52 unsettles the predictability and stability on which contracting depends by unforeseeably and irrevocably rewriting central terms of the companies' contracts. That is a substantial impairment for Contracts Clause purposes, and the District Court correctly subjected the law to the careful scrutiny that such an impairment demands.

CONCLUSION

This Court should affirm the District Court's order granting a preliminary injunction.

Respectfully submitted,

Date: November 5, 2026

/s/ Adam G. Unikowsky

Adam G. Unikowsky
Counsel of Record
Arjun R. Ramamurti
JENNER & BLOCK LLP
1099 New York Avenue, NW
Suite 900
Washington, DC 20001
(202) 639-6000
aunikowsky@jenner.com

Jonathan D. Urick
Kevin R. Palmer
U.S. CHAMBER LITIGATION CENTER
1615 H Street, NW
Washington, DC 20062
(202) 463-5337

Counsel for Amicus Curiae
The Chamber of Commerce of the United States of America

CERTIFICATE OF COMPLIANCE

I hereby certify that this brief complies with the word limit set forth in Federal Rule of Appellate Procedure 29(a)(5) and Second Circuit Local Rule 29.1(c) because, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f), this brief contains 6,276 words.

I further certify that this brief complies with the typeface requirements set forth in Federal Rule of Appellate Procedure 32(a)(5)(A) and with the type-style requirements set forth in Federal Rule of Appellate Procedure 32(a)(6) because it has been prepared using 14-point Century Schoolbook font in Microsoft Office Word 365.

Date: November 5, 2026

/s/ Adam G. Unikowsky
Adam G. Unikowsky

Counsel of Record for Amicus Curiae *The Chamber of Commerce of the United States of America*

CERTIFICATE OF SERVICE

I hereby certify that on this day, I electronically filed the foregoing document with the Clerk of the Court for the United States Court of Appeals for the Second Circuit by using the appellate CM/ECF system, which will send notice to all the parties.

Date: November 5, 2026

/s/ Adam G. Unikowsky
Adam G. Unikowsky

Counsel of Record for Amicus Curiae *The Chamber of Commerce of the United States of America*