



UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

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AARON HOTEL GROUP, LLC, a Connecticut limited liability company, individually, and on behalf of a class of similarly situated individuals and entities,	:	Case No.
	:	
	:	<b>COMPLAINT</b>
<i>Plaintiff,</i>	:	
	:	
v.	:	
	:	
HOLIDAY HOSPITALITY FRANCHISING, LLC, SIX CONTINENTS HOTELS, INC. d/b/a INTERCONTINENTAL HOTELS GROUP and IHG OWNERS ASSOCIATION, INC.,	:	
	:	
<i>Defendants.</i>	:	

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**CLASS ACTION COMPLAINT**

Plaintiff Aaron Hotel Group, LLC (“AHG”), individually, and on behalf of a class of similarly situated individuals and entities, by and through the undersigned counsel, hereby demands judgment against Defendants Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc. d/b/a Intercontinental Hotels Group and IHG Owners Association, Inc. In support thereof, Plaintiff avers as follows:

**INTRODUCTION**

1. Defendant Six Continents Hotels, Inc. (“SCH”) is the world’s largest hotel company by room count and does business under the name InterContinental Hotels Group (“IHG”).<sup>1</sup>
2. IHG operates approximately some 5,600 hotels across more than 15 brands. IHG takes an asset-light approach, owning, franchising and/or managing hotels for third parties, with Holiday Inn as its mainstay chain, under such brands as Holiday Inn, Holiday Inn Express and Holiday Inn Resorts, each bearing the identification as “an IHG Hotel.”

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<sup>1</sup> SCH and IHG may hereinafter be collectively referred to as “IHG”.

3. IHG also owns, manages and/or franchises other hotel brands such as Crowne Plaza, InterContinental, Staybridge Suites, Candlewood Suites, Hotel Indigo, Regent and Kempton.

4. IHG's Holiday Inn brands account for approximately 70% of its total hotel count.

5. IHG owns Defendant Holiday Hospitality Franchising, LLC ("HHF"), its affiliate which offers and sells Holiday Inn brand franchises including, but not limited to, Holiday Inn, Holiday Inn Express and Holiday Inn Resort.

6. Defendant IHG owns and acts through its franchising affiliate, HHF and its agent and representative IHG Owners Association ("IHGOA").

7. HHF enters into franchise agreements titled "Holiday Hospitality Franchising, LLC License Agreement(s)" with HHF franchisees.

8. AHG is a franchisee that owns and operates one or more hotels that bear an HHF brand mark pursuant to a License Agreement. (AHG also may be referred to herein as "Plaintiff" or "Franchisee").

9. Many HHF Franchisees are individuals, single member limited liability companies or closely held corporations who are either immigrants or second-generation Americans of Indian or other South Asian origin. Plaintiff is one such HHF franchisee.

10. The hotel franchise industry holds particular appeal and attraction to these HHF Franchisees by providing investment and traditional family business ownership opportunities which they can build through diligence, dedication and hard work.

11. This class action lawsuit seeks to put an end to IHG/HHF's unlawful, abusive, fraudulent, anticompetitive and unconscionable practices designed solely to benefit and enrich IHG/HHF's shareholders and to do so at the expense and to the detriment of Plaintiff and the class members, namely, similarly situated franchisees.

12. As detailed below, Defendants have and continue to engage in unconscionable,

fraudulent, unlawful, anticompetitive and discriminatory business practices in connection with the IHG Hotel franchise system.

13. At the heart of IHG/HHF's unlawful scheme is its requirement that its franchisees use certain mandated vendors and suppliers for the purchase of goods and services necessary to run a hotel.

14. IHG/HHF's forced exclusive use of certain chosen vendors and suppliers imposes well above-market procurement costs on franchisees which include, but are not limited to, those associated with its onerous and exorbitant Property Improvement Plan ("PIP").

15. Under the guise of improving the franchisees' hotels to maintain "brand standards," IHG/HHF forces its franchisees to frequently undertake expensive renovations, remodeling and construction as part of a PIP, and in so doing manipulates and shortens the warranty periods on mandated products the franchisees must purchase, then disingenuously uses this to justify PIP requirements as purportedly necessary to meet "brand standards" when, in reality, IHG/HHF's sole purpose is to maximize its kickbacks and unjustifiably run up costs on their franchisees in bad-faith.

16. IHG/HHF deceitfully represents to their franchisees that they select vendors with the laudable goal of using the franchisees' collective bargaining power to secure a group discount and to ensure adequate quality and supply of products and services, and refer to these procurement programs as the "IHG Marketplace."

17. In fact, however, IHG/HHF's primary goal in negotiating with vendors has little to nothing to do with the best interests of franchisees but rather is to secure the largest possible kickback for itself, which vendors finance through the above-market rates charged to franchisees in collusion with IHG/HHF.

18. Furthermore, the above-market priced products which IHG/HHF forces franchisees to purchase through the IHG Marketplace and related programs is frequently of inferior quality, and

certainly so when the “quality” of these cost-inflated goods and services are considered.

19. These low-quality “IHG Approved” purchases are forced upon franchisees and are disingenuously characterized as meeting supposed brand standards of quality, when in truth the sole purpose is to maximize kickbacks for IHG/HHF and unjustifiably run up costs on their franchisees in bad-faith.

20. Upon information and good faith belief, IHG/HHF have each netted tens of millions of ill-gotten dollars from this fraudulent kickback scheme.

21. Additionally, IHG/HHF engages in other oppressive, bad-faith, fraudulent and unconscionable conduct as more fully described herein. For instance, IHG holds itself out to the public as offering discounts, travel benefits and other perks to repeat guests through its IHG Rewards Club loyalty program. IHG has a mobile booking app as well as cloud-based hotel solutions which it represents as driving demand for its hotel owners and which ostensibly allow hotel owners to reach potential guests at a lower cost. Hotel guests can accumulate points per dollars spent which can be redeemed at IHG hotels.

22. When those points are then redeemed at a hotel, however, only a small fraction of the value is reimbursed to franchisees. In addition, beginning in 2018, IHG/HHF has required that Plaintiff and franchisees (and *not* IHG/HHF) pay sales tax on the full value of the product or service obtained by hotel guests.

23. Furthermore, in instances where hotel guests’ accumulated reward points from stays at Plaintiff’s (or other franchisees’) hotel expire, the points never return to Plaintiff or to any source-of-origin franchisees.

24. IHG/HHF also routinely introduces new marketing programs under the guise of providing franchisees with a “choice” as to whether they should participate or not. In reality, however, all such marketing programs are forced upon the franchisees insofar as any and all

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