

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
TRENTON DIVISION**

A HUNTS MILLS ASSOCIATES LLC, a New Jersey Limited Liability Company, *individually and on behalf of all others similarly situated,*

CIVIL ACTION No. 21-13726

Plaintiff,

JURY TRIAL DEMANDED

v.

HOLIDAY HOSPITALITY FRANCHISING, LLC, SIX CONTINENTS HOTELS, INC. d/b/a INTERCONTINENTAL HOTELS GROUP and IHG OWNERS ASSOCIATION, INC.

Defendants.

COMPLAINT – CLASS ACTION

Plaintiff A HUNTS MILLS ASSOCIATES LLC, a New Jersey Limited Liability Company, individually and on behalf of all others similarly situated, brings this class action lawsuit against Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc. d/b/a Intercontinental Hotels Group and IHG Owners Association, Inc. and alleges as follows upon personal knowledge as to itself and its own acts and experience and as to all other matters upon information and belief, including investigation conducted by its attorneys.

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”) (SCH and IHG may hereinafter be collectively referred to as “IHG”).

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 (collectively, the “Holiday Inn Brands”), each bearing the identification as “an IHG Hotel.”

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

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 markets, 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, Inc. (“IHGOA”).

7. HHF enters into standardized franchise agreements entitled “Holiday Hospitality Franchising, LLC License Agreement(s)” (“License Agreement”) with its franchisees.

8. Plaintiff A HUNTS MILLS ASSOCIATES LLC, a New Jersey Limited Liability Company, is a franchisee that owns and operates a hotel located at 111 West Main Street in Clinton, New Jersey 08809 (the “Hotel”), that bears an HHF brand mark pursuant to a License Agreement.

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.

10. Plaintiff is one such HHF franchisee.

11. The hotel franchise industry holds particular appeal and attraction to these

franchisees by providing investment and traditional family business ownership opportunities which they can build through diligence, dedication and hard work.

12. 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 to 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 HHF franchisees in the State of New Jersey.

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 virtually all goods and services necessary to maintain and to operate a hotel.

14. IHG/HHF's forced exclusive use of certain chosen vendors and suppliers imposes well above-market procurement costs on its 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.

16. And, in so doing, IHG/HHF 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 and fees on their franchisees in bad faith.

17. IHG/HHF deceitfully represent 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.”

18. In fact, however, IHG/HHF’s primary goal in negotiating with vendors has little to nothing to do with the best interests of its franchisees. Rather, IHG/HHF’s primary and overriding interest is to secure the largest possible profit and kickback (or “rebates”) for itself, which the chosen vendors finance through the above-market rates charged to HHF franchisees in collusion with IHG/HHF.

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

20. These low-quality “IHG Approved” purchases are forced upon franchisees and 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.

21. Upon information and good faith belief, IHG/HHF have each netted tens of millions of ill-gotten dollars as a result of illicit vendor supply arrangements.

22. 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.

23. 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 allows 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.

24. When those points are then redeemed at a hotel, however, only a small fraction of the value is reimbursed to franchisees while IHG/HHF requires that Plaintiff and franchisees (and *not* IHG/HHF) pay taxes on the full value of the product or service obtained by the redeeming hotel guests.

25. 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.

26. Whenever a guest calls IHG Guest Relations to complain about poor service, regardless of who is at fault, the hotel is penalized without appropriate investigations and charged case management fees of over \$150, in addition to any other monetary reimbursements provided to the guest. In an attempt to appease guests, IHG Guest Relations representatives unjustly assess penalties to the hotels and rarely considers the franchisees' perspective, depriving franchisees the right to address and to remedy the situation with minimal loss.

27. IHG/HHF also frequently introduces new marketing programs under the guise of providing franchisees with a "choice" as to whether they should participate or not.

28. In reality, however, all such marketing programs are forced upon the franchisees insofar as any and all decisions to "opt out" are met with vindictive, punitive and retaliatory action by IHG/HHF.

29. These programs are in addition to all marketing fees contracted and paid for by the franchisees further to the License Agreements, and serve as an additional revenue source by imposing additional fees and fines for the sole profit and benefit of IHG/HHF, and to do so without disclosure or agreement by deceit, implied threat and actual retribution rendering franchisees' supposed "opt-out" choice completely illusory.

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