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Hagens Berman Suit Claims Popular Online Travel Sites, Hotels Fix Prices to Staunch Competition

SEATTLE: Consumers today [filed a class-action lawsuit](#) against several online travel sites including Expedia, Inc. (NASDAQ: EXPE), Travelocity, Booking.com, a subsidiary of Priceline.com (NASDAQ: PCLN), and the nation's largest hotel operators including Hilton Hotel (NYSE: HLT), Sheraton Hotels and Resorts, a subsidiary of Starwood Hotels and Resorts Worldwide (NYSE:HOT), and Marriott International, Inc. (NYSE: MAR), claiming the two groups conspired to use their market dominance to fix prices on hotel rooms across the country.

The lawsuit, filed August 20, 2012, in the U.S. District Court for the Northern District of California on behalf of hotel-room purchasers nationally, alleges that the online hotel retailers conspired with major hotel defendants to secretly create and enforce Resale Price Maintenance (RPM) agreements to thwart competition on hotel room prices, especially from price-cutting online retailers.

The complaint contends that the defendants' unlawful conduct caused plaintiffs and other class members to overpay for their purchases of room reservations and seeks to represent all consumers who have purchased hotel rooms from the online retailer defendants.

"The large online travel sites, working with hotel chains, have created the illusion that savvy consumers can spend time researching hotel rates online to find good deals," said Steve Berman, managing partner and co-founder of Hagens Berman. "The reality is that these illegal price-parity agreements mean consumers see nothing but cosmetic differences and the same prices on every site."

According to the complaint, online travel sites account for as much as 50 percent of hotel bookings in the United States and traditionally operate under one of two models. Under the agency model, online retailers charge a service fee to a hotel operator on a transaction basis for booking customers, and that customer pays the hotel directly at a rate set by the hotel.

Under the merchant model, online retailers purchase rooms outright at a negotiated rate from the hotel, and then resell the rooms to consumers at a higher price, increasing or decreasing margins depending on competitive influences.

More recently, a new model has emerged that has cut into the traditional online retailers' profits, the complaint contends, and has led to the creation of the RPM agreements. In this model, known as the Wholesale Model, third-party companies buy up unsold blocks of rooms at the last-minute and resell them to smaller price-cutting online retailers, eroding the profits of the traditional online retailers.

Knowing hotels cannot afford to lose access to online distribution networks, online retailers devised an illegal scheme, extracting agreements from the hotels that online retailers may not sell rooms below the RPM rates – even through the wholesale model – on penalty of termination and as a condition of doing business through the online retailers, the lawsuit contends.

The complaint states that the online retailer defendants often use terms like "best price guarantee" to create the impression of a competitive market, but in truth these are nothing more than a cover for the price-fixing conspiracy. "The cold fact is that there are no 'best prices' but instead there is only a fixed price that all the defendant online retailers tout in unison," Berman added.

"We have abundant information that points to the existence of written or verbal agreements between the online retailers and hotel companies about the existence and enforcement of RPM agreements," Berman noted.

For example, in published statements, a spokesperson for Sabre Holdings which operates Travelocity admitted it uses RPM agreements “so that the customer can have the confidence that they will get the best rate and they don’t have to go on 18 different sites.”

The suit alleges that the defendants’ activities violate both the federal antitrust laws, as well as California’s Cartwright Act. A complete list of the defendant online retailers and hotels is available at www.hbsslaw.com/HotelAntitrust

Hagens Berman is continuing to investigate these allegations. Individuals with additional information, or consumers who purchased a hotel room from an online travel company, can contact Hagens Berman by calling (206) 623-7292 or by emailing hotelantitrust@hbsslaw.com.

About Hagens Berman

Seattle-based Hagens Berman Sobol Shapiro LLP represents workers, whistleblowers, investors and consumers in complex litigation. The firm has offices in Seattle, Boston, Chicago, Colorado Springs, Los Angeles, Minneapolis, New York, Phoenix, San Francisco and Washington, D.C. Founded in 1993, HBSS has been named one of the top plaintiffs’ law firms in the country by the National Law Journal five times. More about the law firm and its successes can be found at www.hbsslaw.com. Visit the firm’s class-action law blog at www.classactionlawtoday.com.

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