IN THE SUPERIOR COURT OF THE DISTRICT OF COLUMBIA CIVIL DIVISION

TRAVELERS UNITED, INC. 2833 Alabama Ave SE #30736 Washington, D.C. 20020, on behalf of itself and the putative classes,

Plaintiff,

V.

SONESTA INTERNATIONAL HOTELS CORPORATION 400 Centre Street Newton, MA 02458, and DOES 1-20,

SERVE:

Corporation Service Company 1090 Vermont Ave NW Washington, DC 20005

Defendant.

Case No: 2023-CAB-005254

CLASS ACTION COMPLAINT
JURY TRIAL DEMANDED

INTRODUCTION

- 1. Since at least 2017, Sonesta International Hotels Corporation ("Sonesta")¹ has been systemically cheating consumers out of tens of millions of dollars each year by falsely advertising its hotel room rates.
- 2. Rather than disclosing the full cost of its hotel rooms upfront, Sonesta instead adds on last-minute "destination fees," "resort fees" and other similar charges that are really part of the nighty room rate.
- 3. The goal of Sonesta's false advertising is to convince consumers shopping for a hotel room that a Sonesta room is cheaper than it is.

¹ The term "Sonesta" refers to the Defendant Sonesta International Hotels Corporation and the hotels that it owns or franchises, inclusive of all brands.

- 4. These fees—commonly called "Junk Fees," including by the Federal Trade Commission ("FTC")²—have recently been the subject of national media attention, including during President Biden's 2023 State of the Union Address.
- 5. As President Biden explained, "too many companies" are charging "hidden surcharges . . . to make you pay more. . . . [J]unk fees may not matter to the very wealthy, but they matter to most other folks in homes like the one I grew up in, like many of you did. They add up to hundreds of dollars a month. They make it harder for you to pay your bills[.]"³
- 6. Indeed, in 2017 alone, the Junk Fee revenue of the U.S hotel industry was approximately \$2.7 billion.⁴
- 7. Junk Fee practices—like Sonesta's—are not just greedy and deceptive. They are illegal.
- 8. Junk Fees violate the District of Columbia Consumer Protection Procedures Act, D.C. Code §§ 28–3901, *et seq.*, ("CPPA"), which *requires* business to sell goods and services for their advertised prices.
- 9. Travelers United brings this action under the CPPA to stop Sonesta from falsely advertising hotel room rates in the District of Columbia (the "District") and to residents of the District and force Sonesta to pay back the tens of millions of dollars in unlawful Junk Fee revenues it has taken from consumers together with statutory penalties and punitive damages.

² As defined by the FTC, "Junk Fees" are "unfair or deceptive fees that are charged for goods or services that have little or no added value to the consumer" or fees that are "hidden," such as those disclosed only at a later stage in the consumer's purchasing process or not at all." *Unfair or Deceptive Fees Trade Regulation Rule Commission Matter No. R207011*, 87 Fed. Reg. 67413 (proposed Nov. 8, 2022) (to be codified at 16 C.F.R. pt. 464), *available at* https://www.federalregister.gov/documents/2022/11/08/2022-24326/unfair-or-deceptive-fees-trade-regulation-rule-commission-matter-no-r207011 (cleaned up).

³ President Biden's State of the Union Address, White House, https://www.whitehouse.gov/state-of-the-union-2023/ (last visited Aug. 9, 2023).

⁴ Shelle Santana, Steven K. Dallas, & Vicki G. Morwitz, *Consumer Reactions to Drip Pricing*, Mkting. Science (forthcoming), at 4, *available at* https://www0.gsb.columbia.edu/mygsb/faculty/research/pubfiles/26100/Santana%20Dallas%20 Morwitz%20Marketing%20Science%20forthcoming.pdf.

JURISDICTION AND VENUE

- 10. This Court has jurisdiction over the subject matter of this case pursuant to D.C. Code § 11-921 and D.C. Code § 28–3905(k)(2).
- 11. This Court has personal jurisdiction over the Defendant pursuant to D.C. Code § 13-423(a).

PARTIES

A. Travelers United

- 12. Plaintiff Travelers United, Inc., is a nonprofit public interest organization. Travelers United is a Delaware exempt corporation which is registered as a foreign corporation in the District of Columbia. Travelers United is based in Washington, D.C., and Virginia.
- 13. The mission of Travelers United is to improve and enhance travel for consumers. Travelers United has been instrumental in advocating against hidden hotel fees both federally and locally in the District.
- 14. Travelers United has met with many members of the D.C. Council and their staff regarding the issue of the hotel Junk Fees. Nationally, Travelers United has worked and met with members of Congress, the National Association of Attorneys General, other national consumer advocacy groups, and the Federal Trade Commission educating, alerting, and advocating against hidden hotel Junk Fees.
- 15. Travelers United has standing to bring its claims under D.C. Code § 28–3905(k)(1)(D)(i) because it qualifies as a public interest organization with a sufficient nexus to the consumer interests at issue in the litigation.

B. Sonesta

16. Defendant Sonesta International Hotels Corporation is a multinational hospitality company that owns, manages, and franchises a broad portfolio of hotels and lodging facilities throughout the United States and abroad, including in the District of Columbia. It is incorporated in Maryland and headquartered in Newton, Massachusetts. Sonesta is registered to operate in the District.

- 17. Hotel brands operated by Sonesta include, but are not limited to, The Royal Sonesta, The James Hotels, Classico, Sonesta Hotels and Resorts, MOD, Sonesta Select, Sonesta Essential, Sonesta Suites, and Sonesta Simply Suites, Sonesta Cruise Collection, and Sonesta Posadas Del Inca.⁵
- 18. Does 1-20 are persons and/or entities who work in conjunction with Sonesta to engage in the unlawful conduct described in this Complaint, whose identifies are presently unknown to Plaintiff. Plaintiff expressly reserves its right to amend this Complaint once those identities become known to it.
- 19. Sonesta (defined above, *supra* note 1) has, at all relevant times, engaged in trade or commerce in the District by advertising, offering, and providing hotel lodging to customers nationwide in its hotels in the District and to District residents in hotels outside of the District.

FACTUAL BACKGROUND

A. Companies Use Junk Fees to Trick Consumers.

- 20. Large, sophisticated companies—like Sonesta—with large, sophisticated marketing departments know that Junk Fees trick consumers into paying more for a good or service than they otherwise would.
- 21. Indeed, in 2017 alone, the Junk Fee revenue of the U.S hotel industry was approximately \$2.7 billion.⁶
- 22. Two common types of Junk Fees practices are "drip pricing" and "partitioned pricing," both of which are used by Sonesta to illicitly generate tens, if not hundreds, of millions of dollars in extra (and unearned) profits each year.
- 23. **Drip Pricing:** Drip pricing occurs when a company does not disclose the total price of a product or service until late in the purchase process, after consumers have already expended

⁵ https://www.sonesta.com/our-brands

⁶ Santana et al., Consumer Reactions to Drip Pricing, supra note 4, at 4.

time and effort selecting the product or service and have already committed to a particular purchase.

- 24. Consumers who are not provided the complete price until checkout are likely to proceed with their purchase even if continuing to search for a cheaper price would be more "optimal" for them because consumers want to avoid "the cost of the time and cognitive effort involved" in continuing to search for a product or service.⁷
- 25. Once a consumer decides what to buy, he is unlikely to depart from that decision because of the "additional cognitive effort" involved in resuming his search.⁸ In other words, omitting Junk Fees from the advertised cost of a product or service through drip pricing induces consumers to pay a higher total price than they otherwise would have.
- 26. **Partitioned Pricing:** Partitioned pricing occurs where a portion of the costs for a good or service is excluded from the total price. When Junk Fees are initially "partitioned" from total price, consumers are unable to make effective price comparisons between goods and service leading to distortions in the market. In other words, partitioning Junk Fees make consumers less likely to be able to effectively select "the most valuable option" when making a purchase.
- 27. Making matters worse, consumers exposed to advertising which partitions, or separates, Junk Fees from total price are also more likely to underestimate the total price of a given product or service, ¹⁰ meaning they are further impeded from comparing their options.

⁷ Mary W. Sullivan, *Economic Issues: Economic Analysis of Hotel Resort Fees*, Bureau of Economics Fed. Trade Comm'n (Jan. 2017), at 16-17, https://www.ftc.gov/system/files/documents/reports/economic-analysis-hotel-resort-fees/p115503 hotel resort fees economic issues paper.pdf.

⁸ *Id.* at 17.

⁹ *Id.* at 23; David Adam Friedman, *Regulating Drip Pricing*, 31 Stan. L. & Pol'y Rev. 51, 68 (2020) (Lan Xia and Kent Monroe experiments showed that "price separation may enhance consumers"... perceived value... and reduce further information search intentions" due to "insufficient price adjustment" (quoting Lan Xia & Kent Monroe, *Price Partitioning on the Internet*, 18 J. Interactive Mktg. 63 (2004)) (cleaned up)).

¹⁰ Sullivan, Economic Issues: Economic Analysis of Hotel Resort Fees, supra note 6, at 22.

- 28. These drip pricing and partitioned Junk Fee practices are not innocuous. When a Junk Fee is hidden and/or partitioned, consumers cannot reasonably compare the cost of a product or service across available options within a company or across companies.
- 29. Indeed, as the companies that engage in Junk Fee practices are well aware, consumers choose a product or service based on the advertised "base price," and not based on the drip price or partitioned price, especially when the Junk Fee is not adequately disclosed.¹¹
- 30. Accordingly, "buyers may be hurt" because "[w]hen there is uncertainty over possible drip sizes . . . consumers more frequently fail to identify the cheapest offer." Rasch et al. Drip pricing and its regulation: Experimental evidence, supra note 10; see, e.g., Santana et al., Consumer Reactions to Drip Pricing, supra note 4, at 6 (studies showed that "consumers exposed to drip pricing . . . are significantly more likely to 1) initially select the option with the lower base price, 2) make a financial mistake by ultimately selecting the option that has a higher total price than the alternative option, given the add-ons chosen, and 3) be relatively dissatisfied with their choice").
- 31. As the FTC's Bureau of Economics has explained, the use of resort fees adds steps to the process of determining the actual price of a hotel room, which forces consumers to pay more than they would if presented with full, complete prices:

With the separate disclosure of resort fees, searching for hotel accommodations on hotel websites requires more steps than if resort fees were included in the room rate. If resort fees were included in the room rate, consumers could compare rooms at different hotels by simply viewing the

¹¹ Alexander Rasch et al. *Drip pricing and its regulation: Experimental evidence*, 176 J. Econ. Behavior Org. 353 (2020),available https://www.sciencedirect.com/science/article/abs/pii/S0167268120301189 ("buyers based their purchase decision exclusively on the base price"); see also Jane L. Levere, Paying a 'Resort Fee' When You're Resort, N.Y. Times (Oct. Not at 2018), https://www.nytimes.com/2018/10/22/business/luxury-hotels-urban-areas-cities.html (according to Robert Mandelbaum, director of research information services for CBRE Hotels' Americas Research, "Resort fees are a very profitable way for hotels to raise revenue and not advertise they're raising room rates. By a strict definition, they're not raising room rates but adding a mandatory fee").

room pages at the hotel websites and remembering the prices. With separately-disclosed resort fees, consumers would need to add the room rate to the resort fee and remember the total for each hotel under consideration or keep track of the room rates and resort fees separately for each hotel. Alternatively, the consumer could click through to the booking page for each hotel to view the total charges for the trip and remember the total. ¹²

- 32. As a result, consumers are forced either to "incur higher total search and cognitive costs or to make an incomplete, less informed decision that may result in a more costly room, or both." 13
- 33. The FTC has thus characterized Junk Fees as especially egregious when they are hidden (*i.e.*, "disclosed only at a later stage in the consumer's purchasing process or not at all"), because openly disclosed Junk Fees would enable consumers to determine that the cost of a given product or service is not favorable relative to the cost charged by competitors and choose to do business elsewhere. *See, e.g., Unfair or Deceptive Fees Trade Regulation Rule Commission Matter No. R207011, supra* note 2 ("After a market leader took unilateral action to phase out hidden fees, the platform 'lost significant market share and abandoned the policy after a year because consumers perceived the platform's advertised prices to be higher than its competitors' displayed prices." (citation omitted)).
- 34. Moreover, drip and/or partitioned pricing runs afoul of the FTC Act itself. See 15 U.S.C. § 45(a)(1) (declaring unlawful "unfair or deceptive acts or practices in or affecting commerce"). The FTC's guidance on bait and switch advertising states that "[n]o statement . . . should be used in any advertisement which creates a false impression of the . . . value . . . of the product offered, or which may otherwise misrepresent the product in such a manner that later, on disclosure of the true facts, the purchaser may be switched from the advertised product to another."

¹² Sullivan, Economic Issues: Economic Analysis of Hotel Resort Fees, supra note 6, at 2-3.

¹³ Id. at 4; see also Friedman, Regulating Drip Pricing, supra note 8, at 67 ("... sellers provide buyers with the 'initial value' in the form of the initially-presented base price. ... Buyers are influenced by the initial value, so a lower base price would create the impression of a lower overall price." (citing Gorkan Ahmetoglu et al., Pricing Practices: A Critical Review of their Effects on Consumer Perceptions and Behaviour, 21 J. Retailing & Cons. Services 696, 697 (2014))).

16 C.F.R. § 238.2(a). If the first contact is secured by the deceptive bait advertisement, it is a violation of law even if the true facts are subsequently made known to the buyer. 16 C.F.R. § 238.2(b). Through drip and/or partitioned pricing, companies induce consumers to choose a product or service based on an advertised price (*i.e.*, the "bait"), despite ultimately charging a different and higher price than advertised (the "switch").

- 35. Given this, it is no surprise companies are motivated to hide Junk Fees through drip and/or partitioned pricing for as long as possible in the search and purchase process, as duping consumers into paying Junk Fees brings in substantial revenue. In 2017 alone, the Junk Fee revenue of the U.S. airline and U.S hotel industries was approximately \$57 billion and \$2.7 billion, respectively.¹⁴
- 36. In many instances, companies even compound the benefit they obtain through these practices by increasing Junk Fees at a higher rate than they increase the base price of the underlying product or service itself. ¹⁵ As a result, the product or service appears cheaper to consumers than competitor products or services, even though the total cost of the product or service, inclusive of Junk Fees, is equally if not more expensive than those other companies' products or services. ¹⁶
- 37. Companies are also able to increase hidden Junk Fees without suffering meaningful market consequences.¹⁷ In particular, companies are free to charge excessive Junk Fees in part because drip pricing impedes fair, honest, and free market competition as they are not adequately disclosed alongside the base price.¹⁸

¹⁴ Santana et al., Consumer Reactions to Drip Pricing, supra note 4, at 4.

¹⁵ Unfair or Deceptive Fees Trade Regulation Rule Commission Matter No. R207011, supra note 2.

¹⁶ See id.

¹⁷ Rasch et al. *Drip pricing and its regulation: Experimental evidence, supra* note 10.

¹⁸ *Id.* ("firms fiercely compete in base prices but not in drip prices," so "total price increases when firms use drip pricing").

- 38. Hence, through drip and/or partitioned pricing, companies can charge excessive Junk Fees while skirting economic consequences, as shrouding the fee avoids deterring consumers from purchasing a given product or service based on a Junk Fee and its effect on the total price.
- 39. Meanwhile, competitor companies and consumers face the consequences. Companies that engage in drip and/or partitioned pricing will lure consumers away from properly behaving competitors that do not engage in such practices (and thus appear to charge higher prices) and will earn more profit than those competitors.¹⁹
- 40. Junk Fees charged through drip and/or partitioned pricing also generate significant burden for individual consumers. *See Unfair or Deceptive Fees Trade Regulation Rule Commission Matter No. R207011, supra* note 2 (explaining that "[c]onsumers faced with such fees pay upward of twenty percent more than when the actual price was disclosed upfront," and, as a result, such fees "impose substantial economic harms on consumers").

B. The FTC and State Attorneys General Are Turning Off the Faucet on Hotel Drip Pricing.

41. In November 2012, the FTC warned the hotel industry that drip pricing as it pertains to charging resort fees may violate federal consumer protection law by "misrepresenting the price consumers can expect to pay for their hotel rooms." The FTC specifically warned the hotels that the largest and most prominent price for a hotel room should include the resort fee, and should be provided to the consumer upfront and not later in the checkout process, to avoid constituting hotel

¹⁹ *Id.* (". . . where there is uncertainty about the drip size, sellers with a high drip-price limit can earn profits above the competitive level.").

²⁰ Warning Letter from Mary K. Engle, Assoc. Dir. for Advert. Pracs., Fed. Trade Comm'n (Nov. 2012), available at https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-warns-hotel-operators-price-quotes-exclude-resort-fees-other-mandatory-surcharges-may-be.

Exclude 'Resort Fees' and Other Mandatory Surcharges May Be Deceptive, Fed. Trade Comm'n (Nov. 28, 2012), https://www.ftc.gov/news-events/news/press-releases/2012/11/ftc-warns-hotel-operators-price-quotes-exclude-resort-fees-other-mandatory-surcharges-may-be.

Junk Fee drip pricing.²¹ These fees are required to be revealed in the advertised room rate, not later in the checkout process or even later when the consumer checks into the hotel.²²

- 42. The FTC's Bureau of Economics then issued a report in 2017 confirming its concerns about this practice of drip pricing. That report concluded that "consumers are likely being harmed by the hotel industry practice of disclosing mandatory resort fees separate from posted room rates, without first disclosing the total price."²³
- 43. In sum, separating mandatory resort and other Junk Fees from advertised room rates without first disclosing the total price is likely to harm consumers by artificially increasing the search costs and the cognitive costs of finding and booking hotel accommodations. Unless the total price is disclosed upfront, consumers are not reasonably able to make an informed decision as to which product or service would be most favorable for them to purchase.
- 44. Seeking to protect consumers from this harm, numerous Attorneys General have brought enforcement actions to put an end to Junk Fee practices in the hotel industry. For example, in 2019, the Attorney General for the District of Columbia filed a lawsuit against Marriott International, Inc. ("Marriott") under the CPPA "for hiding the true price of hotel rooms from consumers and charging hidden resort fees to increase profits."²⁴ Other Attorneys General have

²¹ Warning Letter from Mary K. Engle, *supra* note 19.

²² *Id*.

²³ FTC Economic Issue Paper Examines the Impact of Disclosing Mandatory Hotel Resort Fees Separately From Room Rates, Fed. Trade Comm'n (Jan. 5, 2017), https://www.ftc.gov/news-events/news/press-releases/2017/01/ftc-economic-issue-paper-examines-impact-disclosing-mandatory-hotel-resort-fees-separately-room.

²⁴ AG Racine Sues Marriott for Charging Deceptive Resort Fees and Misleading Tens of Thousands of District Consumers, Office of the Att'y Gen. of D.C. (July 9, 2019), https://oag.dc.gov/release/ag-racine-sues-marriott-charging-deceptive-resort; Compl. for Violations of the Consumer Prot. Procedures Act, District of Columbia v. Marriott Int'l, Inc. (D.C. Super. Ct.), at 3 ¶¶ 4-5, available at https://oag.dc.gov/sites/default/files/2019-07/Marriott-complaint.pdf (alleging "price deception" robs "consumers of the ability to readily ascertain and compare the actual price of a room at a Marriott hotel to the price of the hotel rooms offered by Marriott's competitors and at other Marriott hotels").

brought similar actions against hotel corporations for inducing consumers to effectuate purchases that are not cost effective, while the companies gain millions.²⁵

45. Despite the 2012 warning letter from the FTC, Attorney General enforcement actions, and, most importantly, the substantiated harms to consumers, Sonesta has until very recently continued to advertise room prices that do not include its resort and other Junk Fees.²⁶

C. Sonesta's Deceptive Junk Fee Advertising

- 46. This action was commenced after years of Sonesta deceiving customers about the rates of its hotel rooms.
- 47. Sonesta does not include Junk Fees in its advertised hotel room prices. By doing so, Sonesta misrepresents and conceals the actual cost of its rooms, deceiving consumers and tricking them out of their hard earned money.
- 48. For instance, when a consumer searches for a hotel on Sonesta's website, Sonesta's practice is to initially advertise a room rate that excludes Junk Fees, but then to add Junk Fees into the final charges a consumer is required to pay.
- 49. Even when a consumer selects a particular hotel on Sonesta.com, Sonesta still does not disclose the total nightly price when the customer is given the option to select their room type.

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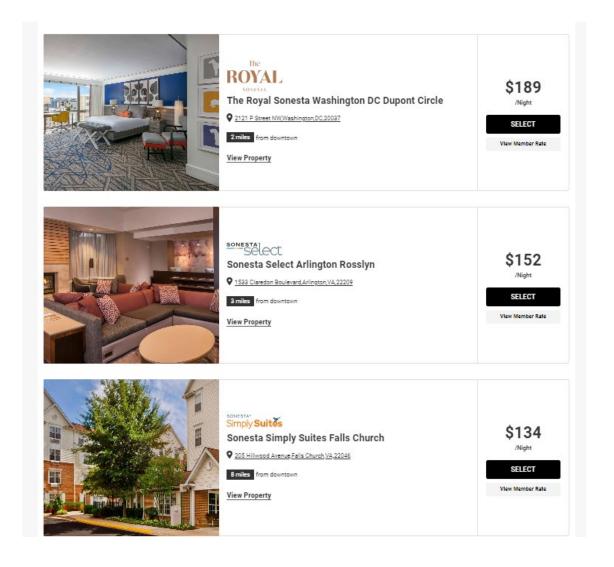
²⁵ Complaint Relief. See. Amended for Injunctive and Other e.g., https://ago.nebraska.gov/sites/ago.nebraska.gov/files/doc/2019.07.24 Hilton%20Dopco%20Inc. Amended%20Complaint.pdf (Nebraska suit against Hilton for "drip pricing" whereby consumers are "misled or confused concerning the true cost of an overnight stay"); AG Shapiro's Action Requires Marriot to Disclose "Resort Fees," Pa. Att'y Gen. Michelle A. Henry (Nov. 17, 2021), https://www.attorneygeneral.gov/taking-action/ag-shapiros-action-requires-marriott-to-discloseresort-fees/ (Pennsylvania settlement with Marriott, whereby Marriott agreed "to prominently disclose the total price of a hotel stay . . . on the first page of its booking website as part of the total room rate"); Office of the Attorney General Sues Travel Reservation Site for Deceptive Trade Practices Regarding the True Price of Hotel Rooms, Ken Paxton Att'y Gen. of Tex. (Aug. 10, 2023), https://www.texasattorneygeneral.gov/news/releases/office-attorney-general-sues-travelreservation-site-deceptive-trade-practices-regarding-true-price (Texas suit against reservation company for "omitting mandatory fees from the advertised room rate").

²⁶ Upon information and belief, Hyatt began including Junk Fees in the advertised prices for its hotel rooms in or around August 2023.

- 50. Sonesta charges these additional Junk Fees, which can exceed \$40 per day at Sonesta properties, to increase its revenues without appearing to raise the room rate at its hotels.
- 51. When consumers search for and seek to book a hotel using Sonesta's online reservation system, Sonesta provides the consumers with a quoted room rate and allows consumers to see the price, but there is no mention of an additional mandatory Junk Fee.

1. Junk Fees at the Royal Sonesta Dupont Circle.

52. For example, when consumers search for a hotel room in the District, the consumer receives a variety of potential hotel options from within the Sonesta family of brands with purported per night (i.e., "/Night") pricing information:



53. The initial advertisement does not provide any indication as to whether a particular hotel is a "Junk Fee hotel," *i.e.*, a hotel engaging in drip and/or partitioned Junk Fee practices.

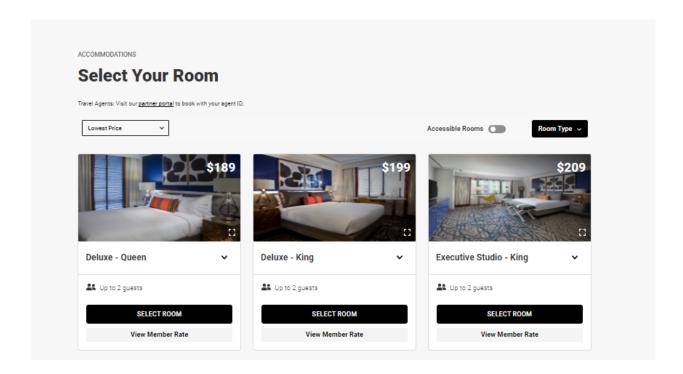
54. Some hotels do not charge Junk Fees, and thus, for those hotels, the advertised per night price is correct.

55. However, for Junk Fee hotels, the advertised price is not correct. When a consumer navigates to book a room at a Junk Fee hotel, the transaction cannot be completed for the advertised price.

56. For example, as shown, the advertised average price for the Royal Sonesta Washington DC Dupont Circle is \$189 per night.

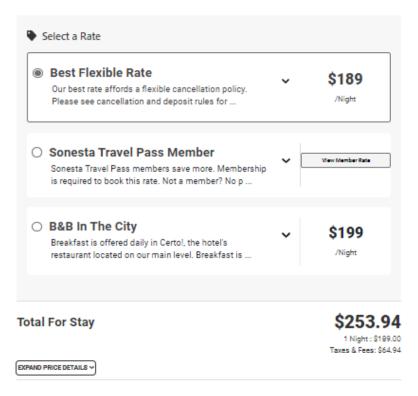
57. When the Royal Sonesta Washington DC Dupont Circle is selected, the consumer is taken to the next page on which Sonesta extols the virtues of the hotel including its awards, location, dining options, and meeting spaces and wedding venue options. A consumer is invited to take a visual tour through the photo gallery of the "upscale," "boutique" hotel located in the "cosmopolitan Dupont Circle neighborhood." The consumer can explore the nearby area with an interactive map, complete with 28 different landmarks to choose from to see the precise distance from the hotel to the landmark.

/// /// /// 58. The consumer is also presented with several different room types and their corresponding price from which to choose. Pertinent for this example is the "Deluxe – Queen" room for the advertised price for \$189:



59. When the consumer clicks the "select room" button for the "Deluxe – Queen" room for the advertised price of \$189, she is then taken to the "Guest Details" page. The consumer is required to input her name, phone number, and email address. Then Sonesta once again asks the consumer to "select a rate" and presents the consumer with the advertised rate of \$189 per night as well as the option for add-on products at a higher rate. When the consumer selects for the third time the advertised rate of \$189 per night, she is presented with a "Total For Stay" of \$253.94. The total price amount is prominently presented in large-size bold font. Whereas, underneath the total price, the breakdown of that price including the advertised price of \$189 and "Taxes & Fees" of \$64.94, the font is not bold, is difficult to read, and is approximately one-third the font size of

the total price. There is still not indication to the consumer that the "Taxes & Fees" amount includes the unadvertised Junk Fee rather than mandatory governmental taxes and fees:



60. Only if the consumer clicks the "expand price details" button is she presented with the information that the \$64.94 for Taxes & Fees consists of \$30.15 of D.C. occupancy taxes assessed on the advertised price, and a "Destination Fee" of \$34.79²⁷. This information too is presented in the small, difficult to read, and non-bold font:

Total For Stay	\$253.94
	1 Night: \$189.00
	Taxes & Fees: \$64.94
Room 1	
1 Night	\$189.00
Taxes & Fees	
Total Occupancy Tax Rate (9)	\$30.15
Destination Fee	\$34.79
HIDE PRICE DETAILS A	

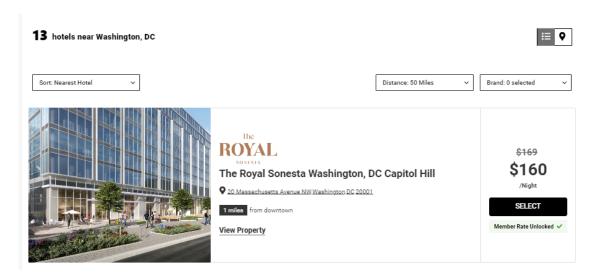
²⁷ The total for the destination fee is \$34.79 because this includes a \$30.00 destination fee charge taxes assessed on charge at the D.C. transient accommodations tax rate. D.C. Code § 47-2002.2.

61. When the consumer continues to the next page to enter her payment information, she is presented with the total price of \$253.94, with the destination fee once again concealed unless the consumer clicks "expand price details":

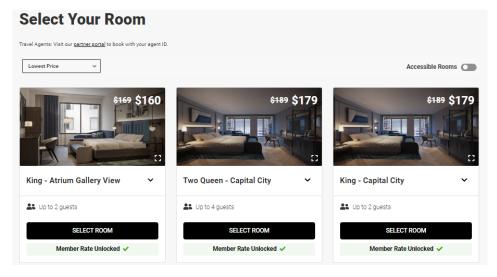
FINISH YOUR BOOKING				
Checkout				
The Royal Sonesta Was	hington DC D	upont Circle	:	
Total For Stay				\$253.94 1 Night: \$189.00 Taxes & Fees: \$64.94
EXPAND PRICE DETAILS V				
Payment Details Credit Card No.	APPROVED CARDS	VISA	**************************************	record CSS
Credit Card No.				
Expiration Date CVV ①	ZIP/Pos	stal		
			cancel	apply

62. Based on this practice, a consumer could complete the entire transaction without Sonesta ever disclosing to her that the total price includes an unadvertised, but mandatory Junk Fee, and a consumer has no way to purchase the hotel room stay with Sonesta without incurring this additional fee of \$34.79 and, as a result, has no ability to complete the hotel reservation transaction for the advertised price of \$189 per night. Also, because of Sonesta deceptive Junk Fee practices, a consumer cannot reasonably compare the total price of a room against the price of other rooms at Sonesta and other hotel companies.

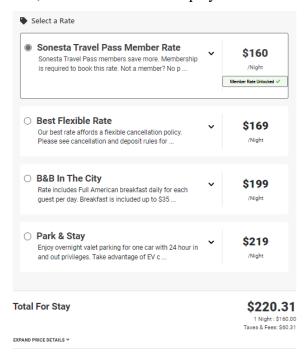
- 2. Junk Fees at the Royal Sonesta Capitol Hill.
- 63. An injunction putting an end to Sonesta's deceptive Junk Fee practices is more important now than ever as Sonesta is set to open the 271 room, Royal Sonesta Washington D.C. Capitol Hill on September 1, 2023. Sonesta is currently advertising and accepting reservations for this hotel using the same deceptive Junk Fees practices, yet like the other locations run by Sonesta, the Junk Fees are not disclosed to consumers until check-out the third time the advertised price is displayed, and then, only if "details" are selected.
 - 64. First Screen, No Junk Fees Displayed:



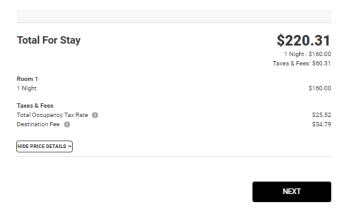
65. Second Screen, No Junk Fees Displayed:



66. Third Screen, Still No Junk Fees Displayed:



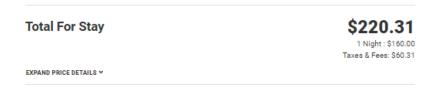
67. Third Screen, Junk Fees Only Displayed After "Expand Price Details" Selected:



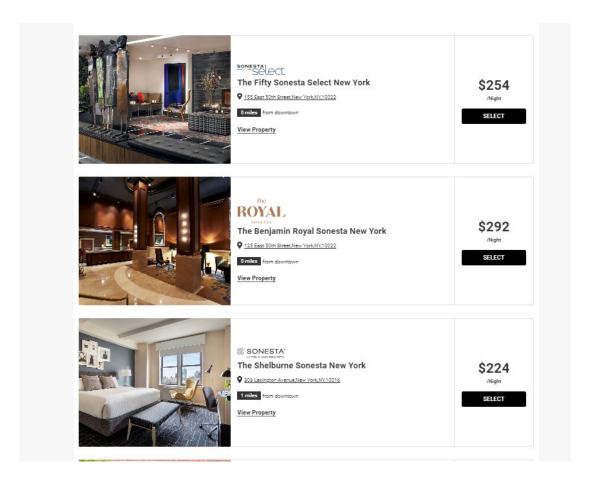
68. Fourth Screen, the Same Remains True at Checkout:

Checkout

The Royal Sonesta Washington, DC Capitol Hill

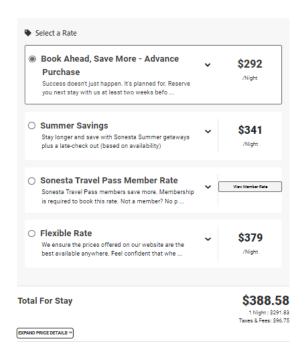


- 69. In short, Sonesta's practices at its Capitol Hill location present precisely the same issues as its existing Dupont Circle location.
 - 3. Sonesta Also Charges Junk Fees to Residents of the District when They Book Travel Outside the District.
- 70. The same is true for transactions throughout the country for consumers based in the District who seek to book a room outside the District.
- 71. For example, if a resident of the District attempts to book a hotel room in the New York, New York area through Sonesta's website, she receives the following options with nightly pricing information without any indication which options are Junk Fee hotels:



72. If the consumer from the District selects the Benjamin Royal Sonesta New York with an advertised price of \$292 per night, she goes through the same multistep process as above,

and despite selecting the advertised price of \$292 on three separate occasions, cannot complete the transaction for that price. Instead, she is required to pay \$48.20²⁸ for a "Hotel Facilities Fee" Junk Fee, which is paid to and kept by Sonesta:



73. Once again, Sonesta conceals this Junk Fee, and places under the Tax & Fees heading. This time, the "Hotel Facilities Fee" is grouped in the middle of four separate government mandated taxes and fees:

Total For Stay	\$388.58 1 Night: \$291.83 Taxes & Fees: \$96.75
Room 1	
1 Night	\$291.83
Taxes & Fees	
State Occupancy Tax - 8.875% (3)	\$25.90
Development Tax - 1.50 (9)	\$1.50
NYC Occupancy Tax - 5.875%	\$17.15
Hotel Facilities Fee \$42 + Tax (9)	\$48.20
Room Tax - Studios (9)	\$4.00

²⁸ Consisting of \$42.00 for the Junk Fee plus \$6.20 for the applicable hotel taxes assessed on that fee amount.

74. Thus, a District based consumer has no way to purchase a hotel room with Sonesta without incurring a Junk Fees of \$48.20 and, as a result, has no ability to complete the hotel reservation transaction for the advertised price of \$292 per night. Also, because of Sonesta deceptive Junk Fee practices, a consumer cannot reasonably compare the total price of a room against the price of other rooms at Sonesta and other hotel companies.

75. In addition, Sonesta's decision to partition the Junk Fees from the advertised price and to place them under the "Taxes & Fees" heading is an additional unfair and deceptive trade practice. The Junk Fees placement among government mandated taxes and fees portrays to consumers that the Junk Fees are also government mandated rather than a partitioned portion of the room price which the payment thereof solely benefits Sonesta. As demonstrated in the example for the Benjamin Royal Sonesta New York, certain states and municipalities have a number of mandatory taxes and fees associated with hotel accommodations that appear under a variety of different names such as including, but not limited to, "Convention/Tourism Fee," "Resort Service Fee," and "Tourism Tax." Thus, a consumer is easily misled or mistaken about the true nature of the Junk Fees included among the sea of government mandated "Taxes & Fees."

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- 4. Consumers Cannot Effectively Compare Prices Across Brands because of Sonesta's Deceptive Practices.
- 76. Sonesta's deceptive Junk Fee advertising stands in stark contrast to the current practices of some of Sonesta's competitors. Indeed, hotel chains, such as Marriott have agreed to change their practices in response to Attorney General enforcement actions.
- 77. Take for example, Marriott's advertisement to book a room at the Mayflower Hotel in Washington, D.C when compared to Sonesta Junk Fee practices. Unlike Sonesta, Marriott displays a complete advertised price of \$205 per night which it says *includes* a \$25 "destination amenity fee."
 - 78. Marriot Mayflower:



79. Sonesta includes no such disclosure:



80. Based on these two advertisements, a consumer should expect to and pay at least \$16.00 per night *less* if she selects the Royal Sonesta rather than the Mayflower. But in fact, if the

consumer purchases the room at the Royal Sonesta, she will pay \$16.24 *more*! The total price at the Mayflower is \$237.70, but the Royal Sonesta is \$253.94.

81. Marriott Final Price at Checkout:

Total Stay	237.70 USD
Estimated government taxes and fees	32.70
Destination Fee	25.00
Total cash rate	180.00
Friday, August 25, 2023	180.00
1 room(s) for 1 night(s)	Prices in USD
RATE DETAILS	

82. Sonesta Final Price at Checkout:

Total For Stay	\$253.94
•	1 Night: \$189.00
	Taxes & Fees: \$64.94
EXPAND PRICE DETAILS >	

- 83. From the onset of the search process, consumers on Marriott.com are currently able to compare accurate total price across hotels in order to make an informed choice as to which room and company is right for them.
- 84. However, Sonesta's consumers are not so fortunate because Sonesta does not intend to, nor sell rooms at their advertised price. Sonesta's practices induce consumers to undertake the search and cognitive effort to pick a hotel or room. *Only then*, after the consumer had spent valuable time and effort and psychologically committed to a hotel including selecting the advertised price on three separate occasions, is the consumer appraised of the actual total price.
- 85. Sonesta's Junk Fees practices give it an unfair advantage over competitors who properly advertise the full price of the room.

THE DISTRICT'S CONSUMER PROTECTION PROCEDURES ACT

- 86. The District of Columbia Consumer Protection Procedures Act protects consumers from a wide range of unfair and deceptive business practices. *See* D.C. Code § 28–3904.
- 87. Consistent with these protections, CPPA Section 28–3901(c) directs courts to construe the CPPA broadly "to promote its purpose," including ensuring that "a just mechanism exists to remedy all improper trade practices" and promoting "through effective enforcement[] fair business practices throughout the community." D.C. Code §§ 28–3901(c), (b)(1), (2).
- 88. Among other things, the CPPA "establishes an enforceable right to truthful information from merchants about consumer goods and services that are or would be purchased, leased, or received in the District of Columbia," D.C. Code § 28–3901(c), and makes it unlawful to "advertise or offer goods or services without the intent to sell them or without the intent to sell them as advertised or offered" and "make false or misleading representations of fact concerning . . . the price in comparison to [the] price of [a] competitor['s]," D.C. Code §§ 28–3904(h), (j).
- 89. CPPA Section 28–3904 is explicit that a violation occurs regardless of "whether or not any consumer is in fact misled, deceived, or damaged" by the unlawful practice.
- 90. Further, the CPPA authorizes public interest organizations, such as Travelers United, to bring claims on behalf of a class of consumers:
 - [A] public interest organization may, on behalf of the interests of a consumer or a class of consumers, bring an action seeking relief from the use by any person of a trade practice in violation of a law of the District if the consumer or class could bring an action

D.C. Code §§ 28–3905(k)(1)(D).

- 91. Where a violation is found, the CPPA provides for statutory damages of \$1,500 per violation, among other relief. D.C. Code § 28–3905(k)(2)(A)(i).
- 92. Under the CPPA, a nonprofit or public interest organization may also seek an injunction against the use of the unlawful trade practice. D.C. Code § 28–3905(k)(2)(D).

CLASS ALLEGATIONS

- 93. This action is brought and may properly proceed as a class action pursuant to D.C. Rule of Civil Procedure 23 ("Rule 23"), including Sections (b)(1), (b)(2) and (b)(3) of Rule 23.
- 94. Travelers United seeks certification of the following nationwide class (the "National Class"), consisting of the following individuals:

All individuals in the United States who booked a room at a Sonesta hotel within the District of Columbia for personal use and paid a resort, destination, and/or other similar fee to Sonesta.

95. Travelers United also seeks certification of the following District of Columbia class (the "**District Class**"), consisting of the following individuals:

All residents of the District of Columbia who booked a room at a Sonesta hotel within the United States for personal use and paid a resort, destination, and/or other similar fee to Sonesta.

- 96. The National Class and District Class are collectively referred to as the "Classes," and their members are collectively referred to as the "Class members."
- 97. Sonesta's deceptive Junk Fee practices violated each Class members' individual statutory right to truthful information from Sonesta about the actual price of nightly room rates purchased, leased, or received in the District of Columbia.
- 98. Sonesta's deceptive Junk Fee practices have resulted in actual injury and harm to the Class members in the amount of the Junk Fees which were absent from the advertised price and which they paid as a result of Sonesta's drip and/or partitioned Junk Fee practices.
- 99. Travelers United explicitly reserves its right to amend, add to, modify, and/or otherwise change the proposed class definitions as discovery in this action progresses.
- 100. The following people are excluded from any of the Classes: (1) any Judge or Magistrate presiding over this action, members of their staffs (including judicial clerks), and members of their families; (2) Defendant, Defendant's subsidiaries, parents, successors, predecessors, and any entity in which the Defendant or its parents have a controlling interest, and their current or former employees, officers and directors; (3) persons who properly execute and

file a timely request for exclusion from the Classes; (4) persons whose claims in this matter have been finally adjudicated on the merits or otherwise released; (5) Travelers United's counsel and Defendant's counsel, and non-attorney employees of their firms; and (6) the legal representatives, successors, and assigns of any such excluded persons.

- 101. <u>Numerosity.</u> Travelers United is informed and believes that there are tens of thousands or potentially millions of members of the Classes. The Classes are so large that the joinder of all of their members is impracticable. The exact number of members of each of the Classes can be determined from information in the possession and control of Sonesta.
- 102. <u>Commonality.</u> Sonesta has acted or refused to act on grounds that apply generally to the Classes. Absent certification of the Classes, the relief sought herein creates the possibility of inconsistent judgments and/or obligations imposed on Sonesta. Numerous common issues of fact and law exist, including, without limitation:
 - a. Whether Sonesta's drip and/or partitioned Junk Fee practices are a trade practice under the CPPA;
 - b. Whether hotel rooms are consumer goods or services under the CPPA;
 - c. Whether Sonesta's offer, lease, and/or sale of hotel rooms renders it a merchant under the CPPA;
 - d. Whether Sonesta's advertising, or causing of advertising by third parties, of prices and room rates for lodging in their hotels that do not include Junk Fees constitutes an advertisement or offer without the intent to sell the lodging as advertised, which is an unlawful trade practice that violates the CPPA (D.C. Code § 28–3904(h));
 - e. Whether Sonesta's drip and/or partitioned Junk Fee practices constitute a "misrepresent[ation] as to a material fact which has a tendency to mislead" (D.C. Code § 28–3904(e));
 - f. Whether Sonesta's drip and/or partitioned Junk Fee practices "fail to state a material fact" that "tends to mislead" (D.C. Code § 28–3904(f));

- g. Whether Sonesta's drip and/or partitioned Junk Fee practices "use innuendo or ambiguity as to a material fact, which has a tendency to mislead" (D.C. Code § 28–3904 (f-1));
- h. Whether Sonesta's drip and/or partitioned Junk Fee practices "make false or misleading representations of fact concerning . . . the price in comparison to price of competitors or one's own price at a past or future time," (D.C. Code § 28–3904 (j)); and
- i. Whether Sonesta representing Junk Fees as among "Taxes & Fees" is an unlawful trade practice under the CPPA.
- 103. **Predominance.** These common issues predominate over individualized inquiries in this action because Sonesta's liability can be established as to all members of the Classes as discussed herein.
- 104. <u>Typicality.</u> Travelers United brings this action on behalf of Classes of consumers for whom it advocates in connection with its mission to improve and enhance travel, including through initiatives to oppose hidden hotel fees. Hence, its mission is to promote the objectives of the Classes of consumers it seeks to represent. Travelers United's claims are also typical, if not identical, to the claims that could be asserted by all members of the Classes. Their claims all arise from Sonesta's deceptive Junk Fee practices applicable to all such Class members and are based on the same legal theory as to how and why those practices violate the CPPA. *See Nat'l Veterans Legal Servs. Program v. United States*, 235 F. Supp. 3d 32, 40 (D.D.C. 2017) ("typicality focuses on the similarities between the class representative's claims and those of the class").
- 105. Adequacy. The CPPA provides that Travelers United, as a public interest organization, can bring this action on behalf of the interests of a class of consumers. See D.C. Code § 28–3905(k)(1)(D)(i). In doing so, Travelers United will fairly and adequately represent and protect the interests of the Classes and has retained counsel competent and experienced in complex litigation and class actions. Travelers United's claims are representative of the claims of the members of the Classes, as its claims arise from the allegation that each member of the Classes

lost money by paying Junk Fees to Sonesta because of Sonesta's unlawful practices. Travelers United also has no interests antagonistic to those of the Classes, and Sonesta has no defenses unique to Travelers United. Travelers United and their counsel are committed to vigorously prosecuting this action on behalf of the Classes and have the financial resources to do so. Neither Travelers United nor their counsel have any interest adverse to the Classes.

- 106. <u>Superiority.</u> There are substantial benefits to proceeding as a class action that render proceeding as a class action superior to any alternatives, including that it will provide a realistic means for members of the Classes to recover damages; the damages suffered by members of the Classes may be relatively small; it would be substantially less burdensome on the courts and the parties than numerous individual proceedings; many members of the Classes may be unaware that they have legal recourse for the conduct alleged herein; and because issues common to members of the Classes can be effectively managed in a single proceeding. Travelers United knows of no difficulty that could be encountered in the management of this litigation that would preclude its maintenance as a class action.
- 107. Travelers United reserves the right to revise each of the foregoing allegations based on facts learned through additional investigation and in discovery.

COUNT 1

Violation of the Consumer Protection Procedures Act, D.C. Code §§ 28-3901 et seq. On Behalf of the Classes

- 108. The allegations of Paragraphs 1 through 107 are re-alleged as if fully set forth herein.
- 109. The D.C. Consumer Protection Procedures Act is a remedial statute that is to be broadly construed. It establishes "an enforceable right to truthful information from merchants about consumer goods and services that are or would be purchased, leased, or received in the District of Columbia." D.C. Code § 28–3901(c). CPPA Section 28–3904 is explicit that a violation occurs regardless of "whether or not any consumer is in fact misled, deceived, or damaged" by the unlawful practice.

- D.C. Code § 28–3905(k)(l)(D)(i), which provides in relevant part that "a public interest organization may, on behalf of the interests of a consumer or a class of consumers, bring an action seeking relief from the use by any person of a trade practice in violation of a law of the District if the consumer or class could bring an action under subparagraph (A) of this paragraph for relief from such use by such person of such trade practice."
- 111. Travelers United is a public interest organization that has done significant advocacy work against Junk Fees across the travel industry, both locally in the District and at the federal level.
- 112. The CPPA prohibits unlawful trade practices in connection with the offer, sale, advertisement, and supply of consumer goods and services. D.C. Code § 28–3904.
- 113. The hotel rooms Sonesta offers to consumers are leased or sold for personal, household, or family purposes and, therefore, are consumer goods or services.
- 114. Sonesta, in the ordinary course of business, offers to lease, sell, or supply consumer goods and services and, therefore, is a merchant. D.C. Code § 28–3901(a)(3).
- 115. Sonesta's advertising of prices and room rates for lodging in their hotels that do not include daily mandatory Junk Fees that were then charged constitutes an advertisement or offer without the intent to sell the lodging as advertised, which is an unlawful trade practice that violates the CPPA, D.C. Code § 28–3904(h).
- 116. Because cost is a material fact to consumers deciding whether to book a hotel room, and because drip and partitioned pricing misrepresent the price of a hotel room and total cost to the consumer, through drip and/or partitioned pricing and representation of Junk Fees as a mandatory government charge, Sonesta engaged in unfair and/or deceptive trade practices by "misrepresent[ing] . . . a material fact which has a tendency to mislead," D.C. Code § 28–3904(e), "fail[ing] to state a material fact" and "such failure tends to mislead," D.C. Code § 28–3904(f), "us[ing] innuendo or ambiguity as to a material fact, which has a tendency to mislead," D.C. Code § 28–3904(f), and/or "mak[ing] false or misleading representations of fact concerning . . . the

price in comparison to price of competitors or one's own price at a past or future time," D.C. Code § 28–3904(j).

- 117. Sonesta's deceptive Junk Fee practices violated each Class member's individual statutory right to truthful information from Sonesta about the actual nightly rate for hotels rooms purchased, leased, or received in the District of Columbia.
- 118. Class members suffered actual injuries as a result of Sonesta's unfair and deceptive practices in the amount of the mandatory Junk Fees which were not included in the advertised price but were paid.
 - 119. Each night that Sonesta charged Junk Fees constitutes a violation of the CPPA.
- 120. Given these practices, Travelers United and the Class members are also entitled to injunctive relief. D.C. Code § 28–3905(k)(2)(D).
- 121. WHEREFORE, Travelers United respectfully requests this Court enter judgment in its favor and the favor of the Classes and against Sonesta, as follows:
 - a. Permanently enjoin Sonesta, pursuant to D.C. Code § 28–3905(k)(2)(D),
 from advertising rates for hotel rooms that exclude mandatory resort,
 destination, and/or other similar fees;
 - b. Permanently enjoin Sonesta, pursuant to D.C. Code § 28–3905(k)(2)(D), from partitioning advertised hotel room prices from mandatory resort, destination, and/or other similar fees, including discontinuing the practice of placing these mandatory fees under a "Taxes & Fees" heading at checkout;
 - c. Award the Class members actual damages;
 - d. Award the Class members treble damages of the actual damages as provided in the CPPA, or statutory damages of \$1,500.00 per violation, whichever is greater;
 - e. Award Travelers United and the Class members punitive damages as determined by the trier of fact as Sonesta's actions were replete with malice

and were accompanied with fraud, ill will, recklessness, wantonness, oppressiveness, and willful disregard of the Class members' rights as described above;

- f. Award Travelers United and the Class members reasonable attorneys' fees and costs as provided in the CPPA;
- g. Grant any additional relief as may be necessary to restore to the Class members money which may have been acquired by means of Sonesta's unlawful trade practices pursuant to D.C. Code 28–3905(k)(2)(E); and
- h. Grant Travelers United and the Class members other and further relief as the Court finds necessary and proper.

JURY DEMAND

122. Travelers United demands a trial by jury.

Date: August 24, 2023 /s/ Peter Silva

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