FILED 8/10/2023 10:53 AM Gloria A. Martinez **Bexar County District Clerk** Accepted By: Elvira Ramirez Bexar County - 166th District Court

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CAI	USE NO	_
THE STATE OF TEXAS,	§	IN THE DISTRICT COURT
Plaintiff,	§	
	§	
V.	§	JUDICIAL DISTRICT
	§	
BOOKING HOLDINGS INC.	§	
D/B/A BKNG TEXAS INC.,	§	
Defendant.	§	BEXAR COUNTY, TEXAS

20220146402

PLAINTIFF'S ORIGINAL PETITION FOR CIVIL PENALTIES AND INJUNCTIVE RELIEF

NOW COMES Plaintiff, THE STATE OF TEXAS (State), complaining of Defendant BOOKING HOLDINGS INC. D/B/A BKNG TEXAS INC. (Booking). The State alleges that Booking is engaging in or has engaged in false, misleading, or deceptive acts and practices in violation of § 17.46 (a) and (b) of the Texas Deceptive Trade Practices Act—Tex. Bus. & Com. Code Ann. §§ 17.41–17.63 (DTPA). In support hereof, the State will respectfully show the Court the following:

I. NATURE OF THE STATE'S CASE

Consumers are often misled by mandatory fees charged by hotels in Texas and nationwide that are added belatedly to the initial daily hotel room rate advertised by those hotels or online travel agencies (OTAs), such as Booking. These fees can exceed \$100 per day and are sometimes referred to by names such as "resort fees," "destination fees," "utility fees," and "amenity fees." They are also often surprising and unavoidable charges that inflate the price of rooms while adding little or no value. These fees are difficult for consumers to identify on websites Booking controls due to their inconspicuous placement during the purchase process and because they are bundled under the "Taxes and Fees" line item on checkout pages.

Booking claims to provide consumers with "smart and easy ways to save on hotel rooms";

but Booking in fact deceives consumers in multiple critical respects. For years, Booking has duped unsuspecting Texans who shop for room rates on its various websites by omitting mandatory fees from the advertised room rate. Booking's failure to include these mandatory fees in its initial advertisement of room rates thwarts comparison shopping and, consequently, allows Booking to lure unwitting consumers with artificially low room prices that are unavailable at the rates advertised. Booking also misleads consumers by grouping mandatory fees with monies owed to the government as a component of the "Taxes and Fees" line item at checkout. Furthermore, Booking's conduct places its honest competitors at an inequitable competitive disadvantage—those competitors who transparently display up-front the total price of rooms lose customers to Booking, because Booking misleadingly advertises to customers that its rates are lower than those competitors who operate transparently, even though Booking's rates ordinarily are not lower. Based on information and belief, Booking's subsidiaries engage in materially similar patterns and practices as are described herein against Booking.

A. DISCOVERY CONTROL PLAN

- 1. The discovery in this case is intended to be conducted under Level 3 pursuant to Texas Rule of Civil Procedure 190.4.
- 2. The damages sought in this case are within the jurisdictional limits of this court. This lawsuit is not subject to the restrictions of expedited discovery under Texas Rules of Civil Procedure 47 and 169 because the relief sought by the State includes a monetary amount over \$1,000,000 as well as a request for non-monetary relief in the form of injunctive relief.

B. DEFENDANT

3. Booking Holdings Inc. d/b/a Bkng Texas Inc. is a Delaware for-profit corporation headquartered in Connecticut that does business nationwide, including in Texas. It may be served

through its registered agent, Corporation Service Company d/b/a CSC – Lawyers Incorporating Service Company, located at 211 E. 7th Street, Suite 620, Austin, TX 78701-3218.

C. JURISDICTION

- 4. This enforcement action is brought by the Consumer Protection Division of the Office of the Attorney General of Texas (Consumer Protection Division), in the name of the State of Texas and in the public interest, pursuant to the authority granted by § 17.47 of the DTPA upon the grounds that Booking has engaged in false, deceptive, and misleading acts and practices in the course of trade and commerce as defined in, and declared unlawful by, § 17.46 of the DTPA.
- 5. In enforcement suits filed pursuant to § 17.47 of the DTPA, the Consumer Protection Division is authorized to seek civil penalties, restitution for consumers, and injunctive relief.

D. VENUE

6. Venue of this suit lies in Bexar County, Texas, pursuant to § 17.47(b) of the DTPA because transactions made part of this suit occurred in Bexar County, Texas.

E. PUBLIC INTEREST

7. The Consumer Protection Division has reason to believe that Booking is engaging in, has engaged in, or is about to engage in the unlawful acts or practices set forth below; that Booking has, by means of these unlawful acts and practices, caused damage to and/or acquired money or property from persons; and that Booking adversely affected the lawful conduct of trade and commerce, thereby directly or indirectly affecting the people of this state. Therefore, the Consumer Protection Division believes and is of the opinion that these proceedings are in the public interest.

F. TRADE AND COMMERCE

8. Booking has, at all times described below, engaged in conduct that constitutes "trade" and "commerce" as those terms are defined by § 17.45(6) of the DTPA.

G. NOTICE BEFORE SUIT

9. The Consumer Protection Division informed Booking of the alleged unlawful conduct described below, at least seven (7) days before filing suit, as may be required by § 17.46(a) of the DTPA.

H. ACTS OF AGENTS

10. Whenever in this petition it is alleged that Booking did any act, it is meant that Booking performed or participated in the act, or that the officers, agents, or employees of Booking or one of its subsidiaries performed or participated in the act on behalf of and under Booking's authority.

II. FACTUAL ALLEGATIONS

A. INTRODUCTION

11. Booking claims to be "the world's leading provider of online travel and related services, provided to consumers and local partners in more than 220 countries and territories through six primary consumer-facing brands: Booking.com, Priceline, Agoda, Rentalcars.com, KAYAK, and Opentable, as well as through a network of subsidiary brands." Booking also represents that it has over 28 million accommodation listings worldwide, with 900 million room nights booked across Booking properties in 2022 alone. Last year, approximately 89% of Booking's revenues were related to online accommodation reservation services.

¹ Subsidiary brands include Rocketmiles, Fareharbor, HotelsCombined, Cheapflights, and Momondo.

² https://www.bookingholdings.com/about/factsheet/ (last visited August 2, 2023).

³ Form 10-K, 2022 Annual Report.

services were provided to Texas residents who traveled out-of-state and to consumers in Texas

and nationwide through properties located in Texas.

12. Hotels directly or indirectly provide Booking with pricing information for their

rooms—including whether there will be any additional mandatory fee charges for rooms. A

representative from a Booking subsidiary has stated under oath that the hotels set the price.

13. Because hotels directly or indirectly provide Booking with pricing information for

their rooms, and in the words of a Booking subsidiary representative, "everything" Booking

"would need to know to display that room [price] to a customer" is available to Booking from the

beginning, and before a customer actually begins the process to purchase a room.

14. On information and belief, however, Booking retains sole control over the *manner*

in which this pricing information is displayed to consumers on its multitude of websites.⁴

Historically, Booking's brands operated on a largely independent basis; however, recent public

filings indicate that Booking actively controls subsidiaries through its "integrat[ion of] certain of

[its] businesses that had been managed independently" and the "integrat[ion of] certain functions

across [its] businesses." Websites for such businesses include www.bookingholdings.com,

www.booking.com, www.priceline.com, www.agoda.com, and www.kayak.com, among others.⁶

A representative from a Booking subsidiary claimed that Booking and its subsidiaries are one and

the same. They all engage in the drip pricing described herein because all the fees are disclosed

only when the consumer is ready to enter their reservation and payment details at the checkout

page.

15. Booking, as further detailed below, is violating Texas law by marketing hotel rooms

⁴ See Id.

⁵ Form 10-K, 2022 Annual Report.

⁶ See Footnote 2.

to the general public at rates that are not available. Specifically, Booking omits from its initial advertisement of room rates certain mandatory fees that are subsequently added. Booking then uses small font for subsequent disclosures coupled with inconspicuous placement of those disclosures in a way that makes it increasingly unlikely that consumers will see the disclosures. Booking further misleads consumers by incorporating non-governmental mandatory fees with monies owed to the government by including the mandatory fees as an inconspicuous component of the "Taxes and Fees" line at checkout. Consumers who use Booking websites to search for and compare prospective hotel accommodation options by price in accordance with the daily room rate are misled because the price advertised *does not* include the mandatory fees that are subsequently added during the purchase process. Furthermore, Booking's actions place hotels and other competitors that include mandatory fees in the price initially advertised for hotel rooms at a competitive disadvantage.

BOOKING'S ADVERTISMENT OF THE INITIAL HOTEL ROOM PRICE IS DECEPTIVE

16. Booking's primary deceptive practice is its use of "drip pricing"—an unlawful bait and switch tactic in which a company initially advertises only part of a price only to reveal other charges later as the consumer completes the buying process.

17. Unscrupulous companies take advantage of "drip pricing" (also known as "partitioned pricing") in order to capitalize on well-documented consumer psychology phenomena. Specifically, consumers are more likely to make purchases as a result of drip pricing versus when the entire price is prominently displayed upfront. That purchasing behavior can be for any number of reasons, including because (1) a consumer is deceived by the drip pricing, and believes that the initially-advertised price is the one he is actually paying, or (2) a consumer has

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⁷ See, e.g., Greenleaf EA, Johnson EJ, Morwitz VG, Shalev E (2016); A review of research on partitioned pricing. Journal of Consumer Psychology 26(1):105–124.

already invested time and mental resources into the purchase decision by the time he realizes that the real price is not the one advertised, and at that point decides it is better to follow through on the purchase than to treat the spent time and mental resources to be a sunk cost.

18. Notably, in 2012, the Federal Trade Commission (FTC) communicated to the hotel industry that the practice of "drip pricing"—with respect to these mandatory fees—may be unlawful if the fees misrepresent the price that consumers can expect to pay for their hotel rooms. The FTC also indicated that the largest and most prominent price for a hotel room should include these fees, and should be provided to consumers up-front, rather than later in the checkout process, to avoid deceptive "drip pricing" practices. Moreover, in 2017, the FTC's Bureau of Economics issued a report reiterating its concerns regarding "drip pricing" practices:

In sum, the literature suggests that separating mandatory resort fees from posted 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 up front, separating resort fees from the room rate is unlikely to result in benefits that offset the likely harm to consumers.⁸

- 19. The images and accompanying descriptions of Booking's website set forth below illustrate Booking's deceptive drip pricing practices.
- 20. Booking allows consumers to search for hotel rooms according to a number of criteria, including location. For example, a consumer could view a room advertised on a Booking website for a stay in San Antonio on June 28, 2023, at a number of locations, including the JW Marriott San Antonio Hill Country Resort & Spa. A consumer who viewed rates for that hotel on Booking's website saw an initial daily room rate of \$409. However, that rate did not specify whether fees would exist, or what they would be. *See Image 1*.

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⁸ Mary W. Sullivan, Fed. Trade Comm'n, Economic Analysis of Hotel Resort Fees 37 (Jan. 2017), https://www.ftc.gov/system/files/documents/reports/economic-analysis-hotel-resort-fees/p115503 hotel resort fees economic issues paper.pdf.

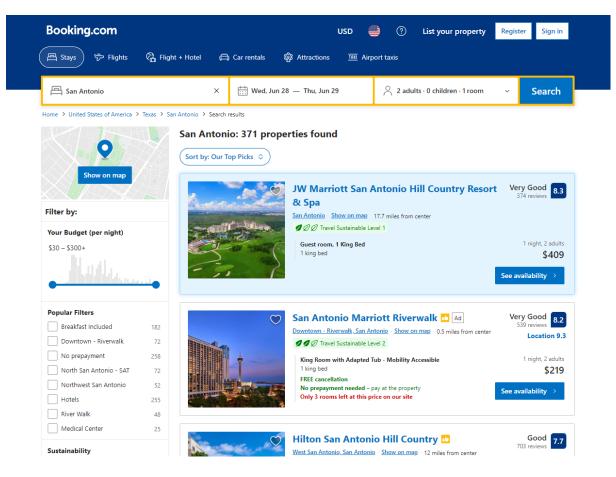


Image 1.

- 21. To proceed, a consumer must select "See availability."
- 22. On the next page, a consumer likewise is not immediately shown the total price of a room. Instead, at the landing page of the next screen, a consumer is prompted to click on a "Reserve" button in order to proceed with the purchase process, without any further disclosure about what the total room cost will be. *See Image 2*.

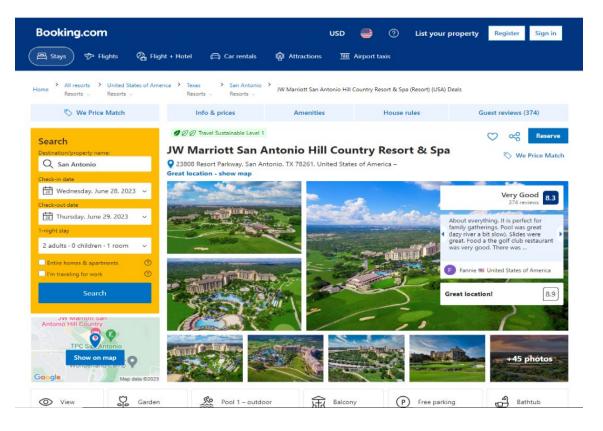


Image 2.

23. After clicking on the "Reserve" button, the consumer is re-directed to a new area of the webpage where the room rate is, once again, listed as \$409. At this stage of the process, Booking finally discloses that there will be additional costs, but it does so in a highly misleading way. Specifically, in very fine print, Booking discloses that the total room rate "exclude[s]" certain costs, including tax and a mandatory "[r]esort fee." The consumer's attention, however, is not directed to that fine print. Instead, Booking affirmatively misleads the consumer by prominently displaying the same initial \$409 price point accompanied by an "I'll reserve" button. That prominent display does *not* contain any reference to taxes or other fees. *See Image 3* (compare third column, depicting extra costs in fine print, with sixth column, which prominently displays the false room rate and the "I'll reserve" button).

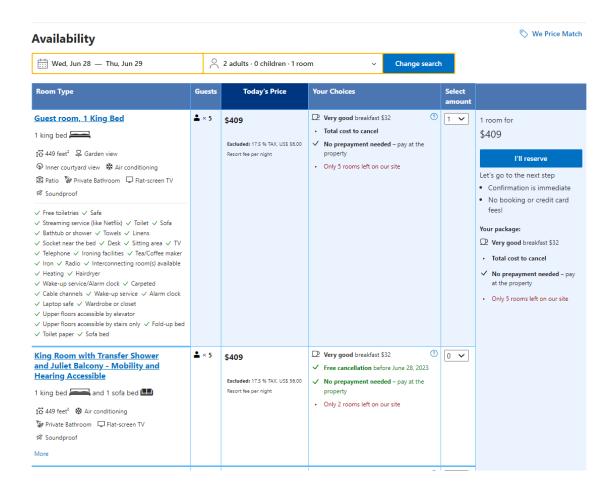


Image 3.

24. A consumer who elects to reserve a room at this property is then routed to the billing page, whereupon Booking finally conspicuously reveals that the initially advertised room rate (\$409) is in fact *not* the rate that the consumer must pay. Instead, on the billing page, Booking increases the room rate from \$409 to \$465, to account for the additional daily \$56 mandatory fee charged at the property. This mandatory fee represents a 13.69% increase in the daily room price that Booking initially advertised to consumers on its website. *See Image 4*.

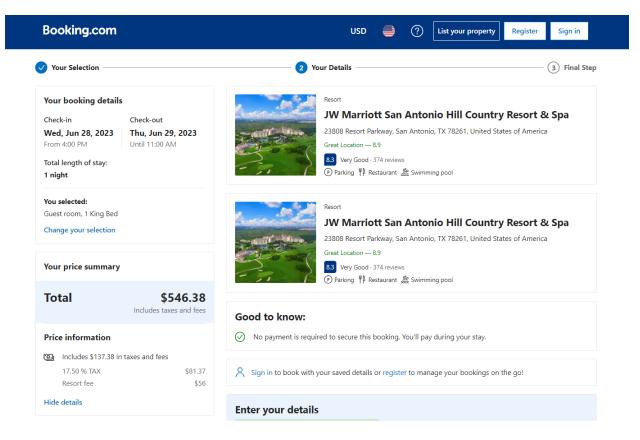


Image 4.

- 25. Because Booking omits the mandatory fees in the initially advertised room price, consumers cannot know whether mandatory fees exist at the outset of the booking process and, if they do, how much those additional fees are. A consumer who wishes to comparison shop must then, upon realizing that there are mandatory fees (if the consumer even realizes), remember the amount of the mandatory fees when researching alternative hotels. To that end, a consumer searching for the best possible deal may be forced to repeat this process many times to determine the true price of hotel rooms.
- 26. Studies have shown that separating mandatory fees from room rates without first disclosing the total price increases the search and cognitive costs of finding, researching, and

selecting hotel accommodations.⁹ Without access to the information at the start of a transaction, a consumer's choice is either to incur higher total search and cognitive costs or to make a less informed decision that may result in a more costly room.¹⁰ On information and belief, this practice by Booking has increased its profits because it retains a percentage of the total amount charged on mandatory fees.¹¹ In addition, by deceptively concealing the mandatory fee, Booking not only misleads and deceives consumers, but it also increases the likelihood that a consumer will choose its services over its competitors which leads Booking to receive an unfair competitive advantage from its deceptive conduct. In fact, Booking's tactic is by design intended to obtain unfair advantage over its competitors who may charge the same rate for a room by misleading consumers

27. A Booking subsidiary representative has underscored the nature of how Booking's deceptive drip pricing pads its bottom line; specifically, any website that were to show the total price earlier in the path would look uncompetitive because consumers are comparing hotel details between two websites. However, some other websites *do* show the total room price earlier in the consumer's purchasing process. Indeed, some have entered into binding, judicially enforceable settlement agreements to transparently show the total room price at the outset of a consumer's search process. Necessarily, those websites are placed at a competitive disadvantage because of Booking's deceptive conduct.

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to believe that Booking's rates are less.

⁹ See supra at n.7.

 $^{^{10}}$ Id

¹¹ wsj.com/articles/booking-com-takes-a-slice-of-hotels-lucrative-resort-fees-11561460400 (last visited August 3, 2023).

BOOKING HINDERS COMPARISON SHOPPING; PROMOTES UNLEVEL PLAYING FIELD

- 28. As noted *supra*, Booking thwarts comparison shopping across different websites because its websites deceptively fail to present the total room cost upfront, whereas certain of its competitors operate transparently.
- 29. Compare, for instance, a room advertised and booked directly with a hotel versus the same room booked through a Booking website. Marriott.com (Marriott) prominently displayed the price of a room at the JW Marriott San Antonio Hill Country Resort & Spa on June 28, 2023, as \$465 per night. That pricing *included* a mandatory resort fee. Indeed, Marriott's website even disclosed that the resort fee was included, directly beneath the prominently displayed total price. *See Image 5*.

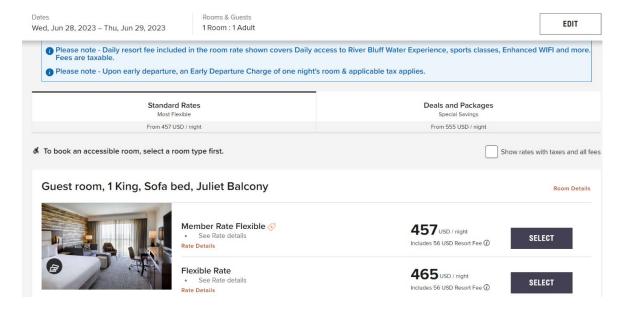


Image 5.

30. But, as illustrated above, the same room on Booking.com is advertised at \$409 per night, with no mention of the mandatory fee until some time later in the purchase process. *See supra* at *Images 3 and 4*.

- 31. Price-conscious consumers who compare Marriott's prices directly with Booking's prices at this stage are falsely led to believe that they will obtain a better deal through the Booking website when that is not the case. Indeed, a Booking subsidiary representative has affirmed that it would always make sure its base rate wasn't cheaper than the hotel's rate.
- 32. To further confuse consumers, at times, Booking labels mandatory fees differently than how they are labeled by the hotels themselves. For example, Booking lists a \$2.64 "Destination Fee" for the Hyatt Regency Lost Pines Resort and Spa; however, on Hyatt's website, the \$2.64 fee is labeled as a "Recovery Charge." *See Images 6 and 7*.

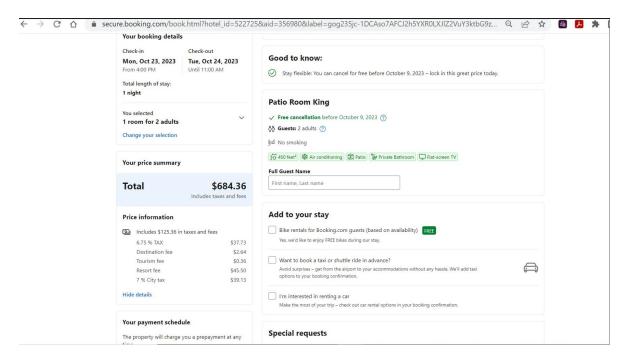


Image 6. Booking's website labeling the \$2.64 mandatory fee a "Destination fee."

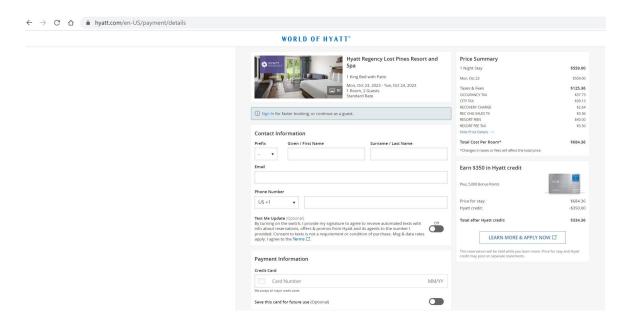


Image 7. Hyatt's website labeling the mandatory fee a "Recovery charge."

BOOKING DECEPTIVELY LUMPS MANDATORY FEES WITH GOVERNMENT TAXES

33. Another way Booking misleads consumers regarding mandatory fees is by obscuring them as a component of "Taxes and Fees." "Taxes and Fees" are first disclosed to the consumer as an itemized charge during the checkout process. This is the first time the whole room price is presented to consumers on Booking's websites. *See supra* at *Image 6*. And Booking misleads consumers by grouping its *non-governmental* mandatory fees with monies owed to the government. Booking specifically embeds mandatory fees within the tax recovery and service fees line item to obscure their pricing structures from consumers—indeed, a Booking subsidiary representative has stated that the OTAs have an agreement with the hotels to protect the net rate from being disclosed publicly.

* * *

34. Booking misrepresents room rates for properties that charge mandatory fees by advertising a nightly room rate that is not actually available at the price advertised. Booking does this by omitting mandatory fees from the quoted room rate or price—even when the hotel itself

does not omit those fees from its advertised rate. Booking fails to include the mandatory fees in the total price of the rooms to lure consumers to book those rooms through Booking even when it may not be in the consumers' best financial interest to do so. Booking misleads consumers by grouping *non-government imposed* mandatory fees with monies owed to the government in the "Taxes and Fees" line item at checkout to further obscure those fees. Additionally, Booking labels mandatory fees differently from the hotels and in so doing, further engages in false, misleading, and deceptive behavior. Booking's deceptive behavior leaves consumers confused and frustrated and gives Booking an unfair advantage over its competitors. To restore and maintain the integrity of the hotel booking industry, Booking must come into compliance with the DTPA.

III. DTPA VIOLATIONS

- 35. Booking, as alleged above, has in the course of trade and commerce engaged in false, misleading, and deceptive acts and practices declared unlawful, in § 17.46(a) and (b) of the DTPA as follows:
 - a. Engaging in false, misleading, or deceptive acts or practices in the conduct of trade or commerce in violation of DTPA § 17.46 (a);
 - b. Advertising goods or services with intent not to sell them as advertised in violation of DTPA § 17.46 (b)(9); and
 - c. Failing to disclose information concerning services which was known at the time of the transaction if such failure to disclose information was intended to induce the consumer into a transaction into which the consumer would not have entered had the information been disclosed, in violation of DTPA § 17.46(b)(24).

IV. TRIAL BY JURY

36. The State herein requests a jury trial and tenders the jury fee to the Bexar County District Clerk's office pursuant to Tex. R. Civ. P. 216 and Tex. Gov't Code § 51.604.

V. WRIT TO ISSUE WITHOUT BOND

37. The State requests that the Clerk of the Court issue such Writs of Injunction pursuant to any Injunction or Temporary Restraining Order issued by this Court in conformity with the law, and that same be issued and be effective without the execution and filing of a bond, as the State is exempt from such bonds under Tex. Bus. & Com. Code §17.47(b).

VI. PRAYER

- 38. The State prays that Booking be cited according to law to appear and answer herein; that after due notice and hearing a PERMANENT INJUNCTION be issued, restraining and enjoining Booking, its officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with Booking who receive actual notice of the injunction by personal service or otherwise from the following acts and practices:
 - a. Advertising hotel room prices that are false or misleading;
 - b. Advertising goods or services with intent not to sell them as advertised by advertising a room rate that separately lists any line items that comprise the price that a consumer will be asked to pay for lodging without providing the total price, exclusive of government taxes, as the largest and most prominently displayed price in type and size on the same page as any other price advertisement;
 - c. Advertising the price of a hotel room price to consumers through an online price-sorting function that sorts by a price other than the total cost of the room;
 - d. Failing to disclose any mandatory fee separate from taxes or other government-imposed fees when listing line items that comprise any price that a consumer will be asked to pay for lodging; and
 - e. Failing to disclose the total price a consumer must pay per night for a hotel room, including any mandatory fee payable to the hotel, in the initial advertised price of that hotel room.
 - 39. The State further prays that this Court will:

- a. Order Booking to pay civil penalties not to exceed \$10,000 per violation of the DTPA to the State of Texas;
- b. Grant a judgment against Booking and order Booking to restore all money or other property acquired by means of unlawful acts or practices;
- c. Order the disgorgement of Booking's assets, as provided by law;
- d. Order Booking to pay pre-judgment and post-judgment interest on all awards of restitution or civil penalties, as provided by law; and
- e. Grant a judgment against Booking and order Booking to pay the State's attorneys' fees and costs of Court as provided by the laws of the State of Texas, including but not limited to, Tex. Gov't Code § 402.006(c).
- 40. The State further respectfully prays for all other relief to which the State may be justly entitled.

Respectfully submitted,

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First Assistant Attorney General

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<u>//s Gabriella Gonzalez</u>

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Judi Logan on behalf of Gabriella Gonzalez Bar No. 24080184 judi.logan@oag.texas.gov

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Status as of 8/10/2023 11:16 AM CST

Associated Case Party: State of Texas

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