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## Rulings Threaten Expedia, Rivals With Paying Millions in Damages

By ANSLEY HAMAN

[Expedia](#) Inc. and other online travel companies could be forced to pay millions in damages and uncollected taxes, under recent state court rulings in Georgia and Washington state.

The Supreme Court of Georgia ruled Monday that Expedia must pay the city of Columbus, Ga., an occupancy tax based on the room rate paid by customers online, not just the wholesale price the company pays to hotels. The amount owed to Columbus will be determined by a trial court.

The court loss is Expedia's second in recent weeks. A Washington trial court on May 28 ordered the company to pay more than \$184 million in a consumer class-action suit for breach of contract related to the company's terms of use. The company plans to appeal if the court denies its motion to reconsider the ruling.

Expedia, which operates Hotels.com, is also being sued by 175 Texas municipalities in a San Antonio federal court. The city of Columbus also is suing Hotels.com and [Orbitz Worldwide](#) Inc. The city of Atlanta has a separate lawsuit against Expedia, and Rome, Ga., has sued the online travel industry in federal court.

Until 2008, when Expedia stopped doing business in Columbus, it typically negotiated wholesale prices with local hotels and then charged customers a "room rate" of that amount plus a facilitation fee. Expedia paid the city's 7% excise tax only on the wholesale rate -- not the total amount paid by hotel guests.

Columbus's lead counsel, C. Neal Pope, of Pope, McGlamry, Kilpatrick, Morrison & Norwood LLP, said the ruling will affect litigation against travel companies in Georgia and across the country. "This is a severe blow to them," he said.

Brent Thompson, Expedia's vice president for government affairs, called the Georgia opinion "convoluted" and said it will have "zero precedential value" on other cases. Mr. Thompson said Columbus has injured itself by pressing for the additional tax collections, triggering Expedia to stop doing business with hotels in the city.

"They have forced themselves out of the largest travel channel in the world," he said.

The 4-3 opinion settled statutory questions at the center of several pending cases against Expedia and other online travel companies, said attorney Kevin Ross, who represents 20 plaintiffs in the Rome suit.

Mr. Ross said online travel companies owe Georgia's municipalities millions of dollars as a result of an "intentional business practice that has artificially inflated their revenue" at local governments' expense.

Art Sackler, executive director of the Interactive Travel Services Association, a trade group that represents online travel companies, said municipalities are reducing their own treasuries by litigating over the taxes when the companies have done nothing wrong. "The courts," Mr. Sackler said, "effectively rolled up the welcome mat for an industry that really helps pump millions into the Georgia economy."

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