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*by JJ*

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**Holiday Inn Franchising, Inc. v. Hotel Associates, Inc.**

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### **Parties**

The plaintiff in the case is Hotel Associates Inc. and the defendant is Holiday Inn Franchising.

### **Facts**

Buddy House is a company that deals with construction for many years and has been doing business with Holiday Inn Franchising. The construction business did to Holiday Inn comprised of building and renovating hotels. Therefore, since the two have been working together for a long time, they have developed a good work relationship built from trust and honesty. This made them work on projects without having written agreements. Holiday Inc. requested Buddy House to evaluate a hotel and specified that it would need over ten years to recover the cost used in renovation than the normal time provided by Holiday Inn. Consequently, Holiday Inn denied and claimed that if the hotel could operate well for ten years, it will adjust the term after the ten years. Buddy House purchased the hotel, renovated it and started to run it as Hotel Associates Inc which received significant revenues and declined sale offers of fifteen million dollars. However, before the ten years, Holiday Inn executive Greg Aden went to other hotels in the region and deliberated on licensing them as Holiday Inn franchise which provided him with the immense commission. Buddy House came at the right time and applied for the extension of the term where Holiday Inn requested more renovations. The renovation used three million dollars, but Holiday Inn did not extend the term, which made Buddy house sell the hotel at five million dollars and sued Holiday Inn. for compensatory and punitive damages.

### **Procedure**

The outcome of the lower court was in favor of Buddy House because Holiday Inn was found to breach of contract. The jury granted Hotel Associates \$13 million covering

compensation damages as well as \$12 million for punitive damages. Therefore, Holiday Inn Franchise Inc appealed.

### **Issue**

The case turns to two central questions:

Can one party be sued for fraud based on that one party did not state developments between trading partners with lasting and honest relationships?

Did Holiday Inn Franchise Inc had the responsibility of revealing the plan to utilize another franchise and does this failure to disclose to the litigant results in fraud?

The applicable laws to the case are those that govern the contract agreement. Therefore, statutory law and common law will be essential. Girard et al. (2019) stated that statutory law such as the statute of fraud would need the contract to be placed in writing and implemented with specific formalities for it to be enforceable. The hotel Associate did not have a written agreement with Holiday Inn Franchise. Also, common law components comprise the offer, acceptance and consideration (Girard et al., 2019).

### **Holding**

The court did not reverse the lower court's verdict because there was no ground to change the aspect of the Holiday Inn actions. The ruling was that the Holiday Inn franchise went against the contract for not informing Hotel Associates on the plan to use another franchise. Hence Hotel Associate was awarded punitive and compensatory damages. Hotel Associate Inc won the case.

### **Reasoning**

Although not providing the information is not considered fraud, the court reasoning to the outcome was because of the parties working relationship. Therefore, since the parties have worked together for a long and have developed trust and honesty to the extent of working without written agreement. Therefore, there was an obligation for Holiday Inn to disclose the plan to Hotel Associate. Also, Holiday Inn assured Buddy House to relicense their hotel operation after ten years, but they failed to review House for an interior business plan.

In summation, written contracts play a critical role while working with different parties because it allows the party not to go against the agreed elements. However, Buddy House has been in a long-term working relationship with Holiday Inn by constructing and renovating hotels. Upon accepting to work on the hotel, they operated as Hotel Associate. After ten years, they had the assurance of extending the license and knew no difficulties were threatening the relicense plan. The failure to relicense Hotel Associates resulted in suing Holiday Inn for damages.

### Reference

Girard, P., Phillips, J., & Brown, R. B. (2019). 31. Law and the Economy I: Common Law, Statutes, and the Emergence of the Corporation. In *A History of Law in Canada, Volume One* (pp. 618-645). University of Toronto Press.

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