

Ritz-Carlton Bali hotel management agreement termination further court order - By Jim Butler, author of  
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U.S. District Court confirms that Owner of the Ritz-Carlton Bali can terminate long-term, no-cut management agreement without penalty.

As of April 29, 2008, the Federal District Court in Maryland issued an order ruling on various post-trial motions of our client, the owner of the Ritz-Carlton Bali. The details of this owner-operator dispute have been previously covered here at [www.HotelLawBlog.com](http://www.HotelLawBlog.com), but today was the latest development in this struggle.

Here's what the court said.

The latest ruling in the Ritz-Carlton Bali case.

In an order dated April 25, 2008, filed April on 29, 2008, the court ruled on Ritz-Carlton's Motion for Judgment as a Matter of Law/New Trial. The Court denied Marriott's motion in all respects, except as to their request that the punitive damages award is excessive. The Court deferred a final decision on what amount the court will permit as punitive damages. Accordingly, a final Order entering judgment on all jury counts, and the amount of damages awarded to KMS, has yet to be entered.

The order said:

Specifically, the Motion is GRANTED as to Plaintiff's request for declaratory relief regarding its right to terminate the Amended Operating Agreement dated February 11, 2004 and its relationship with Ritz-Carlton and it is ADJUDGED, ORDERED and DECREED that Plaintiff has the right to terminate said Agreement with Ritz- Carlton.

The Motion is DENIED as to Plaintiff's request for disgorgement and forfeiture of fees paid to Ritz-Carlton.

In terms of assessing the appropriate amount of the punitive damages awarded to the Owner against Ritz-Carlton, it appears that the court may want to consider the substantial amount of attorneys fees incurred by the Owner in obtaining the result at trial. The court deferred the question of whether the jury's award of \$382,304 of compensatory damages can support the \$10 mil jury award for punitive damages.

While the Court denied KMS' request for disgorgement or all management fees, it granted the request for a Declaration that KMS is entitled to terminate the Operating Agreement.

Hearing on the award of attorneys fees is expected to held this Summer. Marriott is also expected to appeal.

A full copy of the order is attached. [Download file](#)

#### **About the Author**



Jim Butler is recognized as one of the top hotel lawyers in the world. He devotes 100% of his practice to hospitality, representing hotel owners, developers and lenders. Jim leads JMBM's Global Hospitality Group(R) -- a team of 50 seasoned professionals with more than \$40 billion of hotel transactional experience, involving more than 1,000 properties located around the globe. In the last 5 years alone, they have brought their practical advice to more than 80 "hotel-enhanced mixed-use" projects, a term Jim coined to fill a void in industry lexicon. This term describes one of the hottest developments in real estate--where hotels work together with shopping center, residential, office, retail, spa and sports facility components to mutually enhance the entire project's excitement and success.

Jim and his team are more than "just" great hotel lawyers. They are also hospitality consultants and business advisors. They are deal makers. They can help find the right operator or capital provider. They know who to call and how to reach them. They are a major gateway of hotel finance, facilitating the flow of capital with their legal skill, hospitality industry knowledge and ability to find the right "fit" for all parts of the capital stack. Because they are part of the very fabric of the hotel industry, they are able to help clients identify key business goals, assemble the right team, strategize the approach to optimize value and then get the deal done.

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