

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

STARWOOD HOTELS & RESORTS
WORLDWIDE, INC.,

Plaintiff,

- *against* -

HILTON HOTELS CORPORATION N/K/A
HILTON WORLDWIDE, ROSS KLEIN AND
AMAR LALVANI,

Defendants.

No. 09-cv-3862 (SCR) (ECF Case)

HILTON'S ANSWER TO AMENDED AND SUPPLEMENTAL COMPLAINT

Defendant Hilton Hotels Corporation n/k/a Hilton Worldwide (“Hilton”) by and through its counsel, Kasowitz, Benson, Torres & Friedman LLP, hereby submits its answer to Plaintiff Starwood Hotels & Resorts Worldwide, Inc.’s (“Starwood”) Amended and Supplemental Complaint, dated January 14, 2010 (the “Amended Complaint”), and states as follows:

1. Denies the allegations contained in paragraph 1 of the Amended Complaint, except states that Starwood and Hilton have certain hotel brands that compete against one another.
2. Admits the allegations contained in paragraph 2 of the Amended Complaint.
3. Admits the allegations contained in paragraph 3 of the Amended Complaint, except denies that Prestige Portfolio and Denizen Hotels are brand names currently employed by Hilton.
4. Denies the allegations contained in paragraph 4 of the Amended Complaint, except states Hilton was acquired by an entity affiliated with The Blackstone Group L.P.

5. Admits the allegations in paragraph 5 of the Amended Complaint, and states that the announcement and articles referenced in paragraph 5 speak for themselves.

6. Denies the allegations contained in paragraph 6 of the Amended Complaint.

7. Denies the allegations contained in paragraph 7 of the Amended Complaint.

8. Denies the allegations contained in paragraph 8 of the Amended Complaint, except states that on November 14, 2008, a letter was received by Christopher Nassetta (“Nassetta”) and that the letter speaks for itself.

9. Denies the allegations contained in paragraph 9 of the Amended Complaint.¹

10. Denies the allegations contained in paragraph 10 of the Amended Complaint, except states that on February 5, 2009, Richard Lucas (“Lucas”) at Hilton sent a letter to Kenneth Siegel at Starwood, and that the letter speaks for itself.

11. Denies the allegations contained in paragraph 11 of the Amended Complaint, except admits that the launch of the Denizen Hotels brand was announced in March 2009.

12. Admits the allegations contained in paragraph 12 of the Amended Complaint.

13. Denies the allegations contained in paragraph 13 of the Amended Complaint, except admits that the Court issued orders on April 23, 2009 and July 22, 2009, and states that those orders speak for themselves.

14. Denies the allegations contained in paragraph 14 of the Amended Complaint, except states that Hilton has produced hundreds of thousands of pages of documents to Starwood.

15. Denies the allegations contained in paragraph 15 of the Amended Complaint.

16. Denies the allegations contained in paragraph 16 of the Amended Complaint.

¹ Hilton generally denies knowledge or information sufficient to form a belief as to the truth of whether documents constitute proprietary Starwood information and/or trade secrets under Starwood’s definition of “Starwood Confidential Information.”

17. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 17, except states that the e-mails referenced in paragraph 17 speak for themselves.

18. Denies the allegations contained in paragraph 18 of the Amended Complaint.

19. Denies the allegations contained in paragraph 19 of the Amended Complaint.

20. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 20 of the Amended Complaint, except admits that certain documents originating from Starwood were uploaded to Hilton's shared drive.

21. Denies the allegations contained in paragraph 21 of the Amended Complaint.

22. Denies the allegations contained in paragraph 22 of the Amended Complaint.

23. Admits that in March 2008, Nassetta made the announcement referenced in paragraph 23 of the Amended Complaint concerning Hilton's hiring of Steven Goldman ("Goldman"), and states that the announcement speaks for itself.

24. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 24 of the Amended Complaint, except admits that Goldman sent two documents purportedly from Starwood to John Dent.

25. Denies the allegations contained in paragraph 25 of the Amended Complaint, except states that Nassetta is involved in various aspects of Hilton's business and that the interview referenced in paragraph 25 speaks for itself.

26. Denies the allegations contained in paragraph 26 of the Amended Complaint.

27. Denies the allegations contained in paragraph 27 of the Amended Complaint, except admits that Nassetta was involved in the hiring of Ross Klein ("Klein") and Goldman was involved in the hiring of Amar Lalvani ("Lalvani").

28. Denies the allegations contained in paragraph 28 of the Amended Complaint, except states that Hilton, Nassetta and Goldman knew that Klein and Lalvani had access to information concerning Starwood's luxury and lifestyle hotel brands.

29. Admits the allegations contained in paragraph 29 of the Amended Complaint.

30. Denies the allegations contained in paragraph 30 of the Amended Complaint, except admits that Hilton, Nassetta and Goldman became aware at some point that Klein and Lalvani had written agreements with Starwood.

31. Denies the allegations contained in paragraph 31 of the Amended Complaint.

32. Denies the allegations contained in paragraph 32 of the Amended Complaint, except states that the statement referenced in paragraph 32 speaks for itself.

33. Denies the allegations contained in paragraph 33 of the Amended Complaint.

34. Denies the allegations contained in paragraph 34 of the Amended Complaint, except states that the letter referenced in paragraph 34 speaks for itself.

35. Denies the allegations contained in paragraph 35 of the Amended Complaint, except admits that Nassetta was involved in the hiring of Klein and that Klein reported to Nassetta.

36. Denies the allegations contained in paragraph 36 of the Amended Complaint, except admits that Goldman was involved in the hiring of Lalvani and Lalvani reported to Goldman.

37. Denies the allegations contained in paragraph 37 of the Amended Complaint, except states that Nassetta was involving in the hiring of Klein and Goldman was involved in the hiring of Lalvani, and that the announcement referenced in paragraph 37 speaks for itself.

38. Denies the allegations contained in paragraph 38 of the Amended Complaint.

39. Denies the allegations contained in paragraph 39 of the Amended Complaint, except states that the announcement referenced in paragraph 39 speaks for itself.

40. Denies the allegations contained in paragraph 40 of the Amended Complaint.

41. Denies the allegations contained in paragraph 41 of the Amended Complaint, except states that the e-mail referenced in paragraph 41 speaks for itself.

42. Denies the allegations contained in paragraph 42 of the Amended Complaint, except states that the e-mail referenced in paragraph 42 speaks for itself.

43. Denies the allegations contained in paragraph 43 of the Amended Complaint.

44. Denies the allegations contained in paragraph 44 of the Amended Complaint, except states that the e-mails referenced in paragraph 44 speak for themselves.

45. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in first two sentences of paragraph 45 of the Amended Complaint. Denies the remaining allegations contained in paragraph 45 of the Amended Complaint.

46. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in the first four sentences of paragraph 46 of the Amended Complaint, except admits that Lalvani asked for certain documents from Christopher Kochuba (“Kochuba”) and states that the e-mails referenced in paragraph 46 speak for themselves. Denies the remaining allegations contained in paragraph 46 of the Amended Complaint.

47. Denies the allegations contained in paragraph 47 of the Amended Complaint, except states that the statements referenced in paragraph 47 speak for themselves.

48. Denies the allegations contained in paragraph 48 of the Amended Complaint.

49. Denies the allegations contained in paragraph 49 of the Amended Complaint.

50. Denies the allegations contained in paragraph 50 of the Amended Complaint.

51. Denies the allegations contained in paragraph 51 of the Amended Complaint, except admits that Hilton announced the launch of its Denizen Hotels brand in March 2009 at an international hospitality convention.

52. Denies the allegations contained in paragraph 52 of the Amended Complaint, and references the Preliminary Injunction, which states that on April 21, 2009, Hilton “suspended all further development of the Denizen Hotels brand.”

53. Denies the allegations contained in paragraph 53 of the Amended Complaint, except admits that Hilton has produced hundreds of thousands of pages of documents to Starwood.

54. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 54 of the Amended Complaint, except admits that Hilton has returned to Starwood copies of various documents.

55. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 55 of the Amended Complaint, except states that the documents referenced in paragraph 55 speak for themselves.

56. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 56 of the Amended Complaint.

57. Denies the allegations contained in paragraph 57 of the Amended Complaint.

58. Denies the allegations contained in paragraph 58 of the Amended Complaint.

59. Denies the allegations contained in paragraph 59 of the Amended Complaint, except admits that documents brought from Starwood were loaded onto Hilton’s shared computer drive.

60. Denies the allegations contained in paragraph 60 of the Amended Complaint, except admits that Pretha Mani (“Mani”) obtained certain materials that Lalvani brought from Starwood.

61. Denies the allegations contained in paragraph 61 of the Amended Complaint.

62. Admits that Ed Russo sent an e-mail to Klein containing the language quoted in paragraph 62 of the Amended Complaint, and states that the e-mail referenced in paragraph 62 speaks for itself.

63. Denies the allegations contained in paragraph 63 of the Amended Complaint, except states that the e-mails referenced in paragraph 63 speak for themselves.

64. Denies the allegations contained in paragraph 64 of the Amended Complaint, except states that the e-mail referenced in paragraph 64 speaks for itself.

65. Denies the allegations contained in paragraph 65 of the Amended Complaint, except states that the e-mails referenced in paragraph 65 speak for themselves.

66. Denies the allegations contained in paragraph 66 of the Amended Complaint, except states that the e-mail referenced in paragraph 66 speaks for itself.

67. Denies the allegations contained in paragraph 67 of the Amended Complaint.

68. Denies the allegations contained in paragraph 68 of the Amended Complaint.

69. Denies the allegations contained in paragraph 69 of the Amended Complaint, except states that the e-mails referenced in paragraph 69 speak for themselves.

70. Denies the allegations contained in paragraph 70 of the Amended Complaint, except states that the e-mails referenced in paragraph 70 speak for themselves.

71. Denies the allegations contained in paragraph 71 of the Amended Complaint, except states that the e-mail referenced in paragraph 71 speaks for itself.

72. Denies the allegations contained in paragraph 72 of the Amended Complaint.

73. Denies the allegations contained in paragraph 73 of the Amended Complaint.

74. Denies the allegations contained in paragraph 74 of the Amended Complaint.

75. Denies the allegations contained in paragraph 75 of the Amended Complaint.

76. Denies the allegations contained in paragraph 76 of the Amended Complaint, except admits that one or more of the documents brought over from Starwood have been an attachment to an e-mail with a Hilton employee recipient.

77. Denies the allegations contained in paragraph 77 of the Amended Complaint.

78. Denies the allegations contained in paragraph 78 of the Amended Complaint, except states that Hilton has produced hundreds of thousands of pages of documents to Starwood.

79. Denies the allegations contained in paragraph 79 of the Amended Complaint.

80. Denies the allegations contained in paragraph 80 of the Amended Complaint.

81. Denies the allegations contained in paragraph 81 of the Amended Complaint.

82. Denies the allegations contained in paragraph 82 of the Amended Complaint.

83. Denies the allegations contained in paragraph 83 of the Amended Complaint.

84. Denies the allegations contained in paragraph 84 of the Amended Complaint.

85. Denies the allegations contained in paragraph 85 of the Amended Complaint.

86. Denies the allegations contained in paragraph 86 of the Amended Complaint, except states that the “Non-Solicitation, Confidentiality and Intellectual Property Agreement” speaks for itself.

87. Denies the allegations contained in paragraph 87 of the Amended Complaint.

88. Denies the allegations contained in paragraph 88 of the Amended Complaint, except states that the “Non-Solicitation, Confidentiality and Intellectual Property Agreement” speaks for itself.

89. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 89 of the Amended Complaint, except admits that Starwood’s principle place of business is in New York and that Starwood is one of the world’s largest hotel and leisure companies, conducts its hotel and leisure business both directly and through subsidiaries, and Starwood’s brand names include: St. Regis, The Luxury Collection, W Hotels, Westin, Le Meridien, Sheraton, Four Points, aloft and Element.

90. Admits the allegations contained in paragraph 90 of the Amended Complaint, except states that Hilton does not currently own, operate or franchise hotels using the names Prestige Portfolio and Denizen.

91. Admits the allegations contained in paragraph 91 of the Amended Complaint, except denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 91 regarding Klein’s citizenship, principal residence or responsibilities while employed at Starwood.

92. Admits the allegations contained in paragraph 92 of the Amended Complaint, except denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 92 regarding Lalvani’s citizenship, principal residence or responsibilities while employed at Starwood.

93. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in the first sentence of paragraph 93 of the Amended Complaint. Admits

the allegations contained in the second, third and sixth sentences of paragraph 93. Denies the remaining allegations contained in paragraph 93.

94. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in the first sentence of paragraph 94 of the Amended Complaint. Admits the allegations contained in the second, third and sixth sentences of paragraph 94. Denies the remaining allegations contained in paragraph 94.

95. Admits the allegations contained in paragraph 95 of the Amended Complaint, except denies knowledge or information sufficient to form a belief as to the truth of the allegations regarding Erin Shaffer's ("Shaffer") citizenship and principal residence.

96. Admits the allegations contained in paragraph 96 of the Amended Complaint, except denies knowledge or information sufficient to form a belief as to the truth of the allegations regarding Jeff Darnell's ("Darnell") citizenship and principal residence.

97. Admits the allegations contained in paragraph 97 of the Amended Complaint, except denies knowledge or information sufficient to form a belief as to the truth of the allegations regarding Stephanie Heer's ("Heer") citizenship and principal residence.

98. Admits the allegations contained in paragraph 98 of the Amended Complaint.

99. Admits the allegations contained in paragraph 99 of the Amended Complaint.

100. Admits the allegations contained in paragraph 100 of the Amended Complaint, except denies knowledge or information sufficient to form a belief as to the truth of the allegations regarding Leah Corradino's ("Corradino") citizenship and principal residence.

101. Denies the allegations contained in paragraph 101 of the Amended Complaint, except admits that the Amended Complaint collectively refers to Susan Manrao ("Manrao"),

Kochuba, Shaffer, Darnell, Heer, Erin Green, Elie Younes and Corradino as “Persons of Interest.”

102. Denies the allegations contained in paragraph 102 of the Amended Complaint, except admits that Nassetta serves as Hilton’s President and Chief Executive Officer, is a member of Hilton’s Executive Committee and was involved in the hiring of Klein.

103. Denies the allegations contained in paragraph 103 of the Amended Complaint, except admits that Goldman served as Hilton’s President, Global Development & Real Estate and was involved in the hiring of Lalvani.

104. Admits the allegations contained in paragraph 104 of the Amended Complaint.

105. Admits the allegations contained in paragraph 105 of the Amended Complaint.

106. Admits the allegations contained in paragraph 106 of the Amended Complaint.

107. Admits the allegation contained in paragraph 107 of the Amended Complaint that the Amended Complaint collectively refers to Nassetta, Goldman, Lucas, Molly McKenzie-Swarts and Kevin Jacobs as “Additional Persons of Interest.”

108. Denies the allegations contained in paragraph 108 of the Amended Complaint.

109. Denies the allegations contained in paragraph 109 of the Amended Complaint.

110. Denies the allegations contained in paragraph 110 of the Amended Complaint, except admits that after Klein joined Hilton other Starwood employees had communications regarding potential employment with Hilton, and states that Klein’s employment and separation agreements speak for themselves.

111. Admits that in November 2008, Starwood commenced an arbitration against Klein, and states that the arbitration complaint and related letters referenced in paragraph 111 of

the Amended Complaint speak for themselves. Denies the remaining allegations contained in paragraph 111.

112. Denies the allegations contained in paragraph 112 of the Amended Complaint, except admits that documents and computer files were sent to Starwood from Hilton.

113. Denies the allegations contained in paragraph 113 of the Amended Complaint, except states that the letter referenced in paragraph 113 speaks for itself.

114. Denies the allegations contained in paragraph 114 of the Amended Complaint.

115. Denies the allegations contained in paragraph 115 of the Amended Complaint, except admits that Lucas was aware of the letter sent to Nassetta in November 2008, and states that the letter speaks for itself.

116. Denies the allegations contained in paragraph 116 of the Amended Complaint, except states that Hilton has produced hundreds of thousands of pages of documents to Starwood.

117. Denies the allegations contained in paragraph 117 of the Amended Complaint.

118. Denies the allegations contained in paragraph 118 of the Amended Complaint, except states that the announcement referenced in paragraph 118 speaks for itself.

119. Denies the allegations contained in paragraph 119 of the Amended Complaint.

120. Admits that on April 21, 2009, Hilton announced that it had received a grand jury subpoena, and states that the announcement referenced in paragraph 120 of the Amended Complaint speaks for itself.

121. Admits the allegations contained in paragraph 121 of the Amended Complaint.

122. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 122 of the Amended Complaint.

123. Denies the allegations contained in paragraph 123 of the Amended Complaint.

124. Denies the allegations contained in paragraph 124 of the Amended Complaint, except admits that Hilton announced the hiring of Klein and Lalvani in June 2008, and that on April 21, 2009, Hilton announced that it had placed Klein and Lalvani on paid administrative leave, and states that the announcements referenced in paragraph 124 speak for themselves.

125. Denies the allegations contained in paragraph 125 of the Amended Complaint, except admits that in March 2009 Hilton announced the launch of its Denizen Hotels brand, and states that the announcements referenced in paragraph 125 speak for themselves.

126. Denies the allegations contained in paragraph 126 of the Amended Complaint, except admits that Hilton announced the hiring of Goldman in 2008.

127. Denies the allegations contained in paragraph 127 of the Amended Complaint.

128. Denies the allegations contained in paragraph 128 of the Amended Complaint.

129. Denies the allegations contained in paragraph 129 of the Amended Complaint.

130. Denies the allegations contained in paragraph 130 of the Amended Complaint.

131. Denies the allegations contained in paragraph 131 of the Amended Complaint, except admits that Hilton announced the launch of Denizen Hotels brand on March 10, 2009.

132. Denies the allegations contained in paragraph 132 of the Amended Complaint, except states that the reported representation referenced in paragraph 132 speaks for itself.

133. Denies the allegations contained in paragraph 133 of the Amended Complaint, except states that the statement referenced in paragraph 133 speaks for itself.

134. Denies the allegations contained in paragraph 134 of the Amended Complaint.

135. Denies the allegations contained in paragraph 135 of the Amended Complaint, except admits that the press report referenced in paragraph 135 speaks for itself.

136. Denies the allegations contained in paragraph 136 of the Amended Complaint, except admits that the statement referenced in paragraph 136 speaks for itself.

137. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 137 of the Amended Complaint.

138. Denies the allegations contained in paragraph 138 of the Amended Complaint.

139. Denies the allegations contained in paragraph 139 of the Amended Complaint, except admits that in January 2009 Hilton announced it had entered into franchise license agreements for the referenced hotels, and states that the reports and announcements referenced in paragraph 139 speak for themselves.

140. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 140 of the Amended Complaint.

141. Admits the allegations contained in paragraph 141 of the Amended Complaint, and states that some of the factors on which competition in the hotel industry is based are listed in paragraph 141.

142. Denies the allegations contained in paragraph 142 of the Amended Complaint, except states that Starwood and Hilton have certain hotel brands that compete against one another and that their respective positions are affected by numerous factors.

143. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 143 of the Amended Complaint, except admits that more than a dozen W hotels have been opened in this country.

144. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 144 of the Amended Complaint.

145. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 145 of the Amended Complaint.

146. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 146 of the Amended Complaint, except admits that copies of documents purporting to be Klein's employment agreements with Starwood are attached to the Amended Complaint as Exhibit 1.

147. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 147 of the Amended Complaint, except admits that copies of documents purporting to be Lalvani's employment agreements with Starwood are attached to the Amended Complaint as Exhibit 2.

148. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 148 of the Amended Complaint, except states that the agreements referenced in paragraph 148 speak for themselves.

149. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 149 of the Amended Complaint, except admits that at various times Hilton employees became aware that certain of the employees referenced in paragraph 149 had agreements with Starwood.

150. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 150 of the Amended Complaint, except states that the Code of Business Conduct referenced in paragraph 150 speaks for itself.

151. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 151 of the Amended Complaint, except states that the Code of Business Conduct referenced in paragraph 151 speaks for itself.

152. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 152 of the Amended Complaint, except states that the Code of Business Conduct referenced in paragraph 152 speaks for itself.

153. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 153 of the Amended Complaint.

154. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 154 of the Amended Complaint.

155. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 155.

156. Denies the allegations contained in paragraph 156 of the Amended Complaint, except states that Hilton was acquired by an entity affiliated with The Blackstone Group L.P. and the press report referenced in paragraph 156 speaks for itself.

157. Denies the allegations contained in paragraph 157 of the Amended Complaint, and states that press reports referenced in paragraph 157 speak for themselves.

158. Denies the allegations contained in the first and third sentences of paragraph 158 of the Amended Complaint, except states that Klein forwarded materials from Starwood from his personal e-mail account to his Hilton e-mail account. Denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 158.

159. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 159 of the Amended Complaint.

160. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 160 of the Amended Complaint.

161. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 161 of the Amended Complaint.

162. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 162 of the Amended Complaint, except admits that on or about May 16, 2008, Klein signed an employment agreement with Hilton.

163. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 163 of the Amended Complaint.

164. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 164 of the Amended Complaint.

165. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 165 of the Amended Complaint.

166. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 166 of the Amended Complaint, except admits that a copy of a document purporting to be Klein's Separation Agreement is attached to the Amended Complaint as Exhibit 3, and states that the agreement speaks for itself.

167. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 167 of the Amended Complaint, except states that the agreement referenced in paragraph 167 speaks for itself.

168. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 168 of the Amended Complaint, except denies that Hilton has been unjustly enriched.

169. Admits that a copy of the letter referenced in paragraph 169 of the Amended Complaint is attached as Exhibit 4 to the Amended Complaint, and states that the letter speaks for itself.

170. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 170 of the Amended Complaint.

171. Denies the allegations contained in paragraph 171 of the Amended Complaint, except admits that in March 2008, Goldman was involved in the hiring of Lalvani and states that the referenced e-mails speak for themselves.

172. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 172 of the Amended Complaint, except states that the e-mail referenced in paragraph 172 speaks for itself.

173. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 173 of the Amended Complaint, except denies that Hilton “had a big appetite for Starwood know-how.”

174. Denies the allegations contained in paragraph 174 of the Amended Complaint, except states that the e-mails referenced in paragraph 174 speak for themselves.

175. Denies the allegations contained in paragraph 175 of the Amended Complaint, except states that the e-mails referenced in paragraph 175 speak for themselves.

176. Denies the allegations contained in paragraph 176 of the Amended Complaint, except states that the e-mail referenced in paragraph 176 speaks for itself.

177. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 177 of the Amended Complaint, except states that the e-mails referenced in paragraph 177 speak for themselves.

178. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 178 of the Amended Complaint, except denies the allegation that Lalvani was a “corporate spy.”

179. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 179 of the Amended Complaint, except admits that Hilton announced on June 2, 2008 that Klein and Lalvani would be joining Hilton, and states that the announcement speaks for itself.

180. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 180 of the Amended Complaint, except admits that Lalvani began work as Hilton’s Global Head of Luxury & Lifestyle Brand Development soon after June 14, 2008.

181. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 181 of the Amended Complaint, except states that the statements referenced in paragraph 181 speak for themselves, and denies that Hilton has been benefited or unjustly enriched.

182. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 182 of the Amended Complaint, except denies that all of the Persons of Interest were recruited by Hilton, Klein and/or Lalvani, and states that the e-mail referenced in paragraph 182 speaks for itself.

183. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 183 of the Amended Complaint, except denies the allegations in paragraph 183 with respect to Hilton.

184. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 184 of the Amended Complaint, except admits that in November 2008, Starwood initiated an arbitration against Klein, and states that the record in that arbitration speaks for itself.

185. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 185 of the Amended Complaint, except admits that in November 2008, Starwood sent letters to Klein and Hilton and states that those letters speak for themselves.

186. Denies the allegations contained in paragraph 186 of the Amended Complaint, except states that the letter referenced in paragraph 186 speaks for itself.

187. Admits that Lucas sent a letter on February 5, 2009 that contains the language quoted in paragraph 187 of the Amended Complaint, and states that the letter speaks for itself.

188. Denies the allegations contained in paragraph 188 of the Amended Complaint, except admits that on February 9, 2009, Ronald Nessim (“Nessim”) sent a letter to Starwood and states that the letter speaks for itself.

189. Admits that Nessim sent a letter on February 9, 2009 that contains the language quoted in paragraph 189 of the Amended Complaint, and states that the letter speaks for itself.

190. Denies the allegations contained in paragraph 190 of the Amended Complaint, except states that the letters referenced in paragraph 190 speak for themselves.

191. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 191 of the Amended Complaint, except admits Hilton has returned hundreds of thousands of pages of documents to Starwood, and states that all documents, files and information referenced in paragraph 191 speak for themselves.

192. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 192 of the Amended Complaint, except admits that Hilton has returned to Starwood copies of various documents.

193. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 193 of the Amended Complaint, except admits that Hilton announced that at least three former Starwood properties are being re-branded as Hilton hotels.

194. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 194 of the Amended Complaint, except states that the agreements referenced in paragraph 194 speak for themselves.

195. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 195 of the Amended Complaint, except states that the document referenced in paragraph 195 speaks for itself.

196. Denies the allegations contained in paragraph 196 of the Amended Complaint, except denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in the first sentence of paragraph 196.

197. Denies the allegations contained in paragraph 197 of the Amended Complaint, except denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in the first and second sentences of paragraph 197.

198. Denies the allegations contained in paragraph 198 of the Amended Complaint.

199. Denies the allegations contained in paragraph 199 of the Amended Complaint, except admits that on February 9, 2009, Hilton confirmed that it would launch a new hotel line on March 10, 2009 at the International Hotel Investment Forum in Berlin, and states that the announcement speaks for itself.

200. Denies the allegations contained in paragraph 200 of the Amended Complaint, except admits that developing and launching a new hotel brand can require considerable investments of time and money.

201. Denies the allegations contained in paragraph 201 of the Amended Complaint, except admits that Hilton launched the Denizen Hotels brand on March 10, 2009.

202. Denies the allegations contained in paragraph 202 of the Amended Complaint, except admits that an article contained the statements referenced in paragraph 202, and states that the article speaks for itself.

203. Denies the allegations contained in paragraph 203 of the Amended Complaint, except admits that an article contained the statements quoted in paragraph 203, and states that the article speaks for itself.

204. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 204 of the Amended Complaint, except states that the report referenced in paragraph 204 speaks for itself.

205. Denies the allegations contained in paragraph 205 of the Amended Complaint, except:

a. admits that in June 2008, a gap analysis template brought over from Starwood was sent to the individuals identified in paragraph 205(a) of the Amended Complaint, and that Hilton used the template as the basis for creating its own gap analysis, and states that the e-mail referenced in paragraph 205(a) speaks for itself.

b. admits that on July 7, 2008, a document entitled “Unveiling Our New Look” was sent to the individuals identified in paragraph 205(b) of the Amended Complaint, and states that the document referenced in paragraph 205(b) speaks for itself.

c. admits that on July 8, 2008, a document entitled “Brand Support Lifecycle” was sent to the individuals identified in paragraph 205(c) of the Amended Complaint, and states that the document referenced in paragraph 205(c) speaks for itself.

d. admits that on September 9, 2008, a document entitled “Brand Support Lifecycle” was sent from Kochuba to Joy Gray, and states that the document referenced in paragraph 205(d) speaks for itself.

e. admits that on September 23, 2008 and on November 5, 2008, a document concerning “humanics” was e-mailed from Manrao to Dianna Wong, and states that the document referenced in paragraph 205(e) speaks for itself.

f. admits that on October 19, 2008, documents were e-mailed from Robyn Swierk to Mani, and states that the documents referenced in paragraph 205(f) speak for themselves.

g. admits that on November 25, 2008, designer lists were e-mailed from Kochuba to Mat Domaradzki, and states that the documents referenced in paragraph 205(g) speak for themselves.

206. Denies the allegations contained in paragraph 206 of the Amended Complaint, except admits that certain documents created at Starwood were uploaded onto Hilton’s shared computer drive.

207. Denies the allegations contained in paragraph 207 of the Amended Complaint, except states that the e-mail referenced in paragraph 207 speaks for itself.

208. Denies the allegations contained in paragraph 208 of the Amended Complaint, except admits that Hilton has recently launched a website for its Waldorf Astoria Collection.

209. Denies the allegations contained in paragraph 209 of the Amended Complaint, except states that the agreements referenced in paragraph 209 speak for themselves.

210. Denies the allegations contained in paragraph 210 of the Amended Complaint, except admits that a blog reported on March 11, 2009 that Hilton was in “active negotiation” with developers, and that Hilton entered into agreements with the three hotels referenced in paragraph 210.

211. Denies the allegations contained in paragraph 211 of the Amended Complaint, except states that the statements referenced in paragraph 211 speak for themselves.

212. Denies the allegations contained in paragraph 212 of the Amended Complaint, except admits that Hilton made the statement contained in paragraph 212, and states that the statement speaks for itself.

213. Denies the allegations contained in paragraph 213 of the Amended Complaint.

214. Denies the allegations contained in paragraph 214 of the Amended Complaint, except states that press statement referenced in paragraph 214 speaks for itself.

215. Denies the allegations contained in paragraph 215, and states that the employment agreements speak for themselves, and admits that Starwood is seeking equitable relief and money damages in this action.

216. Denies the allegations contained in paragraph 216 of the Amended Complaint, except admits that Starwood is seeking equitable relief and money damages in this action, and states that the employment agreements speak for themselves.

217. Denies the allegations contained in paragraph 217 of the Amended Complaint.

FIRST CLAIM FOR RELIEF

Breach of Contract (Klein)

218. As to paragraph 218 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 217 as if fully set forth herein.

219. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 219 of the Amended Complaint.

220. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 220 of the Amended Complaint.

221. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 221 of the Amended Complaint.

222. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 222 of the Amended Complaint.

223. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 223 of the Amended Complaint.

224. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 224 of the Amended Complaint.

225. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 225 of the Amended Complaint.

226. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 226 of the Amended Complaint.

SECOND CLAIM FOR RELIEF

Breach of Contract (Lalvani)

227. As to paragraph 227 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 226 as if fully set forth herein.

228. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 228 of the Amended Complaint.

229. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 229 of the Amended Complaint.

230. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 230 of the Amended Complaint.

231. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 231 of the Amended Complaint.

232. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 232 of the Amended Complaint.

THIRD CLAIM FOR RELIEF

Inducing Breach of Contract; Tortious Interference With Contractual Relations

(All Defendants)

233. As to paragraph 233 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 232 as though fully set forth herein.

234. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 234 of the Amended Complaint, except admits that Hilton received a copy of Klein and Lalvani's Non-Solicitation, Confidentiality and Intellectual Property Agreements, and states that the documents speak for themselves.

235. Denies the allegations contained in paragraph 235 of the Amended Complaint.

236. Denies the allegations contained in paragraph 236 of the Amended Complaint.

237. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 237 of the Amended Complaint.

238. Denies the allegations contained in paragraph 238 of the Amended Complaint.

239. Denies the allegations contained in paragraph 239 of the Amended Complaint.

240. Denies the allegations contained in paragraph 240 of the Amended Complaint.

241. Denies the allegations contained in paragraph 241 of the Amended Complaint.

FOURTH CLAIM FOR RELIEF

Fraud; Aiding and Abetting Fraud (All Defendants)

242. As to paragraph 242 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 241 as though fully set forth herein.

243. Denies the allegations contained in paragraph 243 of the Amended Complaint, except states that Klein's separation agreement speaks for itself.

244. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 244 of the Amended Complaint.

245. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 245 of the Amended Complaint.

246. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 246 of the Amended Complaint.

247. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 247 of the Amended Complaint.

248. Denies the allegations contained in paragraph 248 of the Amended Complaint, except admits that Hilton's President and Chief Executive Officer was involved in the hiring of Klein, and denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in the third sentence of paragraph 248.

249. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 249 of the Amended Complaint.

250. Denies the allegations contained in paragraph 250 of the Amended Complaint.

251. Denies the allegations contained in paragraph 251 of the Amended Complaint.

FIFTH CLAIM FOR RELIEF

Misappropriation of Trade Secrets (All Defendants)

252. As to paragraph 252 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 251 as though fully set forth herein.

253. Denies the allegations contained in paragraph 253 of the Amended Complaint.

254. Denies the allegations contained in paragraph 254 of the Amended Complaint.

255. Denies the allegations contained in paragraph 255 of the Amended Complaint.

256. Denies the allegations contained in paragraph 256 of the Amended Complaint.

SIXTH CLAIM FOR RELIEF

Unfair Competition (All Defendants)

257. As to paragraph 257 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 256 as though fully set forth herein.

258. Denies the allegations contained in paragraph 258 of the Amended Complaint.

259. Denies the allegations contained in paragraph 259 of the Amended Complaint.

260. Denies the allegations contained in paragraph 260 of the Amended Complaint.

SEVENTH CLAIM FOR RELIEF

Theft / Conversion (All Defendants)

261. As to paragraph 261 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 260 as though fully set forth herein.

262. Denies the allegations contained in paragraph 262 of the Amended Complaint.

263. Denies the allegations contained in paragraph 263 of the Amended Complaint.

264. Denies the allegations contained in paragraph 264 of the Amended Complaint.

EIGHTH CLAIM FOR RELIEF

Breach of Fiduciary Duty (Klein and Lalvani)

265. As to paragraph 265 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 264 as though fully set forth herein.

266. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 266 of the Amended Complaint.

267. Denies the allegations contained in paragraph 267 of the Amended Complaint, except denies knowledge or information sufficient to form a belief as to the truth of the allegation contained in the first sentence of paragraph 267.

268. Denies the allegations contained in paragraph 268 of the Amended Complaint.

269. Denies the allegations contained in paragraph 269 of the Amended Complaint.

NINTH CLAIM FOR RELIEF

Aiding and Abetting Breach of Fiduciary Duty (Hilton)

270. As to paragraph 270 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 269 as though fully set forth herein.

271. Denies the allegations contained in paragraph 271 of the Amended Complaint.

272. Denies the allegations contained in paragraph 272 of the Amended Complaint.

273. Denies the allegations contained in paragraph 273 of the Amended Complaint.

274. Denies the allegations contained in paragraph 274 of the Amended Complaint.

TENTH CLAIM FOR RELIEF

Unjust Enrichment (All Defendants)

275. As to paragraph 275 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 274 as though fully set forth herein.

276. Denies the allegations contained in paragraph 276 of the Amended Complaint.

277. Denies the allegations contained in paragraph 277 of the Amended Complaint.

278. Denies the allegations contained in paragraph 278 of the Amended Complaint.

279. Denies the allegations contained in paragraph 279 of the Amended Complaint.

ELEVENTH CLAIM FOR RELIEF

Violation of Computer Fraud and Abuse Act (All Defendants)

280. As to paragraph 280 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 279 as though fully set forth herein.

281. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 281 of the Amended Complaint.

282. Denies the allegations contained in paragraph 282 of the Amended Complaint.

283. Denies the allegations contained in paragraph 283 of the Amended Complaint.

284. Denies the allegations contained in paragraph 284 of the Amended Complaint.

285. Denies the allegations contained in paragraph 285 of the Amended Complaint.

286. Denies the allegations contained in paragraph 286 of the Amended Complaint.

287. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 287 of the Amended Complaint.

288. Denies the allegations contained in paragraph 288 of the Amended Complaint.

289. As to paragraph 289 of the Amended Complaint, repeats and realleges its answers to paragraphs 1 through 288 as though fully set forth herein.

290. Denies the allegations contained in paragraph 290 of the Amended Complaint.

291. Denies the allegations contained in paragraph 291 of the Amended Complaint.

292. Denies the allegations contained in paragraph 292 of the Amended Complaint.

ANSWER TO THE PRAYER FOR RELIEF

Denies that Starwood is entitled to the relief requested in its prayer for relief.

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

The Amended Complaint fails to state any cause of action upon which relief may be granted.

SECOND AFFIRMATIVE DEFENSE

Starwood's claims are barred in whole or in part because Hilton is not liable for the alleged wrongdoing of Klein or Lalvani.

THIRD AFFIRMATIVE DEFENSE

Any damages alleged by Starwood were caused solely by the acts, wrongs or omissions of Starwood; by pre-existing conditions, or by forces and/or things over which Hilton had no control and for which Hilton is not responsible and not liable.

FOURTH AFFIRMATIVE DEFENSE

Starwood's claims are barred in whole or in part by the doctrine of laches, estoppel, unclean hands, waiver, ratification, failure to use due care and/or acquiescence.

FIFTH AFFIRMATIVE DEFENSE

Starwood's claims are barred in whole or in part because Hilton's hotel concepts and elements thereof have been independently developed.

SIXTH AFFIRMATIVE DEFENSE

Starwood's claims are barred in whole or in part because Plaintiff failed to exercise reasonable care and diligence to mitigate its alleged damages.

SEVENTH AFFIRMATIVE DEFENSE

Starwood's claims are barred in whole or in part because the relief sought may violate Federal and/or State antitrust laws.

EIGHTH AFFIRMATIVE DEFENSE

Under the principles of contribution and indemnity, persons or entities other than Hilton are wholly or partially responsible for Starwood's alleged damages, if any.

NINTH AFFIRMATIVE DEFENSE

Starwood cannot recover because of its own comparative fault.

TENTH AFFIRMATIVE DEFENSE

Starwood's claims for punitive damages cannot be sustained because an award of punitive damages would violate Hilton's procedural and substantive due process rights and equal protection rights under the Fifth and Fourteenth Amendments and other provisions of the United States Constitution and Hilton's due process rights under cognate provisions of applicable state constitutions, and would be improper under the common law and public policies of the United States and the States. Moreover, the foregoing considerations, and considerations of due process, comity and state sovereignty, bar any attempts to punish Hilton, except to the extent the alleged conduct had a direct impact in this State and a direct nexus to the specific harm suffered by Starwood.

ELEVENTH AFFIRMATIVE DEFENSE

Starwood's claims for punitive damages are barred to the extent they are based upon conduct unrelated to Starwood's alleged harm. Moreover, any award of punitive damages that is disproportionate to the amount of actual damages, that does not bear reasonable relationship to actual damages and that does not correlate to the actual cause of any injury to Starwood, violates

Hilton's rights under the Due Process clause of the Fourteenth Amendment to the United States Constitution and the cognate provisions of applicable state constitutions.

Hilton incorporates herein any applicable affirmative defenses asserted by any other defendants. Hilton reserves the right to plead any additional affirmative defenses as they become known or available during the pendency of this action.

WHEREFORE, Hilton respectfully requests that the Court enter judgment in its favor, dismissing all claims against it with prejudice, and granting costs and other relief as the Court may deem just and proper.

Dated: New York, New York
July 16, 2010

KASOWITZ, BENSON, TORRES
& FRIEDMAN LLP

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