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AA, Sabre Lay Down Swords In Middle Of Antitrust Trial

By **Jess Davis**

Law360, Dallas (October 31, 2012, 6:17 PM ET) -- A week into a Texas state trial, American Airlines Inc. agreed to settle for an undisclosed sum its claims that Sabre Inc. conspired to block the airline from launching a competing ticketing service, and renewed a contract that will keep American's flights in Sabre's distribution system, the companies announced Wednesday.

The settlement agreement cut short what could have been a two-month trial, in which American claimed it was owed \$993 million for Sabre's anti-competitive attempts to shut down a competing service the airline offered, called AA Direct Connect, and also ended American's federal suit against the company. By renewing its contract with Sabre, American puts to rest questions over whether it would pull its flights from Sabre's global distribution system. The companies were operating under a tentative agreement that would have expired 14 days after the trial ended.

American accused Sabre of wrongfully biasing search results against American flights, organizing a travel agent boycott and convincing other ticket distributors to team up against the airline. Sabre said its move to discourage travel agents from booking flights on American was an authorized contractual penalty.

In a joint statement, the companies said they planned to move forward and would continue to work together.

"Sabre and American Airlines announce they have settled their disputes and have renewed their current distribution agreement for multiple years," the companies said. "American has also agreed to negotiate with Sabre for additional technology services in the future."

The companies would not say how much Sabre agreed to pay American or how many years the contract renewal will last. A federal bankruptcy judge overseeing AMR Corp.'s restructuring must approve the terms of the settlement agreement and contract renewal before they are finalized.

An American spokesman said the airline would continue to pursue its antitrust claims in Texas federal court against Travelport LLC and Orbitz Worldwide LLC, but had dropped Sabre as a defendant in that case.

The joint statement said American would continue to develop its AA Direct Connect service, which allows corporate clients to book flights directly through the airline instead of through an intermediary like Sabre, and which was at the heart of the dispute between the two companies. American accused Sabre's CEO, president and several other highest-ranking executives of concocting a complicated and secret plan in 2006 to kill Direct Connect as soon as they learned American's plans.

American said after it launched the service in 2009, it was careful to toe the line of its contract with Sabre and did not market the program to travel agents. Sabre said American breached the contract by talking about Direct Connect to trade publications and at an industry conference, triggering provisions in the contract that allowed Sabre to raise the fees it charged the airline and bias search results to hurt American's bookings.

American is represented by Yolanda Garcia, Michelle Hartmann and Robert S. Velevis of Weil Gotshal & Manges LLP, MJ Moltenbrey of Paul Hastings LLP, Paul Yetter of Yetter Coleman LLP and Bill F. Bogle and Ronald Johnson of Harris Finley & Bogle PC.

Sabre is represented by George Cary, Kenneth Reinker, Steven J. Kaiser and Larry Work-Dembowski of Cleary Gottlieb Steen & Hamilton LLP, Donald Scott, Chris Lind, Karma Giulianelli and Andrew Polovin of Bartlit Beck Herman Palenchar & Scott LLP and Ralph H. Duggins, Scott A. Fredricks and Philip Vickers of Cantey Hanger LLP.

The case is American Airlines Inc. v. Sabre Inc. et al., case number 067-249214-10, in Tarrant County, Texas, District Court.

--Editing by Eydie Cubarrubia.

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