

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

UNITED STATES OF AMERICA,)	
)	
<i>Plaintiff,</i>)	
)	
v.)	Civil Action No. 19-cv-01548-LPS
)	
SABRE CORPORATION,)	
SABRE GLBL INC.,)	
FARELOGIX, INC., and)	
SANDLER CAPITAL PARTNERS V, L.P.,)	
)	
<i>Defendants.</i>)	
)	

ANSWER OF DEFENDANTS SABRE CORPORATION AND SABRE GLBL INC.

Defendants Sabre Corporation and Sabre GLBL Inc. (together, “Sabre”) by and through their undersigned counsel, answer as follows the allegations of the Complaint filed on August 20, 2019 (the “Complaint”), by the United States (“Plaintiff”). Except for those allegations expressly admitted herein, Sabre denies each and every allegation in the Complaint. Except as noted herein, Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations regarding statements made in internal documents by Farelogix, Inc. (“Farelogix”), or any other allegations regarding non-public statements, commercial plans, or intentions of companies other than Sabre’s. Sabre expressly denies that Plaintiff is entitled to the relief requested or any other relief. Sabre reserves the right to amend this Answer.

PRELIMINARY STATEMENT

Plaintiff claims that Sabre’s acquisition of Farelogix (the “Acquisition”) is “a dominant firm’s attempt to eliminate a disruptive competitor.” Nothing could be further from the truth.

First, Sabre is not dominant. It is one of three major global distribution systems (“GDSs”) in the world. In fact, it is not even the largest GDS in the world—Amadeus is the leading global GDS, and Sabre competes against it, Travelport and others to serve both airline and travel agency customers. Further, Sabre faces new competition from tech giants in this space, such as Google and SAP, further undermining Plaintiff’s unsupported claim of Sabre’s “dominance.”

Second, Farelogix is not disruptive today and will not become so in the future. Revenues in the United States generated by the Farelogix product identified in the Complaint—Open Connect—were only \$7 million last year. Notably absent in Plaintiff’s Complaint is any reference to Farelogix’s market share, which is no surprise because it is close to zero in the two markets Plaintiff alleges.

Nor is Farelogix unique. Although it was an early developer of the New Distribution Capability (“NDC”) technology, that technology is not patent-protected. Instead, it is an open standard freely available to all and used to create NDC API software solutions that enable communication among industry participants.¹ New developers of NDC-enabled airline IT solutions have been entering the marketplace at a rapid pace—in fact, there are at least 39 companies that IATA recognizes as Level 4 certified or capable, the highest level of NDC capability, a level which Farelogix itself did not achieve until this year. Several of these companies have bid against Farelogix for airline contracts and won.

Farelogix is a small company with limited resources, limited adoption of its products, and problems in scaling its infrastructure. These challenges have prevented Farelogix from growing the number of transactions it could process for the few airline customers it serves. Also,

¹ Farelogix donated its code to the International Air Transport Association (“IATA”). IATA is a trade association of global airlines. In 2015, IATA launched the “NDC Program” for the development of the XML-based NDC standard.

because it is not a GDS, Farelogix has no travel agent network, has no plans to try to build one, and provides no service or support to travel agencies. Farelogix's business model focuses on airlines, and its lack of travel agent functionality and service has inhibited travel agency use of its products. These real-world considerations explain why, after being in existence for 20 years, Farelogix is still a small company that provides a limited suite of IT solutions to a small number of airline customers. Simply put, Farelogix is not poised to disrupt as Plaintiff mistakenly suggests.

Third, Sabre is buying Farelogix to build an integrated NDC-based, end-to-end platform for retailing, distribution, and fulfillment capabilities, not to kill it. Sabre's closest competitor Amadeus has already built such a solution and has announced partnerships with a number of airlines. This transaction will enable Sabre to better compete with Amadeus, the largest GDS in the world, by combining Farelogix's NDC and retailing capabilities with Sabre's travel agent network and global footprint.

As further proof, Sabre's purchase price is fully justified by its expected efficiencies of using Farelogix to create an integrated end-to-end solution and in no way reflects a premium to take Farelogix off the market. If Farelogix offered the disruptive force that Plaintiff claims, the company's valuation should have been in excess of \$1 billion and an airline or other industry participant would have offered Farelogix multiples of Sabre's purchase price. No one has.

Indeed, Sabre has no plans to "kill" Farelogix: Sabre has publicly committed to the industry to extend any existing Farelogix contracts and any existing Sabre GDS contracts on the same terms for a period of at least three years. Sabre has also committed to offer any of Farelogix's products at the same prices available today, and to support and invest in those

products at the same level or higher. This commitment alone rebuts Plaintiff's unsupported allegation that Sabre intends to "kill" Farelogix.

Fourth, Plaintiff's case is riddled with errors. It alleges a United States market for "booking services," a product that does not exist in the real world. In the real world, Sabre provides GDS services to both airlines and travel agencies; Farelogix does not. Farelogix sells airlines NDC API software and related support; Sabre, to date, has not. Plaintiff alleges a U.S. market for these "booking services," even though it is clear that the markets Sabre and Farelogix serve are global. Indeed, Plaintiff notes that Farelogix has over 15 airline customers but neglects to mention that 13 of them are foreign airlines. Further, Plaintiff identifies "booking services" sold to airlines for use in indirect channels as a separate market, but NDC API software solutions are used by airlines across all channels, direct and indirect. Plaintiff also ignores all of Farelogix's competitors that have actually won bids in the last two years, the airlines that have developed the same capabilities in-house, and the new entrants poised to enter the market and compete.

Sabre is not alone in its view that Plaintiff's case is fatally flawed:

- *Travel Weekly* Contributing Editor Mark Pestronk called Plaintiff's assertion that Farelogix is a growing threat to Sabre "absurd" and said that rather than leading to "'increased prices, reduced quality and less innovation,' it is easy to see how the acquisition could result in the opposite." Mark Pestronk, "DOJ antitrust suit against Sabre has no merit," *Travel Weekly* (Sept. 5, 2019), <https://www.travelweekly.com/Mark-Pestronk/DOJ-antitrust-suit-against-Sabre-has-no-merit>.

- Atmosphere Research Group founder Henry Harteveltd told *Travel Weekly* that Plaintiff's suit is "patently ridiculous." Harteveltd commented that "Farelogix really hasn't positioned itself as a distribution company in a long time" and "what Farelogix brings to Sabre is an ability for Sabre to be a better retailer." Jamie Biesiada, "Sabre says DOJ suit mischaracterizes Farelogix acquisition," *Travel Weekly* (Aug. 22, 2019), https://www.travelweekly.com/Travel-News/Travel-Technology/Sabre-says-DOJ-suit-mischaracterizes-Farelogix-acquisition?oly_enc_id=5123J1635890E5J.
- Staconnex President Marc Rosenberg told *The Beat* that airlines had choices for technology providers for NDC, stating: "There are too many competitors out there that are successful, especially on the NDC part of it." Jay Boehmer, "Airlines Mum on DOJ Suit to Block Sabre's Acquisition of Farelogix," *The Beat* (Aug. 23, 2019), <https://www.thebeat.travel/News/Airlines-Mum-On-DOJ-Suit-To-Block-Sabre-Farelogix>.
- Pass Consulting CEO Michael Strauss agreed there is significant competition in the industry, saying that "not all airlines use Farelogix for NDC" and "there will be other horses in the race" to compete for opportunities. *Id.*

Clearly, industry experts agree that this suit is misguided and out of step with the realities of the marketplace.

This Acquisition will lead to *more* competition, not less. Plaintiff's view of the industry and its Complaint as a whole are backward-looking. Merger analysis, however, is forward-looking. Sabre's recently installed management, led by CEO Sean Menke, a former airline executive, is pursuing this Acquisition to provide technology to move the industry forward in an

NDC-enabled world. This Acquisition, and the technology and talent that Sabre and Farelogix together can deliver, will permit Sabre to achieve its goal of developing an end-to-end retailing, distribution and fulfillment platform in an accelerated timeframe to compete with Amadeus, the true market leader in this space.

For these reasons and others described below and to be presented at trial, Plaintiff's claims are without merit.

SPECIFIC RESPONSES TO PLAINTIFF'S ALLEGATIONS

I. INTRODUCTION

Paragraph No. 1:

Airlines sell tickets to travelers directly through their websites and call centers and indirectly through traditional brick-and-mortar and online travel agencies. Travel agencies are a crucial distribution channel for airlines because many travelers, especially business travelers, rely on travel agencies to book and manage their travel. Nearly 50 percent of airline bookings in the United States are made through travel agencies. To sell tickets through travel agencies, airlines require booking services. Booking services are IT solutions that enable airlines to deliver their offers to travel agencies and to process resulting orders.

Response to Paragraph No. 1:

Sabre admits the first sentence of Paragraph No. 1. Sabre denies the allegations in the second sentence of Paragraph No. 1, except Sabre admits that admits that travel agencies, in particular travel management companies, are a distribution channel to serve business travelers. Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the third, fourth and fifth sentences of Paragraph No. 1, and therefore denies these allegations. In particular, Sabre is not aware of any product for "booking services" provided by Sabre, the other GDSs, or any supplier of airline IT solutions. Rather, Sabre offers a host of other functionalities and services to its travel agent network beyond airline ticket bookings, such as access to a broad range of travel service providers, including airlines, hotels, rental cars, cruise

ships and tour groups, amongst others; sophisticated schedule construction logic; robust comparison shopping; commercially pragmatic interlining capabilities; corporate policy application and adherence; mid- and back-office processing and support; comprehensive reservation management; 24-hour travel agency support; automation, scripting and other agency support functionality; and duty of care and reporting services.

Paragraph No. 2:

Historically, airlines have relied on booking services provided by Sabre and the other two global distribution systems (“GDSs”) to sell their tickets through travel agencies in the United States. Sabre’s GDS is a computerized system that helps travel suppliers, such as airlines, market and distribute their fares and scheduling information to travel agencies and the traveling public. Sabre and the other two GDSs have resisted innovation, while charging airlines high booking fees for services that lack the functionality airlines and travelers demand. The GDSs’ outdated technology has limited airlines’ ability to sell—and travelers’ ability to choose from—airlines’ entire suite of offerings.

Response to Paragraph No. 2:

Sabre lacks knowledge or information sufficient to form a belief as to the first sentence of Paragraph No. 2, and therefore denies this allegation. Sabre admits the second sentence of Paragraph No. 2. Sabre denies the allegations in the third and fourth sentences of Paragraph No. 2.

Paragraph No. 3:

For well over a decade, the GDSs have thwarted attempts by new, innovative competitors such as Farelogix to inject much-needed competition into this industry. As Farelogix’s CEO told the European antitrust authorities in early 2018, the “GDSs continue to leverage significant market power to preserve their market position and stifle innovation.”

Response to Paragraph No. 3:

To the extent that the allegations in the first sentence of Paragraph No. 3 are directed at Sabre, Sabre denies the allegations. To the extent the allegations in the first sentence of Paragraph No. 3 are directed at others, Sabre lacks knowledge or information sufficient to form a

belief as to the truth of the allegations and therefore denies the allegations. Sabre lacks knowledge or information sufficient to form a belief as to the truth of the second sentence of Paragraph No. 3 and therefore denies this allegation.

Paragraph No. 4:

Farelogix has emerged as an innovator that threatens to erode Sabre's dominance in booking services for air travel. Farelogix offers an alternative booking services solution, Open Connect, that allows airlines to bypass the GDSs and connect directly to travel agencies. By offering airlines an alternative, Farelogix has given them leverage to negotiate lower GDS booking fees and to reduce their reliance on the GDSs for booking services.

Response to Paragraph No. 4:

Sabre denies the first sentence of Paragraph No. 4. Sabre lacks knowledge or information sufficient to form a belief as to what constitutes a "booking services solution," and therefore denies the allegations in the second sentence of Paragraph No. 4, except admits that Farelogix offers a product called Open Connect that can connect a single airline directly to a single travel agent. Sabre denies the allegations in the third sentence of Paragraph No. 4.

Paragraph No. 5:

Farelogix has also pioneered a next-generation technology standard called "New Distribution Capability," or NDC. NDC technology, which powers Farelogix's Open Connect, is poised to transform airline distribution. Unlike the legacy GDS technology, NDC empowers airlines to make a broader, more personalized range of offers to travelers booking through travel agencies. For example, NDC could allow an airline to offer a traveler a bundled fare including priority boarding, in-flight internet, and a morning snack for her weekly flight from Philadelphia to Chicago.

Response to Paragraph No. 5:

Sabre denies the first sentence of Paragraph No. 5, except admits that Farelogix played a role in the beginning stages of developing the NDC technology that now is available to any IT developer as an open standard for software. Sabre denies the second sentence of Paragraph No. 5. Sabre denies the third sentence of Paragraph No. 5 except admits that one of NDC's potential

functions is to permit airlines to make more personalized offers to travelers. Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the fourth sentence of Paragraph No. 5 and denies them on that basis.

Paragraph No. 6:

Sabre has resisted innovation and opposed adoption of NDC. Sabre was so threatened by NDC that in 2013 it urged the Department of Transportation to block approval of the standard. Farelogix called out Sabre's "ulterior motive" for opposing NDC, stating that "today's battle is one of old vs. new, with the dominant players in the old technology trying to prevent, or at the very least delay, the implementation of the new standard in order to retain artificial control of the distribution marketplace." Sabre now claims to have accepted NDC, but just last year Farelogix described to European antitrust authorities some of the tactics Sabre and the other major GDSs have deployed in what Farelogix characterized as their "decade of resistance" to innovation. These tactics include what Farelogix described as the GDSs' strategy to "Undermine and delay NDC even if embracing it on the surface."

Response to Paragraph No. 6:

Denied. To the extent that the second, third, fourth and fifth sentences of Paragraph No. 6 purport to quote documents and/or testimony, Sabre respectfully refers the Court to the documents and/or testimony cited therein in their entirety for a complete and accurate description of their contents.

Paragraph No. 7:

Recognizing the competitive threat posed by Farelogix, Sabre for years has tried to box Farelogix out of the industry. According to its own internal documents, Sabre took steps to "shut down" Farelogix after it began gaining customers. Farelogix itself has complained that Sabre pressured airlines not to use Farelogix's booking services and retaliated against airlines that did. Indeed, in 2018, Farelogix's CEO told another potential purchaser of the company that for Farelogix's booking services solution, "the slow adoption was solely and inarguably due to the blocking and pressure the GDSs put on Farelogix, airlines, and travel agents not to adopt."

Response to Paragraph No. 7:

Denied. To the extent that the second, third and fourth sentences of Paragraph No. 7 purport to quote documents and/or testimony, Sabre respectfully refers the Court to the

documents and/or testimony cited therein in their entirety for a complete and accurate description of their contents.

Paragraph No. 8:

Additionally, Sabre's and the other GDSs' contracts with airlines and travel agencies restrict airlines' ability to avail themselves of cheaper, more advanced booking services solutions. As recently as 2018, Farelogix denounced these restrictions, complaining that airlines' GDS contracts "effectively prohibit working with third parties or make doing so cost prohibitive." In January 2019, a Sabre senior vice president acknowledged that airlines view Sabre's restrictions as "abusive but there's nothing they can do because they need the distribution and they are tied with a contract."

Response to Paragraph No. 8:

Sabre denies the allegations in the first sentence of Paragraph No. 8. To the extent that the allegations in the first sentence of Paragraph No. 8 are directed at other GDSs, Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis denies the allegations in their entirety. Sabre further responds that its contract provisions are designed to provide the broadest set of airline content to travel agencies to ensure they have access to as many fares as possible when travelers shop for airline tickets, and to ensure they can deliver the best fare at the lowest possible price. To the extent that the second and third sentences of Paragraph No. 8 purport to quote documents and/or testimony, Sabre respectfully refers the Court to the documents and/or testimony cited therein in their entirety for a complete and accurate description of their contents.

Paragraph No. 9:

Notwithstanding these tactics, Farelogix—thanks to its innovative technology and competitive pricing—has managed to grow its booking services customer base from one airline in the mid-2000s to over 15 today. As airlines and travel agencies continue to demand and adopt its industry-leading NDC technology, Farelogix is a greater threat to Sabre than ever before.

Response to Paragraph No. 9:

Sabre denies engaging in any “tactics” as suggested in the first sentence of Paragraph No. 9. Sabre lacks knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations in the first sentence in Paragraph No. 9 and on that basis denies them. Sabre denies the second sentence of Paragraph No. 9.

Paragraph No. 10:

Sabre now seeks to eliminate its disruptive competitor once and for all. Sabre executives have acknowledged that acquiring Farelogix would eliminate a competitive threat and allow Sabre to charge higher prices. In a presentation to Sabre’s CEO, Sabre executives emphasized that buying Farelogix would “Mitigate risk from potential GDS bypass.” And on the day Sabre announced its proposed acquisition of Farelogix, a Sabre sales executive texted a colleague that one major U.S. airline would “hate” it. The colleague replied, “Why, because it entrenches us more?” The Sabre sales executive responded that Farelogix has been that airline’s “Trojan horse to f*** us” and observed that the airline’s “FLX [Farelogix] bill is going up big time.”

Response to Paragraph No. 10:

Denied. To the extent that the second, third, fourth, fifth and sixth sentences of Paragraph No. 10 purport to quote documents or testimony, Sabre respectfully refers the Court to the documents and/or testimony cited therein in their entirety for a complete and accurate description of their contents.

Paragraph No. 11:

If allowed to proceed, Sabre’s acquisition of Farelogix would likely result in increased prices, reduced quality, and less innovation for booking services, causing substantial harm to airlines and American travelers.

Response to Paragraph No. 11:

Denied.

Paragraph No. 12:

The proposed transaction is likely to substantially lessen competition in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18. The Court, therefore, should enjoin this transaction.

Response to Paragraph No. 12:

The allegations in Paragraph No. 12 consist of Plaintiff's conclusions of law and characterization of its claims, to which no response is required. To the extent that the allegations in Paragraph No. 12 are deemed to require a response, Sabre denies those allegations.

II. DEFENDANTS AND THE PROPOSED TRANSACTION

Paragraph No. 13:

Sabre, a travel technology company based in Southlake, Texas, operates the largest GDS in the United States. All major U.S. airlines distribute offers to travel agencies through the Sabre GDS. Sabre's 2018 revenues were approximately \$3.9 billion. Sabre is the ultimate parent entity of Sabre GLOB Inc., Sabre's principal operating subsidiary and its signatory to the merger agreement with Farelogix.

Response to Paragraph No. 13:

Sabre lacks knowledge or information sufficient to form a belief as to what constitutes the "largest" GDS in the United States and on that basis, denies the allegations in the first sentence of Paragraph No. 13. Sabre lacks knowledge or information sufficient to form a belief as to what constitutes "[a]ll major U.S. airlines" and on that basis denies the allegations in the second sentence of Paragraph No. 13. Sabre admits the third and fourth sentences of Paragraph No. 13.

Paragraph No. 14:

Farelogix, a travel technology company based in Miami, Florida, sells airlines a next-generation booking services solution called Open Connect, as well as other IT solutions. Open Connect provides low-cost booking services for airlines selling tickets through travel agencies. Farelogix earned approximately \$42 million in revenues in 2018. Farelogix is owned by Sandler Capital Partners V, L.P. ("Sandler"), a private equity fund and a signatory to Sabre's merger agreement with Farelogix.

Response to Paragraph No. 14:

Sabre lacks knowledge or information sufficient to form a belief as to what constitutes “a next-generation booking services solution” or “low-cost booking services” and on that basis denies the allegations in the first and second sentences of Paragraph No. 14. Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the third sentence of Paragraph No. 14 and on that basis denies those allegations. Sabre admits the fourth sentence of Paragraph No. 14.

Paragraph No. 15:

Sandler conducted a limited sale process in seeking a buyer for Farelogix. At least one other potential buyer—not a competitor—was seriously interested and offered a substantial price. But Sabre—a competitor—ultimately offered a higher price.

Response to Paragraph No. 15:

Denied.

Paragraph No. 16:

On November 14, 2018, Sabre agreed to acquire Farelogix in a transaction valued at approximately \$360 million.

Response to Paragraph No. 16:

Admitted.

III. JURISDICTION AND VENUE

Paragraph No. 17:

The United States brings this action, and this Court has subject-matter jurisdiction, under Section 15 of the Clayton Act, 15 U.S.C. § 25, to prevent and restrain Defendants from violating Section 7 of the Clayton Act, 15 U.S.C. § 18.

Response to Paragraph No. 17:

The allegations in Paragraph No. 17 are legal conclusions and therefore do not require a response. However, Sabre does not contest that the Court has subject-matter jurisdiction over

this dispute and on that basis admits that the Court has jurisdiction in this matter, but denies that Sabre's acquisition of Farelogix violates Section 7 of the Clayton Act.

Paragraph No. 18:

Defendants are engaged in, and their activities substantially affect, interstate commerce. Sabre and Farelogix both provide booking services to airlines that serve travelers throughout the United States.

Response to Paragraph No. 18:

The allegations in the first sentence of Paragraph No. 18 are legal conclusions and therefore do not require a response. To the extent that a response is required, Sabre admits the allegations in the first sentence of Paragraph No. 18. Sabre lacks knowledge or information sufficient to form a belief as to what constitutes "booking services" and on that basis denies the allegations in the second sentence of Paragraph No. 18.

Paragraph No. 19:

Venue is proper under Section 12 of the Clayton Act, 15 U.S.C. § 22, and under 28 U.S.C. §§ 1391(b) and (c).

Response to Paragraph No. 19

The allegations in Paragraph No. 19 are legal conclusions and therefore do not require a response. However, Sabre does not contest that venue is proper in this district and on that basis admits Paragraph No. 19.

Paragraph No. 20:

This Court has personal jurisdiction over each Defendant. Sabre, Sabre GLOB Inc., and Farelogix are incorporated in the State of Delaware and are inhabitants of this District. Sandler is a Delaware limited partnership and is an inhabitant of this District. Sabre, Farelogix, and Sandler have consented to personal jurisdiction in this District for purposes of this lawsuit. The proposed acquisition would have effects throughout the United States, including in this District.

Response to Paragraph No. 20:

The allegation in the first sentence of Paragraph No. 20 is a legal conclusion and therefore does not require a response. However, Sabre does not contest that the Court has personal jurisdiction as to it and on that basis admits to the allegations in the first and fourth sentences only to the extent they are directed to Sabre. Sabre otherwise lacks knowledge or information sufficient to form a belief as to the truth of these allegations, and therefore denies them. Sabre admits the second sentence of Paragraph No. 20. Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the third and fifth sentences of Paragraph No. 20 and on that basis denies those allegations.

IV. INDUSTRY BACKGROUND

A. Sabre Dominates Airline Bookings through Travel Agencies

Paragraph No. 21:

For many airlines, travel agencies are an essential sales channel. Many travelers, especially business travelers, book their flights through travel agencies because they have specific needs or their employer requires them to do so. Sales to these travelers account for a substantial portion of revenue for many airlines.

Response to Paragraph No. 21:

Sabre denies the first sentence of Paragraph No. 21. Sabre admits that some travelers book flights through travel agencies because they have specific needs. However, Sabre lacks knowledge or information sufficient to form a belief about the truth of the remaining allegations in the second and third sentences of Paragraph No. 21 and on that basis denies those allegations.

Paragraph No. 22:

The GDSs—Sabre, Amadeus, and Travelport—operate computerized systems that allow travel agencies to search for and book flights across multiple airlines. In response to a query from a travel agent, a GDS pulls fare and schedule information from multiple data sources to construct an airline offer, consisting of a fare on a specific flight. The GDS then aggregates offers from multiple airlines so that the travel agent can compare travel options and book the

traveler's chosen itinerary. Thus, the GDSs provide three main functions: they help airlines construct the initial offer (offer creation); they aggregate offers across multiple airlines (offer aggregation); and they enable airlines to deliver their offers to travel agencies and to process resulting orders (booking services). Farelogix and Sabre compete to provide booking services to airlines.

Response to Paragraph No. 22:

To the extent that the allegations in the first, second and third sentences of Paragraph No. 22 are directed at Sabre, Sabre admits that Sabre operates a computerized system to allow travel agencies to search for and book flights across multiple airlines, that Sabre provides offer creation services and that Sabre aggregates and allows for the comparison of offers. Sabre further states that it provides many additional computerized services to airlines and travel agencies. Sabre denies the remaining allegations set forth in Paragraph No. 22 to the extent they are directed to Sabre. To the extent that the allegations in Paragraph No. 22 are directed at others, Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis denies the allegations. Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the fourth and fifth sentences of Paragraph No. 22 because "booking services" is not a recognized or defined term in the travel industry and on that basis denies those allegations.

Paragraph No. 23:

Under the traditional GDS payment model, a GDS charges an airline a "booking fee" for each flight segment a travel agency books through the GDS. The GDS then pays an incentive to the travel agency as an inducement to book through the GDS.

Response to Paragraph No. 23:

Denied.

Paragraph No. 24:

Airlines sell tickets to travelers through two main types of travel agencies:

traditional travel agencies and online travel agencies. Traditional travel agencies consist of travel management companies, which serve business travelers, and other brick-and-mortar travel agencies, which serve a mix of travelers, including leisure travelers with complex travel itineraries, such as tour groups. Traditional travel agencies are an important distribution channel for airlines, representing approximately 25 percent of airlines' bookings made in the United States.

Response to Paragraph No. 24:

Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph No. 24 and on that basis denies those allegations, except that Sabre admits that airlines sell tickets to travelers through travel agencies.

Paragraph No. 25:

Business travelers book flights through travel management companies because they provide the extensive customer support and reporting functionality that business travelers typically require. Business travelers are the most profitable traveler segment for large, full-service airlines. Business travelers are particularly lucrative customers because they tend to travel more often and spend more than leisure travelers on purchases such as last-minute flights, refundable tickets, and premium seats.

Response to Paragraph No. 25:

Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph No. 25 and on that basis denies those allegations, except that Sabre admits that some business travelers book flights through travel management companies and that business travelers are the most profitable traveler segment for some airlines.

Paragraph No. 26:

Many traditional travel agencies use a single GDS to book air travel. Some use more than one GDS, but will still use a single GDS to serve a particular corporate client. Traditional travel agencies cannot readily switch between GDSs because of contractual and technical restrictions. A traditional agency typically enters into a long-term contract with a GDS that includes financial incentives committing the agency to book through that GDS and penalizing the agency for shifting bookings to alternative channels. Some traditional agencies also rely on other lines of Sabre's business for IT products. For example, many travel management companies in Sabre's network use mid- or back-office software supplied by Sabre to perform monitoring or reporting for their corporate clients. To ensure consistent support and reporting for their travelers, corporations typically rely on only one travel management company. Since traditional agencies

cannot easily switch between GDSs, each GDS effectively controls access to a distinct set of travelers. Thus, airlines must distribute through all three GDSs to reach all travelers who book their travel through traditional travel agencies.

Response to Paragraph No. 26:

Sabre lacks knowledge or information sufficient to form a belief as to what constitutes “traditional travel agencies” and therefore denies the allegations in Paragraph No. 26 on that basis. To the extent the allegations in Paragraph No. 26 relate to travel booked through travel management companies, Sabre denies the allegations.

Paragraph No. 27:

Sabre controls over 50 percent of bookings through traditional travel agencies in the United States, so airlines must sell tickets through Sabre to reach a broad set of U.S. travelers. Sabre has even greater control over airline bookings through travel management companies in the United States. For instance, on August 1, 2019, Sabre reported to investors that it has “over 80% share within large travel management companies” in North America.

Response to Paragraph No. 27:

Sabre lacks knowledge or information sufficient to form a belief about the allegations in the first sentence of Paragraph No. 27 and on that basis denies those allegations. Sabre denies the second sentence of Paragraph No. 27. To the extent that the third sentence of Paragraph No. 27 purports to quote documents or statements, Sabre respectfully refers the Court to the documents and/or statements cited therein in their entirety for a complete and accurate description of their contents.

Paragraph No. 28:

The second type of travel agency, online travel agencies, primarily serves cost-conscious leisure travelers. Leisure travelers book flights through online travel agencies like Expedia or Priceline because they can comparison shop and book flights, hotels, and car rentals on the same website. Online travel agencies are an important distribution channel for airlines, representing about 20 percent of airline bookings made in the United States. Sabre accounts for approximately 50 percent of airlines’ online travel agency bookings in the United States. Thus, airlines risk losing a significant amount of revenue if they forgo using the Sabre GDS to sell tickets through online travel agencies in the United States.

Response to Paragraph No. 28:

Sabre denies the first sentence of Paragraph No. 28 but admits that online travel agencies are a form of travel agency and admits that travelers use them to comparison shop for booking their travel needs, but Sabre further responds that travelers also use meta-aggregators, such as Google Flights or Kayak, which also allow them to comparison shop for flights, hotels, and car rentals and then direct the traveler to the airline's own website to make the booking. Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the second, third, fourth and fifth sentences of Paragraph No. 28 and on that basis denies those allegations.

B. Farelogix Is a Competitive Threat to Sabre

Paragraph No. 29:

Over the years, a number of firms, such as ITA Software and G2 Switchworks, have tried and failed to introduce viable alternatives to Sabre and the other GDSs. Farelogix has succeeded where others have failed through persistence and a commitment to innovation. In 2005, Farelogix began working with American Airlines to develop a way to reach travel agencies directly without going through a GDS. Farelogix's "direct connect" solution (the forerunner to Open Connect) gave American and other airlines a lower-cost way to sell tickets through travel agents and avoid paying the GDSs' high booking fees.

Response to Paragraph No. 29:

Sabre denies the first sentence of Paragraph No. 29 except that it admits that ITA and G2 Switchworks both said they attempted to create "direct connect" solutions, which would connect a single airline with a single travel agent. To the extent that the allegations in the first sentence of Paragraph No. 29 are directed at other GDSs, Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis denies the allegations in their entirety. Sabre denies the second sentence of Paragraph No. 29. Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in the third and fourth

sentences of Paragraph No. 29 and on that basis denies those allegations. To the extent that the allegations in the fourth sentence of Paragraph No. 29 are directed at other GDSs, Sabre lacks knowledge or information sufficient to form a belief as to truth of the allegations and on that basis denies the allegations in their entirety.

Paragraph No. 30:

Farelogix has led the development of NDC, a next-generation data transmission standard that facilitates advanced communications between airlines and travel agents. NDC enables airlines to distribute more complex offers than the legacy GDS technology can support. Consequently, NDC is widely expected to address many of the current limitations of airline distribution, to the benefit of airlines, travel agents, and travelers. Farelogix's Open Connect is powered by NDC technology. Open Connect offers airlines an alternative to booking through a GDS and greater ability to offer ancillary products and services, such as in-flight WiFi or lounge access, through travel agencies. Farelogix charges airlines a flat subscription fee and a small fee for each booking enabled by Open Connect.

Response to Paragraph No. 30:

Sabre denies the first sentence of Paragraph No. 30. Sabre denies the second sentence of Paragraph No. 30 except admits that one purpose of NDC is to permit more complex offers through all channels, both direct and indirect. Sabre denies the third sentence of Paragraph No. 30. Sabre lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations in Paragraph No. 30 and on that basis denies those allegations.

Paragraph No. 31:

With NDC, the airline, rather than the GDS, controls the content of the airline's offers, and the airline selects the IT solution used for booking services. An airline can use a booking services solution such as Farelogix's Open Connect to reach a travel agency directly, or it can distribute its offers through Open Connect to a third-party aggregator or a GDS to perform the aggregation function for the travel agency.

Response to Paragraph No. 31:

Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph No. 31 and on that basis denies those allegations.

Paragraph No. 32:

For over a decade, Farelogix's airline customers have successfully used the threat of switching to Farelogix's booking services solutions to negotiate better rates and terms with Sabre and the other GDSs for bookings through both traditional and online travel agencies.

Response to Paragraph No. 32:

Denied.

C. Sabre Has Impeded Farelogix's Ability to Compete

Paragraph No. 33:

Shortly after Farelogix began gaining airline customers, Sabre launched an initiative to "shut down" Farelogix. Sabre took steps to prevent travel agencies from using Farelogix's solution in conjunction with Sabre's GDS, pressured travel agencies not to use Farelogix's services, and retaliated against airlines that worked with Farelogix. For example, in 2011, Sabre retaliated against American Airlines for working with Farelogix by burying American's flight options in the search results it distributed to travel agencies to make them less visible to travel agents. Farelogix accused Sabre of seeking to "punish" American for adopting Farelogix's technology.

Response to Paragraph No. 33:

Denied. To the extent that the allegations in Paragraph No. 33 purport to quote documents and/or statements, Sabre respectfully refers the Court to those documents and/or statements in their entirety for a complete and accurate description of their contents.

Paragraph No. 34:

Sabre has continued to use a broad range of contractual and technical barriers to prevent entry or expansion by suppliers that could threaten its control over bookings through travel agencies. For instance, Sabre's contracts include provisions that inhibit airlines' use of an alternative supplier like Farelogix, even when doing so would be less expensive for airlines. Sabre's contracts prevent airlines from offering special fares through cheaper distribution channels (such as Farelogix's Open Connect or an airline's own website) and require airlines to provide Sabre with the same content on as favorable terms as they provide the other GDSs. Sabre's contracts also restrict airlines from rewarding travel agencies for using alternative distribution options, making it difficult for airlines to encourage travel agencies to use Farelogix. Although these provisions limit airlines' ability to shift bookings to alternative distribution channels, many airlines accept them because Sabre controls access to a large number of travel agencies, and those travel agencies' customers are a critical source of the airlines' revenues.

Response to Paragraph No. 34:

Denied.

Paragraph No. 35:

Sabre's practices have hampered Farelogix's growth, prompting Farelogix to complain to the federal government in 2013 that "Sabre has wielded its monopoly power in an attempt to destroy Farelogix and prevent competition"

Response to Paragraph No. 35:

Denied. To the extent that the allegations in Paragraph No. 35 purport to quote documents and/or statements, Sabre respectfully refers the Court to those documents and/or statements in their entirety for a complete and accurate description of their contents.

D. Competition from Farelogix Has Loosened the GDSs' Grip on Bookings through Online Travel Agencies

Paragraph No. 36:

While Sabre's practices have limited Farelogix's ability to work with traditional travel agencies, Farelogix has been more successful in gaining a foothold in bookings through online travel agencies. Notably, two of the largest U.S. airlines use Farelogix to connect directly to one of the largest online travel agencies in the United States. As Sabre acknowledged less than a year ago, "Large OTAs [online travel agencies] are the most likely agency segment to disintermediate our GDS." Both Sabre and Farelogix expect that airlines will choose to use Farelogix for bookings through other online travel agencies, including the largest in the United States. According to one Sabre document, if this agency "strategically shifts volume out of the GDS channel," Sabre anticipates that "Other large OTAs [online travel agencies] will likely be fast followers to this strategy and build out their own connections" to airlines.

Response to Paragraph No. 36:

Sabre lacks knowledge or information sufficient to form a belief about the truth of the allegations in the first and second sentences of Paragraph No. 36 and on that basis denies those allegations. To the extent that the allegations in the third and fifth sentences of Paragraph No. 36 purport to quote documents and/or statements, Sabre respectfully refers the Court to those documents and/or statements in their entirety for a complete and accurate description of their

contents. To the extent that the allegations in the fourth sentence of Paragraph No. 36 are directed at Sabre, Sabre denies those allegations. To the extent the allegations in the fourth sentence of Paragraph No. 36 are directed at Farelogix, Sabre lacks the knowledge or information sufficient to form a belief as to the truth of the allegations and on that basis denies those allegations.

Paragraph No. 37:

Having Farelogix as an alternative to the GDSs has given airlines leverage to chip away at the traditional GDS payment model. Traditionally, GDSs charged airlines a fee for each flight segment a traveler booked through an online travel agency, just as they do for a traditional agency. Some airlines, however, have successfully used the threat of shifting bookings to Farelogix to move the GDSs to a “wholesale” payment model for certain online travel agencies. Under the wholesale approach, an airline does not pay the GDS a booking fee. Instead, the airline compensates the online travel agency directly and the online travel agency pays a technology fee to the GDS for each booking. This change, resulting from competition, has saved at least one U.S. airline millions of dollars per year.

Response to Paragraph No. 37:

Denied.

E. Competition from Farelogix Pushed Sabre to Update Its Own Booking Services Technology

Paragraph No. 38:

Competition from Farelogix’s next-generation technology also has driven Sabre to finally begin improving its own outdated technology. For years, Sabre and the other GDSs vehemently opposed the transition to NDC. As airlines and travel agencies began demanding the new capabilities pioneered by Farelogix, however, Sabre eventually started developing its own NDC booking services technology.

Response to Paragraph No. 38:

Denied.

Paragraph No. 39:

In 2017, recognizing that Farelogix was the leader in NDC technology, Sabre began developing a strategy to catch up. As airlines and travel agencies increasingly demanded next-generation technology, Sabre recognized that Farelogix was among the “most relevant threats” to

its business. (Likewise, Farelogix identifies Sabre as one of its “key competitors” in next-generation distribution.) Faced with this threat, Sabre developed its own plan to surpass Farelogix’s next-generation distribution capabilities by 2020. Indeed, the Sabre vice president leading the acquisition negotiations told Farelogix’s investment banker that if Farelogix declined to sell itself to Sabre, Sabre would be “too far down the path in our own plan” and “then we [Sabre] will be a really tough competitor for them [Farelogix].” Today, Sabre bids on NDC business in direct competition with Farelogix.

Response to Paragraph No. 39:

Denied. To the extent that the allegations in Paragraph No. 39 purport to quote documents and/or statements, Sabre respectfully refers the Court to those documents and/or statements in their entirety for a complete and accurate description of their contents.

F. Farelogix Is Poised to Compete Even More Intensely with Sabre

Paragraph No. 40:

In spite of Sabre’s efforts to hobble it, Farelogix has steadily built a sizeable base of major airline customers, including some of the largest airlines in the United States. Farelogix already processes more NDC transactions than any other airline technology company.

Response to Paragraph No. 40:

Sabre lacks knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph No. 40 and on that basis denies those allegations. Sabre further denies that it has undertaken any efforts to “hobble” Farelogix.

Paragraph No. 41:

As the industry continues to shift to NDC, Farelogix is poised to grow significantly. In April 2018, IATA, the airline industry trade association responsible for the standardization of NDC, launched a “leaderboard” of airlines that have committed to making 20 percent of their bookings through an NDC-enabled connection by 2020. Nearly half of the airlines on the leaderboard have chosen Farelogix’s Open Connect as their NDC booking services solution. Farelogix and Sabre both project that Farelogix revenues will grow as the adoption of NDC technology expands. Indeed, Sabre conservatively projected that airline tickets booked using Farelogix’s technology will nearly triple between 2018 and 2020.

Response to Paragraph No. 41:

Sabre denies the allegations in the first sentence of Paragraph No. 41. Sabre denies the allegations in the second sentence of Paragraph No. 41, except Sabre admits that IATA launched a “leaderboard” of airlines that have committed to booking 20 percent of their flights through an NDC-enabled connection by 2020. To the extent that the fourth sentence of Paragraph No. 41 purports to characterize documents or testimony, Sabre respectfully refers the Court to the documents and/or testimony cited therein in their entirety for a complete and accurate description of their contents.

Paragraph No. 42:

As demand for NDC grows, the industry is approaching a tipping point that threatens Sabre’s business model. A Sabre document from late 2018 recognizes that airlines view NDC as a “pivot point for model change, threatening the GDS.” In May 2019, Farelogix’s CEO stated that NDC is “past the inflection point” and “it now just becomes kind of the downhill slope of adoption.”

Response to Paragraph No. 42:

Sabre denies the allegations in the first sentence Paragraph No. 42. Sabre denies the remaining allegations in Paragraph No. 42 and, to the extent that those allegations purport to quote documents and/or statements, respectfully refers the Court to those documents and/or statements in their entirety for a complete and accurate description of their contents.

Paragraph No. 43:

Sabre’s proposal to buy Farelogix threatens to forestall this evolution. Instead of innovating to compete with Farelogix, Sabre has resorted to eliminating the competitive threat by acquiring Farelogix.

Response to Paragraph No. 43:

Denied.

V. RELEVANT MARKETS

Paragraph No. 44:

If not enjoined, the proposed transaction would result in anticompetitive effects in two relevant product markets: booking services for airline tickets sold through traditional travel agencies and booking services for airline tickets sold through online travel agencies.

Response to Paragraph No. 44:

The allegations in Paragraph No. 44 are legal conclusion and therefore do not require a response. To the extent that a response is required, Sabre denies the allegations in Paragraph No. 44.

A. Product Markets

1. Booking Services for Airline Tickets Sold through Traditional Travel Agencies

Paragraph No. 45:

Booking services for airline tickets sold through traditional travel agencies is a relevant product market. Traditional travel agencies are an important distribution channel for airlines because they serve the most lucrative travel segment, corporate travelers. Most airlines have no reasonable substitutes for the booking services that enable distribution through traditional travel agencies because these agencies control access to the vast majority of corporate travelers. Airlines and online travel agencies are not equipped to provide many of the services required by customers of traditional agencies; thus, airlines generally would be unable to convince these customers to book through alternate channels. A hypothetical monopolist likely would impose at least a small but significant and non-transitory price increase on booking services for airline tickets sold through traditional travel agencies. Accordingly, booking services for airline tickets sold through traditional travel agencies constitutes a relevant product market and line of commerce under Section 7 of the Clayton Act.

Response to Paragraph No. 45:

Sabre denies the allegations in the first sentence of Paragraph No. 45. Sabre denies the allegations in the second, third and fourth sentences of Paragraph No. 45, except Sabre admits that travel agencies are a distribution channel for airlines and that some travel agencies serve corporate travelers. The allegations in the fifth and sixth sentences of Paragraph No. 45 are legal

conclusions and therefore do not require a response. To the extent that a response is required, Sabre denies the allegations in the fifth and sixth sentences of Paragraph No. 45.

2. Booking Services for Airline Tickets Sold through Online Travel Agencies

Paragraph No. 46:

Booking services for airline tickets sold through online travel agencies is a relevant product market. Online travel agencies are an important distribution channel for airlines. Online travel agencies, such as Priceline and Expedia, cater primarily to cost-conscious leisure travelers. Distribution through online travel agencies represents about 20 percent of airlines' bookings in the United States. Airlines would be willing to pay more than they pay today for booking services rather than lose the opportunity to sell tickets through online travel agencies. A hypothetical monopolist likely would impose at least a small but significant and non-transitory price increase on booking services for airline tickets sold through online travel agencies. Accordingly, booking services for airline tickets sold through online travel agencies constitutes a relevant product market and line of commerce under Section 7 of the Clayton Act.

Response to Paragraph No. 46:

Sabre denies the allegations in the first sentence of Paragraph No. 46. Sabre admits that airlines distribute through online travel agents, but otherwise lacks knowledge or information sufficient to form a belief as to their importance and therefore denies the allegations in the second sentence of Paragraph No. 46. Sabre lacks knowledge or information sufficient to form a belief as to the allegations in the third, fourth and fifth sentences of Paragraph No. 46 and on that basis denies the allegations. The allegations in the sixth and seventh sentences of Paragraph No. 46 are legal conclusions and therefore do not require a response. To the extent that a response is required, Sabre denies the allegations in the sixth and seventh sentences of Paragraph No. 46.

B. Geographic Market

Paragraph No. 47:

The geographic market is the United States. A hypothetical monopolist of booking services for airline tickets sold through traditional travel agencies or online travel agencies in the United States would impose at least a small but significant and non-transitory increase in price for booking services. Accordingly, the markets for booking services for airline tickets sold through

traditional travel agencies in the United States and booking services for airline tickets sold through online travel agencies in the United States are relevant markets.

Response to Paragraph No. 47:

Denied.

C. The Acquisition Is Unlawful in Both Relevant Markets

Paragraph No. 48:

The Supreme Court has held that mergers that significantly increase concentration in already concentrated markets are presumptively anticompetitive and therefore presumptively unlawful. To measure market concentration, courts often use the Herfindahl-Hirschman Index (“HHI”). HHIs range from 0 in markets with no concentration to 10,000 in markets where one firm has 100 percent market share. Courts have found that mergers that increase the HHI by more than 200 and result in an HHI above 2,500 in any relevant market or line of commerce are presumed to be anticompetitive.

Response to Paragraph No. 48:

Denied, except Sabre admits that the Herfindahl-Hirschman Index is a method that has been used to measure market concentration.

Paragraph No. 49:

Sabre’s acquisition of Farelogix would significantly increase concentration in the already highly concentrated market for booking services for airline tickets sold through online travel agencies in the United States. The proposed acquisition would result in more than a 350-point increase in HHI and a post-transaction HHI of more than 4,000 in this market. Thus, the proposed acquisition is presumptively unlawful.

Response to Paragraph No. 49:

Denied.

Paragraph No. 50:

Sabre’s acquisition of Farelogix is also unlawful in the market for booking services for airline tickets sold through traditional travel agencies in the United States. This market is also highly concentrated today, with an HHI of over 3,500. While Farelogix’s current share in this market is small, largely due to the GDSs’ efforts to freeze it out, Farelogix has been a disruptive and uniquely important constraint on the GDSs in this market. As a result, the elimination of Farelogix as an independent competitor in this highly concentrated market is also likely to substantially lessen competition.

Response to Paragraph No. 50:

Denied.

Paragraph No. 51:

In both relevant markets, Farelogix's market share substantially understates its competitive significance in at least two respects. First, by offering airlines an alternative booking services solution to the GDSs, Farelogix has empowered airlines to negotiate lower prices and more favorable terms, even if the airline ultimately uses the GDS instead of Farelogix for booking services. Farelogix's competitive significance is therefore not fully reflected in its current market share. Second, Farelogix's current market share understates its competitive significance going forward. As the industry transitions from legacy to NDC technology, Farelogix is poised to grow significantly. Defendants' internal projections reflect this. In short, by eliminating a disruptive entrant with significant potential to grow and compete, the acquisition would substantially lessen competition in both relevant markets, to the detriment of airlines and travelers.

Response to Paragraph No. 51:

Denied.

VI. THE PROPOSED ACQUISITION IS LIKELY TO SUBSTANTIALLY LESSEN COMPETITION IN THE RELEVANT MARKETS

A. The Acquisition Would Eliminate Head-to-Head Competition between Sabre and Farelogix and Likely Lead to Higher Prices and Reduced Quality

Paragraph No. 52:

Airlines have successfully used the threat of shifting bookings to Farelogix to obtain better pricing in their GDS contracts on bookings made through traditional and online travel agencies. As Sabre recognized in its 2018 Annual Report, the expansion of "direct connect initiatives" (e.g., Farelogix) enables airlines "to apply pricing pressure on intermediaries [e.g., GDSs] and negotiate travel distribution arrangements that are less favorable to intermediaries."

Response to Paragraph No. 52:

Sabre denies the allegations in the first sentence of Paragraph No. 52. To the extent that the remaining allegations in Paragraph No. 52 purport to quote statements in Sabre's 2018 Annual Report, Sabre respectfully refers the Court to its 2018 Annual Report in its entirety for a complete and accurate description of its contents.

Paragraph No. 53:

Senior executives of both Sabre and Farelogix have recognized that the acquisition is likely to result in higher prices. Farelogix's CFO highlighted in August 2018 that if Sabre acquired Farelogix, it would be "taking out a strong competitor vs. continued competition and price pressure in market." He had previously noted that any GDS that acquired Farelogix "would increase control over airlines who are now using FLX [Farelogix] as a negotiation tool during contract renewals." Similarly, a Sabre sales executive, in a text to a colleague after this proposed acquisition was announced, observed that Farelogix's prices for one major U.S. airline would go up "big time" as a result of the deal.

Response to Paragraph No. 53:

Sabre denies the allegations in the first sentence of Paragraph No. 53. To the extent that the second, third and fourth sentences of Paragraph No. 53 purport to quote documents and/or testimony, Sabre respectfully refers the Court to the documents and/or testimony cited therein in their entirety for a complete and accurate description of their contents.

Paragraph No. 54:

The transaction will likely tighten Sabre's grip on the online travel agency market, where airlines have been most successful using competition from Farelogix to erode Sabre's market position. Farelogix has demonstrated that it is a credible alternative to Sabre by enabling major U.S. airlines to connect directly with online travel agencies and helping change the payment model in the online travel agency market. After acquiring Farelogix, Sabre's incentive to continue to offer these options on competitive prices and terms likely would be diminished.

Response to Paragraph No. 54:

Denied.

Paragraph No. 55:

U.S. full-service airlines are particularly likely to be harmed by the transaction. Distribution through traditional and online travel agencies located in the United States represents an especially significant portion of their revenue. These airlines' booking services needs are more complex than those of most other airlines that sell tickets in the United States due to their extensive hub-and-spoke networks, the nature of their business models, and the volume of transactions they process. In addition, these airlines cater to business travelers and hence are especially dependent on distribution through traditional travel agencies. For these reasons, U.S. full-service airlines face a different set of competitive constraints than other airlines. Because Sabre controls most of these airlines' bookings through U.S. travel agencies, Sabre has

significant leverage in negotiating with these airlines. By eliminating Farelogix, Sabre would gain additional negotiating leverage and could target these customers for price increases.

Response to Paragraph No. 55:

Denied.

B. The Acquisition Would Lessen Innovation

Paragraph No. 56:

The proposed acquisition also would likely reduce innovation, to the detriment of airlines, travel agencies, and travelers. Farelogix has been the driving force behind the industry's adoption of the NDC standard and the leader in developing new technology. With Farelogix's technology, airlines can make offers tailored to the needs of individual travelers booking through a travel agency—functionality Sabre's outdated GDS technology lacks.

Response to Paragraph No. 56:

Denied.

Paragraph No. 57:

Competition from Farelogix pushed Sabre to finally adopt NDC and develop next-generation booking services solutions. After fighting against the adoption of NDC for years, Sabre began investing in next-generation technology only after Farelogix began gaining traction.

Response to Paragraph No. 57:

Denied.

Paragraph No. 58:

Competition between Farelogix and Sabre to develop and sell next-generation booking services is already fierce. As the head of Sabre's deal team warned Farelogix's investment banker, if Sabre does not acquire Farelogix, Sabre would be "a really tough competitor" to Farelogix. Indeed, if the acquisition is enjoined, Farelogix would continue to act as a disruptor, developing new, innovative solutions in competition with Sabre. Farelogix has a strong incentive to innovate in order to reap the gains of its innovation. In contrast, Sabre's incentive to innovate is tempered by the threat innovative solutions pose to its traditional business model and aging technology. Without competition from an independent Farelogix, Sabre's incentive to invest and innovate in next-generation technology would be diminished.

Response to Paragraph No. 58:

To the extent that the second sentence of Paragraph No. 58 purports to quote documents and/or testimony, Sabre respectfully refers the Court to the documents and/or testimony cited therein in their entirety for a complete and accurate description of their contents. Sabre denies the remaining allegations in Paragraph No. 58.

C. No Countervailing Factors Would Prevent or Remedy the Acquisition's Likely Anticompetitive Effects

Paragraph No. 59:

New entry or expansion by existing competitors is unlikely to prevent or remedy the transaction's likely anticompetitive effects in the relevant markets. There are high barriers to building out a next-generation booking services solution comparable to Farelogix's Open Connect, including the difficulty and time required to integrate customized NDC connections into complex, unique IT systems like those of Farelogix's airline customers. Beyond these technical impediments, the GDSs' contracting practices—particularly provisions that inhibit airlines' use of alternative booking services providers—further heighten the barriers to entry. Despite these significant barriers, Farelogix has persisted for over 15 years, investing more than \$100 million in developing its innovative solutions. Through these efforts, Farelogix has emerged as a significant threat to Sabre. In-house airline solutions, sponsored entrants, and alternative next-generation booking services providers are unlikely to replace the competitive constraint posed by Farelogix in a timely and sufficient manner.

Response to Paragraph No. 59:

Denied.

Paragraph No. 60:

The proposed transaction will not result in verifiable, transaction-specific efficiencies in the relevant markets sufficient to outweigh the transaction's likely anticompetitive effects.

Response to Paragraph No. 60:

Denied.

VII. VIOLATION ALLEGED

Paragraph No. 61:

The United States alleges and incorporates paragraphs 1 through 60 as if set forth fully herein.

Response to Paragraph No. 61:

Sabre reasserts and incorporates its responses to paragraphs 1 through 60 as if set forth fully herein.

Paragraph No. 62:

Unless enjoined, Sabre's proposed acquisition of Farelogix is likely to substantially lessen competition in the relevant markets, in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18.

Response to Paragraph No. 62:

Denied.

Paragraph No. 63:

Among other things, the proposed acquisition would:

- (a) eliminate present and future competition between Sabre and Farelogix;
- (b) likely cause prices for booking services to be higher than they would be otherwise; and
- (c) likely reduce quality, service, choice, and innovation.

Response to Paragraph No. 63:

Denied.

VIII. REQUEST FOR RELIEF

Paragraph No. 64:

The United States requests that the Court:

- (a) adjudge Sabre's acquisition of Farelogix to violate Section 7 of the Clayton Act, 15 U.S.C. § 18;

- (b) permanently enjoin Defendants from consummating Sabre's proposed acquisition of Farelogix or from entering into or carrying out any other transaction by which control of the assets or businesses of Sabre and Farelogix would be combined;
- (c) award the United States its costs of this action; and
- (d) grant the United States such other relief as the Court deems just and proper.

Response to Paragraph No. 64:

The allegations in Paragraph No. 64 are requests for relief to which no response is required. To the extent that a response is required, Sabre denies these allegations.

DEFENSES

Without assuming the burden of proof that they would otherwise not bear under applicable law, Sabre asserts the following defense. Sabre reserves the right to assert and rely upon any other defenses that may become available or known to Sabre throughout the course of this action, and to amend, or seek to amend, its answer or defenses.

DEFENSE: The Complaint fails to state a claim upon which relief can be granted.

Respectfully Submitted,

/s/ Joseph O. Larkin

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