SUPREME COURT OF THE UNITED STATES

Syllabus

AMERICAN AIRLINES, INC. *v.* WOLENS ET AL.

CERTIORARI TO THE SUPREME COURT OF ILLINOIS

No. 93–1286. Argued November 1, 1994—Decided January 18, 1995

In consolidated state-court class actions brought in Illinois, plaintiffs (respondents here), as participants in American Airlines' frequent flyer program, challenged American's retroactive changes in program terms and conditions—particularly, American's imposition of capacity controls (limits on seats available to passengers obtaining tickets with frequent flyer credits) and blackout dates (restrictions on dates such credits could be used). Plaintiffs alleged that application of these changes to mileage credits they had previously accumulated violated the Illinois Consumer Fraud and Deceptive Business Practices Act (Consumer Fraud Act) and constituted a breach of contract. American answered that the Airline Deregulation Act of 1978 (ADA), 49 U. S. C. App. §1305(a)(1), preempted plaintiffs' claims. The ADA prohibits States from ``enact[ing] or enforc[ing] any law . . . or other provision having the force and effect of law relating to [air carrier] rates, routes, or services.''

While the Illinois class-action litigation was *sub judice,* this Court decided *Morales* v. *Trans World Airlines, Inc.,* 504 U. S. ___. *Morales* defined §1305(a)(1)'s ``relating to'' language to mean ``having a connection with or reference to airline `rates, routes, or services,''' *id.,* at ___, and held that National Association of Attorneys General (NAAG) guidelines on airline fare advertising were preempted under that definition. The Illinois Supreme Court, post-*Morales,* ruled that plaintiffs' monetary claims survived for state-court adjudication. Those claims related only ``tangential[ly]'' or ``tenuous[ly]'' to ``rates, routes, or services,'' the Illinois court reasoned, because frequent flyer programs are ``peripheral,'' not ``essential,'' to an airline's operation.

Held: The ADA's preemption prescription bars state-imposed regulation of air carriers, but allows room for court enforcement of contract terms set by the parties themselves. Pp. 6–15.

(a) *Morales* does not countenance the Illinois Supreme Court's separation of ``essential'' operations from unessential programs. Plaintiffs' complaints, accordingly, state claims ``relating to'' air carrier ``rates'' (*i.e.,* American's charges, in the form of mileage credits, for tickets and class-of-service upgrades) and ``services'' (*i.e.,* access to flights and upgrades unlimited by retrospectively applied capacity controls and blackout dates). P. 6.

(b) The full text of the ADA's preemption clause, and the congressional purpose to leave largely to the airlines themselves, and not at all to States, the selection and design of marketing mechanisms appropriate to the furnishing of air transportation services, impel the conclusion that §1305(a)(1) preempts plaintiffs' Consumer Fraud Act claims. The Illinois Act is prescriptive, controlling the primary conduct of those falling within its governance; the Act, indeed, is paradigmatic of the state consumer protection laws that underpin the NAAG guidelines. Those guidelines highlight the potential for intrusive regulation of airline business practices inherent in state consumer protection legislation. The guidelines illustrate that the Illinois Act does not simply give effect to bargains offered by the airlines and accepted by customers, but serves as a means to guide and police airline marketing practices. Pp. 6–8.

(c) The ADA, however, does not bar court adjudication of routine breach of contract claims. The preemption clause leaves room for suits alleging no violation of state-imposed obligations, but seeking recovery solely for the airline's breach of its own, self-imposed undertakings. As persuasively argued by the United States, terms and conditions airlines offer and passengers accept are privately ordered obligations and thus do not fit within the compass of state enactments and directives targeted by §1305(a)(1). A remedy confined to a contract's terms simply holds parties to their agreements—in this instance, to business judgments an airline made public about its rates and services. Court enforcement of private agreements advances the market efficiency that the ADA was designed to promote, and comports with provisions of the Federal Aviation Act of 1958 (FAA) and related Department of Transportation (DOT) regulations that presuppose the vitality of contracts governing air carrier transportation. Such enforcement is responsive to the reality that the DOT lacks the apparatus and resources required to superintend a contract dispute resolution regime. Court adjudication of routine breach of contract claims, furthermore, accords due recognition to Congress' retention of the FAA's saving clause, which preserves ``the remedies now existing at common law or by statute.'' Nor can it be maintained that plaintiffs' breach of contract claims are identical to, and therefore should be preempted to the same extent as, their Consumer Fraud Act claims. The basis for a contract action is the parties' agreement; to succeed under the state Act, one need not show an agreement, but must show an unfair or deceptive practice. Pp. 8–13.

(d) American's argument that plaintiffs' claims must fail because they depend on state policies independent of the parties' intent assumes the answer to the very contract construction issue on which plaintiffs' claims turn: Did American, by contract, reserve the right to change the value of already accumulated mileage credits, or only to change the rules for credits earned from and after the date of the change? That pivotal question of contract interpretation has not yet had a full airing and remains open for adjudication on remand. P. 14.

157 Ill. 2d 466, 626 N. E. 2d 205, affirmed in part, reversed in part, and remanded.

GINSBURG, J., delivered the opinion of the Court, in which REHNQUIST, C. J., and KENNEDY, SOUTER, and BREYER, JJ., joined, and in which STEVENS, J., joined as to Parts I (except for the last paragraph) and II–B. STEVENS, J., filed an opinion concurring in part and dissenting in part. O'CONNOR, J., filed an opinion concurring in the judgment in part and dissenting in part, in which THOMAS, J., joined except for Part I–B. SCALIA, J., took no part in the consideration or decision of the case.