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No Monetary Harm, No Foul? Not Quite, but American Airlines Not Required to Pay Any Monetary Damages in ERISA ESG Breach of Loyalty Case

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On September 30, 2025, Judge Reed O'Connor of the U.S. District Court for the Northern District of Texas issued a final judgment on damages in *Spence v. American Airlines, Inc.*, No. 4:23-cv-552 (N.D. Tex. Sept. 30, 2025), which related to challenges that American Airlines and its employee benefits committee ("AA") violated their ERISA fiduciary duties by allowing their corporate environmental, social and governance ("ESG") interests, as well as the Plan's investment manager's (the "IM") ESG interests, to influence management of certain AA retirement plans (the "Plan"). In January this year, Judge O'Connor ruled that AA failed to act solely in the Plan's best financial interests and therefore breached their duty of loyalty, but since AA acted in accordance with prevailing industry practices, AA did not also breach their duty of prudence (that ruling is discussed in more detail here). Following the January ruling, the Court was left to determine the appropriate remedy for the breach.

Judge O'Connor concluded that AA did not owe monetary damages for the breach of the duty of loyalty because the plaintiff failed to sufficiently establish actual financial losses to the Plan as a result of the breach. Rather, the court granted significant equitable relief, including permanently enjoining AA as follows:

- AA may not permit any proxy voting, shareholder proposals or other stewardship activities on behalf of the Plan that are motivated by or directed towards non-pecuniary ends (including ESG-oriented investment management and objectives) that are not in the exclusive best financial interests of the Plan;
- For 5 years, AA must hire and appoint at least two members to its employee benefits committee that are completely independent and unrelated to any Plan investment manager (including the IM);

- AA must provide additional reports and certifications regarding compliance with their ERISA duty of loyalty to Plan participants on an annual basis;
- AA is required to publish on its corporate website information concerning AA's membership in initiatives or organizations principally devoted to achieving DEI, ESG, climate-focused or stewardship objectives; and
- AA may not use the IM or any other asset manager that owns 3% or more of American Airline's shares or holds any of its fixed debt to manage Plan assets without policies in place to prevent those that maintain a corporate relationship with the asset manager from also being a Plan fiduciary or otherwise involved in Plan management.

Although this case is somewhat unique in finding a breach of duty of loyalty but not prudence, it serves as a reminder to Plan fiduciaries that, even where no monetary damages are awarded, a court can still award significant equitable relief to remedy a breach of ERISA fiduciary duty.

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