Feds, States Want Apple to Revamp e-Book Practices

PETER SVENSSON, AP Technology Writer

New York(AP) — The Justice Department and 33 state attorneys general on Friday said they want to prevent Apple from entering into contracts with sellers of e-books, movies, music and other digital content that are likely to raise prices.

The demand comes out of an antitrust suit against Apple Inc. and five e-book publishers. A federal judge ruled last month that Apple had colluded with the publishers to raise e-book prices.

The Cupertino, Calif., company has denied wrongdoing and has said it will appeal the decision. On Friday, it called the remedy proposal "a draconian and punitive intrusion into Apple's business." The inclusion of digital media other than books in the proposal doesn't bear any relation to the findings in the case, Apple said.

The book publishers previously settled the price-fixing charges. They are Hachette, HarperCollins, Simon & Schuster, Holtzbrinck Publishers, doing business as Macmillan, and The Penguin Publishing Co. Ltd., doing business as Penguin Group. The settlements were designed to encourage price competition and discounting, but that hasn't happened.

The government alleged that the publishers colluded with Apple to move the e-book industry away from the wholesale model employed by Amazon.com Inc., which had unnerved publishers by selling e-book versions of popular hardcover titles for as little as $9.99 before the April 2010 release of Apple's iPad. Under its contracts with publishers, Amazon was free to sell books at any price it wanted.

Apple instead adopted the "agency" model, under which publishers set the retail price and the store takes a cut. Under that model, the store can't discount a book. That pressured Amazon into accepting the agency model, the government alleged.

The government wants Apple to agree to sign new contracts with the publishers that aren't likely to raise prices. In its response Friday, Apple said the government's proposed remedy is unnecessary, since the publishers are already signing new wholesale contracts.

In her ruling in July, the judge said the conspiracy harmed consumers in numerous ways. Some had to pay more for e-books, she said. Others bought cheaper e-books rather than the ones they preferred to purchase and others deferred purchases altogether rather than pay higher prices.

The settlements with the publishers removed the shackles that prevented Amazon from discounting, but the $9.99 price for e-books that publishers dreaded has

become increasingly rare.

The Justice Department and the attorneys general also want Apple to allow rival e-book sellers like Amazon and Barnes & Noble Inc. to provide links inside their iPhone and iPad apps to their own book stores.

Apple allows Amazon and Barnes & Noble's apps to load books that have already been purchased, but doesn't allow the apps to sell books or link to online bookstores.

Source URL (retrieved on *09/01/2014 - 9:03am*):
http://www.wirelessdesignmag.com/news/2013/08/feds-states-want-apple-revamp-e-book-practices