

Apple fights manipulation claims on e-book prices

June 5 2013, by Larry Neumeister

Apple Inc. defended itself Tuesday against claims that the computer giant manipulated electronic book prices and stifled competition when it opened an online bookstore three years ago.

An attorney for the company, Orin Snyder, questioned David Shanks, the top executive at publisher Penguin Group USA, during the second day of an anti-trust [civil trial](#) resulting from a lawsuit brought last year by the Justice Department.

The Penguin [chief executive officer](#) said "irrational enthusiasm" about the potential for 80 million to 100 million Apple customers to buy books online led the company to meet many of Apple's demands in 2010.

Snyder was trying to rebut government claims that Apple and five [book publishers](#) conspired to eliminate [Amazon.com](#)'s \$9.99 bargain price for popular e-books by agreeing to a pricing policy that forced millions of consumers to pay more than they should have for most online books.

Apple has insisted that its entrance into the e-book market improved the online book industry and stabilized prices in the long term.

Under questioning by Justice Department lawyer Mark Ryan, Shanks said Penguin was not pleased that Amazon was selling its electronic books below cost before Apple entered the market since the publisher tried to maintain "a fairly delicate ecosystem in publishing where we are trying to have everybody make a profit: the author, the publisher and the

reseller."

Penguin, the last of five publishers to settle its case with the government, tried to maintain a pricing agreement with Amazon that would enable the online megastore to continue its \$9.99 price for e-books but had to change its position once Barnes & Noble—then the second largest seller of e-books—entered the market with a pricing scheme similar to Apple's, Shanks testified. He said Penguin otherwise would have risked losing money.

Shanks said the negotiations with Apple were not unlike many of the other 100 or so negotiations he has conducted in his 35 years in the book publishing industry.

Now, he testified, Penguin is better able to project its sales of hardbacks, paperbacks and e-books, in part because the [electronic book](#) industry is established and more predictable and because it is clear the number of printed books is decreasing. The company agreed in a deal announced last month to pay \$75 million to settle claims against it.

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