

Apple ebook price-fixing trial opens

June 3 2013, by John Biers

The US government's trial against Apple, accused of leading a conspiracy to fix prices of electronic books, opened Monday in New York.

The California technology giant is on its own in its fight against the [US Justice Department](#), after five of the world's biggest [book publishers](#) named in the suit settled the charges and paid fines.

US antitrust watchdogs say [Apple](#) orchestrated a collusive shakeup of the electronic book business in early 2010 that resulted in higher prices.

Attorneys for both sides appeared in the courtroom of Judge Denise Cote shortly after 9:30 am (1330 GMT) Monday, discussing procedural matters ahead of opening arguments.

The [civil trial](#) is expected to last three weeks, and comes with Apple under pressure for its slumping share price, eroding market share for its iPhones and iPads and accusations in Congress it avoided billions in taxes.

Apple chief executive [Tim Cook](#) has rejected the idea of a settlement because it would call for the company to sign an admission of wrongdoing.

"We didn't do anything wrong there," Cook told a recent California conference. "We're going to fight."

The government's case centers on a period when Amazon dominated the ebook business, offering most bestseller titles for \$9.99. Leaders of the major publishing houses held "CEOs dinners" in "private rooms at upscale restaurants" at which they discussed the threat from Amazon.

Into this environment stepped Apple, which was readying the launch of its [iPad](#). Rather than following the Amazon "wholesale" pricing model in which the retailer sets the price, Apple favored the so-called "agency model" where the publishers set the price and the seller—in this case Apple—received a 30 percent commission.

The result was an increase in price to \$12.99 or \$14.99 for most books.

Apple throughout the negotiations informed the publishers of the status of its dealings with other publishers. Apple was the "ringmaster" of the "conspiracy," the complaint alleges.

The government is expected to use emails and comments from the late Apple CEO Steve Jobs, which indicated that as part of a deal to force a new pricing model, publishers should "hold back your books from Amazon."

"The sharply higher prices consumers have paid... are the direct, quantifiable result of defendants' conspiracy," the government said.

Apple dismisses the "conspiracy" charge and said its negotiations with the publishers were "difficult and contentious."

Apple acknowledged that it did inform publishers about its talks with other firms, but characterized this as a "standard negotiation tactic."

Among the publishers named in the lawsuit last year, Penguin settled for \$75 million, while Hachette, Harper Collins and Simon & Schuster

created a \$69 million fund for refunds to consumers. Macmillan settled for \$26 million.

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