

# Justice Dept settles e-book case with Macmillan

PETE YOST - Associated Press - Associated Press

The government has reached a proposed settlement with Holtzbrinck Publishers LLC, which does business as Macmillan, one of five major book publishers that allegedly conspired with Apple Inc. to raise e-book prices for consumers, the Justice Department announced Friday.

The government is continuing its case against Apple but has now reached agreements with the five publishers.

The Justice Department complaint alleged that the five companies and Apple worked together to raise retail e-book prices and eliminate price competition. The government said competition had reduced e-book prices and the retail profit margins of the booksellers.

Under the proposed settlement, which still needs approval by a federal judge in New York, Macmillan will lift restrictions on discounting and other promotions by e-book retailers. It will be barred from entering new agreements with similar restrictions until December 2014.

"We settled because the potential penalties became too high to risk even the possibility of an unfavorable outcome," Macmillan CEO John Sargent said Friday in an online letter to authors, illustrators and agents.

Sargent said the company did not reach an agreement earlier because, in part, "I had an old-fashioned belief that you should not settle if you have done no wrong. As it turns out, that is indeed old-fashioned."

"Our company is not large enough to risk a worst-case judgment," Sargent wrote. "In this action, the government accused five publishers and Apple of conspiring to raise prices. As each publisher settled, the remaining defendants became responsible not only for their own treble damages, but also possibly for the treble damages of the settling publishers."

The other companies that settled were Hachette, HarperCollins, Simon & Schuster and Penguin.

Another reason Macmillan did not reach an agreement earlier, according to Sargent, was his concern that a settlement would allow Amazon, the leading e-book retailer, to cut prices to a level Sargent feared would harm the industry overall. But when all the other publishers settled, he no longer saw a reason to hold out. He was especially concerned that Macmillan books would be more expensive than those of its fellow publishers.

Apple spokeswoman Trudy Muller declined to comment on the MacMillan

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settlement.

Before the case brought by the Justice Department, retailers sold e-book versions of new releases and best-sellers for what one company's CEO called the "wretched \$9.99 price point." The government says that as a result of the conspiracy, consumers were typically forced to pay \$12.99, \$14.99 or more for the most popular e-books.

So far, the settlements in the case with other publishers have not led to noticeable drop in e-book prices, as publishers had feared.

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Associated Press writers Hillel Italie and Larry Neumeister in New York contributed to this report.

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