



April 11, 2012

MADIGAN SUES E-BOOK PUBLISHERS FOR PRICE FIXING***Attorney General Alleges Book Publishers and Apple Conspired to Overcharge Consumers for E-book Bestsellers***

Chicago — Attorney General Lisa Madigan today joined 15 other states in a lawsuit against three book publishers and Apple Inc. for conspiring to raise prices for e-books. Madigan is seeking to recover money for Illinois consumers who were overcharged in the scheme.

The lawsuit alleges publishers Penguin Group, Macmillan and Simon & Schuster colluded with Apple to drive up the price of e-books beginning in 2010, when Apple unveiled its first e-book reader, the iPad. Madigan and her counterparts previously reached an agreement with two other publishers, HarperCollins and Hachette, over similar allegations that will provide significant restitution to consumers as well as injunctive relief.

“By colluding to fix the price of e-books, publishers and Apple essentially forced consumers to pay millions more for e-books than they otherwise would have paid,” Madigan said. “Enforcing the state’s antitrust laws will ensure that consumers receive the full benefit of competitive pricing and choice in the marketplace.”

Prior to Apple entering the e-book market in 2010, most new bestsellers in this format cost \$9.99 – a price set by the leading e-book retailer, Amazon. The lawsuit alleges the publishers colluded to increase e-book costs to \$12.99 and \$14.99 when they struck a deal with Apple to sell their books directly to readers, using its iBookstore as the vehicle for the sales. Historically, publishers have sold their books to retailers who in turn have sold them to readers. The deal with Apple – a so-called agency model of distribution – allowed the publishers to control the retail price and to sell the content to consumers directly.

For its part, the lawsuit alleges Apple received a guaranteed 30 percent commission on all e-books that were sold under the deal.

The lawsuit also alleges a separate antitrust violation when the publishing defendants agreed in late 2009 to illegally delay releasing e-book versions of new bestsellers. Though this type of delay – called windowing – is common with paperback books, the publishers delayed releasing e-book versions when they typically would issue them simultaneously with the hardcover books.

Madigan was joined in filing today’s lawsuit by attorneys general in Connecticut, Alaska, Arizona, Colorado, Iowa, Maryland, Missouri, Ohio, Pennsylvania, Puerto Rico, South Dakota, Texas, Tennessee, Vermont and West Virginia.

Bureau Chief Robert Pratt and Assistant Attorney General Chadwick Brooker are handling the case for Attorney General Madigan’s Antitrust Bureau.

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