Schuette to Protect Michigan Consumers in $100M E-Books Price-Fixing Scheme

May 16, 2012

LANSING - Michigan Attorney General Bill Schuette today announced he will defend Michigan consumers by filing an antitrust enforcement action against three of the nation's largest book publishers and Apple Inc. for their roles in colluding to fix the sale prices of electronic books (e-books). Conservative estimates suggest the price-fixing scheme resulted in more than $100 million in overcharges to consumers nationwide.

"Whether you are selling apples or oranges, price-fixing undermines the free market and sticks consumers with the bill," said Schuette. "If you break the law to line your own pockets, there will be consequences."

As described in the complaint filed in federal court in the Southern District of New York, Schuette joins 30 state attorneys general and the attorneys general of the District of Columbia and Puerto Rico in a lawsuit alleging the Apple, Inc. conspired with publishers Penguin and Macmillan to artificially raise e-book prices.

A two-year investigation by the Texas Attorney General and the Connecticut Attorney General revealed that Apple and the publishers allegedly colluded to adopt an agency distribution model that allowed them to fix prices and eliminate traditional retail competition. To enforce the scheme, it is alleged Apple and the publishers relied on contract terms that forced all e-book outlets to use the same prices for bestsellers ($12.99 or $14.99), essentially wiping out marketplace competition. Prior to the shift to the agency model, retailers like Amazon.com had priced NYT bestsellers at $9.99 each. The coordinated agreement to fix prices resulted in e-book customers paying more than $100 million in overcharges.

Schuette will seek penalties and damages on behalf of Michigan consumers who overpaid for e-books as a result of the price-fixing scheme.

Schuette noted the Michigan Antitrust Reform Act (MARA) prohibits price-fixing agreements because they undermine competitive market forces, causing artificially higher prices for consumers. If a consumer has evidence of an actual agreement to fix prices in any market, they are encouraged to contact Attorney General Bill Schuette's Consumer Protection Division at 1-877-765-8388 or file a complaint online at www.michigan.gov/ag.

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