Rhode Island Consumers Expected to Receive up to $254,000 in Compensation

Attorney General Peter Kilmartin, along with 54 attorneys general in other states, districts and U.S. territories, announced today that an antitrust settlement has been reached with three of the largest book publishers in the United States. Hachette Book Group, Inc., HarperCollins Publishers L.L.C. and Simon & Schuster Inc. have agreed to pay a total of more than $69 million to consumers to resolve antitrust claims of an alleged unlawful conspiracy to fix the prices of electronic books (e-books). They have also agreed to change the way they price e-books going forward.

The settlement occurs in conjunction with a civil antitrust lawsuit filed today in U.S. District Court for the Southern District of New York against Hachette, HarperCollins and Simon & Schuster. In the lawsuit the States allege that the three settling publishers and others, including non-settling publishers Macmillan and Penguin (collectively, the "Agency Five" publishers), "conspired and agreed to increase retail e-book prices for all consumers" and "agreed to eliminate e-book retail price competition between e-book outlets, such that retail prices to consumers would be the same regardless of the outlet patronized by the consumer."

The lawsuit and today's settlement stem from a two-year antitrust investigation conducted jointly by several attorneys general and the U.S. Department of Justice's Antitrust Division. That investigation developed evidence that the Agency Five conspired to end e-book retailers' freedom to compete on price by taking control of pricing from e-book retailers and substantially increasing the prices that consumers paid for e-books. As a result of this conduct, the States allege that consumers paid millions of dollars more for their e-books.

"Our legal action sends a strong message that competitors cannot get away with price-fixing," said Attorney General Kilmartin. "Colluding to fix prices raises costs for customers, who, in this case, have paid millions of dollars more for some of the most popular e-book titles. Today's settlement with three publishers paves the way for restitution for those consumers harmed by the scheme. In addition to the money consumers will receive, this settlement will restore competition in the e-book market by
promoting competition among retailers. Through our ongoing litigation against the remaining defendants, we hope to provide additional restitution to those consumers harmed."

Under the proposed settlement agreement, which the court must approve, Hachette, HarperCollins and Simon & Schuster will compensate consumers who purchased e-books from any of the Agency Five during the period of April 1, 2010 through May 21, 2012. Payments will begin 30 days after the court approval of the settlement becomes final.

Consumers in Rhode Island are expected to receive up to $254,000 in total compensation. The settling defendants will also pay approximately $7.5 million to the states for fees and costs.

The distribution plan anticipates that consumers who can be directly identified and whose distribution amount can be calculated and applied by retailers will automatically receive a credit to their account unless they specifically choose to opt out or to request a check. Certain other consumers who can be identified sufficiently from retailer-provided data will receive checks automatically. Virtually no consumer will be denied a distribution due to inattention on the part of the consumer.

In addition to paying the $69 million consumer compensation, Hachette, HarperCollins and Simon & Schuster have agreed to terminate their existing agency agreements with certain retailers, requiring the publishers to grant those retailers – such as Amazon and Barnes & Noble – the freedom to reduce the prices of their e-book titles. For two years they will be prohibited from making any new agreements that constrain retailers' ability to offer consumer discounts or other promotions which encourage the sale of e-books.


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