

The European Commission turns its spotlight on digital publishers in e-book Cartel Investigation

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On Tuesday 1st March, the European Commission raided the headquarters of several digital book publishers, including French company Hachette Livre SA, following concerns of a possible cartel in the e-book industry.

A rapidly growing new market for digital books known as "e-books" has been created by the entry of new devices such as Amazon Inc.'s "Kindle"; Apple Inc's "iPad" tablet computer; and Sony's "readers" into the book market. The ability of this new technology to deliver paperless reading content direct to the user means that digital publishers benefit from lower costs than the traditional printed book publishers. As such, intuitively one would expect e-book editions of books to be priced lower than printed editions. However, with some electronic books costing more than even hardback versions of the same book and almost twice as much as paperback versions of that book, it appears that not all of these publishers are passing these cost savings on to the consumer.

The inflated price of e-books may be attributed to the tendency of some publishers to set their own prices for e-books, which are sold via online retailers such as Amazon, with the online retailer taking a percentage cut of the overall price. This so-called "agency pricing" may be more open to potential abuse than the method in which printed books are sold, that is in bulk to retailers who are then free to choose the retail price independently, thus encouraging competition in the market.

The launch of the European Commission's investigation mirrors the Office of Fair Trading (the "OFT") competition investigation into "the arrangements between certain publishers and retailers for the sale of e-books", which it launched in January. EU Commission spokeswoman Amelia Torres said "We are working closely with the OFT, we are aware of their investigation."

The European Commission has not identified the publishers it raided on Tuesday, however, Hachette Livre has confirmed its Paris headquarters were raided. In contrast Penguin, Harper Collins, and Bertelsmann have denied that they were involved in the raids. Bloomsbury refused to state whether it had been raided or not.

Amazon holds a large share of the market for the sale of e-books in the UK with over 500,000 titles available to buy and a further 1 million available for free. The scale of the market for digital books was confirmed by Amazon earlier this year when it said that sales of e-books for its Kindle reader had overtaken printed book sales in the US.

A similar investigation was launched by the US antitrust authority, the Federal Trade Commission (the "FTC"), last year.

With FTC, OFT and now European Commission investigations in the e-book market, it appears that 2011, "the year of the e-book", as described by Bloomsbury at the start of this year, may not be as smooth sailing for certain members of the industry as first anticipated.

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