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LITIGATION III, ANTITRUST DIV.
U.S. DEPT OF JUSTICE

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John R. Read
Chief, Litigation III Section
United States Department of Justice
450 5th St NW
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Dear Mr. Read:

I am writing regarding the proposed settlement between the three book publishers (Simon and Schuster, HarperCollins, and Hachette Book Group) and the United States regarding e-book pricing.

I feel that it is wrong for the Department of Justice to focus its anti-trust efforts against Apple and the major book publishers for their implementation of the so-called "agency model" for pricing. There are restraint of trade issues in our industry. But this litigation is misdirected and likely to exacerbate those issues.

The decision by each book publisher to implement agency pricing was in response to Amazon.com's policy and practice of setting prices on e-books below cost in order to drive other potential sellers of these products out of the market, thus giving Amazon a virtual monopoly on the sale of e-books. This strategy was enhanced by the manner in which Amazon designed and marketed it's Kindle format editions of e-books, so that those books could only be read on Amazon's proprietary Kindle book readers, and only purchased on the Amazon web site. Amazon refused to allow other potential competitors in the e-book business to sell Kindle edition titles. At the time that publishers began contemplating implementation of the agency model, Kindle Editions accounted for 90% of book sales on e-book readers.

Amazon was able to sustain this otherwise ruinous pricing policy, because it could offset its losses by driving people to its website where they would also purchase more profitable items.

The dangers implicit in this strategy can be demonstrated. Amazon has shown its willingness to stop selling titles by publishers who will not agree to Amazon's trade terms. This happened recently with 5000 Independent Publisher Group titles. As a result, these e-books are simply not available to the 60% of all e-book readers who read e-books on their Kindles.

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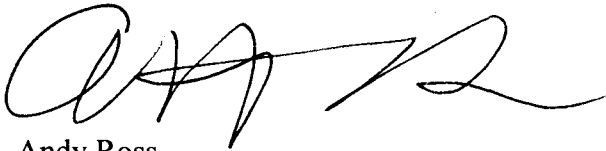
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Amazon's policies have already had a devastating effect on community based bookstores including the recently bankrupt Border's, Barnes and Noble, and the thousands of independent booksellers across the country.

The United States should be pursuing policies that discourage excessive concentration in industries, particularly when that concentration will reduce the free dissemination of ideas in the country. The current litigation and settlement agreements against the major book publishers is doing quite the opposite.



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