

U.S. seeks oversight of Apple's iTunes store

Apple Inc.'s [AAPL +1.28%](#) electronic-book problem is spilling over into its other media lines.

Following up on last month's ruling that the iPhone maker colluded with publishers to fix prices for electronics books, the [Justice Department](#) said Friday it wants to prevent Apple from engaging in anticompetitive conduct across the content sold in its iTunes store, including movies, music and television shows.

The company has been an aggressive bargainer in opening up traditional media to digital distribution, most notably with music. If the judge adopts the Justice Department's recommendations, Apple may not have the same leverage when negotiating future content deals as it tries to expand its offerings.

"Under the department's proposed order, Apple's illegal conduct will cease and Apple and its senior executives will be prevented from conspiring to thwart competition in the future," said Bill Baer, Assistant Attorney General in charge of the Department of Justice's Antitrust Division.

Apple didn't immediately respond to a request for comment.

In July, a federal judge in Manhattan found Apple had colluded with five major U.S. publishers to drive up the prices of e-books. The remedy proposed Friday underscores the risks Apple took when it gambled with a trial after the publishers settled similar civil allegations. The company has said it plans to appeal.

The Justice Department is also proposing an external monitor to review Apple's efforts and a prohibition from entering new e-book contracts for five years that would limit Apple's ability to be competitive on price. Competing e-book sellers also would be allowed for a two-year period to sell books to Apple users via e-books apps in Apple's online store.

The trial earlier this summer revolved around the steps Apple took to gain a foothold in e-books for its iTunes online store. Apple still makes the bulk of its revenue from products such as the iPad and iPhone, but the iTunes store is a strategically vital area that accounts for about 10% of the company's revenue. It also faces fierce competition from rivals--in particular Amazon.com Inc. (AMZN).

Justice Department prosecutors argued Apple used publishers' dissatisfaction with Amazon's aggressive e-book discounting to shoehorn itself into the digital-book market when it launched the iPad in 2010. Apple's proposal: Let publishers set prices themselves. That led to Amazon losing the ability to price most e-book best-sellers at \$9.99, causing prices to rise.

In her ruling last month, U.S. District Judge Denise Cote in Manhattan said the evidence was clear Apple, despite its claims it negotiated fiercely and separately with each publisher, was at the center of the conspiracy.

When it entered the e-book market in 2010, Apple agreed to shift to a so-called agency model in which publishers, rather than retailers, set the price of e-books. As part of its deals with the publishers, Apple received a 30% commission on each book sold and the publishers had to match the price of Amazon or other competitors if the competitor's price was lower.

Because Apple was found liable for violating U.S. antitrust laws, it also faces a separate trial on damages in a lawsuit against the company brought by 33 state attorneys general, who are seeking to recover money on behalf of consumers who paid higher prices for e-books. Apple also faces a private class-action suit alleging price fixing.