

Dear TAA Members:

A concerted effort by Amy Brown, a member in Hawaii, to draw the attention of both TAA's Council and TAA's textbook author members to a set of problems authors have with publisher's international sales, resulted in two extraordinary events at the recent annual conference in Albuquerque.

First, TAA's Council devoted a portion of its annual business meeting to a discussion of the problems identified by various textbook authors on TAA's textbook listerv.

Second, capitalizing on an opening in the program created by an unanticipated illness of the presenter, a group of TAA attorneys, royalty auditors, and text authors had an intensive discussion of the various complaints text authors have about international sales.

The results of these two events was to commission TAA staff to seek among TAA textbook authors and the wider number of nonmember textbook authors a survey of the range, scope, and foci of these problems.

Steve Gillen, an intellectual property attorney, articulated the range of problems frequently complained about (without necessarily reaching any conclusion about whether there may be merit to the complaints) this way:

1. There is the issue sometimes referred to as "quartering" – the practice of some publishers of applying a reduced royalty rate (typically half the domestic rate) to the reduced proceeds from sales to a distributor (typically discounted by half) for resale in foreign markets.
2. There is the issue involving "transfer pricing" – the practice of affiliated companies transferring inventory at an artificially low price, with the domestic company paying the author royalties on that artificially low transfer price rather than on the price at source (i.e., at the end purchaser point of sale).
3. There is the issue of grey market goods ("channel stuffing" in the Cengage/Harcourt suit) – international editions or domestic editions sold for overseas distribution at deep discounts but finding their way back to the US market to displace domestic sales.
4. There is also just plain old piracy, most of which is distributed from points overseas and out of the reach of US jurisdiction.

One, and perhaps two, additional practices emerged from these discussions:

5. One publisher's online catalog websites lists the international student edition with the stipulation that it cannot be shipped or sold to a US site, but then gives the shipping costs back to the US.

6. Another member reported many years of even sales of the first edition of the text, with a steady international sales percentage of about 10%, but that the second edition's international sales jumped to almost 67% of all sales, resulting in an average per copy royalty rate dropping from \$18 to \$2.

TAA takes seriously the implications of these allegations. The organization has decided first to seek additional input from member and nonmember textbook authors about their concerns about their publishers' accounting for international sales. It is important for this collected data to contain the identities of the publishers, if only to help segregate those publishers whose practices are questionable from those whose practices are not.

So this is a call for data on concerns about international sales of textbooks. Please respond to richard.hull@taaonline.net with your accounts of your concerns, evidence of shady or fast practices, and the identity of your publisher. We will maintain a careful and close record of those communications so as to protect the identities of respondents, but will compile the results in a database that can be evaluated by TAA's legal advisers. Any information you choose to share with us will be held in confidence for evaluation and discussion only among TAA staff, Council, and advisors. TAA will not identify you or make any outside disclosure of information that could be identified with you without first obtaining your express consent.

Sincerely,

Richard T. Hull, Ph.D.
Executive Director
Text and Academic Authors Association, Inc. (TAA)