

EXHIBIT 1007

**TO PETITIONER GOOGLE INC.'S
PETITION FOR COVERED BUSINESS
METHOD REVIEW OF
U.S. PATENT NO. 7,334,720**

OUTLOOKTrends

Electronic books to hit the shelves

By Kevin Maney

BEACH reading might soon require batteries. Electronic books arrive this fall, as first SoftBook then Rocket eBook hit the market. These books without paper soon will enable you to browse an Internet bookstore using an inexpensive computer about the size of a fat paperback. Find the tome you want, and you can download the contents into the electronic book and read it in a way that's as portable and comfortable as an age-old paper book.

In the long run, electronic books threaten to burn book publishing. But they are, by no means, the only technology hacking at the US\$7.5 billion-a-year book industry. Internet bookstore Amazon.com is not just shaking up book retailing but making the notion of the bestseller list almost obsolete.

And daring new authors are using the Net to change the way books generate all-important, word-of-mouth demand.

The twist in this plot, though, is that the encroaching electronic age doesn't necessarily mean bad times for the old guard - at least for a while. Savvy publishers see ways to use technology to boost profit margins by cutting such cost-bloating practices as storing acres of books in warehouses and taking back books that don't sell in retail stores.

And for now, electronic books cost too much and don't work well enough for mass consumption. "We don't see somebody getting hit by a train from electronic books," says James Sachs, chief executive officer (CEO) of SoftBook Press, maker of the SoftBook.

But certainly publishers can now hear that train whistle somewhere down the tracks. SoftBook weighs three pounds, is about the size of *Glamour* and has a leather cover that opens like that of a hardcover book.

Under the cover is a black-on-white, touch-sensitive screen. On the perimeter are four buttons: one to bring up a menu of controls; another, a list of books and articles stored in the machine; the third, to go back a page; and the last, to turn pages forward and back.

The touch screen lets readers do many of the things they like to do with paper books: dog-ear pages, slip in bookmarks and mark up pages. But readers also can search a whole book for a keyword

and make type on the page bigger. It runs on a rechargeable battery.

To keep cost low and reliability high, the SoftBook purposely incorporates no new technology, says creator Ted Sachs, who co-designed the first Macintosh mouse and was the designer of Teddy Ruxpin, the 1980s talking bear. When it hits the market next month, a SoftBook will cost US\$299 (RM1,200). But buyers will then have to buy at least US\$99.95 worth of products each month for two years from SoftBook's online bookstore, pushing the total to nearly US\$540.

To buy a book, plug a phone line into the SoftBook and hit a button from the touch screen menu to dial into the SoftBook store. A typical book will download in about three minutes at today's speed. A SoftBook can hold 100,000 pages, but you can essentially store an indefinite number of books on the SoftBook site. Once a book is paid for, you can download it free any time.

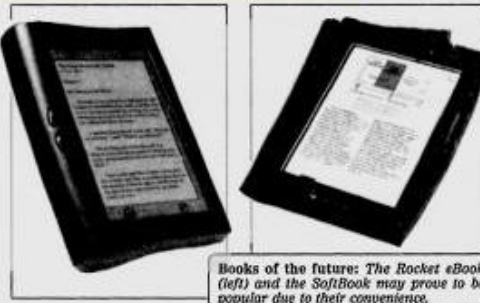
SoftBook initially will target people who read a tonne, such as college students, who typically lug around numerous fat textbooks, paperbacks and articles. If all the books were available in the online store, then presumably all the student would have to carry would be one electronic device.

The SoftBook also makes it easier to compile hybrid textbooks. "A professor can say, 'You need three chapters from this book, three from that one and four from another one,'" Sachs says.

Publishers like the SoftBook but are wary of its somewhat proprietary bookstore, which would make all publishers funnel sales through SoftBook. So far, they seem more comfortable with the Rocket eBook from NuvoMedia, which takes a more open approach, allowing anyone to sell content for the device. In fact, publishing giant Bertelsmann and bookstore operator Barnes & Noble are among its investors.

The Rocket eBook is smaller, simpler and, on the inside, more technologically advanced than the SoftBook. It has more in common with the 3Com PalmPilot - probably because it was designed by a PalmPilot creator. When it appears later this year, a Rocket eBook will cost US\$500 but have no minimum monthly charges. To buy a book, the Rocket eBook plugs into a personal computer (PC), which connects to the Internet and then to any online bookstore, such as www.barnesandnoble.com.

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Old books stay stored on the PC hard drive - a nuisance if they hog too much space.

In a lot of ways, electronic books look good to publishers. The editors at Harvard Business School Press were shown a Rocket eBook earlier this year. Far from flinching, they jumped at it. "We were almost fighting over who could have it," says Carol Franco, who runs the publishing house.

Publishers say Rocket eBook and SoftBook don't yet seem threatening to traditional books. For the next five to 10 years, their expectation is that the market will be similar to books on tape: a niche for avid readers. "In reference

categories, we'll see some movement" toward electronic books, says Phil Pfeiffer, adviser to Random House's CEO Peter Olsen. "Whether or not the great American novel will be downloaded, I just don't know. (Electronic books) don't go to the beach well. You can't fall asleep on them well."

Second, sales of electronic books should mean higher margins and fewer headaches for publishers. The way publishing works now, the publisher gets less than half the cover price of a book. Much of the expense of publishing goes to author royalties, printing, warehousing and distribution. Then, if a book doesn't sell, the retailer returns it. Up to 40 per cent of books shipped get returned. By contrast,

one who buys a book from making copies and sending them around the Internet or from loading them into multiple PCs or other electronic books.

But what happens if electronic books hit technology crosscurrents? For instance, what if books become widely available on the Net for free, with no anti-copying code?

That's a question consultant and author Larry Downes and co-author Chunka Mui are asking with their recent book *Unleashing the Killer App*. The book recommends giving away information as a way to build a business. To test the theory, Downes and Mui put the entire contents of *Killer App* on a Web site. Anybody could save the US\$24.95 cover price and read the book

free. "If our theories are correct, we'll actually sell more books," Downes says. "We'll lose a few people who read it online and don't like it or get enough that way. But we'll generate buzz and more people will be interested in the book and we'll sell more."

The book, out in May, made *Business Week's* best-selling business books list, though there's no way to know how much of a role the Web site has played in that success.

For now, Downes says, the risk is small: few people want to read a whole book on a PC. But what if people get comfortable reading electronic books and could just as easily grab a free version as a copy they would have to pay for?

There's a chance that the basic content of books might indeed be evolving toward being free, says Nicholas Negroponte, head of Massachusetts Institute of Technology's Media Lab.

Project Gutenberg, a not-for-profit Web site, is on a mission to put all public domain books on the Net for free. Titles on the site range from *The War of the Worlds* to *Cyrano de Bergerac*.

Authors will have to come up with imaginative ways to make money off their work, Negroponte says. "Maybe I use the book as a loss leader for lectures, consulting or performance." - Newsbytes

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