EXHIBIT 1007

TO PETITIONER GOOGLE INC.'S
PETITION FOR COVERED BUSINESS
METHOD REVIEW OF
U.S. PATENT NO. , ½ ' * ž++&



Electronic books to hit the shelves



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 store using an inexpensive computer about the size of a fat paperback. Find the tome you want, and you can download the contents can download the contents into the electronic book and read it in a way that's as portable and comforta-ble as an age-old paper book.

book.

In the long run, electronic books threaten to burn book publishing. But they are, by no means, the only technology hacking at the USS72 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

amost obsolets.

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 enthough, is that the en-croaching electronic age doesn't necessarily mean bad times for the old guard - at least for a while. Savey publishers see ways to use technology to boost profit margins by cutting such cost-bloating practic-es as storing acres of books in warehouses and taking back books that don't sell in retail stores. And for now, electronic

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 Softhook Press, maker of the ok Press, maker of the

But certainly publishers can now hear that train whistle somewhere down the tracks.

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-sen-sitive screen. On the pe-rimeter are four buttons: rimeter are four huttons; 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 pag-es, slip in bookmarks and

es, 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 re-chargeable battery.

chargeable battery.

To keep cost low and reliability high, the SoftBook
purposely incorporates no
new technology, says creator Sachs, who co-designed
the first Macintosh mouse
and was the designer of
reddy Ruxpin, the 1980s
talking bear. When it hits
he market next month, a
SoftBook will cost US\$296
(RMI_200). But buyers will
then have to buy at least
US\$9.5 worth of products
each month for two years

then have to buy at least. US\$9.95 worth of products each month for two years from SoftBook's online bookstore, pushing the total to nearly US\$5.64.

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 dewnload 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 luggered to the service of text.

dents, who typically lug around numerous fat text-books, paperbacks and ar-ticles. If all the books were

ticles. 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," and four from another one," Sachs says. Publishers like the Soft-

Publishers like the Soft-Book but are wary of its somewhat proprietary bookstore, which would make all publishers funnel sales through SoftBook. So far, they seem more com-fortable with the Rocket en Book from NiuwMedia. eBook from NuvoMedia, which takes a more open wanch takes a more open approach, allowing snyone to sell content for the de-vice, in fact, publishing gi-ant Bertelsmann and book-store operator Barnes & Noble are among its inves-tors.

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 creator. When it appears later this yeer, a Kocket 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 there to any online and then to any online bookstore, such as www.barnes&noble.com.* Download a book through





Books of the future: The Rocket eBook (left) and the SoftBook may prove to be popular due to their convenience.

the PC and into the Rocket eBook. It can hold 4,000

pages.
Old books stay stored on the PC hard drive - a nui-sance 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 Book 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.

lishing house.
Publishers say Rocket
eBook and SoftBook don't yet seem threatening to traditional books. For the 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 elec-tronic books, says Phil Pf-effer, adviser to Random House's CEO Peter Olsen. "Whether or not the great American novel will be downloaded, I just don't know (Electronic book's) know. (Electronic books)

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. 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,

costs of printing, storing, shipping or returns

returns
with electronic
books.
Third,
SoftBook
and NuvoMedia have
done a pretty good job
of burying
encryption encryption software in their tech-n o l o g y . That should

That should keep someone who buys a book from
making copies and sending
them around the Internet
or from losding them into
multiple PCs or other electranic books.

But what happens if electronic books hit tech

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 true, 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 bow much of a role the Web site has played in that success.

that success.

For now, Downes says, 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

basic content of books might indeed be evolving

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

Chrano 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 performanoss." - Newsbytes



