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PROCEED WITH  
CLEARANCE OF COURT  
NO. 0005 HJDC

9 UNITED STATES DISTRICT COURT  
10 NORTHERN DISTRICT OF CALIFORNIA  
11 SAN JOSE DIVISION

12  
13 Spring Design Inc.,  
14 Plaintiff,

15 v.

16 Barnesandnoble.com LLC  
17 Defendant.

Case No. **09 05185** HRL

COMPLAINT FOR:

(1) BREACH OF WRITTEN NON-  
DISCLOSURE AGREEMENT

(2) TRADE SECRET MISAPPROPRIATION;  
AND

(3) UNFAIR COMPETITION

DEMAND FOR JURY TRIAL

21  
22 Plaintiff Spring Design Inc. ("Spring") hereby alleges for its Complaint against Defendant  
23 Barnesandnoble.com LLC ("B&N") as follows:

24 PARTIES

25 1. Plaintiff Spring is a California corporation with its principal place of business in  
26 Cupertino, California.

27 ///

28 ///

FENWICK & WEST LLP  
ATTORNEYS AT LAW  
MOUNTAIN VIEW



1 into the U.S. marketplace. Expected to generate between \$400 million and \$750 million in  
2 revenue by 2010, the Kindle has consistently been ranked among Amazon's Bestsellers in its  
3 Electronics category.<sup>2</sup> An updated version of the product, the Kindle 2, was released in February  
4 2009. That same month, Phil Baker, a strategy and development consultant enlisted by B&N to  
5 help develop electronic reader solutions, expressed an interest in learning more about Spring's  
6 design for a new electronic reader device.

7 9. In anticipation of their meeting, Spring and B&N entered into a non-disclosure  
8 agreement ("NDA") on February 12, 2009, whereby the parties agreed not to disclose, reproduce,  
9 transmit or use the other's confidential information except to certain employees on a need-to-  
10 know basis. The NDA is governed in all respects by the substantive laws of the State of New  
11 York. The NDA acknowledges that in the event of a breach, the other party will have no  
12 adequate remedy in money or damages and the other party shall be entitled to seek equitable  
13 relief including an injunction or specific performance. A true and correct copy of the NDA is  
14 attached as Exhibit A.

15 10. On February 17, 2009, Spring presented their design for an interactive dual-screen  
16 navigation electronic reader to Phil Baker. Spring's PowerPoint presentation included photos  
17 showing versions of the product's flat tablet interactive dual-screen design, some of which were  
18 equipped with leather protective covers. The presentation emphasized the novelty and advantages  
19 of the interactive dual-screen navigation design, offering "a new solution for readable, mobile,  
20 connected and versatile reading." Selected slides from that presentation are attached hereto as  
21 Exhibit B. At the end of the presentation and after a product demo, Baker told the Spring  
22 representatives that he had never seen such an advanced electronic reader design and that he  
23 would follow up with higher-ups at B&N.

24 11. Word of Spring's design spread quickly within the B&N organization. On March  
25 20, 2009, Spring representatives met with Ravi Gopalakrishnan, head of B&N's software  
26

27 <sup>2</sup> Arrington, Michael, Amazon May Sell \$750 Million in Kindles by 2010 (May 2008). *TechCrunch*.  
28 Available at <http://www.techcrunch.com/2008/05/14/amazon-may-sell-750-million-in-kindles-by-2010-thats-a-lot-of-kindles/>

1 development. Gopalakrishnan indicated during that meeting that B&N's main prerogative was to  
2 create a product that would effectively compete with Amazon's Kindle. On April 4, 2009, Spring  
3 representatives participated in a conference call with Steve Pendergrast and Scott Pendergrast, the  
4 operators of B&N's e-books business unit, who said that they liked the interactive dual-screen  
5 navigation concept and the colored user interface in Spring's design.

6 12. Spring was subsequently asked to present its e-reader device to a group of B&N  
7 executives which included William Lynch, President of B&N.com, and Kevin Frain, B&N's Chief  
8 Financial Officer. At their meeting on May 13, 2009, Spring presented them with a product demo  
9 and delivered a PowerPoint presentation that provided an overview of its design for an innovative  
10 Android-based eReader named "Alex™." The PowerPoint slides were affixed with a label  
11 designating the material contained therein as confidential and subject to the parties' NDA. One of  
12 the presentation slides, entitled "How we are Different" and attached hereto as Exhibit C, lists the  
13 many features distinguishing Spring's Alex™ device from those already on the marketplace,  
14 including its Android operating system. Another slide, entitled "End User Benefits" and attached  
15 hereto as Exhibit D, describes Alex™ as offering an electronic paper display (EPD) screen for  
16 displaying reading content with a separate liquid crystal display (LCD) screen for navigation and a  
17 "sharing" feature to allow readers to "easily connect and engage with others who share the same  
18 reading interest." Another slide, attached hereto as Exhibit I, describes Alex™ as allowing users  
19 to "share your virtual bookshelf or library." Another slide, attached hereto as Exhibit E elaborates  
20 on the advantages of the interactive dual-screen navigation design, which allows users to browse  
21 and make annotations on the LCD screen without disturbing reading content on the EPD screen.  
22 During the meeting, William Lynch said that he had never seen a device with dual-screen  
23 interaction and that he thought the design was very advanced. Lynch warned Spring's Albert Teng  
24 that he should not consider Amazon as a content partner, because Amazon was likely to steal  
25 Spring's unique idea without ever buying anything from Spring. On May 15, 2009, William Lynch  
26 emailed the Spring presenters to thank them for showing B&N their "innovative work" and  
27 indicated that he was "looking forward" to a partnership between the two organizations. See  
28 Exhibit F.

1           13.     On July 23, 2009, B&N's Director of Partner Integrations, Audrey Carney,  
2           emailed Spring's Albert Teng requesting a summary of Spring's product development and  
3           reiterating that she was looking forward to "working more" with Spring. In response, Teng  
4           provided Carney with an update of Spring's most recent developments, including a PowerPoint  
5           slide explaining how specific features of Alex™ represented a unique departure from the  
6           Amazon's Kindle 2—the main competitor of B&N's planned electronic reader. In that  
7           comparison slide, attached hereto as Exhibit G, Spring disclosed that the following set of product  
8           features would provide B&N with a competitive advantage over Amazon's Kindle product: an  
9           open source Android 1.5 operating system; an interactive dual-display design featuring an EPD  
10          screen and a separate LCD screen; an advanced user interface with text, color picture, animation,  
11          video, and touch screen interactivity; WiFi and 3G connectivity; a USB 2.0 for multimedia file  
12          transfer; a Micro SD slot and replaceable battery; and various other applications, including a PDF  
13          tool, browser, reader, and many Android applications.

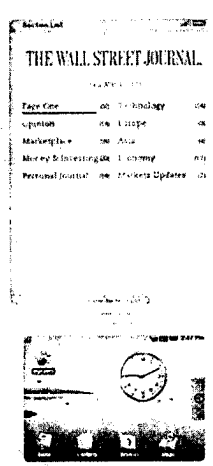
14          14.     On October 20, 2009, B&N announced the release of Nook™—its Android-based,  
15          interactive dual-screen electronic reader that included the confidential features of Spring which  
16          took Spring years to research, design and develop.

17          15.     Although B&N's promotional literature and comments by William Lynch have  
18          touted the "innovation" of the combination of product features available on the Nook™, that  
19          combination of features is central to Spring's Alex™ design and was disclosed to B&N under the  
20          terms of the NDA for the limited purpose of negotiating a business partnership. In his media call  
21          on October 21, 2009, the transcript of which is attached hereto as Exhibit H, Lynch boasted that  
22          the Nook™ offers the first color touch screen for navigating, annotating, and making notes on the  
23          reading content, which is displayed in a second, paper-like display screen. He also emphasized  
24          the Nook's™ micro SD slot, its ability to easily upload PDFs, its access to 3G and Wi-Fi  
25          networks, and its sharing feature. He also mentioned that B&N will offer protective covers for  
26          the Nook™ made by "well-known designers." Echoing the comparison slide Spring provided to  
27          B&N in July 2009 discussing the competitive advantages of the Alex™ vis-à-vis the Kindle,  
28          Lynch also told reporters that the Nook™ was in a good position to compete with the Kindle in

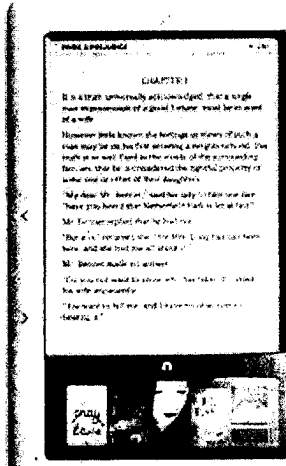
1 light of its color touch screen and sharing capabilities. Every one of these features was disclosed  
2 to B&N by Spring under the terms of the NDA in anticipation of a potential business partnership  
3 between the parties. Although the current version of the Nook™ does not offer Alex™'s web-  
4 browsing feature, Lynch commented during the media call that B&N is considering such a feature  
5 for the future, in which case it will have misappropriated Spring's *entire* design concept.

6 16. From the time that they first began meeting with B&N up until B&N's Nook™  
7 announcement on October 20, 2009, Spring believed that it was disclosing the confidential  
8 features of its Alex™ device in exchange for B&N's implicit promise that it would seriously  
9 consider acquiring Spring's product. B&N's announcement in late October that it would be  
10 releasing its own Android-based, dual-screen e-book reader device, the Nook™, was a complete  
11 surprise to Spring. Indeed, as late as October 1, 2009, B&N had conducted a meeting with  
12 Spring's CEO to discuss possible revenue sharing for Spring's Alex™ device in the university  
13 textbook market; B&N made no mention during that meeting or any other meeting with Spring  
14 that it was actually in the process of developing a device with many of the product features  
15 contained in the Spring design.

16 17. Since B&N released its Nook™, striking similarities between the Nook™ and  
17 Spring's Alex™ have created confusion in the market as to the origin of the products and the  
18 source of their innovations.



Spring's Alex design disclosed to B&N under the NDA



B&N's Nook™

28

1 18. Upon information and belief, Defendant B&N unlawfully misappropriated and  
2 used Spring's confidential information and trade secrets to develop and sell a competing product,  
3 the Nook™, for its own benefit.

4 **FIRST CAUSE OF ACTION**  
5 **(Breach of Written Non-Disclosure Agreement)**

6 19. Plaintiff incorporates by reference paragraphs 1-18 above as if fully set forth herein.

7 20. B&N breached the NDA—attached hereto as Exhibit A—by using and disclosing  
8 Spring's confidential information to develop its own competing electronic reader device, the  
9 Nook™, without Spring's consent and in direct violation of the terms of the NDA.

10 21. As a direct and proximate result of B&N's breach of the NDA, Spring has been  
11 damaged in an amount to be proven at trial. As specified in the NDA and acknowledged by the  
12 parties, the damages incurred by Spring due to B&N's unlawful use and disclosure of Spring's  
13 confidential information cannot be adequately remedied by money alone and Spring is also  
14 entitled to an equitable relief.

15 **SECOND CAUSE OF ACTION**  
16 **(Misappropriation of Trade Secrets)**

17 22. Plaintiff incorporates by reference paragraphs 1-21 above as if fully set forth herein.

18 23. The combination of product features contained in the design of Spring's electronic  
19 reader device, the "Alex™," was at all relevant times a trade secret of Spring. This compilation  
20 of product features afforded Spring with an opportunity to gain a significant competitive  
21 advantage over competitors in the e-reader industry. Such confidential information derives actual  
22 and potential economic value from not being generally known to the public or to other persons  
23 who can obtain economic value from their disclosure or use.

24 24. Spring has made reasonable efforts to maintain and protect the secrecy of such  
25 trade secrets.

26 25. On information and belief, Defendant B&N has misappropriated Spring's trade  
27 secrets by using and/or disclosing the trade secrets without Spring's authorization or consent.  
28

1           26.    As a direct and proximate result of B&N’s misappropriation of Spring’s trade  
2 secrets, Spring has been damaged in an amount to be proven at trial.

3           27.    Defendant B&N’s misappropriation of Spring’s trade secrets has caused and will  
4 continue to cause Spring irreparable and substantial injury and therefore cannot be fully redressed  
5 through damages alone. An injunction prohibiting B&N from further use or disclosure of B&N’s  
6 trade secrets—in particular, to prevent any further sales of the Nook™ and/or any other products  
7 using Spring’s trade secrets —is necessary to provide Spring complete relief.

8                                   **THIRD CAUSE OF ACTION**

9                                   **(Common Law Unfair Competition)**

10           28.    Plaintiff incorporates by reference paragraphs 1-27 above as if fully set forth herein.

11           29.    Plaintiff disclosed confidential information about the product features of its  
12 Android-based, interactive dual-screen navigation electronic reader device to B&N in exchange  
13 for B&N’s implicit promise that it would seriously consider acquiring Spring’s product.  
14 Although B&N at some point decided to develop its *own* Android-based, dual-screen electronic  
15 reader device, it concealed this fact from Spring and continued to accept confidential information  
16 from Spring up until the month before it announced the launch of its own product incorporating  
17 features identical to those disclosed by Spring.

18           30.    On information and belief, without Spring’s consent, and in bad faith, B&N took  
19 Spring’s confidential information relating to the design of Spring’s electronic reader device and  
20 used it to develop its own competing device.

21           31.    As a direct and proximate result of B&N’s unfair competition, Spring has been  
22 damaged in an amount to be proven at trial.

23           32.    Defendant B&N’s unfair competition has caused and will continue to cause Spring  
24 irreparable and substantial injury and therefore cannot be fully redressed through damages alone.  
25 An injunction prohibiting B&N from further acts of unfair competition—in particular, to prevent  
26 any further sales of the Nook™ and/or any other products using Spring’s confidential information  
27 —is necessary to provide Spring complete relief.

28    ///



PRAYER FOR RELIEF

33. Based on the foregoing, Spring requests entry of judgment in its favor against Defendant B&N as follows:

(A) For an award of damages to remedy harm incurred by Spring due to B&N's breach of the NDA;

(B) For an award of damages to remedy harm incurred by Spring due to B&N's unfair competition acts;

(C) For an award of damages to remedy harm incurred by Spring due to B&N's trade secret misappropriation;

(D) For preliminary and permanent injunctive relief, and/or an order of specific performance and other equitable remedies, restraining and enjoining B&N from use or disclosure of Spring's confidential information or trade secrets, including the sale of the Nook™ and any other products using Spring's confidential information or trade secrets;

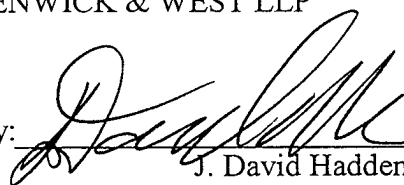
(E) For an award of its attorney's fees and costs;

(F) For such other and further relief as the Court may deem just and proper.

Dated: November 2, 2009

FENWICK & WEST LLP

By:

  
J. David Hadden

Attorneys for Plaintiff  
Spring Design Inc.

FENWICK & WEST LLP  
ATTORNEYS AT LAW  
MOUNTAIN VIEW

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**DEMAND FOR JURY TRIAL**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Plaintiffs demand a trial by jury on all issues so triable.

Dated: November 2, 2009

FENWICK & WEST LLP

By:   
J. David Hadden

Attorneys for Plaintiff  
Spring Design Inc.

FENWICK & WEST LLP  
ATTORNEYS AT LAW  
MOUNTAIN VIEW

# **EXHIBIT A**

**CONFIDENTIALITY AGREEMENT**

Company Name: Springs Design Inc.  
Business Address: 940 Mission Ct.  
Fremont, CA 94539

This Confidentiality Agreement ("Agreement") is made on this 12<sup>th</sup> day of February, 2009 (the "Effective Date") by and between BARNESANDNOBLE.COM LLC, a Delaware limited liability company having its principal place of business at 76 Ninth Avenue, New York, New York 10011 ("BN.COM") and the entity identified above ("Company").

BN.COM and Company would like to exchange certain information which may be considered trade secret, proprietary, confidential and/or sensitive (as further defined in Section 2 below, "Confidential Information"). As used herein, "Receiving Party" shall mean such party to this Agreement or its Representative (as defined below) that receives information from or on behalf of the other party hereto from and after the date hereof; "Disclosing Party" shall mean such party to this Agreement that discloses information to the other party hereto or its Representative (as defined below) from and after the date hereof.

To ensure the protection of such Confidential Information and in consideration of the agreement to exchange information, the parties agree as follows:

1. Each party shall regard and preserve as confidential all Confidential Information of the other which may be obtained from any source as a result of this Agreement. In maintaining confidentiality hereunder, each party shall not, without first obtaining the written consent of the other, disclose or make available to any person, firm or enterprise, reproduce or transmit, or use (directly or indirectly) for its own benefit or the benefit of others, any such Confidential Information. Each party's use and/or distribution of the other party's Confidential Information shall be limited to its own employees, agents, consultants and other representatives (each herein, a "Representative") on a "need to know" basis subject to the obligations set forth in Section 3 hereof. Without the prior written consent of the other party, neither party will disclose to any third party, other than their respective Representatives, (a) the fact that the Confidential Information has been made available to them or that they have inspected any portion of the Confidential Information, (b) the fact that any discussions or negotiations are taking place concerning any possible transactions between the parties, or (c) any of the terms, conditions or other facts with respect to any possible transaction, including the status thereof.
2. As used herein, "Confidential Information" shall include, without limitation, specific information of the Disclosing Party relating to a project or work effort contemplated by the parties, as well as all other information related to the Disclosing Party's past, present and future plans, businesses, activities, customers and suppliers. Information will not be considered "Confidential Information" to the extent, but only to the extent, that such information:
  - 2.1. Is already known to the Receiving Party or its Representative at the time such information is obtained from the Disclosing Party;
  - 2.2. Is or becomes generally available to the public other than as a result of a disclosure directly or indirectly by the Receiving Party or its Representatives in violation of this Agreement;
  - 2.3. Is or becomes available to the Receiving Party or its Representatives on a non-confidential basis from a source, other than the Disclosing Party or one of its Representatives, which to the knowledge of the Receiving Party or its Representative is not prohibited from disclosing such information by a contractual, legal or fiduciary obligation;
  - 2.4. Has been independently developed by the Receiving Party or its Representatives without violating any of its obligations under this Agreement.
3. Each party shall assure by agreement, instruction or otherwise, compliance with the terms of this Agreement by its respective Representatives who are permitted access or use of the Confidential Information of the other party.
4. If the Receiving Party or its Representative is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, such Receiving Party or Representative will promptly notify the Disclosing Party hereunder of such request or requirement so that such Disclosing Party may seek to avoid or minimize the required disclosure and/or to obtain an appropriate protective order or other appropriate relief to ensure that any information so disclosed is

maintained in confidence to the maximum extent possible by the agency or other person receiving the disclosure, or, in the discretion of such Disclosing Party, to waive compliance with the provisions of this Agreement. The Receiving Party will use its reasonable efforts, in cooperation with the Disclosing Party or otherwise, to avoid or minimize the required disclosure and/or to obtain such protective order or other relief. If, in the absence of a protective order or the receipt of a waiver hereunder, the Receiving Party or its Representative is compelled to disclose the Confidential Information or else stand liable for contempt or suffer other sanction, censure or penalty, such Receiving Party will disclose only so much of the Confidential Information to the party compelling disclosure as it believes in good faith on the basis of advice of counsel is required by law. Such Receiving Party shall give the Disclosing Party prior notice of the Confidential Information it believes it is required to disclose.

5. The exchange of information hereunder shall not commit or bind either party to enter into a contract or otherwise. Neither party shall rely on any information exchanged as a commitment or an inducement to act or not to act in any given manner. Neither party shall be liable to the other in any manner whatsoever for any decisions, obligations, costs or expenses incurred, changes in business practices, plans, organization, products, services, or otherwise, based on either party's decision to use or rely on any information exchanged hereunder. Furthermore, neither this Agreement, nor any exchange of information under it, will be construed as creating, conveying, transferring, granting or conferring upon the other, any rights, license or authority in or to the information exchanged or otherwise.
6. The parties acknowledge that the other party may be evaluating similar proposals of competing vendors and may be considering currently or in the future internal developments similar to those being discussed by the parties. Nothing in this Agreement shall restrict the right of a party to create, procure or market products or services which may be competitive with those offered by the other party; provided, however, such party has not used the Confidential Information of the other party for such purposes, nor obligate a party to obtain any services from the other party, nor prevent a party from entering into similar agreements with other companies or individuals.
7. Company acknowledges that it is aware that the United States securities laws prohibit or restrict any person who has material, non-public information about a company from purchasing or selling securities of such company or from communicating such information to any person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities. Company further agrees that it will not purchase or sell and will implement procedures reasonably designed to insure that any of its Representatives possessing Confidential Information will not purchase or sell, any securities of BN.COM or any of its subsidiaries or affiliates in any instance where such purchase or sale would violate United States securities laws.
8. Upon the written request of the Disclosing Party, Receiving Party will promptly deliver to Disclosing Party all documents and other materials furnished by the Disclosing Party to the Receiving Party or its Representatives constituting Confidential Information, together with all copies thereof in the possession of such party; provided that Receiving Party may, upon written approval of Disclosing Party, destroy certain materials constituting Confidential Information in lieu of its delivery to Disclosing Party, with such destruction certified by Receiving Party in writing to the Disclosing Party. Notwithstanding the delivery or destruction of Confidential Information, Receiving Party will continue to be bound by its obligations of confidentiality and other obligations hereunder.
9. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, such holding shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect, and the provisions so held invalid or unenforceable shall be deemed modified so as to give such provisions the maximum effect permitted by applicable law.
10. Each party acknowledges if there is a breach or threatened breach of the provisions of this Agreement, the other party will have no adequate remedy in money or damages and accordingly shall be entitled to seek equitable relief, including without limitation, injunction and specific performance; each party shall waive any requirements for security or posting of any bond in connection with such relief. No specification in this Agreement of any particular remedy shall be construed as a waiver or prohibition of any other remedies in the event of a breach or threatened breach of this Agreement.
11. This Agreement shall be governed in all respects by the substantive laws of the State of New York without regard for conflict of law principles. Each party hereby consents to personal jurisdiction in any action brought in any court, federal or state, within the City of New York having subject matter jurisdiction arising under this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

**BARNESANDNOBLE.COM LLC**

By: Barnesandnoble.com Inc.

Title: Sole Manager

By: 

Name: Anthony Asmuth

Title: VP - Division Product

**Company:**

Springs Design Inc.

By: 

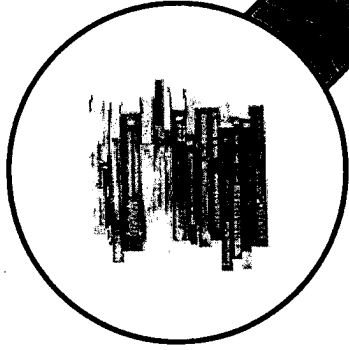
Name: Amy (Wei) Zhu

Title: Dir. of Business Development

# **EXHIBIT B**

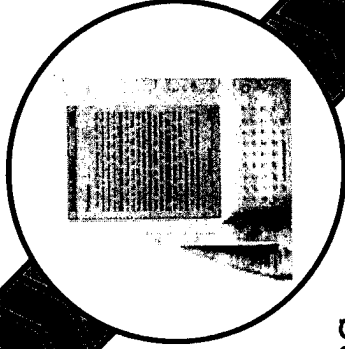
# Spring Design First Product

## Concept



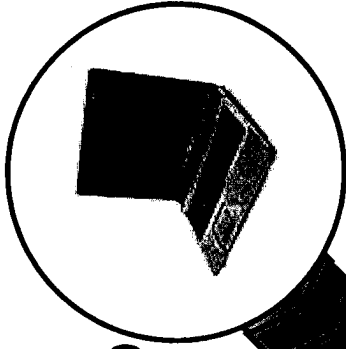
### Traditional Prints

- Not easy to carry
- Not easily accessible



### Desktop/Laptop

- Limited Portability
- Poor Battery Life



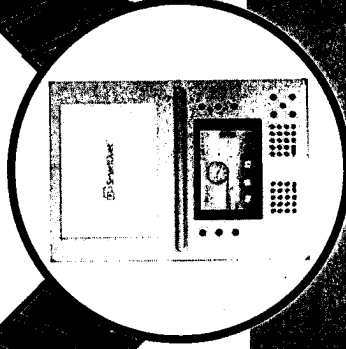
### EPD Readers

- Limited function other than reading



### Smart Phones

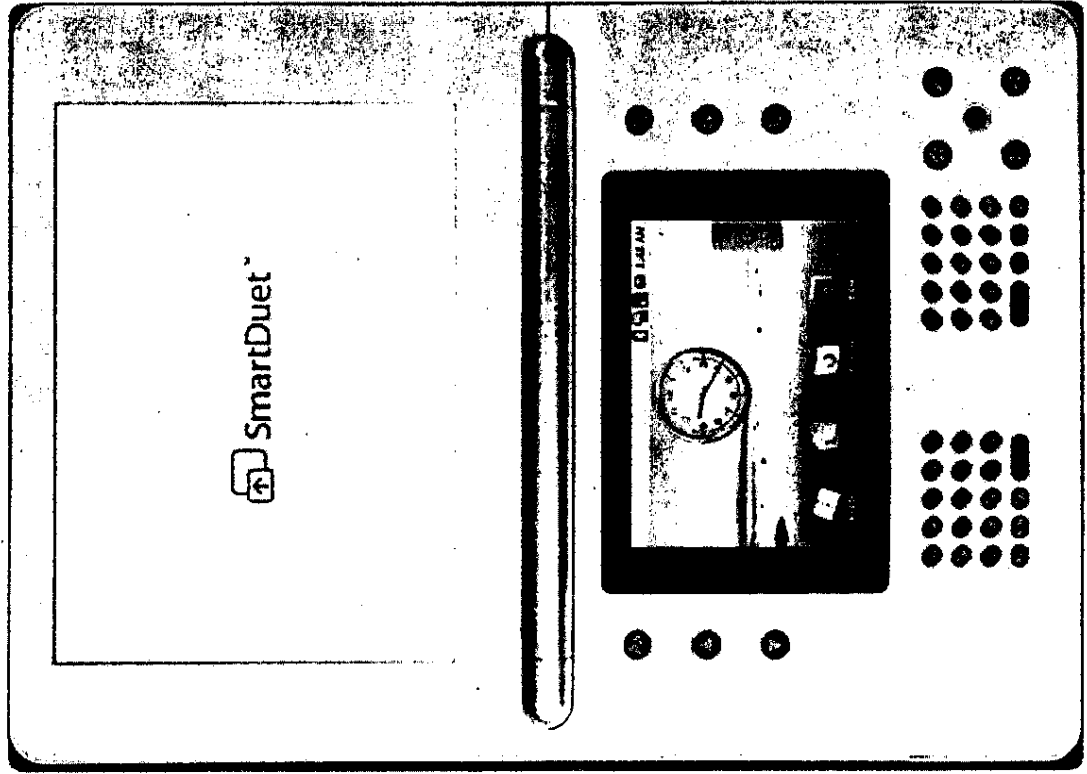
- Limited Screen Size
- Eye Fatigue

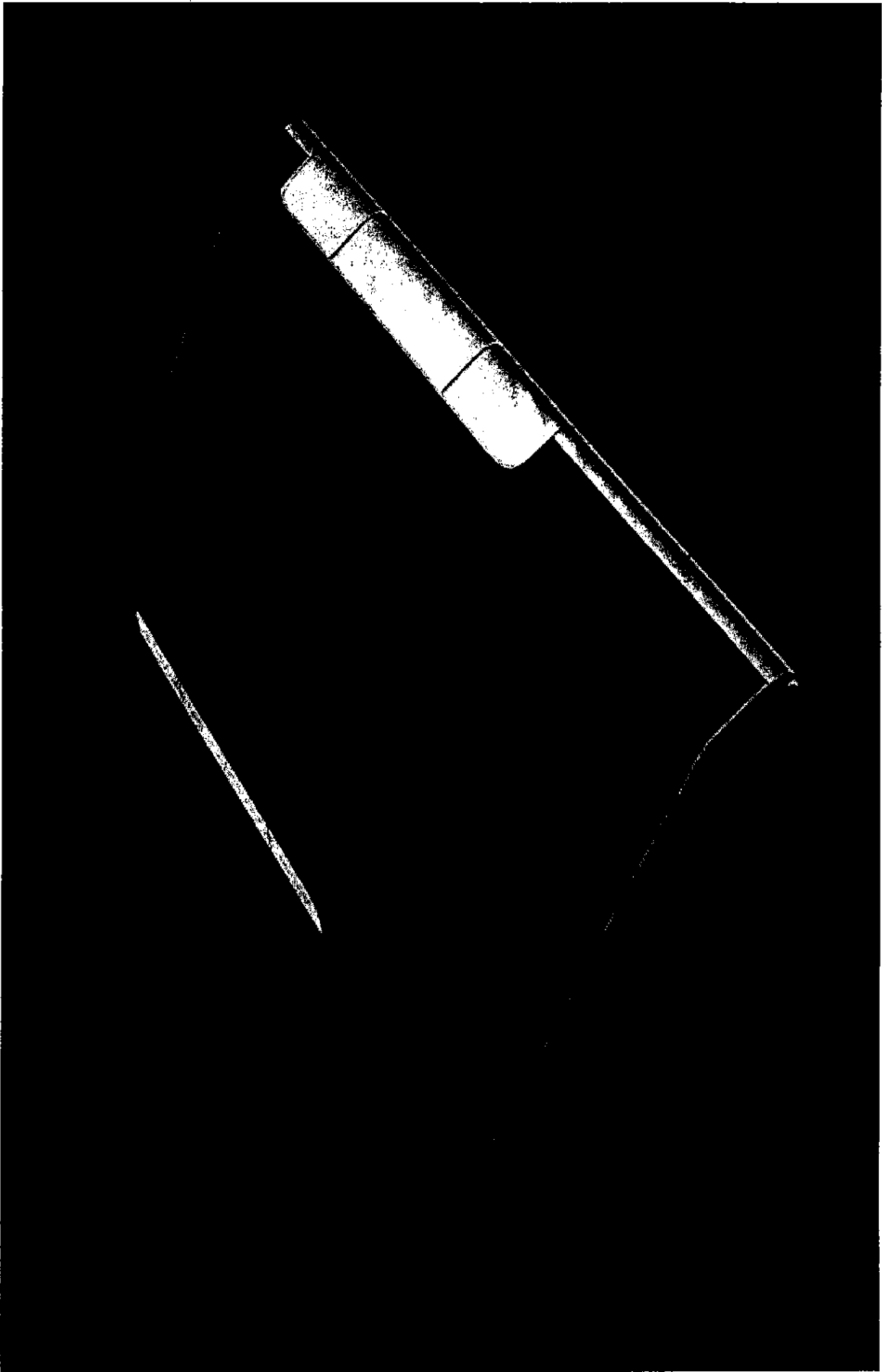


A new solution for readable, mobile, connected and versatile reading








# Some Early Pictures





# **EXHIBIT C**

# How Are We Different

<p>Embedded device, customized operating system</p>		<p>Flexible and powerful framework based on Android platform</p>
<p>Primitive user interface due to EPD limitation.</p>		<p>Advanced user interface that users are accustomed to. FPGA authentication, one click purchase</p>
<p>Black and white, no color, no video, no ads</p>		<p>Full multimedia color and video capabilities</p>
<p>Specialized development tools needed for third party application development</p>		<p>Simple yet complete development tools for third party application development</p>
<p>Dedicated content distribution channel, limited choice for users, no browser</p>		<p>Smartcard controlled access to variety protected (DRM) and freely available content</p>

# **EXHIBIT D**

# End User Benefits

## **More Content**

Access to a wide variety of protected (DRM) and free content from unlimited number of potential sources.

## **More Comfort**

EPD display that looks just like paper. LCD for easy navigation. Convenient projection of any content from LCD to EPD for extended reading.

## **More Usefulness**

Various tools and applications that enriches the reading experience, and a central marketplace to download more.

## **More Sharing**

Natural user interface, easily connect and engage with others who share the same reading interest

# **EXHIBIT E**

**Enjoy an array of tools and resources to make your content more meaningful—and your reading more productive.**

- The Alex Market provides a growing list of available applications
- Revolutionary “Browse and Project” technology allows your fingers to search and navigate freely. Search on LCD – project and read on EPD and LCD.
- Highly versatile presentation allows you to toggle freely between screens, enjoy multi-column viewing for comparing content.
- Enjoy up to two weeks’ worth of EPD reading on Alex without the need to recharge.
- Enjoy Alex’s full dual-screen functionality for up to two days without the need to recharge.
- The separate LCD screen allows readers a natural way to take notes and annotate without disturbing reading content on EPD screen.
- Alex’s LCD screen provides laptop quality Search and browse - making it an excellent e-learning tool.

**More Usefulness**

**Alex provides the features and capabilities real readers really want.**

**Make your mark on the content you read.**



# **EXHIBIT F**

## Betsy White

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**From:** William J. Lynch Jr. [wlynch@book.com]  
**Sent:** Friday, May 15, 2009 4:56 AM  
**To:** 'josh.ding@springs-design.com'; 'Kevin Frain'; 'Steve Pendergrast'; 'Scott Pendergrast'; 'terri@fictionwise.com'  
**Cc:** 'Albert Teng'; 'Amy Zhu'; 'Zoneson Chen'  
**Subject:** Re: Great meeting

Thanks for coming, and showing us your innovative work.

Kevin owns these partnerships and I know he's excited to work with you. Looking forward....

On 5/14/09 6:49 PM, "Josh Ding" <[josh.ding@springs-design.com](mailto:josh.ding@springs-design.com)> wrote:

Dear all,

It was great to catch up yesterday. Thank you for your hospitality.

Albert, and the Spring Design team would like to thank you all for inviting us over and show great interest in our product. It was our pleasure to demo the AlexReader to the Barnes and Noble team. Thank you William for proposing the 3 options that we should investigate and work together on. We look forward to the next meeting with you.

Best,  
Josh

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# **EXHIBIT G**

# Alex™ vs. Kindle 2 Spec

Features	Advanced Alex™ Reader	Kindle 2
<b>Processor</b>	Marvell PXA 303, 624 MHz	Freescale, 532 MHz
<b>Memory</b>	256 MB	128 MB
<b>Internal Storage</b>	4GB	2 GB
<b>Operating System</b>	Open Source Android 1.5	Proprietary
<b>Display</b>	6" EPD 16-level grayscale 2-3 times faster to turn EPD page 3.5" LCD 480x320	6" EPD 16-level grayscale Slow EPD page turn No LCD
<b>Multimedia UI</b>	Advanced UI with text, color picture, animation, video, touch screen interactivity like iPhone	Archaic text-based user interface
<b>Connectivity</b>	WiFi 802.11 b/g; Bluetooth, 3 G modem (To be certified)	EVDO modem
<b>USB Client</b>	USB 2.0 for multimedia file transfer	USB 1.1
<b>Expansion</b>	Micro SD, up to 32 GB multimedia content, replaceable battery	None, battery can not be replaced
<b>Applications and content</b>	Full featured Browser, reader, email. Apps SDK. Portal site. Many Android Apps, Adobe tools, DRM eBook content through partners	Very Limited Browser Amazon proprietary apps

# **EXHIBIT H**

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

**BKS - Barnes & Noble Media Call**

Event Date/Time: Oct. 21. 2009 / 1:30PM GMT



Oct. 21. 2009 / 1:30PM, BKS - Barnes & Noble Media Call

## CORPORATE PARTICIPANTS

**William Lynch**

*Barnes & Noble, Inc. - President, Barnes & Noble.com*

**Doug Gottlieb**

*Barnes & Noble, Inc. - VP, Digital Products*

## CONFERENCE CALL PARTICIPANTS

**Karen Talley**

*Dow Jones - Media*

**Stephen Cass**

*Technology Review - Media*

**Matt Hamlin**

*Computerworld - Media*

**Martinne Geller**

*Thomson Reuters - Media*

**Keith Kelly**

*NY Post - Media*

**Peter Kafka**

*All Things Digital - Media*

**Sarah Epps**

*Forrester Research - Media*

**Peter Meyers**

*O'Reilly Media - Media*

**Matthew Miller**

*ZDNet - Media*

**Cade Metz**

*The Register - Media*

**Carly Zektzer**

*Gear Diary - Media*

**Staci Kramer**

*paidContent - Media*

**Ramesh Kumar**

*Mommyniri.com - Media*

**Andrew Keen**

*Daily Telegraphy - Media*

**Jen Edwards**

*PocketGoddess.com - Media*

**Holly Mercer**

*Book Binge - Media*

## PRESENTATION

**Operator**



Oct. 21. 2009 / 1:30PM, BKS - Barnes & Noble Media Call

Good day and welcome to this Barnes & Noble media call. Just a reminder, today's call is being recorded. At this time for opening remarks and introductions, I would like to turn the call over to Mr. William Lynch, President of [barnesandnoble.com](http://barnesandnoble.com). Please go ahead, sir.

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**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Thank you. And let me thank all of the media who are participating in this call. Last night, Barnes & Noble announced the most exciting product in our Company's history, nook by Barnes & Noble, the most full-featured, fun, stylish and easy-to-use eBook reader on the market. nook is the centerpiece of our customer-centric digital strategy to give consumers access to any book, magazine, newspaper or other content anytime, anywhere.

nook is loaded with innovation. It is the first color touchscreen for navigation, plus a best-in-class E Ink display, the first eBook reader with both free and fast 3G wireless access to a vast digital library, plus Wi-Fi for a great in-store experience, including exclusive content, browsing of complete eBooks and much more.

This is the first eBook reader to take advantage of the Android platform and the first eBook reader with digital lending so friends can do what they have always done, share the joy of reading. We designed nook to feel great in your hand. It is about the size of a paperback, thin, small and portable. Our minimalist design puts the focus on the content, not the technology, welcoming the reader to dive right in.

On the color touchscreen located in the lower portion of the device, readers just flick a finger to easily speed through their virtually limitless personal collection of eBooks on nook or more than a million books, magazines and newspapers on our eBook store all in color. Scroll through the actual cover, in vivid color, as you would browse in one of our stores.

The combination of color and touch make navigating nook intuitive and simple, even for the tech novice. We present the controls, navigation and keyboard you need only when you need them because nook is about the joy of reading. Searching through the eBook store is a breeze. The virtual keyboard is large, comfortable and easy to use. And when you don't need to navigate, the color touch screen goes dark to let you focus on the content.

The text appears on a second screen, a paperlike, six-inch, E Ink display for optimal reading experience on a dedicated device. The state-of-the-art 16-level gray scale is crisp and clear with no glare or backlight for hours of reading enjoyment. Customize your reading experience by choosing from five font sizes. Carry up to 1500 eBooks using nook's two gigabytes onboard and use the expandable micro SD slot to add thousands more. You can also add pictures, music and personal documents, including easy loading of PDFs.

Plus, we have 3G wireless access to connect to the B&N eBook store for over a million eBooks, magazines and newspapers. You will never be without a good read. Browse our virtual bookshelves and sample eBooks for free. Enjoy exclusive daily content and hand-picked recommendations from our booksellers at Barnes & Noble.

Buying eBooks is quick and easy. With just two touches, you are able to purchase an eBook and have it downloaded wirelessly into your nook in seconds. And just as our customers love to share books from their physical collections, now Barnes & Noble helps them share eBooks too. With our LendMe technology, you can share nook to nook for a two-week period. But it doesn't stop there. You can lend to and from any Barnes & Noble eReader-enabled device, including iPhone, iPod Touch and select BlackBerry and Motorola smartphones, PCs and MACs.

Reading now is your virtual bookmark. It brings you back to the last book you have read right where you left off and it doesn't end there. It works across a range of devices. If you forgot your nook at home and are stuck on a bus, keep reading with your smartphone using our free eReader software, which lets you pick up right where you left off, including your annotations. And when you are reunited with your nook again, the Reading Now page will be updated and ready to go.





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We have also included many ways that you can customize the nook and make it your own. You can personalize your nook by creating a screensaver using your own photos, personalize the nook's contoured back with a variety of fashionable colors to match your individual style, and to keep your nook safe and looking stylish, we have teamed up with well-known designers such as Kate Spade New York, Jack Spade, Jonathan Adler, Tahari and others. Do take a peek at these at nook.com because our accessories are just beautiful.

Bookstores are the place people go to discover books. They are vitally important to our industry and we believe this is equally true when it comes to growing the market with digital. As the world's largest bookseller, we have got a huge advantage, our store footprint and our 40,000 booksellers. With our over 700 retail stores and over 600 college bookstores in all 50 states, we have a great opportunity to show nook to our tens of millions of customers and give them a hands-on demonstration. So nook will be sold in all Barnes & Noble bookstores with stunning displays we have created to showcase our new eBook reader and that will begin rolling out today.

Our 40,000 booksellers have always helped people discover the joy of reading. Now this army of book experts will be ambassadors for our e-reading too, helping customers discover and experience nook in our stores. They will show customers how to get the most out of their nook e-reading experience and also demonstrate our eReader applications we have developed for other devices.

In store, our complementary AT&T Wi-Fi has proven popular. In fact, we are nearing 5 million sessions since we began this free service in July of this year. So when you are in the store, in addition to downloading eBooks from our eBook store, we will serve you exclusive in-store-only content, free eBooks, special offers and much more.

And for those of you who love to browse in our stores with nook or another B&N eReader-enabled device, have a seat, grab a cup of coffee and browse complete eBooks. Consumers can now do digitally what they have always done with books, flip through an entire book in their favorite bookstore.

nook will have a price of \$259 and we expect to ship at the end of November to Barnes & Noble stores so consumers will have them in their hands well in time for the holidays. We are taking nook pre-orders immediately at nook.com and in stores today. That is a quick overview on nook. We are going to take some of your questions now.

## QUESTIONS AND ANSWERS

### Operator

(OPERATOR INSTRUCTIONS). Karen Talley, Dow Jones.

### Karen Talley - Dow Jones - Media

Hi, thanks very much for taking my question. This is a little bit off the path, but you might have expected the question. In light of what Wal-Mart and Amazon are doing online, do you plan anything along those lines?

### William Lynch - Barnes & Noble, Inc. - President, Barnes & Noble.com

Along the lines of promotions around books?



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**Karen Talley** - *Dow Jones - Media*

The \$9 books?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

We run promotions on books literally daily and those change from week to week both in our stores and as well as online. But it should be noted that the book business is really what is called a long-tail business and bestsellers in aggregate comprise less than 5% of the total business. So with 10 -- selecting 10 books for promotion, that is one promotional mechanism some of our competitors have used. We use others. We have member discounts we provide and certainly, you will see on B&N.com through the holidays a lot of exciting promotions around books and across our other merchandise categories.

**Karen Talley** - *Dow Jones - Media*

Do you plan any \$9 books, that promotion where they're going back and forth with each other?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

We have \$9 books on the site today.

**Karen Talley** - *Dow Jones - Media*

No, I mean of those -- in those bestseller categories. In other words, do you plan to do what they are doing?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

To do exactly what some other retailer is doing, no.

**Karen Talley** - *Dow Jones - Media*

Do you plan to do something similar to what other retailers are doing?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Frankly, we have a promotional plan that is locked. We are excited about our promotional plan for the holidays and could another retailer do something similar? Sure, I guess, but we haven't looked at it that closely.

**Karen Talley** - *Dow Jones - Media*

So could I say you are saying yes that no, you will not go the route of Wal-Mart and Amazon.com in offering books for around \$9? The bestsellers, the ones along the lines that they are doing?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

We have no plans to do that at this time.



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**Karen Talley** - Dow Jones - Media

Okay, all right. Thank you very much.

**Operator**

Stephen Cass, Technology Review.

**Stephen Cass** - Technology Review - Media

Hi, thank you so much for taking our questions. I just have two quick questions. One, where does the Barnes & Noble strategy fit in with the IREX reader that was announced last month. Some hoopla was made that Barnes & Noble was a partner and so on. So how do readers like IREX and so on fit in now that you have announced the nook?

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

Well, what we announced with the IREX is that Barnes & Noble will be the eBook store providing both eBooks, as well as some digital newsstand content for consumers who purchase the IREX device. We have a similar deal that we have announced with Plastic Logic and their forthcoming QUE eReader. So in those relationships, we are really the content and commerce partner for those devices. In the case of the nook, this is the device we have created, along with obviously connection to our eBook store and the other services we just articulated.

**Stephen Cass** - Technology Review - Media

And I just have a follow-up question. It seems from the technical specs that you are not offering a text-to-speech function. I know you have an MP3 player for audio books, but for actually just converting text to speech for visually-disabled readers and so on. I know the Kindle -- they received some pushback when they included that feature. Was there a reason why that feature wasn't included or am I just misreading the spec?

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

No, you're not misreading the spec. We didn't include it because we don't think the technology works well today. The only features that we have included in the nook are features that we thought delivered a really elegant consumer experience. I don't know if you have used that feature in other devices, but we think it is a fairly clumsy execution and the technology just really doesn't quite deliver a great experience.

**Stephen Cass** - Technology Review - Media

Great. And just finally, where is the unit being manufactured? I know somewhere in Asia is the closest we've been able to pin it down, but can you be a little bit more specific than that?

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

It is somewhere in Asia. We don't disclose strategic supplier relationships, but that is accurate to say somewhere in Asia.



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**Stephen Cass** - *Technology Review - Media*

Thank you.

**Operator**

Matt Hamlin, Computerworld.

**Matt Hamlin** - *Computerworld - Media*

Hi, thanks. I am just interested in the browser capabilities of the lower screen. It sounds like from your oral description that it is limited to searches for books, but I think the Spring company came out with its Alex Monday. They talk about it being kind of a fuller browser. Can you talk about whether or not your device browses the Web today or will it down the road and could that compete with an Apple tablet? That kind of future thinking would be useful.

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

There is no browser on the nook today and could we have one in the future? Sure, we are looking at all kinds of different feature sets for our roadmap and that is certainly one to consider. So that was the question I think, correct?

**Matt Hamlin** - *Computerworld - Media*

Yes. And do you see that -- how important is that down the road? That is the real question, I guess.

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

I think if you look at the eReader market and look at the growth and in our consumer research, what people want to do with these devices primarily is read and they want to read and that goes beyond just traditional trade books and bestsellers. It goes to all their digital content. And so today, we are excited about the feature set nook delivers, but in the future, consumers may want or demand additional features. And so we are talking to consumers all the time and should they identify that as something they would want in their eReader, then we will make sure to include it.

**Matt Hamlin** - *Computerworld - Media*

But can you clarify what I can do with it today? It just -- it sounded like it is just to go through the B&N eBook store.

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

In terms of Web browsing?

**Matt Hamlin** - *Computerworld - Media*

Yes, I mean what does it do? I can search through books you said, but is that -- is it just the Barnes & Noble bookstore or --?



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**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Yes, you can browse through your library and manage your content on your library. You can browse through the bookstore. We also have a section called The Daily, which is a sort of daily content and news section that you can scroll through. We have exclusive content and content partnerships and it gets pushed to our application called The Daily, add to your subscriptions. You can also manage your subscriptions, manage your settings. You can use the lower level to annotate and make notes. You can use it to sample books to send, lendable books. You can shop and browse in color through our whole bookstore. Those are – oh, and your settings, you can also load screensavers, manage your pictures, any personal documents you have got that are in PDF.

---

**Matt Hamlin** - *Computerworld - Media*

Very good. And it is through touch capability of a touch keyboard or is the touch more than just the keyboard?

---

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

It is more than a keyboard. It is a touchscreen, which is a capacitive touchscreen. Very similar – in fact, the same technology that is used in the iPhone. And if – there is a keyboard that you can pull up and operate if you are searching for books either in your library or in your – on the eBook store.

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**Matt Hamlin** - *Computerworld - Media*

All right. Thanks so much. Appreciate your time.

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**Operator**

Martinne Geller, Reuters.

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**Martinne Geller** - *Thomson Reuters - Media*

Hi, thanks for taking the question. I understand obviously it is very, very early days, but wondering if you could give any sort of guidance on your expectations for sales potential for the device and what kind of profit margin it carries.

---

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

We don't give any projections because it is so early. We launched last night. And in terms of profit margins on the hardware, we haven't disclosed that yet either. And, our CFO, in future calls, we will address that, but we are not addressing that today.

---

**Martinne Geller** - *Thomson Reuters - Media*

Okay. I think Forrester Research had said -- had forecast roughly 3 million eReaders expected to be sold in the US this year with sales doubling in 2010. Is that generally the kind of plan that you're thinking about for the market as a whole?

---

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

I think that is consistent with our view. Sarah Rothman Epps, I believe, put that out.

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**Martinne Geller** - Thomson Reuters - Media

Okay. Thank you.

**Operator**

Keith Kelly, New York Post.

**Keith Kelly** - NY Post - Media

Two quick questions. What is the cost of the device?.

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

\$259.

**Keith Kelly** - NY Post - Media

Okay. And is this in any way compatible with the number of magazine publishers -- Time Inc., Conde Nast first have been talking about getting into the eReader business across multi-platforms. I think they were looking for a device that would market for under \$200, but did you work with any of them and is this compatible with their magazines like People and Vanity Fair and O, the Oprah Magazine?

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

There are magazines available and we have worked closely with Conde Nast and those others. So as an example, Conde Nast, The New Yorker is available for subscription. So yes, we have --.

**Keith Kelly** - NY Post - Media

People, Entertainment Weekly?

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

I think the whole list is on our site. I don't have that with me here, but a list of available subscriptions is on our site and we will be adding to it. We are adding to it literally weekly.

**Keith Kelly** - NY Post - Media

Okay.

**Operator**

Peter Kafka, All Things Digital.



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**Peter Kafka** - *All Things Digital - Media*

Hi, back on the publications front, one of the pushbacks Amazon has gotten from newspaper and magazine publishers is who is going to control the subscriber list and those transactions. Do you imagine that the publishers will be able to do that themselves or are they going to – will those be done through you folks?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

We are working with the publishers on how to best manage subscriptions to ensure the customer experience is good. We are pushing the subscription and so we are managing the customer subscriptions through our software. But we are working with the publishers to ensure they have customer data so that they understand the 360 view of where their customers are engaging with their branded content.

**Peter Kafka** - *All Things Digital - Media*

They will have access to the subscription [roles], etc.?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Sorry, I didn't catch the last part, Peter.

**Peter Kafka** - *All Things Digital - Media*

They will have access to – they will know who is buying their stuff, where they live, etc., all the things they would normally know if they had a subscriber?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

I wouldn't say all the things they normally would know, but they will have some customer data.

**Peter Kafka** - *All Things Digital - Media*

And just can you (inaudible) overall what you think the value proposition for a customer deciding between your product and the Kindle is, leaving aside sort of the specific features, if there is one big overriding killer feature for you?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

I think it is fun, easy to use. It is a really engaging device. The color touchscreen makes the navigation very, very easy and you can get to your content and your books much more quickly.

**Peter Kafka** - *All Things Digital - Media*

Okay, thanks.



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**Operator**

Sarah Epps, Forrester Research.

**Sarah Epps - Forrester Research - Media**

Hi, there. Two questions. First one is how are you planning to leverage the Android platform? Are you planning to open it up to third-party developers? Will there be any easy integration with Google docks?

**William Lynch - Barnes & Noble, Inc. - President, Barnes & Noble.com**

Sarah, we haven't announced anything regarding putting out an SDK or setting up a developer environment. We do think that Android offers some exciting opportunities in that way and it wasn't the driving consideration for why we selected Android. We really like the features of Android and what it allowed in terms of navigation and what is built into the OS. We optimized it for the UI that nook has, but we do think, just because of the excitement and all the development around Android, that, in the future, putting out an SDK in a developer environment would be an exciting -- would be something exciting for us and for our users.

**Sarah Epps - Forrester Research - Media**

Thank you. And then my second question is do you plan to show advertising on the device?

**William Lynch - Barnes & Noble, Inc. - President, Barnes & Noble.com**

Not initially. There will be no advertising.

**Sarah Epps - Forrester Research - Media**

Not initially, but potentially in the future?

**William Lynch - Barnes & Noble, Inc. - President, Barnes & Noble.com**

Sure.

**Sarah Epps - Forrester Research - Media**

Okay, thank you.

**Operator**

Peter Meyers, O'Reilly Media.

**Peter Meyers - O'Reilly Media - Media**

Hi, thanks for taking my question. Actually two questions. First one about PDF. Sort of spent a little bit of time looking on the site and trying to get a sense of how the PDF will display on the device. So could you talk a little bit about whether you are doing





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any kind of conversion of the document, what it sort of will look like? For example, if you wanted to put say a user's guide that you got from a new camera, if you wanted to put that PDF onto the nook, what would it look like?

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**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

I am going to kick that over to Doug Gottlieb.

---

**Doug Gottlieb** - *Barnes & Noble, Inc. - VP, Digital Products*

So because we are working with Adobe in a partnership announced yesterday, we will be rendering PDF without need for conversion natively.

---

**Peter Meyers** - *O'Reilly Media - Media*

Maybe just one more pass at that. I mean just thinking about a PDF for a book that is sort of laid out say for an 8X10 book and then given the size of the display screen, in kind of layman's terms, what do you think -- are you basically just kind of scrunching it down?

---

**Doug Gottlieb** - *Barnes & Noble, Inc. - VP, Digital Products*

So the nook screen has a 16-bit gray scale Vizplex display. It is a state-of-the-art E Ink display. It is really crisp and really sharp and because PDF -- because we are rendering with Adobe's rendering technology for PDF, we think it will be a crisp, easy reading experience on nook.

---

**Peter Meyers** - *O'Reilly Media - Media*

Got you. And then the other question is just about the magazines available. Just spent a little bit of time poking around on the website and I am not seeing a list. Do you have a sense of whether maybe I missed it or is the number of magazines and newspapers available comparable to what consumers might find on the Kindle store?

---

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Yes, our plan is to -- we are the second largest retailer of magazines on the physical side and digitally, we expect to have a large assortment. So I think in total, we've got -- it is over 40. I think it is close to 45 newspapers and magazines at launch. And I think as we alluded to earlier, we will be adding more weekly. So in total, it is 45 right now.

---

**Peter Meyers** - *O'Reilly Media - Media*

That is newspapers and magazines or just magazines?

---

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

It is newspapers and magazines. That includes Wall Street Journal, New York Times, Forbes, Newsweek, New Yorker.



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**Peter Meyers** - *O'Reilly Media - Media*

And who determines the price of the magazine and the newspaper subscription?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

It depends. In some cases, we do; in other cases, the publication does.

**Peter Meyers** - *O'Reilly Media - Media*

Okay, thanks very much.

**Operator**

Matthew Miller, ZDNet.

**Matthew Miller** - *ZDNet - Media*

Hello, I have a couple quick questions for you. What happens after the two-week loan period? Does the book auto-delete or does it give you some kind of a warning that your loan period has expired?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

The book does time-out after two weeks and is automatically returned to the lender. So unlike my friends, I will get my books back this way pretty quickly. So it does come right back to you and it is unavailable on the device of the person who accepted the lend after two weeks.

**Matthew Miller** - *ZDNet - Media*

Okay, I got it. So it is a single license that passes around to the people that you lend it to?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Correct.

**Matthew Miller** - *ZDNet - Media*

And for Wi-Fi access, I understand that you get special content and things like that in the Barnes & Noble store. Are you able to access the store, the eBook store via Wi-Fi outside of a Barnes & Noble physical location?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Yes, you will be.



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**Matthew Miller** - ZDNet - Media

Okay. So you can use it throughout the world, like when you are traveling on business and things like that?

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

The unique content is available only when in a Barnes & Noble store, over at Barnes & Noble complementary AT&T Wi-Fi. However, you will be able to connect nook to your own home Wi-Fi network or when you are traveling to other Wi-Fi networks. But the content experience, the unique content experience, exclusive material and that in-store browsing experience that we described will be only available in Barnes & Noble stores.

**Matthew Miller** - ZDNet - Media

Okay, but that doesn't mean -- that is not the same as the eBook store. You can still purchase books via Wi-Fi at home and things like that?

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

You can. You can connect to the eBook store both through 3G and Wi-Fi outside of Barnes & Noble stores.

**Matthew Miller** - ZDNet - Media

Okay, thank you.

**Operator**

Cade Metz, The Register.

**Cade Metz** - The Register - Media

Hi, a couple questions. You have talked about PDF support, but wondered if you could say what other formats the device supports and then how you would get those files onto the device if they are not coming from the eBook

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

You would sideload those files on the device in an easy, drag-and-drop operation and the file formats supported are ePub, of course. We have supported we are supporting ePub, PDF, your pictures, JPEG. Doug, any --?

**Doug Gottlieb** - Barnes & Noble, Inc. - VP, Digital Products

MP3 files.



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**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

MP3.

**Doug Gottlieb** - Barnes & Noble, Inc. - VP, Digital Products

Png files. We mentioned PDF and Fiction Wise, PDB.

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

PDB files as well.

**Cade Metz** - The Register - Media

Okay. So with that side mount, are you saying you connect it to your PC and move in that way?

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

Yes.

**Doug Gottlieb** - Barnes & Noble, Inc. - VP, Digital Products

Yes, the device mounts as a standard USB storage device when you connect it to your PC or Mac and so you can just drag and drop files right on. And of course, it is expandable with a micro-SD slot, so you can carry content on that as well, virtually limitless expansion.

**Cade Metz** - The Register - Media

Okay. Is there any way to access directly other eBook stores either now or are there plans to do that in the future?

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

There is no way to access other eBook stores. Why would you want to do that? And we have no plans to do that in the future.

**Cade Metz** - The Register - Media

Okay. And there was also some talk of supporting RSS feeds in a way. That is only through the bookstore, is that correct?

**William Lynch** - Barnes & Noble, Inc. - President, Barnes & Noble.com

No, we haven't said anything about RSS support. It doesn't support RSS feeds.

**Cade Metz** - The Register - Media

Got it. Okay, thank you.



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**Operator**

Stephen Cass, Technology Review.

**Stephen Cass - Technology Review - Media**

Hi, thanks very much. Sorry, just a few quick follow-up questions. You mentioned you can get in via Wi-Fi into the bookstore anywhere. How are you managing then regional restrictions on books so that if I am in England and I am traveling in England, I understand I want to get US books, but may not -- there are restrictions there about copyright.

And secondly, are any of the magazine publishers worried that being able to download a book or a magazine in a foreign country would constitute publication in that country and then open people up to libel laws? We've seen a lot of cases where a handful of magazines get sold say in London and then suddenly that magazine falls under the UK libel laws?

**William Lynch - Barnes & Noble, Inc. - President, Barnes & Noble.com**

You are not able to purchase the content if you're outside the US. And the way we govern that is we triage it with several technology, including identifying sort of where you are. So we put in several mechanisms to ensure we are adhering to copyright laws relating to geography. And then I am not sure -- I am a little confused by your second question. I'm sorry.

**Stephen Cass - Technology Review - Media**

Well, it is moot. If you are not able to purchase content, then it is moot. So I just very quickly have -- in terms of -- with the lending program, I mean I am buying books, what kind of security privacy features do you offer? And if somebody lends -- if I purchase a book from you, obviously you have a record of that transaction. If I lend a book -- if I borrow a book from a friend or lend a book to a friend, does Barnes & Noble also note that that friend has had that book and how is all that information sort of curated?

**William Lynch - Barnes & Noble, Inc. - President, Barnes & Noble.com**

Yes, we have to note -- in order to lend a book to someone and for that individual to read the book, they have to have our eReader software. They either have to have a nook or the eReader software on one of the many devices we support. So we know when a consumer has lent a book and to whom. And how we use that data, we use that data to service the transaction to ensure that it is a great experience and then obviously when the 14-day period is over to ensure that file is deleted and reverts back to the original purchaser.

**Stephen Cass - Technology Review - Media**

Is there any encryption? When I download books from your store, are the books encrypted?

**William Lynch - Barnes & Noble, Inc. - President, Barnes & Noble.com**

Some are. Some are encrypted and others are not encrypted. We have over 500,000 books available that are free and have no encryption at all, but most of our salable titles are encrypted.



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**Stephen Cass** - *Technology Review - Media*

Thank you.

**Doug Gottlieb** - *Barnes & Noble, Inc. - VP, Digital Products*

At the request of the publishers.

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Sure.

**Operator**

Carly Zektzer, Gear Diary.

**Carly Zektzer** - *Gear Diary - Media*

Hi, first of all, the whole Gear Diary team is very excited about this device and I think a few of our team has actually already pre-ordered it. So you have clearly got everybody here smitten. We were actually wondering -- I know you mentioned Fiction Wise and eReader that you support the format. Does that mean that if say we have books that go back to like the old peanut press days with the old Palm OS, those books, if they are still on eReader, are those readable on the nook?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

We would need to check and understand -- that's a good question -- check and understand what file format that is in. It is readable on your eReader software today, --

**Carly Zektzer** - *Gear Diary - Media*

Yes.

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

There is a good chance that it will be able to be read on nook. But maybe we can follow up with you individually and understand. So can we take --?

**Carly Zektzer** - *Gear Diary - Media*

Okay.

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Can you give us -- so your name again?



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**Carly Zektzer** - *Gear Diary - Media*

Carly, C-A-R-L-Y and it is GearDiary.com. So my e-mail is Carly at GearDiary, G-E-A-R-D-I-A-R-Y.com.

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Great. We will follow up and get you an answer.

**Carly Zektzer** - *Gear Diary - Media*

Great. Thank you.

**Operator**

Staci Kramer, paidContent.

**Staci Kramer** - *paidContent - Media*

Hi, I had a couple of questions. First, I just wanted to clarify, are all purchased books included in the lending library or are there any titles that are excluded?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

There are books that are excluded from our LendMe technology and LendMe program, but the majority are included.

**Staci Kramer** - *paidContent - Media*

What kinds are excluded? Is there any particular publisher who is not included or --?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

In some cases, it is a publisher. In some cases, it is a portion of a publisher's catalog. In some cases, it is a particular author. But as we have said, the majority are participating in the lending program.

**Staci Kramer** - *paidContent - Media*

And are you going to include sales of blogs or other non-magazine, non-newspaper publications like Amazon does?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Definitely.

**Staci Kramer** - *paidContent - Media*

Is that coming forward or is that something you are going to launch with?



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**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

It won't be at launch, but it is something you will hear about in short order.

**Staci Kramer** - *paidContent - Media*

And then also can you talk a little bit about why the B&N memberships don't apply to digital content, the discount, into the device?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

So the question is why don't B&N memberships apply to digital content?

**Staci Kramer** - *paidContent - Media*

Right. And to certain digital devices as it is described in the fine print?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Well, we have opportunities to push special coupons to members. So there is no standard discount on digital. But as we do with our physical member program, we push special discounts on products, be they accessories, toys, games, books, and we plan to do that with members as well in digital. But there is no digital discount on the hardware for members. We are not discounting this device at all. It is \$259 for everyone.

**Staci Kramer** - *paidContent - Media*

All right. So you can't say if you are a B&N member then the way that you can with the 10% discount. And by the way, I've had one for several years; that is why I was sort of looking at it anyway. You can't really say to them, if you spend \$25 on this membership, you will save X amount of money as you spend money on digital?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

That's correct. We have no way of definitively saying that today. Now it should be noted that our members spend most of the time in our stores so they will get more utility and more offers through our in-store program when they have their nook. So in that way, they are accruing more benefits, but to your specific question, no, we have no way of saying that.

**Staci Kramer** - *paidContent - Media*

Thank you.

**Operator**

Ramesh Kumar, MommyNiri.com.





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**Ramesh Kumar** - *Mommyniri.com* - *Media*

Hi, I wanted to talk more about the (inaudible) access to the book. Are you trying to push your customers to your stores? Is that your strategy around getting more people to come into your store and then access it from there?

**William Lynch** - *Barnes & Noble, Inc.* - *President, Barnes & Noble.com*

Yes.

**Ramesh Kumar** - *Mommyniri.com* - *Media*

Okay. And how is that -- how is this -- trying to get a bigger picture in terms of how is this comparing against Amazon's Kindle?

**William Lynch** - *Barnes & Noble, Inc.* - *President, Barnes & Noble.com*

How is the nook device competing against Amazon's Kindle?

**Ramesh Kumar** - *Mommyniri.com* - *Media*

That's right.

**William Lynch** - *Barnes & Noble, Inc.* - *President, Barnes & Noble.com*

We think it has got a full feature set. We really like the color touch. We like our in-store program. We like our lending program. And we like how we have created an eReader focused on an intuitive and immersive reading experience. It is -- we have put the focus on the consumer. We identified features that consumers wanted in an eReader. They wanted color, they wanted touch, they wanted lending and we packed them into this device.

**Ramesh Kumar** - *Mommyniri.com* - *Media*

One last question --.

**Doug Gottlieb** - *Barnes & Noble, Inc.* - *VP, Digital Products*

And the fact that you could walk into a store and pick one up and touch it.

**William Lynch** - *Barnes & Noble, Inc.* - *President, Barnes & Noble.com*

The other thing, as Doug just said, it is a huge benefit not only for prospects looking at the device to get a demonstration in the store from our booksellers, but also for the tens of millions of consumers who go into the stores and some of those who own nooks, they can get help with their nook and get additional content loaded, they can get recommendations from their bookseller and then they can get everything we have been discussing in terms of the in-store content program.



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**Ramesh Kumar** - *MommyNiri.com* - *Media*

It looks like Barnes & Noble is becoming more of a technology company and moving away from the -- that's what I believe the strengths are as a retail company and now you are in the technology business now. How does that fit with your overall model?

**William Lynch** - *Barnes & Noble, Inc.* - *President, Barnes & Noble.com*

Well, we have -- we launched an eBook, the original Rocket Book, 10 years ago. So we were the first one to launch an eBook reader, but Barnes & Noble at its core is about reading and we have a deep understanding of reading and readers and content. And so we were one of the first to launch an online store at BN.com. So we have great technologists here and there is a lot of technology in this device. But really it is about the reading experience and the reader and the feature sets that they told us they wanted.

**Ramesh Kumar** - *MommyNiri.com* - *Media*

Okay, thanks.

**Operator**

Andrew Keen, Daily Telegraphy.

**Andrew Keen** - *Daily Telegraphy* - *Media*

Hi, could you tell me how you think this product will benefit writers, authors?

**William Lynch** - *Barnes & Noble, Inc.* - *President, Barnes & Noble.com*

I think this product -- this product adds to our B&N Recommends program and our B&N -- our various B&N merchandising programs to highlight key authors. So as you may know, we have, for years, been advocates of promoting certain authors and helping them get big. And now what this product does is it extends our ability to highlight specific authors and gives them more reach to our tens of millions of consumers. But really what this is about is just giving consumers the choice to get any book anytime, anywhere, on any platform. So that is what nook is. It's just extending our relationships with the consumer and promoting content and authors and books.

**Andrew Keen** - *Daily Telegraphy* - *Media*

You couldn't imagine ever this product breaking out books into snippets so that the act of writing a book could become somewhat different?

**William Lynch** - *Barnes & Noble, Inc.* - *President, Barnes & Noble.com*

I think that will happen anyway as we go into the future. So yes, we can envision it and I think that will begin to happen. I think you'll see interesting things like alternative endings where consumers can purchase alternative endings for certain books. I mean at some reduced rate. I think there will be whole types of models in content and book publishing that haven't been envisioned yet that this technology in digital will unleash.



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**Operator**

Is that all for you, Mr. Keen?

**Andrew Keen - Daily Telegraphy - Media**

Yes, thank you very much.

**Operator**

Jen Edwards, PocketGoddess.com.

**Jen Edwards - PocketGoddess.com - Media**

Hello, thank you for taking my questions. I also had a couple from the eReader/Fiction Wise days. From what I can understand on your site, those file formats are supported, but I'm kind of confused because, when you look at the iTunes store for example, there are actually two different versions of eReader – one for eReader.com and one that is the Barnes & Noble eReader. So there are some questions about compatibility there, but also with pricing. Do you have any visions to create say pricing parity for all of your eReader books because there are different prices depending on which site you buy them from?

**William Lynch - Barnes & Noble, Inc. - President, Barnes & Noble.com**

On the compatibility question, everything you purchased, if it is in PDB format, will be able to be read on the nook and PDB format has been the standard eReader format for years. So I think we are in good shape there. But as with the other caller, if you would like us to follow up and understand your specific file format, we can do that.

In terms of the pricing, as we announced when we purchased Fiction Wise, we were going to continue to operate those as standalone businesses and they target a specific consumer and so fictionwise.com and eReader.com, pricing is determined by those managers who manage those sites. At some point, will we create consistent eBook pricing across the sites? Maybe, but we don't have any plans to do that in the short term.

**Jen Edwards - PocketGoddess.com - Media**

Okay. One follow-up question on that. Annotations, it seems that annotations might work differently for books purchased directly from barnesandnoble.com than from other sites. Do you have any insight on that particular question?

**William Lynch - Barnes & Noble, Inc. - President, Barnes & Noble.com**

The annotation capability is really in the software. It is in our eReader software and we have eReader – our eReader software has been downloaded over 500,000 times and so any annotations that are created on the nook will be compatible with any other device that has our eReader software, our client on it.

**Jen Edwards - PocketGoddess.com - Media**

Okay. So will those annotations be backed up perhaps in a similar fashion to what they are on the Kindle where they are actually available on your computer off-line if you take the clippings or is this specifically going to work only on the nook device?



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**Doug Gottlieb** - *Barnes & Noble, Inc. - VP, Digital Products*

The annotations will sync across all the Barnes and Noble eReaders. So if you make an annotation on your nook, it will sync all of those annotations to your desktop Macintosh, PC, iPhone or BlackBerry and likewise, if you make an annotation on your iPhone out on the go and you pick up your nook later in the day, your annotation will be there as well.

**Jen Edwards** - *PocketGoddess.com - Media*

That sounds great. I appreciate you taking the question.

**Operator**

Ramesh Kumar, MommyNiri.com.

**Ramesh Kumar** - *MommyNiri.com - Media*

Hi, I wanted to find out if you are pushing more of e-content to the e-device? Do you expect any kind of impact on the sale of physical books?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Well, if you look at even the most bullish prognostications on the book market, which is about a \$30 billion market, digital will certainly be the fastest growing segment, but it will be less than 5% for the next few years at least. So will we see any impact? We think in the short term, the impact will be minimal. Over the long term though, I think you will see more and more consumers converting to digital. But what Barnes & Noble is committed to do is make sure we can give consumers access to the book they want regardless of format. So for those consumers we know prefer the printed book and will for the foreseeable future, we are the world's largest bookseller. And then in digital with the announcements we have made, we plan to be the largest seller of digital content as well.

**Ramesh Kumar** - *MommyNiri.com - Media*

Thank you.

**Operator**

Holly Mercer, Book Binge.

**Holly Mercer** - *Book Binge - Media*

Hi, thank you for taking my question today. I have a couple actually. I am curious about the software that is required for the LendMe technology. Is that the same B&N reader that we have already downloaded?

**Doug Gottlieb** - *Barnes & Noble, Inc. - VP, Digital Products*

Yes, it is and we will be revving all of our B&N reader clients to support LendMe and Reading Now. So synchronized last page read, synchronized annotations and bookmarks. Updates to all of those applications will be coming.



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**Holly Mercer** - *Book Binge - Media*

Okay, great. Also, if Wi-Fi is unavailable in the area that I'm in, does that mean that I can't download wirelessly? I know that Amazon has the Whispernet technology. Do you have something similar or if I were just out in the middle of nowhere, I would be without the ability to download?

**Doug Gottlieb** - *Barnes & Noble, Inc. - VP, Digital Products*

Yes, we have 3G with AT&T. So it is the nation's fastest 3G network and so you would be able to download wirelessly.

**Holly Mercer** - *Book Binge - Media*

But if their 3G network is unavailable, because I have heard concerns about their coverage not being as great as some of the other wireless companies. I am just curious in that respect. Basically if my AT&T coverage is unavailable then I won't be able to download?

**William Lynch** - *Barnes & Noble, Inc. - President, Barnes & Noble.com*

Well, you have got Wi-Fi. So between Wi-Fi and 3G, we cover a large majority of the American population. We have got more wireless coverage I think than any other e-reading between Wi-Fi ubiquity now and then the 3G network.

**Holly Mercer** - *Book Binge - Media*

Okay. One last question. Can you tell me more about how the books are stored on the device? For example, can I organize or categorize those myself or do they – do you do that? Is there no organization available?

**Doug Gottlieb** - *Barnes & Noble, Inc. - VP, Digital Products*

So there are various means for sorting content and for moving content on and off the device. You can choose to archive a book if you don't want to have it in your main view of your content. You can sort by things like recency, so most recent purchases first. You can sort by author, alphabetical, you can sort by title. So there are those capabilities. Are you asking for a specific tagging of content?

**Holly Mercer** - *Book Binge - Media*

Yes.

**Doug Gottlieb** - *Barnes & Noble, Inc. - VP, Digital Products*

We are looking at that and we're listening to our customers. We have heard that request. So we are evaluating how to work tagging, but right now, we have a variety of quick and easy ways to sort and move your content around.

**Holly Mercer** - *Book Binge - Media*

Okay, thank you.



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**Operator**

With no more questions in our queue, Mr. Lynch, I will turn it back to you for closing remarks.

**William Lynch - Barnes & Noble, Inc. - President, Barnes & Noble.com**

Thank you again for joining us today. We are proud to offer the most full-featured, fun, stylish and easy to use eBook reader on the market. We see this as just the beginning. We have got lots more in store for the future. So stay tuned.

**Operator**

Ladies and gentlemen, this does conclude our conference. We thank you for your participation.

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