

**Bowe, William**

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**To:** William C. Smith

**Subject:** RE: Bill Bowe NLJ profile - followups

Bill--

Note my answers to your questions below.

Thanks.

Bill

-----Original Message-----

**From:** William C. Smith [mailto:wsmith@mcihispeed.net]

**Sent:** Sunday, January 11, 2004 10:03 PM

**To:** Bowe, William

**Subject:** Bill Bowe NLJ profile - followups

Bill-

Thanks for taking the time to talk about your life and work. I'm now working on the profile and, as promised, have some followup/factchecking questions. Could you respond to (or confirm) the following at your earliest convenience. Brief responses are fine, given the tight word limits in this article.

Thanks,

Bill Smith

1. EB was sold in 1996 by the Benton Foundation to a group [name?] led by Swiss businessman Jacob Safra. What was the sale price (if public info)? Is this still the owner? William Benton Foundation, an Illinois not-for-profit corporation which had the University of Chicago as a sole beneficiary, (not the different Benton Foundation) sold Encyclopaedia Britannica, Inc. (EB) for an undisclosed purchase price. EB has not been resold since this 1996 transaction. The owner of EB is Encyclopaedia Britannica Holdings S.A., a Luxembourg corporation.

2. Could you briefly describe your role in Benton-Safra deal. Also, could you briefly describe your role in setting up and winding down Britannica.com, and negotiating the Palm Pilot deal. In 1996, in addition to being Executive Vice President and General Counsel of our primary operating company Encyclopaedia Britannica, Inc., I was serving as President of EB's subsidiaries, Encyclopaedia Britannica Educational Corporation, which sold films and other educational reference products to schools and libraries, and Merriam-Webster, Incorporated, the Springfield, Massachusetts-based dictionary publisher. As a result, I wore several hats during the ownership transition.

Like many companies in the dot-com era, EB decided to divide its business into a bricks and mortar business and a separate dot-com. One of the most complicated transactions I've ever been involved in was cutting EB in two like this in 1999. Dividing the intellectual

property and other assets was quite a task as it turned out. When the dot-com model of free Internet content proved unworkable, its remaining employees came back to EB and the transaction was unwound.

One of the most exciting things to have had a hand in is putting EB's exceptional editorial content into electronic devices I couldn't even have imagined of when I first came to work here. We live in an age when everyone can literally be "a walking encyclopedia." We recently negotiated a deal that puts a concise version of the Encyclopaedia Britannica in a Palm Pilot. We're also at work now on a Chinese language version for PDAs.

3. EB had a six lawyer law office when you joined. Now you are the only FT attorney, but you have 2 PT attorneys (names?) working with you - one to help with Britannica contracts, one devoted to Merriam-Webster. Any paralegal or support staff? Part-time corporate attorney Cyri Carifa worked full time at Jones Day as an associate before moving to a part-time schedule at EB while she raised her young children. Harvard Law School-trained Maridee Quanbeck was a partner in the corporate law department of Keck Mahin & Cate before joining me at EB to work part-time on Merriam-Webster and international matters in 1995. EB also has a full time paralegal, Carmen Pagan, and part-time file clerk.

4. You thought Tom Pannellis [sp?] might have a figure for 2003 sales. He tells me this isn't reported as a matter of policy.

5. You have about 200 U.S. employees (all in Chicago?), and \_\_\_ abroad. The EB group has over 300 employees worldwide. A little more than 200 employees are in the United States, primarily at the Chicago headquarters. The balance are mostly in the U.K, France, Australia, Japan, South Korea, Taiwan and India.

6. When you joined EB in 1986, the company was still very much a " print " publisher, with a 400-person sales force (No, see below.) selling about 100,000 sets of EB annually. After you joined, the company (and your law office) downsized considerably, laying off much of your sales force and credit division as the company became more involved in CD-ROM and online subscriptions, and less in sales of hard copies on the installment plan. Could you briefly summarize your role in planning and carrying out the downsizing (e.g., dealing with legal issues, handling related litigation etc.). The emerging electronic distribution channels made it both possible and necessary to drastically reduce the company's cost structure. It was possible because online and CD-ROM delivery is far less expensive than the direct selling of print encyclopedias, which had a very large and costly administrative apparatus that went with it. It was necessary because electronic competition was putting downward pressure on pricing.

This structural transformation was the only way for EB to maintain editorial investment at historic levels.

The old pricing and cost structure required nearly 1,000 employees in the U.S. and nearly that many abroad. Most of these individuals were engaged in managing a sales force of independent contractors that numbered several thousand more. By contrast, electronic products such as CD-ROMs, DVDs and Internet subscriptions are far less expensive to sell and deliver. Only a small centralized marketing department is needed, as the retail distribution function is outsourced.

Once the decision to phase out direct selling worldwide was made in 1996, I was engaged with EB's President and Vice President of Human Resources in planning the implementation of this policy and then executing the decision, first in the U.S. and then in our direct selling operations abroad. In all of our operations, care was taken to try to

carry out the transformation fairly and in strict accordance with applicable legal strictures. We wanted to be as fair as we could be under the circumstances, both because it was the right thing to do and also because we wanted to minimize the possibility of costly litigation.

As it turned out, the planning largely paid off. There was no litigation in the U.S. proper. We did see several lawsuits filed by laid-off sales employees in Puerto Rico. There were also several claims in the U.K. and Italy that had to be dealt with. It turned out the timing of our changes in the business took place at a time of changes in the law in the European Community and this injected a note of uncertainty into the process there.

6. Despite downsizing, new technology has vastly increased access to your product: Annually, about 200,000 subscribe to Britannica.com website...several hundred thousand others buy the CD rom or DVD, 16 million can access EB online at institutional sites (e.g., schools and libraries). How many hardcopy sets do you now sell? Tom Panelas tells me print set sales are not made public.

7. You and your wife Catherine (Cathy) live in the Chicago suburb of Northbrook, Ill., where you raised sons Andrew, 23, \_\_\_ and Patrick, 18, \_\_\_. [I could mention your sons' school or jobs, if you wish]. Andy works for Pitney Bowes at a Loop law firm and Pat is a freshman at Bradley University. Your wife does not work outside the home. Correct.

8. What was the name of your trial lawyer father and uncle, who practiced together in Chicago. My father, William J. Bowe, Sr., practiced with his brother, Augustine J. Bowe, in the Chicago litigation law firm of Bowe, Bowe & Casey. Augustine Bowe was president of the Chicago Bar Association in 1955 and was elected Chief Justice of the Municipal Court of Chicago in 1960.

9. Your father was a World War I (?) veteran who served, (and was wounded in battle?) in France. My father was in the Illinois National Guard when his unit was called up and deployed to France in World War I. He lost a foot while getting on a moving troop train and spent a year in a French hospital in Orleans recovering.

10. *outside counsel*: Chicago's Jones Day for corporate and litigation matters. IP split between Chicago boutique of Pattishall McAuliffe Newbury Hilliard & Geraldson, and D.C.'s Dickstein Shapiro Morin & Oshinsky. Correct

11. Intellectual property matters:

a. because of the cost of reproducing printed works, you haven't had widespread piracy problems of your hardbound volumes (although there were pirated copies made in Taiwan and Greece). However, you have had greater problems with CD-ROM or online infringers. When you catch infringers, you are usually able to deal with short of litigation (for example, with a Cease and Desist e-mails or letters), but occasionally have taken court action. Any illustrative example? Several years ago Merriam-Webster sued Random House for trademark and trade dress infringement when it brought out a dictionary that we believed tried to unfairly capitalize on the look and feel of Merriam-Webster's category-leading Collegiate dictionary. Though the \$4 million verdict was overturned later by the 2nd Circuit, I think a strong message of deterrence was sent to others that might have been thinking about trying to trade on our intellectual property.

b. because of the limitations of time and money EB can spend tracking down infringers, you focus on collective action thru, e.g., the International Anti-Counterfeiting Coalition and the Software and Information Publishers Association. Could you briefly summarize EB's involvement with these groups. and progress made thus

far. As CD-ROMs became a big business for EB in the 1990s, we had a terrible piracy problem, particularly in the Far East. I became active in the International Anti-Counterfeiting Coalition (IACC), serving as its Chairman, in part to organize collective support for strong IP enforcement in China and other offending countries.

As EB's business moved more and more to the Internet, EB looked increasingly to the Software Publishers Association, later known as the Software and Information Industry Association, for effective anti-piracy efforts in the online arena. I have been active in the Intellectual Property Committee of the SIIA and its General Counsel's Committee, where I have worked to help make the Internet a good place for content creators to be.

c. on the cybersquatter case, you were one of many companies that took Zuccarini to court or arbitration to stop his cybersquatting. Yes, Reference Publishers: 1, Pornographers: 0. He was later prosecuted federally? I believe he is due to be sentenced in mid-February. Backup is in the clippings I mailed you.