

Complaint

IN THE MATTER OF

WEBTV NETWORKS, INC.CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATIONS OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3988; File No. 9723162*
Complaint, December 8, 2000--Decision, December 8, 2000

This consent order addresses WebTV Networks' promotion of the WebTV system, consisting of a set-top box and an Internet service, which, together allow users to connect to the Internet through a telephone line and a television. The complaint alleges that the Respondent falsely claimed that the WebTV system was the equivalent of a personal computer providing access to all of the Internet's content and that upgrades would keep users current with the latest Internet technology. The complaint also alleged that WebTV failed to adequately disclose that a significant percentage of U.S. consumers would incur long distance telephone charges while connected to the Internet through the WebTV service. The consent order prohibits the Respondent from making the previously made false representations that WebTV system provides access to all internet content; that the WebTV system was the equivalent to a personal computer in terms of web access; and that upgrades to their system would keep users current with the latest internet technology, as well as any other misrepresentation about access to internet or the functionality of any internet related product or service. The order also prohibits the Respondent from representing the price of internet access without a clear and conspicuous disclosure of all material information regarding that price and all related charges including potential long distance charges. Additionally, the order requires the disclosure of information regarding long distance charges to include that users are likely to incur the charges, how they can determine if they will incur these charges, a source of information about how, if possible, to avoid these charges.

Participants

For the Commission: *Dean C. Forbes, L. Mark Eichorn, Tara A. Hurley, Toby Milgrom Levin, Joel Winston, C. Lee Peeler, and BE.*

For the Respondents: *Charles Buffon, Covington & Burling and Scott Maples, WebTV Networks.*

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The Federal Trade Commission, having reason to believe that WebTV Networks, Inc., a corporation (“respondent”), has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent WebTV Networks, Inc. is a California corporation with its principal office or place of business at 1065 La Avenida, Mountain View, CA 94043.
2. Respondent has patents pending for the technology and design of WebTV set-top boxes, devices used in conjunction with a telephone line, a television, and respondent’s Internet service to connect to the Internet. Respondent licenses the WebTV set-top box technologies to various companies, including Sony, Philips Electronics, and Mitsubishi, which manufacture and sell WebTV set-top boxes. Respondent sells the Internet service called WebTV Network, for which it charges a monthly fee.
3. The acts and practices of respondent alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.
4. Respondent has disseminated or has caused to be disseminated advertisements and promotional materials for the WebTV Network Internet service and WebTV set-top boxes, including but not limited to the attached Exhibits A through G. These advertisements and promotional materials contain the following statements:

A. (Exhibit A: advertising template)

“WebTV service offers

- Complete and affordable Internet access

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. . . .

[Fine print disclosure]: WebTV Network service is not available as a local call everywhere. Toll charges may apply.”

B. (Exhibit B: brochure)

“And you’ll pay a flat fee of \$19.95 a month with no extra charges for long distance e-mail.**

. . . .

With WebTV you can turn your TV into a powerful rocket ship any time you feel like exploring new places and ideas. There=s virtually no place on earth you can’t travel to; no person, place or thing you can=t easily find out more about. . . . WebTV even offers free automatic service upgrades that keep the Network as up to date as possible.

. . . .

[Fine print disclosure on back of brochure]: **WebTV Network service is not available as a local call everywhere. Toll charges may apply.”

C. (Exhibit C: brochure)

“[Consumer] [Bill M] ‘Now that WebTV came along, heck, who needs a computer. For almost a fraction of the cost, I can visit any city in the world, learn facts and even send e-mail. And best of all, I won’t have to worry about software upgrades since WebTV handles that.’”

D. (Exhibit D: promotional video)

“[Will Shriner]: With WebTV, the Internet is finally fast, easy, and affordable. You don’t need a computer. There

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is no software to install. Plus you always get free automatic upgrades.

.

For entertainment, information, communication, and help just getting things done, WebTV is all you need.

.

To stay connected with family and friends, WebTV offers e-mail. You can even make new friends all over the world without paying expensive long distance phone bills.

[Visual disclosure (fine print)]: WebTV Network service is not available as a local call everywhere. Toll charges may apply.

.

Its only \$19.95. Surf the Net as often as you want on WebTV.

[Visual disclosure (large)]: Monthly subscription only \$19.95

[Visual disclosure (fine print)]: WebTV Network Service is not available as a local call everywhere. Toll charges may apply.]”

- E. (Exhibit E: letter to consumers accompanying promotional video) (emphasis in original)

“WebTV brings all the incredible entertainment and information of the Internet right to your TV.

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. . . .

Buy your WebTV Internet Terminal at your local consumer electronics store for about \$250. Then, pay a flat rate of only \$19.95 a month to enjoy easy access to the Internet right on your TV.*

. . . .

But ultimately, the best reason of all to subscribe to WebTV is that it opens up new worlds of entertainment, information and fun like nothing else can. With easy access to the Internet on your TV, you can visit thousands of fascinating web sites, quickly research almost any topic, person, place or thing that catches your fancy, even receive e-mail with people across the street or across the ocean.

. . . .

The Internet is one of the most important innovations of our time, and its incredible content should be readily available to anyone and everyone. With a WebTV Internet Terminal from Sony or Philips Magnavox and a low-cost subscription to WebTV*, it finally is.

. . . .

[Fine print disclosure on back of letter]: *WebTV Network Service is not available as a local call everywhere. Toll charges may apply.”

F. (Exhibit F: television infomercial)

“[Moderator/Announcer (Wil Shriner)]: You have heard of e-mail? That’s electronic mail that lets you send and receive messages anywhere in the world, without the hassle of stamps or the cost of long distance calls.

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. . . .

[Announcer (Unidentified)]: And you don't need a computer. . . . Whether it's entertainment, communication or education, it's all on WebTV.

. . . .

[Visual disclosure (large)]: Only 19.95 a month.

[Announcer (Unidentified)]: Then, get hooked up to the WebTV Network and surf all you want for only \$19.95 a month.

[Visual disclosure (fine print, no corresponding audio)]
WebTV Network Service is not available as a local call everywhere. Toll charges may apply.

. . . .

[Shriner]: Great. So, Christina, you know, one of the things I like to do is chat. You can go on and you can find anything you want to talk about, any subject matter, you go into a chat room. I understand you like that as well.

[Consumer (Christina)]: Yeah, I do, because it saves a lot of money on phone bills. I call up my friend in Washington, talk for about a minute or two and tell him to go downstairs in his dorm, go online, and we start chatting.

. . . .

[Shriner]: I mean, having WebTV is like having a huge resource library, the Internet, the World Wide Web, all of that is available for you right now.

. . . .

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[Consumer (Anita)]: Whatever you are into, it's there.

. . . .

[Shriner]: . . . So, Pete and Cammi have an interesting story. They knew each other, then they moved apart, and now they have come back together to get married, all with the help of WebTV. . . . So, you both have WebTV boxes. . . . The living 500 miles apart, does it make you feel closer? How much money do you think you've saved on phone bills?

[Consumers (Pete and Cammi)] [Cammi]: Oh, on our phone bill? Hundreds of dollars."

G. (Exhibit G: Web page)

"6. Why WebTV instead of a computer?

WebTV offers a variety of special entertainment features you can't get on a computer, only TV. Unlike a computer, WebTV comes with free service upgrades so you don't have to worry about new software. . . .

. . . .

25. What is the cost of service, and what are the terms of commitment?

The WebTV Network is a flat rate of \$19.95 per month and WebTV Plus Network is \$24.95 a month. . . .

. . . .

40. Looks like WebTV now supports a lot of Internet standards. Is this significant?

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Absolutely. The Internet changes constantly, and WebTV is committed to enhancing the user experience by regularly delivering new functionality. WebTV's free periodic service upgrades keep the WebTV Network current with Internet standards. . . .”

5. Through the means described in Paragraph 4, respondent has represented, expressly or by implication, that:

- A. The WebTV set-top box is equivalent to a personal computer with respect to its Internet-related performance;
- B. The WebTV set-top box and respondent's Internet service provides access to all of the Internet's content, including all of the entertainment and information available on the Internet; and
- C. Respondent's upgrades to the WebTV set-top box and respondent's Internet service keeps users current with the latest Internet technology.

6. In truth and in fact:

- A. The WebTV set-top box is not equivalent to a personal computer with respect to its Internet-related performance. For example, WebTV set-top box users are unable to download, store, or run software available on the Internet, display certain Web pages or play certain Web files, or open email attachments in certain common formats;
- B. The WebTV set-top box and respondent's Internet service do not provide access to all of the Internet's content, including all of the entertainment and information available on the Internet. For example, WebTV users are unable to access files on Web sites that use popular formats or programming languages, including popular Internet technologies for Web site audio, video,

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interactivity, and multimedia used for online entertainment and information communication; and

- C. Respondent's upgrades to the WebTV set-top box and respondent's Internet service have not kept users current with the latest Internet technology. For example, upgrades have failed to provide certain commonly used Internet technologies for audio, video, interactivity, and multimedia.

Therefore, the representations set forth in Paragraph 5 were, and are, false or misleading.

7. In its advertising and sale of the WebTV Network Internet service and its advertising of WebTV set-top boxes, respondent has represented, expressly or by implication, that the total cost to consumers of using the WebTV Network Internet service and the WebTV set-top box is the initial purchase price of the WebTV set-top box hardware plus the flat monthly subscription fee for its WebTV Network Internet service. Respondent has failed to disclose adequately before purchase that a significant percentage of U.S. consumers will incur toll charges while connected via the WebTV Network Internet service to the Internet. This fact would be material to those consumers in their purchase or use of the service or product. The failure to adequately disclose this fact, in light of the representation made, was, and is, a deceptive practice.⁸ The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this eighth day of December, 2000, has issued this complaint against respondent.

By the Commission.

Complaint Exhibits

Exhibit A

There's more to see, enjoy and do on TV

WebTV™ service offers:

- Complete and affordable Internet access
- The ability to send email over your TV. Up to six email accounts per household. Optional keyboard
- Personalized information on demand such as stocks, sports, weather and news stories
- Around Town™ local directory of movie listings, restaurant reviews, concerts
- Compatibility with select printers (printer not included)
- Surfwatch™ and Kid Friendly™ parental internet safeguards
- Easy-to-use universal remote

Microsoft

webtv

Watch What's Possible!

PHILIPS MAGNAVOX

(Part Number 3000)



Generic WebTV/Classic - 1/2 page ad
9.22.96 - Printed at 100%

Complaint Exhibits

Exhibit B



**Get ready to
turn your TV
into a post office,
newspaper, library,
shopping cart and rocket ship.** START

**And turn yourself
into a web surfer
in about 15 minutes
with WebTV.TM**

Your TV isn't just a TV anymore. It's about to have an exciting new life as a post office, international communications center, research library, shopping cart, rocket ship and more. And you're about to get more – much more – out of your TV than ever before. More entertainment. More information. More control. More fun! Because now you can use your TV to easily access a dazzling array of information found on the Internet.

Complaint Exhibits



Use your TV to access the Internet – without a computer or computer skills.

With WebTV, anyone can access the Internet without a computer or any computer experience at all. Now all you need is a TV, your current phone line, a WebTV Internet Terminal from Sony or Philips Magnavox and a flat \$19.95 per-month subscription to the WebTV Network™. It takes most people about 15 minutes to get set up and connected. Then, you're ready to surf the Internet as easily as you surf the channels on your TV.

With WebTV, you can surf the net on your set.

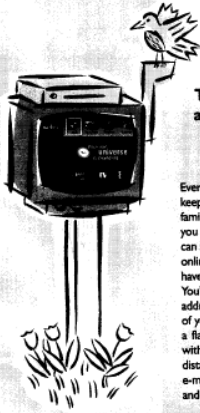
Now you can quickly, easily, and affordably access the incredible content of the Internet right on your TV. Think about it. You can research your hobby. Send and receive e-mail worldwide. Chat online with other browsers. Follow big news stories. Find a great vacation spot or spa – then make your reservations right on your TV. The Internet isn't off-limits anymore – you can explore it on your television!



Enjoy immediate access to in-depth information on any subject you can imagine.

Say you read a magazine ad about a product or place you're interested in knowing more about. At the bottom of the ad is a www address. Now you can visit that web site on your TV and find out everything you need to know.* Or you're watching a baseball game and want to check a player's current stats. With the touch of a button, you can switch to the Internet and uncover a wealth of information in just moments. With WebTV, the possibilities are endless!

See the enclosed WebTV Demonstration Card for the addresses of two consumer electronics stores in your area – and to find your WebTV Personal Identification Code. Be sure to bring the card along when you visit the store. Then, see for yourself how easy and fun WebTV is to use – and find out instantly if you've got the winning number to \$10,000 in cash or to one of the other great prizes in the WebTV Instant Win Sweepstakes!

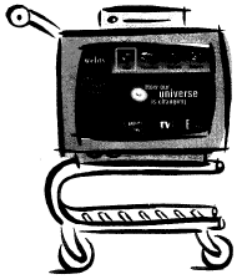


Turn your TV into a post office when you send and receive e-mail.

Ever think you'd use your TV to keep in touch with friends and family around the world? Now you can. With WebTV e-mail, you can send a letter to almost anyone online anywhere in the world and have it delivered within moments. You'll even get six separate e-mail addresses for different members of your household. And you'll pay a flat fee of just \$19.95 a month with no extra charges for long distance e-mail.™ With WebTV e-mail, you'll enjoy spontaneity and savings!

Your TV makes a great shopping cart for online savings and convenience.

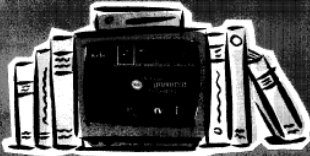
Discover the convenience of using WebTV to shop for everything from travel bargains to hit CDs to sports equipment to furniture and more. Plus, use the Internet to research a product by checking out consumer report information before you spend a penny. WebTV also makes it easy and fun to find new vacation destinations. You can pull up pictures and information on cities, resorts, even hotel rooms. Then, you can make your travel and room reservations online!



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There's no encyclopedia on earth that holds the amount and variety of information you can find on the Internet. Use WebTV's Explore™ feature to easily browse the World Wide Web's most fascinating sites. Or look up almost any person, place or thing by typing in a few keywords or phrases. — The search feature makes it easy to find everything from last night's Top 10 hits on the David Letterman show to a street map of Paris to photos of houses for sale in New York or San Francisco. Research your family name, a medical condition or learn more about your favorite movie star. — WebTV has something for everyone.

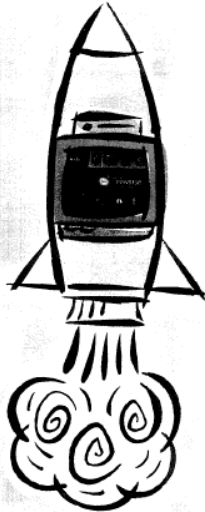
Watch your TV become a world-class research library.



Extra! Extra!
Read all about it on your TV — the world's greatest newsstand!

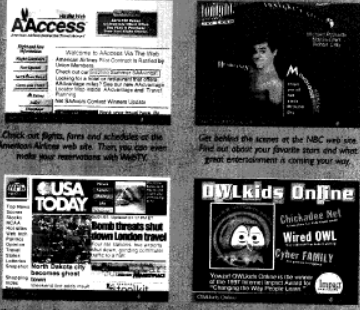
When you want to know what's happening in your neighborhood, or in anyone else's neighborhood, the very best place to turn is WebTV. In WebTV's exclusive "Around Town" you'll find everything from the 5-day forecast to the scoop on where hit movies are playing, to job opportunities and more. You can also use WebTV to read a wide variety of online magazines, newspapers and periodicals. Even chat with others and share opinions on political issues, recent scandals, or whatever else is on your mind with people all over the world. A flat rate of just \$19.95 a month* turns your TV into an international newsstand that's open 24 hours a day.

Turn your TV into a powerful rocket ship.



With WebTV, you can turn your TV into a rocket ship any time you feel like exploring new places and ideas. There's virtually no place on earth you can't travel to; no person, place or thing you can't easily find out more about. Even use WebTV to explore outer space, learn more about the moon or other planets or view photos taken by the Hubble Telescope. It's the ultimate learning tool for people of all ages and interests. WebTV even offers free automatic service upgrades that keep the Network as up-to-date as possible. Millions of people know the thrill of Internet exploration — now you can, too.

Visit the hottest web sites.



Check out AAccess, news and schedules at the American Airlines web site. Then you can even make your reservations with WebTV.

Get behind the scenes at the NBC web site. Find out about your favorite stars and what great entertainment is coming your way.

Keep on top of breaking news with our exclusive USA TODAY web site. You can read your favorite newspapers right on WebTV.

Special web sites for kids are just another great feature of WebTV. Online fun begins now and is maintained at the same time.

Use WebTV's Explore™ feature to pursue your hobbies and interests and visit many of today's most popular and exciting web sites. WebTV adds what can't be found elsewhere, so there's always something new and different to visit. Plus, you can find your own favorite web sites and return to them quickly by saving them in the WebTV Favorites box. And since not everything on the Internet is for everyone, the WebTV SafeWatch™ feature makes it easy for you to restrict children's access to sites you may consider inappropriate.

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Now surfing the net is as easy as changing the channels on your TV!

You don't have to be a "computer person" to access the Internet anymore. In fact, you don't need any computer skills or experience at all. With WebTV, surfing the net is as easy as surfing the channels on your TV. And you've been doing that for years! You can do it easily with the WebTV Remote Control or optional Wireless Keyboard. And with WebTV, you can surf the net from the comfort of your couch or favorite chair!



Get The Optional Wireless Keyboard FREE When You Purchase And Register A WebTV™ Internet Terminal By August 31, 1997.

It's up to a \$79 value, but this convenient optional Wireless Keyboard is yours FREE when you buy a WebTV Internet Terminal from Philips Magnavox or Sony. It's also a great way to compose your e-mail. Take advantage of this valuable extra before this special offer ends! To receive your FREE Wireless Keyboard, you must call 1-800-627-3175 after you purchase and register your WebTV Internet Terminal. Then give us your Personal Identification Code and new e-mail address, and we'll send your Wireless Keyboard to you. This exclusive offer from WebTV Networks, Inc. is not valid at retail or in conjunction with any other offers.

Check out WebTV™ for yourself at your local consumer electronics store.

Find out if you have the winning number to the \$10,000 Grand Prize!

You've already been assigned a number — and it may be the winning one to \$10,000 in cash. To find out, go to the consumer electronics store in your area (you'll find the names and addresses of two on the Demonstration Card enclosed), try WebTV for yourself — and find out instantly if you've won \$10,000 in cash, a \$2,500 consumer electronics shopping spree or a FREE WebTV Internet Terminal with six months free WebTV Network service. But to find out, you must go in and try WebTV for yourself! (See the back of this brochure for complete details.)

With WebTV™, you can surf the Internet on your set!

Stop into your local consumer electronics store today to check out WebTV™ for yourself and to find out if you've won \$10,000 in the WebTV™ Instant Win Sweepstakes!



* Like any Internet access device, WebTV does not support all Internet sites. WebTV Network service is not available in a local call area. WebTV is not available in all areas. © 1997 WebTV Networks, Inc. WebTV™ refers to the WebTV™ Internet Terminal, which, along with the WebTV Network™, are trademarks of WebTV Networks, Inc. Sony and Philips Magnavox are trademarks of their respective companies. © American Airlines and AAAdvantage are registered trademarks and AAAdvantage is a trademark of American Airlines, Inc. © Copyright 1997 USA TODAY's division of Gannett Co., Inc. NBC.com "The Tonight Show" web page © NBC, trademark 1997.

WebTV™ Instant Win Sweepstakes Official Rules

No Purchase Necessary

How to enter: Bring the WebTV Demonstration Card with your WebTV Personal Identification Code to one of the participating retailers for the WebTV Networks Demonstration. (Your letter has the names and addresses of local participating retailers.) Or, if you prefer, on a 3" x 5" plain card hand print "WebTV" across Win Sweepstakes" with your WebTV Personal Identification Code (which can be found on the WebTV™ Demonstration Card), along with your name, address, city, state, zip code and daytime phone number, and mail your entry to WebTV™ Instant Win Sweepstakes, P.O. Box 1788, San Jose, CA 95131-0788. All entries must be received by 12/31/97. No photocopies or mechanically reproduced entries will be accepted. Sponsor not responsible for lost, late, misdirected, illegible, incomplete or damaged entries or postmarking, late or printer errors. **The random prize drawing:** The WebTV™ Instant Win Sweepstakes Card will be conducted under the supervision of an independent judging organization whose decisions are final and binding. **Prizes:** One (1) Grand Prize: \$10,000 Cash. Plus (5) First Prizes: \$2,500 Consumer Electronics Shopping Spree. Plus (50) Second Prizes: WebTV Internet Terminal and 6 Months of Free WebTV Network Service. (Approximate retail value \$400). No cash substitution for First or Second prizes. **Prizes will be awarded within 3 business days of how to claim their prize. Winners must provide their social security number and age as evidence of eligibility and release of liability/property must be received within 14 days after mailing to the winner. On acceptance of prize, winner grants exclusive permission to use his or her name, address, biographical data and photograph or likeness for any promotional purposes without additional compensation to the extent permitted by law. Unclaimed prizes will not be awarded in the event more prizes than those designated herein are claimed; a random drawing from among all valid claims will be held to award the prizes set forth above. **Buyer agrees:** WebTV Networks, Inc. by judging organization and their respective affiliates and employees shall have no liability in connection with this sweepstakes, drawing or use of prizes. **Entry:** has the WebTV™ Instant Win Sweepstakes constitutes acceptance of Official Rules, and where prohibited. **All entries** becomes the exclusive property of WebTV Networks, Inc. and will not be returned. Information provided by entrants may be used for such purposes as WebTV Networks, Inc. may deem appropriate. **For a winner's list** and a full additional terms and conditions, before 12/31/97 go to WebTV™ Instant Win Sweepstakes, P.O. Box 1788, San Jose, CA 95131-0788. Do not send other correspondence to this box number. **Eligibility:** Sweepstakes open to residents of the 50 U.S. states and the District of Columbia only 21 years and older on whom step mailing is addressed. Employees of WebTV Networks, Inc., its affiliated companies and agencies and members of immediate families or households of such employees are not eligible.**

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Exhibit C

Listen To What People Are Saying About WebTV™

"I have been enjoying the wonders of the Internet for almost two months now, thanks to WebTV. I had been very hesitant about investing a large amount of money into a computer and WebTV was just what I was looking for!"

Nancy P.

"We have had so much fun with e-mail every day since I bought WebTV. Also I've found so many interesting sites to visit. This is the best thing since sliced bread, as we say in the South."

Kathleen R.

"I will...say that WebTV has changed my life. This little box on top of my TV holds so much knowledge and information. I'm truly amazed."

Douglas M.

"...this message is coming from a person who HATED TV. I have been surfing the net nightly for two weeks and I'm hooked!"

Julie A.

"First let me say that I love, love, love my new WebTV. It's fun and it's much faster than the service that we use at work to get online..."

Marc S.

"Now that WebTV came along, heck, who needs a computer. For almost a fraction of the cost, I can visit any city in the world, learn facts and even send e-mail. And best of all, I won't have to worry about software upgrades since WebTV handles that."

Bill M.

"This method of communicating with friends and relatives coupled with the ability to surf the web is super."

Betty N.

"Now that I have WebTV I will never be bored again!"

Jeremy T.

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Win \$10,000 In The WebTV™ Instant Win Sweepstakes

See the second letter and WebTV Demonstration Card to find your Personal Identification Code. Be sure to have it with you when you go in to see WebTV for yourself.

You'll find out how much you've won by calling number to our \$10,000 Grand Prize or one of our other exciting and valuable prizes.

GRAND PRIZE: \$10,000 Cash

5 FIRST PRIZES:

A \$2,500 Consumer Electronics Shopping Spree

50 SECOND PRIZES:

**A FREE WebTV™ Internet Terminal
And 6 Months Of FREE WebTV™
Network Service!**



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Exhibit D

A VIDEO GUIDE TO WebTV
(transcription)

ANNOUNCER: You've got a television set. You've got a telephone. So, why is your life like this when it could be like this?

[Various Internet screens depicted]

Wil Shriner: Hi everybody! I'm Wil Shriner and you just saw a fraction of what's available on the Internet with the WebTV network. So, if you want to bring your television to a whole new level, stick around. I'm going to tell you everything you need to know about WebTV and how to get a world of entertainment and information in your home right away. All you need is your television and a current phone line. Then, with a WebTV Internet terminal and a subscription to the WebTV network, you and your family can access the Internet:

1st woman: I would strongly recommend it to anyone strongly. It's easy.

2nd woman: If you can use a remote, you can use WebTV.

1st woman: It's fun.

1st girl: It's just like getting an education with fun.

1st woman: And you can also get a lot accomplished.

Man: Hotel reservations, car rentals, I can do with WebTV.

2nd girl: I can go from watching TV, to chatting on the Internet, looking up the websites on TV shows, music.

3rd woman: Stocks.

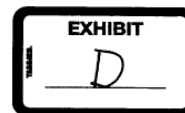
2nd man: Sports.

3rd man: E-Mail.

4th woman: Recipes.

3rd girl: Beanie Babies.

4th man: Information about things you might want to buy.



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5th woman: Different fashion sites.

Male teen: Research a college or applications, anything.

4th woman: There's nothing that's not on there.

3rd woman: We love our WebTV.

3rd man: We love it!

Wil Shriner: With WebTV, the Internet is finally fast, easy, and affordable. You don't need a computer and there's no software to install. Plus, you always get free automatic up-grades.

[Small print disclosure: 3 secs: Free upgrades limited to the WebTV Network service.]

All you need is your television and a comfortable place to sit. Then you can go from watching regular TV to WebTV with the push of a button. So, if a favorite show says, "E-Mail Us," you can do it without leaving your seat. For entertainment, information, communication, and help just getting things done, WebTV is all you need. In just a few minutes I'll show you how you may be eligible to win one of those many exciting prizes from WebTV including a \$10,000 grand prize.

Now the first step involves choosing a WebTV, Internet terminal. This one is made by Philips-Magnavox and this one is made by Sony. You can get either one at your nearest consumer electronics store.

So, let's connect our WebTV. These 3 cords are all you need to bring the world-wide web into your living room. This one goes from the Internet terminal to your television set; this one goes into your current phone jack; and this one plugs right into the wall.

Then, press the "power" button and you are on your way.

It's easy to sign on for the WebTV network. You'll walk through every step. In minutes you're on-line. Ta-da!

For only \$19.95 a month you'll get E-Mail, including six separate E-mail

[Small print disclosure: 3 secs: "WebTV Network service is not available as a local call everywhere. Toll charges may apply."}]

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accounts. And you'll also love how you can do everything with your remote.

If you're planning on sending a lot of E-mail, you may wanna purchase one of these -- the optional wireless keyboard. You can sit across the room, on the couch, in bed, wherever, and find out what everybody's been talkin' about.

Now, this is the homepage. From here you can send E-Mail, go to your favorite websites, type in a word for a broad search, or explore by subject. Let's see how. From the "Explore" page, you can click on all these different categories to easily find out about anything you're interested in. For example, highlight the word "entertainment," and click on your remote. Now look at all these cool categories. You want to check out TV Guide? Or maybe you prefer to go to a museum. From "Explore," we can link to the Smithsonian. From the "Search" page, you can also search for more information by typing in a word or phrase. Now, say you want information on the Grand Canyon. Just type it in and voilà! Everything you want to know, from guided tours to history to photographs. Besides using "Explore" or "Search," another way to go anywhere on the entire Internet is to use "Go To." So if you see a "WWW.something address" like this Honda commercial, you can switch to WebTV, type it in, and you are there. You can save any site as a favorite with the touch of a button so it's always easy to find right from your home page. You just have to try WebTV. Even people who have never used a computer find it incredibly simple. Now, people with computers say it's easier and it's faster, and kids love it. And for you moms and dads concerned about what your kids can access, WebTV comes with "Surf Watch" so you can limit what your young surfers see on the Internet. (phone rings) Oh, that reminds me. If you've got call waiting, WebTV's line-share feature lets you still receive calls while you're using WebTV. (answers phone) Hello, no, no I won't be needing the paper anymore. It was always in the bushes and, besides, I've got a WebTV.

Look, I could pick up a WebTV right where I left off and continue surfing. Now, the "Around Town" feature lets you check out the scene in your town. Here's a five-day weather forecast, information on restaurants, and movie show times. You can even buy your tickets right here. If instead of the movies you want to go on vacation, you can see if you'll need to bring an umbrella. Just change the zip code to check out any city you like. And there's also a national telephone directory so you can look up virtually anyone in the U.S. To stay connected with family and friends, WebTV offers E-Mail. You can even make new friends all over the world without paying expensive long-distance phone bills.

[Small print disclosure: 3 secs: "WebTV Network service is not available as local call everywhere. Toll charges may apply"]

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If you look on your Internet terminal, a little red light tells you you have Mail. Hey, I got a message. Let's check it out. Ah, it's from my son Nick. "Dear Dad, thanks for the WebTV. I love it." You know, it is so important to have an electronic father-son bond like this. Now, to return an E-Mail, I hit "reply." Alright, and "glad you're enjoying your WebTV. See you tonight. Love, Dad." Now I hit "send" and it automatically goes right back to him. To write to someone else, I just type in their E-Mail address and send them a message. It's that simple.

There's no more hassle; buying stamps, licking envelopes, going to the post office. You can conveniently keep in touch from that comfort of your own home. Let's take a look at news. You get summaries of the top headlines updated constantly and you can get more information on the stories you want whenever you want. If you'd like to print a specific article or anything from the Internet, it's easy to do with the optional printer adapter and printer.

[Small print disclosure: "available Summer 1997"]

It's truly a new world. With WebTV, your television can do things you never thought were possible. It can be your mailbox, your library, and your travel agent. The Internet has revolutionized the way we live. Don't be left behind. With a subscription to the WebTV network and your Internet terminal, you can access thousands of sites around the globe for entertainment, information, money-saving tips and time-saving features. You can join chat groups, play games, and send E-Mail. And you can do it with the greatest of ease from the comfort of your own home. It's only \$19.95 to surf the net on WebTV as much as you want.

[Large print disclosure: approximately 5 secs]: "Monthly subscription Only \$19.95.

[Small print disclosure: approximately 5 secs]: "Web TV service is not available as a local call everywhere. Toll charges may apply."

- Woman: There's so much value. You have no idea what you're getting until you start playing with it.
- Teen girl: With WebTV there's always something new.
- Man: Do my home banking, do investment research on-line.
- Next man: Our TV has a picture-in-picture, ah, function on it so we're able to watch the games and track the stats at the same time.
- Male teen: Stuff for my homework and everything.

Complaint Exhibits

Woman: All of the garden sites.

1st woman: We've actually been looking for homes.

3rd woman: I got into a website called, called the Kelly Bluebook to find out how much my car was worth.

Next woman: I like to look at a lot of, of fashion magazines.

Man: It helps me to catch up on current events.

Woman: It's easier to read, it's easy to access. There's no reason not to get WebTV.

Wil Shriner: Well, as you've seen, WebTV has something for everyone, but see for yourself. Visit your nearest consumer electronics store. You'll find the closest location to you in the materials that came with this video. In the same package you'll find your demonstration card with your personal identification code. You may have already won \$10,000, a free WebTV Internet terminal, or other fabulous prizes. At your local electronics store, you can check out the world of WebTV. Now you'll be amazed at how much fun it is. To find out if you've won our sweepstakes, follow the simple steps on your demonstration card. Your demonstration card walks you through every step. Just type in "WebTV WIN" to find out if you've already won our \$10,000 grand prize or one of our many other great prizes. Keep your demonstration card, then when you purchase WebTV you can call the 800 number to redeem a special offer from WebTV networks. So, what are you waiting for? Stop by and check us out. Happy surfing! Maybe we'll meet in a chat room some time. Until then, this is Wil Shriner for WebTV Networks. I'll see you on-line.

Complaint Exhibits

Exhibit E



New CHOICE. New CONTROL.
And a new way to win \$10,000 instantly.

Check out WebTV™ at your local electronics store — and find out on the spot
if you have the winning number to a \$10,000 Cash Grand Prize!

<John. Q. Prospect
123 Main Street
Hometown, State 23456>

Dear <Mr. Prospect>.

Thank you for your recent request for more information on WebTV.

You recently received a package of information, so you know that we also promised to send you a special video on exciting WebTV. That video is enclosed.

WebTV brings all the incredible entertainment and information of the Internet right to your TV. You don't need a computer. And you don't need any computer experience, software or skills. All you need is a WebTV Internet Terminal made by Sony or Philips Magnavox, your TV, current phone line, and a monthly subscription to the WebTV Network.

Then, in about 15 minutes, you can be set up and online, ready to surf the Internet as easily as you surf the channels on your TV.

Buy your WebTV Internet Terminal at your local consumer electronics store for about \$250. Then, pay a flat rate of only \$19.95 a month to enjoy easy access to the Internet right on your TV.*

If you haven't already tried WebTV for yourself, it's important that you visit your local consumer electronics store and try out WebTV now for two big reasons:

- 1) You can find out immediately if you have the winning number to a \$10,000 Cash Grand Prize in the WebTV Instant Win Sweepstakes, and...
- 2) When you buy your WebTV Internet Terminal before August 31, 1997, we'll send you the optional WebTV Wireless Keyboard worth up to \$79, FREE!

But ultimately, the best reason of all to subscribe to WebTV is that it opens up new worlds of entertainment, information and fun like nothing else can. With easy access to the Internet on your TV, you can visit thousands of fascinating web sites, quickly research almost any topic, person, place or thing that catches your fancy, even send and receive e-mail with people across the street or across the ocean.

(continued on back)

LFF2A

WebTV™ Try-It-Yourself Instructions & Instant Win Sweepstakes Entry Card

Your Personal
Identification Code:
<12345-67-8910>

Is this the winning
number to a \$10,000
Cash Grand Prize?
There's only one way
to find out!

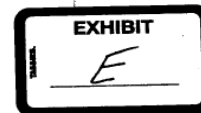


<Mr. Direct Partner
910 Colorado Avenue
Santa Monica, CA 90401>

Here are the names
of two consumer
electronics stores
in your area:

<Acme Electronics
200 Big Street
City, State 23456
000-000-0000>

<Top Name
300 Main Street
City, State 34567
000-000-0000>



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The Internet is one of the most important innovations of our time, and its incredible content should be readily available to anyone and everyone. With a WebTV Internet Terminal from Sony or Philips Magnavox and a low-cost subscription to WebTV*, it finally is.

Visit one of the consumer electronics stores listed to check out WebTV for yourself — and, of course, take your Personal Identification Code to find out on the spot if you've won \$10,000 in cash, or one of our other valuable prizes. (See sweepstakes rules for complete details.) It's fast, fun and easy! Stop in now and find out for yourself how exciting and easy WebTV is to use — and whether you're suddenly \$10,000 richer!

Sincerely,



Chip Herman
Vice President, Marketing

P.S. Remember, too, that when you buy a WebTV Internet Terminal and subscribe to the WebTV Network now, we'll send you the optional Wireless Keyboard absolutely FREE — a value of up to \$79!

NOTE: To receive your FREE Wireless Keyboard, you must call 1-800-627-3175 after you purchase and register your WebTV Internet Terminal. Then, give us your Personal Identification Code and your new WebTV e-mail address, and we'll send your Wireless Keyboard to you. Remember, this offer is only available from WebTV Networks, Inc. and is not valid at retail locations or in conjunction with any other offers.

WebTV™ Instant Win Sweepstakes Official Rules

No Purchase Necessary

How to enter: Bring the WebTV Sweepstakes Entry Card with your WebTV Personal Identification Code to one of the participating retailers for the WebTV Networks Demonstration. (Your letter has the names and addresses of local participating retailers.) Or, if you prefer, on a 3" x 5" plain card hand-print "WebTV™ Instant Win Sweepstakes" with your WebTV Personal Identification Code (which can be found on the WebTV Sweepstakes Entry Card), along with your name, address, city, state, zip code and daytime phone number, and mail your entry to: WebTV™ Instant Win Sweepstakes, P.O. Box 1908, Santa Monica, CA 90406-0814. All entries must be received by 12/31/97. No photocopied or mechanically reproduced entries will be accepted. Sponsor not responsible for loss, late, misdirected, illegible, incomplete or damaged entries, or postage due mail or printer errors. **The random pre-selection** of the winning WebTV Personal Identification Codes will be conducted under the supervision of an independent judging organization whose decisions are final and binding. **Prizes:** One (1) Grand Prize: \$10,000 Cash. Five (5) First Prizes: \$2,500 (approximate retail value \$400). Fifty (50) Second Prizes: WebTV Internet Terminal and 6 Months of Free WebTV Network Service Consumer Electronic Shopping Spree. **The prizes are not transferable.** Payment of federal, state, and local taxes, if any, will be the obligation of the winners. Odds of winning 5,179 to 1. **Grand prize winners, first prize winners, and second prize winners** will be notified within 3 business days of how to claim their prize. Winners must provide their social security number and sign an affidavit of eligibility and release of liability/publicity which must be returned within 14 days after mailing in the winner. On acceptance of prize, winner grants sponsor permission to use his or her name, address, biographical data and photograph or likeness for any promotional purposes without additional compensation, to the extent permitted by law. Unclaimed prizes will not be awarded. In the event more prizes than those designated herein are claimed, a random drawing from among all valid claims will be held to award the prizes set forth above. **Any winner** agrees that WebTV Networks, Inc., its judging organization, and their respective affiliates and employees shall have no liability in connection with the acceptance, quality or use of prizes. **Entry** into the WebTV Instant Win Sweepstakes constitutes acceptance of Official Rules. Void where prohibited. **All entries** become the exclusive property of WebTV Networks, Inc. and will not be returned. Information provided by entrants may be used for such purposes as WebTV Networks, Inc. may deem appropriate. **For a winner's list,** send a self-addressed, stamped envelope before 12/31/97 to: WebTV™ Instant Win Sweepstakes, P.O. Box 1908, Santa Monica, CA 90406-0814. **Do not send other correspondence to this box number.** **Eligibility:** Sweepstakes open to residents of the 50 U.S. states and the District of Columbia only; 21 years and older to whom this mailing is addressed. Employees of WebTV Networks Inc., its affiliated companies and agencies and members of immediate families or households of such employees are not eligible.

© 1997 WebTV Networks, Inc. WebTV™ refers to the WebTV™ Internet Terminal, which, along with the WebTV Network™, are trademarks of WebTV Networks, Inc. Sony and Philips Magnavox are trademarks of their respective companies.

* WebTV Network service is not available as a local call everywhere. Toll charges may apply.

INSTRUCTIONS: Take this card to one of the two stores listed, and locate the stores' WebTV display. Use the WebTV Remote Control or optional Wireless Keyboard to begin your Internet adventure.

1. To get started, hit the "Home" button on the WebTV remote.
2. Using the center button and arrows on the remote control, highlight the "Explore™" icon and "click" on the remote's center button. Now, using the arrows, find a category that interests you, and surf away. Or check out what's happening in your city by clicking on "Around Town™" from the Home page.
3. To see if you've won \$10,000, hit the "Options" button on the remote control. Then highlight the "go to" box and click on the center button twice to activate the WebTV on-screen keyboard. Using the arrows and center button type in "webwin" (w, "center button," n, "center button," and so on), or use the optional Wireless Keyboard. Finally, click on the return key and WebTV will take you to the WebTV Instant Win Sweepstakes site. Follow the instructions to see if you're a winner.

ONE LAST THING! If your store does not feature a display or is unable to offer assistance, please call the WebTV Help Line, 1-800-GO-WEBTV, for assistance.

* Around Town™ is not available in all cities.

FEDERAL TRADE COMMISSION DECISIONS
VOLUME 130

Complaint Exhibits

Exhibit F

OFFICIAL TRANSCRIPT PROCEEDING

FEDERAL TRADE COMMISSION

MATTER NO. 9723162

TITLE WEB TV NETWORKS, INC.

DATE RECORDED: AUGUST 21, 1997
TRANSCRIBED: MAY 6, 1998

PAGES 1 THROUGH 39

WEBTV DOCUMERCIAL

FOR THE RECORD, INC.
603 POST OFFICE ROAD, SUITE 309
WALDORF, MARYLAND 20602
(301)870-8025



Complaint Exhibits

1

1 FEDERAL TRADE COMMISSION

2 I N D E X

3

4 WITNESS: EXAMINATION:

5 Documercial with

6 Wil Shriner 3

7

8 EXHIBITS FOR ID IN EVID IN CAMERA DESCRIPTION

9 None.

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Waldorf, Maryland
(301) 870-8025

1036 FEDERAL TRADE COMMISSION DECISIONS
VOLUME 130

Complaint Exhibits

2

1 FEDERAL TRADE COMMISSION
2
3 In the Matter of:)
4 WebTV Networks, Inc.) File No. 9723162
5 -----)

6
7 August 21, 1997
8

9 DOCUMENTAL WITH
10 WIL SHRINER OF WEBTV NETWORKS, INC.

11
12 APPEARANCES:

13
14 ON BEHALF OF THE FEDERAL TRADE COMMISSION:
15 No investigator named.

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Waldorf, Maryland
(301) 870-8025

Complaint Exhibits

3

1 P R O C E E D I N G S

2 - - - - -

3 [ANNOUNCER (Unidentified)]: The following is a
4 paid presentation for WebTV Networks, Incorporated.

5 [Visual disclosure (large)]: WebTV.

6 [ANNOUNCER (Wil Shriner)]: Hi, I'm Wil Shriner,
7 coming to you from living rooms all across the country.
8 Why? Because this and this and this and this is where
9 people, just like you and me, surf the worldwide web
10 with the WebTV Network. With what? WebTV Networks, the
11 company that brings your TV to life with the internet.

12 You know, the internet, where you can
13 communicate with people you know and make friends with
14 people you'd never meet otherwise. You have heard of
15 e-mail? That's electronic mail that lets you send and
16 receive messages anywhere in the world without the
17 hassle of stamps or the cost of long distance calls.

18 And you know what else you can do on your TV and
19 WebTV? Get up-to-the-minute news, sports and financial
20 information; check out all sorts of entertainment, like
21 celebrity sites of your favorite stars; take care of
22 personal business, like making travel plans, banking or
23 buying movie tickets right from your television. You
24 get the idea.

25 [Visual disclosure (large)]: WebTV.

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Complaint Exhibits

4

1 [ANNOUNCER (Wil Shriner)]: With the WebTV
2 Network, your television set becomes more than just a
3 place to watch your favorite shows. It's a place to
4 customize your program and a place to check out whatever
5 you're into from your favorite room with your family and
6 friends.

7 So, why do you need the WebTV Network on your
8 television? Because with WebTV, the worldwide web
9 becomes your personalized TV channel. Hey, millions of
10 people are on the internet, and if you're not one of
11 them, you're missing out, but the great news is with the
12 WebTV Network, the internet is now showing on your TV.
13 Yes, the TV you're watching right now.

14 And if you can use a remote control, you can use
15 WebTV. It's fun, it's easy and affordable, and you
16 don't need a computer to watch it, you don't need a
17 Ph.D. to work it and you don't need a stock portfolio to
18 afford it. Hey, you've got interests, you've got
19 ambitions, you've got dreams. You can use the WebTV
20 Network to get closer to all of them.

21 Think of the incredible people you can meet, the
22 places you can go and the things you can buy and the
23 stuff you can get done all on your television.

24 [CONSUMER (Unidentified Male)]: I love my WebTV
25 to do my home banking, to do investment research on

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Complaint Exhibits

5

1 line. I also travel quite a bit out of town, so I use
2 it to find out the best air fares and the best
3 restaurants.

4 [CONSUMER (Unidentified Female)]: I use my
5 WebTV for searching all of the garden sites.

6 [CONSUMER (Unidentified Male)]: I hold a black
7 belt in Tae Kwan Do right now, and I like to go on the
8 WebTV and look at different styles.

9 [CONSUMER (Unidentified Female)]: I especially
10 like to look at a lot of fashion magazines on the WebTV,
11 because that way I don't have to go out and buy them.

12 [CONSUMER (Unidentified Male)]: I have been
13 able to travel to other countries, Spain, in Costa Rica,
14 in some of the Caribbean Islands.

15 [CONSUMER (Unidentified Female)]: I like the
16 feature from WebTV for the live camera for the St. Louis
17 home page, because it shows the arch and everything. It
18 doesn't make me feel so much homesick.

19 [CONSUMER (Unidentified Male)]: It's opened up
20 a new world to me, a world I didn't even know exist,
21 honestly.

22 [ANNOUNCER (Wil Shriner)]: It's WebTV, easy to
23 use, affordable and the most dependable way to surf the
24 net. All you need is your television and your current
25 phone line. Then you buy this little box called an

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Complaint Exhibits

6

1 internet terminal made by Philips Magnavox or Sony.
2 Then you sign up for the WebTV Network, and boom, in
3 seconds, you're surfing the web.

4 It's the best way to the internet, and it's
5 playing on TVs all over the country. But what do you do
6 with WebTV? You want to see? You want to go inside
7 other people's living rooms, check out with what they do
8 with their WebTV, see how it's changing their lives?
9 Well, okay, America, show us your WebTV.

10 This is Anita and Joe's house. I'll get the
11 mail for 'em. Hi, Anita, Wil from WebTV.

12 [CONSUMERS (Anita and Joe)] [Anita]: Hi, Wil,
13 how are you?

14 [SHRINER]: I've got your mail. I see there's a
15 number of overdue bills here, but -- sorry.

16 May I come in and talk to you about how you're
17 using WebTV?

18 [CONSUMERS (Anita and Joe)] [Anita]: Yes, sure.

19 [SHRINER]: So, Anita, you're a little like
20 Columbus, you like to do some exploring.

21 [CONSUMERS (Anita and Joe)] [Anita]: Yes, I do.
22 That was one of the first things I noticed on the home
23 page. It gives you topics, so whatever you are into,
24 it's there. There was one on the community, there's a
25 financial section, entertainment, sports, health, mind

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Complaint Exhibits

7

1 and body and on and on. I mean, whatever you felt like
2 looking at, it was so easy to get to.

3 [SHRINER]: What convinced you to get WebTV?

4 [CONSUMERS (Anita and Joe) [Joe]: I think the
5 main thing is, is that we didn't have to get a
6 computer.

7 [CONSUMERS (Anita and Joe) [Anita]: When you
8 get home, I don't want to get on my computer. It's much
9 more comfortable to sit on the couch and to be able to
10 play with WebTV. It's just -- it's -- it's more fun.

11 [CONSUMERS (Anita and Joe) [Joe]: It's just
12 another way of using the TV that I think is very
13 comfortable.

14 [SHRINER]: Tony, how do you fit into this?

15 [CONSUMERS (Anita, Joe and Tony) [Tony]:
16 Anita's my daughter.

17 [SHRINER]: Your daughter. How do you guys use
18 WebTV?

19 [CONSUMERS (Anita, Joe and Tony) [Tony]: Well,
20 I have six children and ten grandchildren, so it keeps
21 me in touch with the kids, their birthdays and the
22 little parties they are having, but the e-mail back and
23 forth between the children and myself is really a great
24 communications tool.

25 [SHRINER]: Now, when you send an e-mail for

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Complaint Exhibits

8

1 their birthday, do you still enclose a couple of bucks
2 in the card?

3 Tony, what else do you like about WebTV?

4 [CONSUMERS (Anita, Joe and Tony)] [Tony]: I
5 travel a lot, so I get home at the end of the week and I
6 always feel like I'm behind on current events. So,
7 WebTV to me is like a catcher's mitt. It helps me to
8 catch up to the events that were going on while I was
9 away.

10 I am no longer intimidated by it, you know, I --
11 I always felt the computer market went beyond me, but
12 WebTV makes me feel like technology caught up with me.

13 [SHRINER]: What have you found to explore with
14 the kids?

15 [CONSUMERS (Anita, Joe and Tony)] [Anita]: PBS
16 Online was great. They loved that, because they are so
17 familiar with all those morning shows, and there are a
18 lot of really fun sites for kids to look at. For them,
19 they are going to grow up with the TV being very
20 interactive for them rather than just something that you
21 sit in front of, and I like that, too, because I think
22 it -- it seems to be more educational.

23 [SHRINER]: Let's just check out and see if
24 these folks know about the SurfWatch feature, they have
25 got kids.

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9

1 Have you tried SurfWatch, Joe, Anita?

2 [CONSUMERS (Anita, Joe and Tony)] [Joe]: Yeah,
3 we have. It's a good way to protect, you know, what our
4 kids are watching.

5 [CONSUMERS (Anita, Joe and Tony)] [Anita]: Makes
6 you feel comfortable, the fact that there are things on
7 the internet that we don't want them getting access to.

8 [SHRINER]: Now, do you have SurfWatch for
9 grandpa?

10 [CONSUMERS (Anita, Joe and Tony)] [Anita]: We
11 should. A lot of things you shouldn't be looking at.
12 We love WebTV.

13 [SHRINER]: No, come on, really.

14 [CONSUMERS (Anita, Joe and Tony)] [Anita]:
15 Really, it is -- there is so much value. You have no
16 idea what you're getting until you start playing with
17 it. I mean, it's like taking your favorite magazine,
18 your favorite newspapers and half a library and
19 combining it all together, and that's only the
20 beginning.

21 [SHRINER]: A family that stays in touch through
22 WebTV.

23 [CONSUMERS (Anita, Joe and Tony)] [Anita]: We
24 love our WebTV.

25 [CONSUMERS (Anita, Joe and Tony)] [Tony]: We

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Complaint Exhibits

10

1 love it.

2 [CONSUMERS (Anita, Joe and Tony)] [Joe]: We love

3 it.

4 [ANNOUNCER (Wil Shriner)]: Well, as you've

5 seen, once you've experienced WebTV, you'll wonder how

6 you ever got along without it. There is so much to see,

7 so much to do. So, if your TV is not connected to the

8 WebTV Network, you're missing out on the worldwide web.

9 [Visual disclosure (large)]: WebTV.

10 [ANNOUNCER (Wil Shriner)]: Hey, Terrence?

11 Terrence, you home?

12 [CONSUMER (Terrence)] [TERRENCE]: Yeah, I'm

13 home.

14 [SHRINER]: Hi, man, Wil from WebTV.

15 [TERRENCE]: Hey, how you doing, man?

16 [SHRINER]: Good. We thought we would check out

17 how you're using your WebTV.

18 [TERRENCE]: All right, man, come on.

19 [SHRINER]: Okay. I like your door, it's like

20 that Mr. Ed house.

21 All right, so, let's see the room where you

22 watch WebTV.

23 [TERRENCE]: This is it right here, man, this is

24 where it all happens.

25 [SHRINER]: All right, got your home page off

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Complaint Exhibits

11

1 and running.

2 [TERRENCE]: : Go ahead, grab a seat.

3 [SHRINER]: Why did you pick WebTV?

4 [TERRENCE]: I knew I wanted to get on the
5 internet, and I didn't want to go through the expense of
6 getting a computer, and so I went with WebTV, because it
7 was so simple. You hook it up in about five minutes,
8 ten minutes you're rolling. It's just very simple.

9 [SHRINER]: What kind of stuff do you like to
10 do?

11 [TERRENCE]: Basically what I like to do is I
12 like to just jump in and get on the sports page.

13 [SHRINER]: Do you find yourself going back and
14 forth between regular TV sports and then WebTV?

15 [TERRENCE]: Absolutely, dude, I mean, you know,
16 you are watching the game, and at any time, you can just
17 stop. You can click from WebTV. You can get additional
18 information from players, games, scores and highlights
19 from the sports page, any kind of fact that you want you
20 can get right there while it's fresh in your mind with
21 the click of a button. So, you have more control over
22 what you actually watch.

23 [SHRINER]: There is a spot for favorite sites.
24 What have you got on your favorite sites?

25 [TERRENCE]: My favorite sites, I have -- I have

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Complaint Exhibits

12

1 Wheel of Fortune on there, you can actually play the
2 game. Your board comes up, you can see it. They will
3 actually show you the letters you have already used,
4 just like the regular game. You can actually play with
5 people who are playing on WebTV around the world.

6 [SHRINER]: So, you are playing in real time
7 against real opponents.

8 [TERRENCE]: Absolutely.

9 [SHRINER]: All right, Terrence, well, I know we
10 have taken a little time away from your game. I'll let
11 you get back to your game. Good to see you.

12 [TERRENCE]: Thanks.

13 [ANNOUNCER (Wil Shriner)]: Are you still just
14 watching sports on television? Well, with the WebTV
15 Network, you can play armchair quarterback, you can
16 check stats, you can even chat with other sports
17 enthusiasts. With WebTV, there's something for
18 everyone. You can tune into whatever you're into.

19 [Visual disclosure (large)]: WebTV.

20 [ANNOUNCER (Wil Shriner)]: Oh, hey, Karen, I'm
21 Wil.

22 [CONSUMER (Karen) [KAREN]: Wil, nice to meet
23 you.

24 [SHRINER]: Nice to meet you. Is it okay if we
25 come in? We came to see how you're using WebTV. We

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Complaint Exhibits

13

1 want to find out how it's changed your life.

2 [KAREN]: Oh, it's changed my life quite a bit.

3 [SHRINER]: Sit down and find out how you're
4 using WebTV.

5 So, Karen, I understand the biggest influence
6 WebTV has had on your life is e-mail.

7 [KAREN]: The e-mail is phenomenal. I -- that
8 is basically what led me into getting WebTV. My best
9 friend, we met in nursing school, and she lives in
10 Charleston, South Carolina, and now we have a
11 relationship where we talk every day. I come home --
12 it's real exciting, you come home, the red light's on,
13 you go, "Mail!"

14 [SHRINER]: Oh, look, you've got an e-mail here
15 from your friend. "Congratulations on your new sports
16 car." Let's write her back. Just scroll down and hit
17 "reply." Just going to type in a little note here.
18 "I'm with my new best friend Wil Shriner." Isn't it
19 easy to send e-mail with WebTV?

20 [KAREN]: It's great.

21 [SHRINER]: Now, I'll just hit "send," and it's
22 off to your friend.

23 You know, the old ways of sending a letter was
24 kind of like snail mail. Let's just recreate the old
25 way you used to send a letter.

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Complaint Exhibits

14

1 You have got to go through your desk. What are
2 you looking for? Stationery. You write a little
3 letter.

4 [KAREN]: And I'll write it to Brian.

5 [SHRINER]: Dear Brian. How's your
6 handwriting?

7 [KAREN]: Perfect.

8 [SHRINER]: You would never be a doctor.

9 So, do you have any stamps in there?

10 [KAREN]: I thought I did. Let me check. No, I
11 don't see any.

12 [SHRINER]: No stamps? Oh, we have got to go to
13 the post office.

14 All right, we will buy some stamps, Karen, let's
15 let WebTV pay for these. It's a hassle, isn't it?
16 Okay, B-4. There we go. There's your stamps.

17 [KAREN]: Thank you.

18 [SHRINER]: And stamped mail, there we go.

19 Boy, was that a hassle, wasn't it?

20 [KAREN]: Sure was. Much easier to just sit on
21 your couch.

22 [SHRINER]: Send e-mail.

23 [KAREN]: Definitely.

24 [SHRINER]: All right, let's get out of here.

25 [Visual disclosure (large)]: WebTV.

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Complaint Exhibits

15

1 [ANNOUNCER (Unidentified)]: TV just got better
2 with WebTV. It's so easy.
3 (Visual disclosure (fine print, no corresponding
4 audio)): This is a paid ad for WebTV Networks, Inc.
5 [CONSUMER (Theresa)] [THERESA]: So simple to
6 use. If you can use a remote, you can use WebTV.
7 [ANNOUNCER (Unidentified)]: Fast.
8 [Visual disclosure (large)]: WebTV.
9 [CONSUMER (Terrence)] [TERRENCE]: You hook it up
10 in five minutes, ten minutes, you're rolling.
11 [ANNOUNCER (Unidentified)]: Fun way to surf the
12 net.
13 [Visual disclosure (large)]: WebTV.
14 [CONSUMER (Young Female)] [YOUNG FEMALE]: Just
15 like getting an education with fun.
16 [ANNOUNCER (Unidentified)]: And you don't need
17 a computer. WebTV works with your TV and current phone
18 line. Whether it's entertainment, communication or
19 education, it's all on WebTV. Beginning with the WebTV
20 home page, your starting point for WebTV's exclusive
21 services, like WebTV e-mail, where you can send and
22 receive messages virtually anywhere in the world.
23 And WebTV's Explore, an exclusive directory of
24 amazing places to go on the internet, covering every
25 topic imaginable; or WebTV's Search, so you can find

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Complaint Exhibits

16

1 places to go by subject matter in a flash. Then, when
2 you find a site you like, stash it in your WebTV
3 favorites.

4 [Visual disclosure (fine print, no corresponding
5 audio)]: AroundTown is not available in all cities.

6 [ANNOUNCER (Unidentified)]: Click on Around
7 Town for the five-day weather forecast in your city or
8 in any city you choose. Find a restaurant or check for
9 starting movie times at a theater near you. WebTV even
10 comes with SurfWatch, so you can control what sites and
11 e-mail are seen by your kids.

12 With WebTV, you can receive phone calls while
13 you're surfing.

14 [Visual disclosure (large)]: Coming Soon!
15 Optional Printer Adapter and Printer.

16 [ANNOUNCER (Unidentified)]: And soon you'll be
17 able to print e-mail messages or web sites, and you
18 control everything right from your remote. Or, if you
19 want to send lots of e-mail to friends and family, an
20 optional wireless keyboard is available.

21 [Visual disclosure (large)]: Optional Keyboard.
22 Call Now. Only \$249.

23 [ANNOUNCER (Unidentified)]: WebTV takes your TV
24 to a whole new level. All you need to get started is a
25 WebTV internet terminal made by Philips Magnavox or Sony

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Complaint Exhibits

17

1 for a fraction of the cost of a computer.

2 [Visual disclosure (large)]: Only \$19.95 a
3 month.

4 [ANNOUNCER (Unidentified)]: Then, get hooked up
5 to the WebTV Network and surf all you want for only
6 \$19.95 a month.

7 [Visual disclosure (fine print, no corresponding
8 audio)]: WebTV Network Service is not available as a
9 local call everywhere. Toll charges may apply.

10 [CONSUMER (Pete) [PETE]: You can literally get
11 connected to anybody in the world.

12 [CONSUMER (Anita) [ANITA]: Whatever you're into,
13 it's there.

14 [CONSUMER (Theresa) [THERESA]: There is no
15 reason not to get WebTV.

16 [Visual disclosure (large)]: Free Video.

17 [ANNOUNCER (Unidentified)]: Call now and we'll
18 rush you a free video that will show you how easy and
19 affordable it is to get WebTV in your home right away
20 and how you could win \$10,000 in the instant-win
21 sweepstakes.

22 [Visual disclosure (large)]: \$10,000 Grand
23 Prize, call for details.

24 [ANNOUNCER (Unidentified)]: So, call the
25 toll-free number on your screen right now and bring your

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Complaint Exhibits

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1 television to a whole new level. Go on, make your TV a
2 WebTV.

3 [Visual disclosure (large)]: 30 Day/Money Back
4 Guarantee on WebTV Network Service.

5 [CONSUMER (Unidentified Male) [MALE]: With WebTV
6 I'm able to travel better by selecting the seat --
7 actual diagram on WebTV, I can look at and see exactly
8 where on the plane I'd like to sit, I'm able to book
9 on-line, and my seat is waiting for me when I get to the
10 airport. I probably saved at least a thousand dollars
11 on air fare alone.

12 [CONSUMER (Unidentified Male) [MALE]: We wanted
13 to get a swing set for the kids, and I typed in swing
14 set and got back from the search pages, you know, every
15 possible variation on swings, and we found this company
16 from Maine.

17 [CONSUMER (Unidentified Female) [FEMALE]: I am
18 so glad he did. It was great just to be able to decide
19 we wanted to find out some information right then and
20 there, and get on WebTV and there it was.

21 [CONSUMER (Young Female) [YOUNG FEMALE]: One of
22 the things I put in my favorites box was Xena, Warrior
23 Princess. Right after I watched the show, I'd go on to
24 search, and I know what's more behind the scenes of
25 Xena.

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1 [CONSUMER (Unidentified Male) [MALE]: Our TV has
2 a picture-in-picture function on it. So, we are able to
3 watch the games and we will be checking out the
4 statistics as they are -- as the game is in progress and
5 maybe as other games are in progress.

6 [CONSUMER (Unidentified Female) [FEMALE]: It's
7 definitely had an impact on the family. Now we're
8 sitting together, not just, like, couch potatoes in
9 front of the television letting it entertain us, but we
10 are actually working together as a group.

11 [ANNOUNCER (Wil Shriner)]: Hey, welcome back.

12 Now, you see these TVs behind me? They used to
13 be regular TVs, but they are something much more,
14 because they are connected to the WebTV Network. Now,
15 if you're just joining us, the future is here, and the
16 buzz in homes all over the country is WebTV, the easy,
17 fast, fun way for everyone to get on the internet.

18 I am joined by a delightful woman who is 90
19 years young. This is Evelyn, but that's not her real
20 name. Her real name is Cyber-Gram. Is that right?

21 [CONSUMER (Evelyn) [EVELYN]: Yes.

22 [SHRINER]: How do you like WebTV so far?

23 [EVELYN]: I just love WebTV. It has just
24 opened a whole wide world for me that has been
25 marvelous.

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1 [SHRINER]: You e-mail post cards with WebTV?

2 [EVELYN]: Yes. I have a lot more friends. I
3 have friends in Canada now, and I have some friends in
4 Holland now that I didn't have before, and I'm a lot
5 closer to my family than I've ever been, because I say
6 good night to them every night.

7 [SHRINER]: I understand you e-mailed the
8 president of WebTV?

9 [EVELYN]: Yes, I did. He told me to, so I
10 did.

11 [SHRINER]: Would you like to read it for us?

12 [EVELYN]: Okay. "At 90 I am enjoying searching
13 the web. It is the most exciting thing to happen to me
14 for a long time. I could not see how a 90-year-old
15 could use a computer. Now I am hooked. Thanks.
16 Cyber-Gram."

17 [Visual disclosure (large)]: Dr. Pamela Wendt,
18 USC Andrus Gerontology.

19 [MS. WENDT]: I have a research project teaching
20 seniors to use the internet. We have found that as our
21 seniors learn to use WebTV, their lives have taken on a
22 whole new meaning. People have been -- I don't really
23 know the word, but have just been warmed by the fact
24 that they get regular e-mail from grandchildren.

25 Getting connected to the internet using WebTV

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Complaint Exhibits

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1 has just made such a difference in people's lives,
2 because it has allowed them to be at home where their
3 body needs to be but let their mind find the world once
4 again.

5 [ANNOUNCER (Wil Shriner)]: Are you still
6 wondering what all those "www.somethings" are? Well,
7 with the WebTV Network, they become places to go, things
8 to do, stuff to buy, people to meet.

9 [Visual disclosure (large)]: WebTV.

10 [ANNOUNCER (Wil Shriner)]: We thought we'd
11 check with a typical teenager and see how she's using
12 her WebTV.

13 Hi, Christina, Wil with WebTV.

14 [CONSUMER (Christina)][CHRISTINA]: Hi, come on
15 in.

16 [SHRINER]: Great.

17 So, Christina, you know, one of the things I
18 like to do is chat. You can go on and you can find
19 anything you want to talk about, any subject matter, you
20 go into a chat room. I understand you like that, as
21 well.

22 [CHRISTINA]: Yeah, I do, because it saves a lot
23 of money on phone bills. I call up my friend in
24 Washington, talk for about a minute or two and tell him
25 to go downstairs in his dorm, go online, and we start

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Complaint Exhibits

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1 chatting.

2 [SHRINER]: Tell me about some of your favorite
3 TV shows.

4 [CHRISTINA]: Well, I like looking up Star
5 Trek. There's a lot of -- there's an official and then
6 there's a lot of unofficial sites.

7 [SHRINER]: What other TV show web sites do you
8 like to visit?

9 [CHRISTINA]: Well, there is X-Files, which is a
10 very great show, I love that show, and the official site
11 has the reviews for the episodes, what they are about,
12 pictures, just everything you need to know. Sometimes I
13 miss the episode, and I'm -- I would be totally lost if
14 I missed an episode. So, I can just find out what the
15 episode was about in detail.

16 [SHRINER]: Let's show people how -- how easy it
17 is to research something. What do you think? Let's
18 pick a topic. What are you into? Are you into art?

19 [CHRISTINA]: Yeah.

20 [SHRINER]: Let's pick a painter, say Earl
21 Scheib. No, how about Monet?

22 CHRISTINA: Monet, okay.

23 [SHRINER]: Click up to search.

24 [CHRISTINA]: And just type in Monet.

25 [SHRINER]: M O N E T, right.

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1 [CHRISTINA]: Monet.

2 [SHRINER]: Pronounced Monet.

3 Wow, look at all these web sites we found. Hey,
4 look at this, there are paintings and -- well, his
5 biography, let's take a look.

6 Let's see, there he is. He could use a little
7 trim on that beard, I think. All right, let's check out
8 some of his paintings. Go to, say, "Women in the
9 Garden." Okay, there's women in a garden. Oh, yeah,
10 yeah, the famous "Waterlilies," right there.

11 This is so easy. Could you imagine doing it the
12 old-fashioned way?

13 [CHRISTINA]: No.

14 [SHRINER]: I mean, having WebTV is like having
15 a huge resource library, the internet, the worldwide
16 web, all of that is available for you right now. Let's
17 just for kicks do it the old-fashioned way.

18 [CHRISTINA]: Do we have to?

19 [SHRINER]: Yeah, come on.

20 So, we go to the library, and we look up Monet
21 on the computer. Then we have to hunt all over the
22 place for the book, better make sure we return it on
23 time. It is so much easier to get all the information
24 you need with WebTV.

25 [Visual disclosure (large)]: Steve Perlman,

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1 President & CEO, WebTV Networks, Inc.

2 [MR. PERLMAN]: We have taken this wonderful
3 thing, the internet, which until now has really been
4 limited to kind of a very small percentage of the
5 population, that A, has a technical ability to make
6 their way through it, and B, can afford it, we have
7 taken this wonderful thing and brought it to the masses,
8 and I tell you, if I don't do anything else in life, I
9 can say that I have done this, and I think it really
10 makes a difference.

11 [Visual disclosure (large)]: WebTV.

12 [ANNOUNCER (Unidentified)]: TV just got better
13 with WebTV, the fast, easy, fun way to surf the net.

14 [Visual disclosure (fine print, no corresponding
15 audio)]: This is a paid ad for WebTV Network, Inc.

16 [CONSUMER (Anita)] [ANITA]: Whatever you are
17 into, it's there.

18 [CONSUMER (Terrence)] [TERRENCE]: You hook it up
19 in about five minutes, ten minutes you're rolling.

20 [CONSUMER (Theresa)] [THERESA]: It's so simple
21 to use.

22 [ANNOUNCER (Unidentified)]: WebTV works with
23 your TV and current phone line, and it's as simple to
24 use as your remote control. Whether it's entertainment,
25 communication or education, it's all on WebTV.

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25

1 Beginning with the WebTV home page, where you can send
2 and receive e-mail messages virtually anywhere in the
3 world.

4 [Visual disclosure (fine print, no corresponding
5 audio)]: AroundTown is not available in all cities.

6 [ANNOUNCER (Unidentified)]: With Around Town,
7 you can check out the local scene in your neighborhood.
8 And WebTV comes with SurfWatch, so you can control what
9 sites and e-mail are seen by your kids.

10 [Visual disclosure (large)]: Optional Keyboard.

11 [ANNOUNCER (Unidentified)]: An optional
12 wireless keyboard makes it easy to send lots of e-mail,
13 and soon you'll be able to print e-mail messages or web
14 sites.

15 [Visual disclosure (large)]: Coming Soon!
16 Optional Printer Adapter and Printer.

17 [Visual disclosure (fine print, no corresponding
18 audio)]: Only \$19.95 a month. WebTV Network Service is
19 not available as a local call everywhere. Toll charges
20 may apply.

21 [ANNOUNCER (Unidentified)]: Get started with a
22 WebTV internet terminal, then get hooked up to the WebTV
23 service for only \$19.95 per month.

24 [Visual disclosure (large)]: Free Video.

25 [ANNOUNCER (Unidentified)]: Call now and we'll

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1 rush you a free video that'll show you everything you
2 need to know about getting WebTV in your home right
3 away.

4 [Visual disclosure (large)]: 30 Day Money Back
5 Guarantee on WebTV Network Service.

6 [ANNOUNCER (Unidentified)]: So, call the
7 toll-free number on your screen right now and make your
8 TV a WebTV.

9 [ANNOUNCER (Wil Shriner): WebTV is, well, in a
10 word, simple. It brings the internet to your TV,
11 letting you switch between channel surfing and web
12 surfing without leaving your couch.

13 So, Pete and Cammi have an interesting story.
14 They knew each other, then they moved apart, and now
15 they have come back together to get married, all with
16 the help of WebTV.

17 [CONSUMERS (Pete and Cammi) [CAMMI]: That's
18 right.

19 [SHRINER]: So, you both have WebTV boxes. How
20 easy were they to hook up?

21 [CAMMI]: Extremely. In fact, we both hooked up
22 our own.

23 [CONSUMERS (Pete and Cammi) [PETE]: It takes
24 about 15 minutes. It's pretty easy. It's as easy as --
25 actually, it's easier than setting up a VCR, plug it

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1 right in.

2 [CAMMI]: And they do offer a help line that you
3 can call. I'm proud to say I didn't need to call it,
4 but it's nice to know that it's there, that if you have
5 any problems, you can call it.

6 [SHRINER]: So, living 500 miles apart, does it
7 make you feel closer?

8 [CAMMI]: It's made it a lot easier. One of the
9 things that's so great for me and I think Pete would
10 agree is that just being able to e-mail back and forth,
11 it -- it makes us feel that much closer. We're, you
12 know, 500 miles away, and one of the nice things when I
13 get home at night and I flip on the TV, if he's been
14 good, my light's blinking and I have an e-mail, which
15 there is something really neat about that.

16 [SHRINER]: How much money do you think you have
17 saved on phone bills?

18 [CAMMI]: Oh, on our phone bill? Hundreds of
19 dollars.

20 [SHRINER]: So, you have been planning your
21 wedding with WebTV?

22 [CAMMI]: Right. What's great is that I get
23 home from work, I get in my comfy clothes, and I've been
24 able so far to find florists, wedding dress options,
25 musicians. For me, that's huge. That saves a ton of

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1 time.

2 [SHRINER]: What about the honeymoon?

3 [CAMMI]: That's Pete's area.

4 [PETE]: That's my department.

5 [SHRINER]: So tell us, Pete.

6 [PETE]: Actually it was really helpful for our
7 honeymoon, because we are going to Africa. So, I used
8 the WebTV to send out an e-mail, basically I contacted
9 multiple safari companies out in Kenya, and I would wake
10 up in the morning and see the light blinking, and I'd
11 get information, and then I'd take that information and
12 forward it to Cammi.

13 [SHRINER]: So, you live in northern
14 California. Are you going to move up north? Have you
15 been looking for a place on the web?

16 [CAMMI]: We have been. We have actually been
17 looking for homes.

18 [PETE]: WebTV's helped, because I can just get
19 on there, look at the listings, and then we send e-mails
20 back and forth, and when she comes up on the weekend, we
21 can look at the houses.

22 [SHRINER]: When you guys move in and finally
23 settle down together, what are you going to do with the
24 extra box?

25 [CAMMI]: Oh, that's easy, mom and dad get it.

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1 My dad is already on the internet, and I can't get my
2 mom on, and I think this will be the thing that will
3 keep us in touch.

4 [SHRINER]: What happens when the minister says
5 I now pronounce you man and wife?

6 [CAMMI]: This is what happens. (Kisses Pete).

7 [SHRINER]: The WebTV Network, it's the
8 evolution of your television from regular TV to WebTV.

9 [Visual disclosure (large)]: WebTV.

10 [CONSUMER (Ellis)][ELLIS]: Hey, Wil, how are
11 you?

12 [SHRINER]: Ellis, good to see you.

13 [ELLIS]: Good to see you. I got the WebTV on
14 now. Come on in.

15 [SHRINER]: Hey, all right. Oh, look, I see you
16 have got your Around Town feature up to check out the
17 local weather, movies, restaurants.

18 So, Ellis, tell us, how do you like your WebTV?

19 [ELLIS]: It's just something so terrific.
20 Everything you want to think about, you can do with
21 this. I am watching regular TV, and then at the same
22 time I can go right to the internet, and I can find
23 additional things that you can't see on TV.

24 For instance, if I'm watching something on
25 sports, I get a ball game score, and then I get to

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1 ESPN-Net or one of the other internet sites, and I get
2 the whole line score, everything that's going on play by
3 play, and it's easy. It's for people like myself who
4 know how to plug in a microwave. I mean, it's that
5 simple.

6 [SHRINER]: Okay, so, I notice you have landed
7 there on the TV Guide site.

8 [ELLIS]: TV Guide has become a whole different
9 thing to me. Normally it would be the little book you
10 would get in the check-out line. My TV has now become
11 something more to me, it's interactive. I can actually
12 program in, if I want see a favorite actor, actress, a
13 director, a genre type of movie, this tells me. It
14 feeds me through an e-mail and tells me when it's going
15 to be on.

16 [SHRINER]: Oh, so you are really sending a
17 request for information, and then they are dropping it
18 into your mailbox.

19 [ELLIS]: Right, and again, with my thumb on
20 this remote, it programs it, and it tells me if
21 something is going to be on this week, next week or
22 whatever.

23 [SHRINER]: How do you think WebTV, then, in the
24 big picture has changed your life?

25 [ELLIS]: Well, TV is not TV anymore. The TV

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1 set as we knew it as we were growing up is different
2 now. This is interactive. You can do almost anything
3 your mind can think about.

4 [SHRINER]: All right, Ellis, good to see you.

5 [ELLIS]: Thank you. Thanks, Wil, nice to see
6 you today.

7 [SHRINER]: There you go, a happy user of
8 WebTV.

9 With one push of the button, you can go from
10 watching your favorite movie or TV program to visiting
11 the web site of your favorite star, and all you need is
12 the WebTV Network to make it happen.

13 [Visual disclosure (large)]: WebTV.

14 [ANNOUNCER (Wil Shriner)]: Hi, I'm Wil with
15 WebTV.

16 [CONSUMERS (Theresa with family) [THERESA]: Hi,
17 Wil, come on in.

18 [SHRINER]: You sure? So, Theresa, I understand
19 this is really a real WebTV family.

20 [THERESA]: Yeah, it is.

21 [SHRINER]: Who's the biggest fan of WebTV?

22 [THERESA'S SON]: I use WebTV a lot. I'm a
23 college-bound junior, and any time I need to research a
24 college or applications or anything, I go in through
25 WebTV.

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1 [SHRINER]: What are you finding out about where
2 you want to go?

3 [THERESA'S SON]: The population, the diversity,
4 cost, housing, everything.

5 [SHRINER]: Bobby, what do you like to do on
6 WebTV?

7 [BOBBY]: I like to look up stuff for my
8 homework and everything.

9 [SHRINER]: Give me an example.

10 [THERESA]: He did a report on Cesar Chavez and
11 got an A-plus. All the research and everything was done
12 on WebTV.

13 [SHRINER]: Do you think this is where
14 everything is going?

15 [THERESA]: Oh, definitely, everything you turn
16 on, the newspaper, the radio, the TV, everything is
17 "ww.something." I mean, this is the wave of the
18 future, and with WebTV, you can get it now, it's
19 affordable, and it being on your TV screen instead of a
20 little 14-inch computer screen, it's easier to read,
21 it's easy to access. There's no reason not to get
22 WebTV.

23 [SHRINER]: Well, Theresa, I understand instead
24 of upgrading your old computer, you got WebTV. Tell me
25 why.

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1 [THERESA]: Why? My brother is a computer
2 tech. He told me it would cost me \$800 just to upgrade
3 my computer to get on the internet, not including
4 software and hardware and all that other stuff that I
5 would have to buy. Well, for less than \$300, I'm on the
6 internet with WebTV. So, it's perfect.

7 [SHRINER]: Theresa, what kind of sites do the
8 kids like?

9 [THERESA]: Well, like Dr. Seuss, they can go
10 through the books, and there is games on there where
11 they can enter a contest, and it keeps them active, and
12 what helps a lot is they are reading it, so it's
13 improved their reading skills a great deal.

14 [SHRINER]: What do you think of WebTV is of
15 value?

16 [THERESA]: Their grades. These two have jumped
17 from Cs to As. Just that alone was worth it. They do
18 their homework. I don't have to cart them to the
19 library anymore. I've got half the neighborhood coming
20 over and doing their homework on my TV. Before I used
21 to tell them, turn off the TV and go do your homework.
22 Now it's turn on the TV and go do your homework.

23 [ANNOUNCER (Wil Shriner)]: As you can see,
24 WebTV isn't just a remarkable thing to happen to your
25 television. It's remarkable what happens to your life.

For The Record, Inc.
Waldorf, Maryland
(301)870-8025

Complaint Exhibits

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1 It gets even better. Everything's easier, from keeping
2 yourself and your family entertained to changing your
3 television from one-way monotony to interactive
4 excitement. Look, it's simple. I mean, the internet,
5 it really is simple with WebTV. It's accessible with
6 the push of a button on a remote.

7 WebTV is available today at consumer electronic
8 stores just like this, or you can call the WebTV
9 toll-free number and let them send you, free of charge,
10 a video that will explain everything from how to get the
11 WebTV internet terminal of your choice to how to
12 subscribe instantly and start surfing the net on your
13 TV. Go on, make your TV a WebTV.

14 [Visual disclosure (large)]: WebTV.

15 [ANNOUNCER (Unidentified)]: TV just got better
16 with WebTV. It's so easy.

17 [Visual disclosure (fine print, no corresponding
18 audio)]: This is a paid ad for WebTV Networks, Inc.

19 [CONSUMER (Theresa) [THERESA]: So simple to
20 use. If you can use a remote, you can use WebTV.

21 [Visual disclosure (large)]: WebTV.

22 [ANNOUNCER (Unidentified)]: Fast.

23 [CONSUMER (Terrence) [TERRENCE]: You hook it up
24 in about five minutes, ten minutes you're rolling.

25 [Visual disclosure (large)]: WebTV.

For The Record, Inc.
Waldorf, Maryland
(301)870-8025

Complaint Exhibits

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1 [ANNOUNCER (Unidentified)]: Fun way to surf the
2 net.

3 [CONSUMER (Young Female) [YOUNG FEMALE]: It's
4 just like getting an education with fun.

5 [ANNOUNCER (Unidentified)]: And you don't need
6 a computer. WebTV works with your TV and current phone
7 line. Whether it's entertainment, communication or
8 education, it's all on WebTV. Beginning with the WebTV
9 home page, your starting point for WebTV's exclusive
10 services, like WebTV e-mail, where you can send and
11 receive messages virtually anywhere in the world. And
12 WebTV's Explore, an exclusive directory of amazing
13 places to go on the internet, covering every topic
14 imaginable. Or WebTV Search, so you can find places to
15 go by subject matter in a flash.

16 Then, when you find a site you like, stash it in
17 your WebTV favorites.

18 [Visual disclosure (fine print, no corresponding
19 audio)]: AroundTown is not available in all cities.

20 [ANNOUNCER (Unidentified)]: Click on Around
21 Town for the five-day weather forecast in your city or
22 any city you choose. Find a restaurant or check for
23 starting movie times at a theater near you. WebTV even
24 comes with SurfWatch, so you can control what sites and
25 e-mail are seen by your kids.

For The Record, Inc.
Waldorf, Maryland
(301)870-8025

Complaint Exhibits

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1 [Visual disclosure (fine print, no corresponding
2 audio)]: Requires call waiting.

3 [ANNOUNCER (Unidentified)]: With WebTV, you can
4 receive phone calls while you're surfing.

5 [Visual disclosure (large)]: Optional Printer
6 Adapter and Printer.

7 [ANNOUNCER (Unidentified)]: And soon you'll be
8 able to print e-mail messages or web sites, and you
9 control everything right from your remote. Or, if you
10 want to send lots of e-mail to friends and family, an
11 optional wireless keyboard is available.

12 [Visual disclosure (large)]: Optional Keyboard.

13 [ANNOUNCER (Unidentified)]: WebTV takes your TV
14 to a whole new level.

15 [Visual disclosure (large)]: Call Now, Only
16 \$249.

17 [ANNOUNCER (Unidentified)]: All you need to get
18 started is a WebTV internet terminal made by Philips
19 Magnavox or Sony for a fraction of the cost of a
20 computer.

21 [Visual disclosure (fine print, no corresponding
22 audio)]: Only \$19.95 per month. WebTV Network Service
23 is not available as a local call everywhere. Toll
24 charges may apply.

25 [ANNOUNCER (Unidentified)]: Then get hooked up

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Waldorf, Maryland
(301)870-8025

Complaint Exhibits

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1 to the WebTV Network and surf all you want for only
2 \$19.95 a month.

3 [CONSUMER (Pete) [PETE]: You can literally get
4 connected to anybody in the world.

5 [CONSUMER (Anita) [ANITA]: Whatever you're into,
6 it's there.

7 [CONSUMER (Theresa) [THERESA]: There is no
8 reason not to get WebTV.

9 [Visual disclosure (large)]: Free Video.

10 [ANNOUNCER (Unidentified)]: Call now and we'll
11 rush you a free video that will show you how easy and
12 affordable it is to get WebTV in your home right away
13 and how you could win \$10,000 in the instant-win
14 sweepstakes.

15 [Visual disclosure (large)]: \$10,000 Grand
16 Prize, call for details. 30 Day Money Back Guarantee on
17 WebTV Network Service.

18 [ANNOUNCER (Unidentified)]: So, call the
19 toll-free number on your screen right away and bring
20 your television to a whole new level. Go on, make your
21 TV a WebTV.

22 [Visual disclosure (large)]: The preceding has
23 been a paid announcement for WebTV Networks,
24 Incorporated.

25 [ANNOUNCER (Unidentified)]: The preceding has

For The Record, Inc.
Waldorf, Maryland
(301)870-8025

Complaint Exhibits

38

1 been a paid announcement for WebTV Networks,
2 Incorporated.

3 (Whereupon, the videotape was
4 concluded.)

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For The Record, Inc.
Waldorf, Maryland
(301) 870-8025

Complaint Exhibits

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1 C E R T I F I C A T I O N O F T Y P I S T

2

3 DOCKET/FILE NUMBER: 9723162

4 CASE TITLE: WEBTV NETWORKS, INC.

5 TAPING DATE: AUGUST 21, 1997

6 I HEREBY CERTIFY that the transcript contained
7 herein is a full and accurate transcript of the tapes
8 transcribed by me on the above cause before the FEDERAL
9 TRADE COMMISSION to the best of my knowledge and belief.

10

11 DATED: 5/5/98

12

13 *Susanne Q. Tate*

14 SUSANNE Q. TATE

15

16 C E R T I F I C A T I O N O F P R O O F R E A D E R

17

18 I HEREBY CERTIFY that I proofread the transcript
19 for accuracy in spelling, hyphenation, punctuation and
20 format.

21

22 *Diane Quade*

23 DIANE QUADE

24

25

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Waldorf, Maryland
(301)870-8025

Complaint Exhibits

Exhibit G

WebTV -- FAQs

<http://www.webtv.com/ns/tune/faq.html> (as of 9/9/98)

1. What does WebTV® have to offer me?

Simply, better TV. Because of the way WebTV and television work together, since you decide what to watch. You're in control of your viewing experience. With access to the Internet, e-mail, and special WebTV features, a whole new world of entertainment and information is available to you at any time.

2. How do I hook up WebTV to my television?

WebTV is so easy to install, most subscribers are browsing the Internet within 15 minutes of opening the box. WebTV's Internet Terminal and WebTV® Plus Receiver hooks up just like a VCR to any standard audiovisual (composite) or high-resolution (S-video) input. WebTV can work with cable, VCR and DSS. On some older TVs, an optional RF adapter is required. Then simply plug in your phone jack and use the remote control. That's all it takes.

3. Will I need to install a special phone line?

No. The Internet Terminal and the WebTV Plus Receiver are both designed to hook up to your current phone line.

4. What is the cost of a WebTV Internet Terminal and WebTV Plus Receiver?

A WebTV Internet Terminal is around \$99. A WebTV Plus Receiver is around \$199. Both include a wireless remote control, audio/video cable, 25 feet of phone line and an RJ11 phone-line splitter. An optional, wireless keyboard is available for about \$70. It also comes with the required batteries.

5. Do I need a computer to use WebTV?

With WebTV, you don't need a computer. WebTV is designed to hook up to your television and current phone line.

6. Why WebTV instead of a computer?

WebTV offers a variety of special entertainment features you can't get on a computer, only TV. Unlike a computer, WebTV comes with free service upgrades so you don't have to worry about new



Complaint Exhibits

software. Most important, WebTV is a fun and affordable way to explore television and the Internet at the same time.

7. What is the WebTV® Plus System?

The WebTV Plus system is comprised of the WebTV Plus Receiver, distributed by Sony, Philips and Mitsubishi, and the WebTV Plus Network. The WebTV Plus System provides an Enhanced Television experience by giving people a better way to choose which shows to watch and to enjoy more entertainment, information and services that uniquely complement those shows.

The key benefits of the WebTV Plus System:

Gives viewers more control over what to watch

- Offline TV Listings provide instant access to full 24 hours of TV Listings

- Updated daily and customized to local cable and broadcast system

Improved Internet experience

- A 1.1 GB hard drive enables local storage of information and applications for immediate access to information and features without having to connect to the network service and wait for the information to be downloaded.

- Fast connection speeds through a 56Kflex Rockwell modem

- Integrated printer port supports popular HP and Canon printers

Enhanced TV programming through integration of TV and Internet

- WebPIP lets users view Web pages and TV programming simultaneously on the same screen, without a special picture-in-picture TV

- TV Crossover Links complement and enhance TV programs by providing an instant way for viewers to access integrated Web sites that are directly related to many of the most popular TV programs.

8. How is the WebTV Plus System different than the original WebTV System?

The original WebTV Internet Terminal remains an easy, affordable way to access entertainment and information on your TV using the power of the Internet. The new WebTV Plus system more tightly integrates Internet and television programming to dramatically enhance the TV viewing experience. It is a higher performance system that does all of what WebTV does plus it provides: TV Listings to help users find out what's on TV and go there quickly; WebPIP to give the ability to simultaneously view the Internet and TV; and TV Crossover Links for direct access to entertainment and information that uniquely complements TV shows.

Complaint Exhibits

9. If I already have a WebTV can I access the WebTV Plus Network?

The WebTV Plus Network is only available in conjunction with the WebTV Plus Receiver. The Receiver has several key components, such as a cable-ready tuner, hard drive, and 3D graphics engine, that enable it to exclusively run the WebTV Plus Network.

10. Does WebTV Plus support everything the original product does?

Yes, the WebTV Plus Network has everything in WebTV plus TV Listings, WebPIP, and TV Crossover Links. The WebTV Plus Receiver supports everything the WebTV Internet Terminal supports except for a PC keyboard input.

11. If my TV does not have PIP capabilities can I still take advantage of WebPIP?

WebPIP works with any TV and enables customers to simultaneously view Web and TV programming on the same screen through a picture-in-picture window.

12. What's the difference between TV Home and TV Listings?

TV Home is the launch pad for the WebTV Plus Network and helps you find out what to watch NOW. TV Listings provides a full 24 hours of listings and helps you PLAN what to watch.

13. What's the difference between TV Home and Web Home?

TV Home is the launch pad for the WebTV Plus Network and is instantly available. It provides access to all the WebTV Plus features, including direct access to the Internet. Web Home is reached after connecting online and provides a no-compromise Internet experience, with email, local services, a best of the web directory and search.

14. If I'm in a remote area of the US will I still get localized TV listings?

Yes. WebTV Plus detects which area you are in and which cable system you are likely to be using. Users can verify and change this information to ensure accuracy.

15. What if I do not have cable? Will the TV integration still work?

Complaint Exhibits

What channels will I see?

If you don't have cable, WebTV Plus will work with the standard over the air broadcast you receive.

16. Why an IR Blaster in WebTV Plus Receivers? What does it do for me?

The IR Blaster feature of the WebTV Plus Receiver enables the receiver to control other devices connected to your television. For example, when you use the WebTV Plus Receiver to tune your TV to a premium cable channel like HBO, the receiver will automatically send the appropriate commands to your cable box -- you don't need to fumble with multiple remote controls. In the future, the IR Blaster functionality will allow you to simply and easily program your VCR using the TV Listings feature.

17. Why did you include a tuner in WebTV Plus Receivers?

The built-in, 3-in-1 cable-ready stereo tuner not only gives viewers instant channel tuning on the TV Home page and TV Listings page, it also is a key element of the picture-in-picture feature that allows viewers to simultaneously view TV programs and Web pages.

18. Why a hard drive? Will users be able to download and store files like they do on a computer?

The hard drive provides a number of benefits including increased performance, local storage of information received by the Video Modem, and in the future, offline access to key applications such as email and interactive games.

Users cannot download files to the hard drive in the same way that they do on a computer. WebTV Plus provides the management and storage of information for users.

19. Will users be able to read and compose email offline?

Not at this time. This is a capability we're considering for delivery next year.

20. What is video email?

Early next year, WebTV Plus will allow customer to send video from their camcorders and digital cameras to people all over the world.

Complaint Exhibits

21. What happens if I receive a phone call while I'm using WebTV?

If you have call waiting and receive a phone call while you're online, both the Internet Terminal and the WebTV Plus Receiver can be set up to pause, allowing your phone to ring. After you complete your call, you can simply reconnect and return to the Web page you were previously viewing.

22. Will I see any special charges on my phone bill?

In most cases, WebTV is a local call.

23. How does WebTV know where I am?

When WebTV is first turned on, it automatically dials an 800 number. Using a form of Caller ID, WebTV determines your location, hangs up, then dials a local access number to connect you with the Internet. Check the WebTV phone book to find out if local access is available in your area. In some cases, local access is not available or is a toll call, in which case, the OpenISP feature is the best way to get WebTV. You can find out more about OpenISP at <http://www.webtv.net/openisp/>.

24. Are there additional charges for more than one user?

No. The WebTV Network and WebTV Plus services support up to six individual e-mail accounts as part of our monthly service fee.

25. What is the cost of service, and what are the terms of commitment?

The WebTV Network is a flat rate of \$19.95 per month and WebTV Plus Network is \$24.95 a month. There are no service contracts. The WebTV Network and WebTV Plus Network includes up to six e-mail accounts.

26. How do I sign up with WebTV?

After simple hook-up to the television and phone line, customers need only press the "Web" button (or "Power" button for the Philips Magnavox remotes), and WebTV will guide you through a simple sign-on process. To register, you will be asked for your name, address, phone number, your preferred e-mail address and credit card number.

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27. How can I prevent my child from accessing certain sites on the Internet?

There are two WebTV features that restrict access to mature content on the Internet; SurfWatch® and Kid Friendly. Either can be selected for a child's account in order to limit access to mature content on the Internet.

28. What is SurfWatch?

SurfWatch is a special content-filtering software available in the WebTV Network and WebTV Plus Network. When activated, SurfWatch software limits access to Web sites that may contain inappropriate content for children. Additional security enables parents to prevent children from sending and/or receiving e-mail. These features are free to all WebTV Network subscribers.

29. What is Kid Friendly?

Kid Friendly is a complimentary service from WebTV that makes the Internet a fun and safe environment for children. Here, kids can browse a multitude of Web sites that have all been pre-screened for children's viewing. Complete with games and rich learning material, grown-ups may just get a kick out of Kid Friendly too.

30. How do WebTV's Internet Terminal and the WebTV Plus Receiver compare to a PC?

The WebTV Internet Terminal was not designed to replace or compete with a computer. Rather, WebTV gives you the optimal combination and integration of television and the Internet. However, if we compare the speed and quality of Internet access, the WebTV unit is superior in many ways.

First, the Internet Terminal comes equipped with a 33.6 Kbps modem, the WebTV Plus Receiver a 56k capable modem. No software to load and no configuration required means faster operation overall. WebTV caches, transcodes and reorganizes Web data and more efficiently utilizes the telephone line so that in many cases the experience is faster than a PC. Secondly, the WebTV unit was designed to work in concert with the WebTV Network so that the system is optimized for high performance.

The WebTV unit also delivers D-1 studio master (broadcast quality) images to any television and uses a state-of-the-art 64-bit MIPS,

Complaint Exhibits

RISC processor. All of which means exceptionally high-quality Internet access.

31. Can I choose my own Internet Service Provider?

Yes. WebTV's OpenISP™ feature allows users to choose any compatible Internet Service Provider (ISP) if they are located in a rural area or if they already have an Internet Service Provider for their personal computers. OpenISP is especially helpful to subscribers who would normally pay toll-call charges to connect to the WebTV Network. Customers who choose to access the WebTV Network service through the OpenISP option will receive a reduced rate of \$9.95 per month, in addition to their Internet Service Provider rate. For more information about this service, just go to <http://www.webtv.net/openisp/>.

32. Does the unit use Netscape® or Microsoft Internet Explorer®?

Neither. WebTV uses a browser designed exclusively for the TV, and is compatible with virtually all Web pages formatted for Netscape Navigator 4.0, and for Microsoft Internet Explorer for Windows® 4.0 and Macintosh 3.0. WebTV service updates will ensure that WebTV remains compatible with these standards. See Features and Specs for more information on Internet compatibility.

33. Why is access to the Internet or a specific Web site sometimes slow?

As the popularity of the Internet increases and more people come online, you may experience periods of slower access speeds. A comparison may be drawn to a sports car in rush-hour traffic. The car may be capable of high speeds, but road conditions will not allow you to pass. The more people who attempt to access a particular site, the slower the site. A poor-quality phone connection will also cause a slight delay.

34. Can I store information from the Internet?

Yes. WebTV allows you to store up to 600 links to Web sites in an area called Favorites. Just select your favorite site from the saved list and you'll instantly go to that Web site.

35. What are the lights on the front of the machine for?

Green (Power) -- lets the user know the Internet Terminal is on.

Complaint Exhibits

Yellow (Connected) -- lets the user know when and if the terminal is connected to the Internet. Red (Message) -- notifies the user of unread or new e-mail messages.

36. Can I hook up a printer?

Yes. With a recent upgrade, printer drivers were downloaded directly to customers WebTV units providing them with the software needed to activate the printing option. WebTV subscribers with an Internet Terminal need to purchase a printer adapter from Sony or Philips, a 1284-compliant parallel printer cable, and any Hewlett-Packard DeskJet 400 or 600 series color printer. Users will then be able to easily print e-mail, news articles and favorite Web pages in full-color.

The WebTV Plus Receiver provides a built-in parallel port (and thus does not require a printer adapter) with full support of Hewlett-Packard 400- or 600 DeskJet color printers, and later this year will support Canon 200, 600 and 4000 BubbleJet printers. WebTV Networks is the only provider to work closely with leaders HP and Canon for printing solutions for the television.

37. Can I hook up a keyboard to a WebTV unit?

An optional wireless keyboard for both WebTV units is available in consumer electronics stores. Also, any standard PS2 compatible keyboard can be plugged into a WebTV Internet Terminal.

38. What is an Electronic Programming Guide?

The WebTV Network's WebTV's Electronic Programming Guide gives you information on what's on television through TV Guide® Online. Here you can view broadcast, cable and premium TV listings.

WebTV Plus has TV Home, which is the launch pad for the WebTV Plus Network, and helps you find out what to watch now. TV Listings lets you view what's on right now as well as browse program listings for the next 24 hours. You can also find background information on movies or programs with specific actors that you like.

39. What is the slot on the front of the WebTV for?

In the future, this smart-card-reader slot will allow customers the opportunity to purchase goods or services online by using smart cards.

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40. Looks like WebTV now supports a lot of Internet standards. Is this significant?

Absolutely. The Internet changes constantly, and WebTV is committed to enhancing the user experience by regularly delivering new functionality. WebTV's free periodic service upgrades keep the WebTV Network current with Internet standards. For a listing of the latest supported standards, please see Features and Specs.

41. Who do I call for help?

WebTV Customer Care representatives are happy to help. If you have questions regarding the service, please call 1-800-GOWEBTV. For questions regarding the WebTV Internet Terminal, please call:

Sony Electronics: 1-888-772-7669
Philips/Magnavox: 1-888-813-7069

42. Who created WebTV and WebTV Networks?

WebTV Networks was founded in June of 1995 by three former Apple® technologists and multimedia pioneers--Steve Perlman, Bruce Leak and Phil Goldman. WebTV Networks was recently acquired by Microsoft corporation and will operate as a subsidiary from the current headquarters in Palo Alto, California.

43. How secure are transactions through the Internet?

WebTV supports Secure Socket Layer (SSL), the Internet encryption standard, which allows WebTV to offer secure online banking and commerce to its subscribers, making at-home banking transactions and shopping online simple and convenient. In addition, WebTV now offers Terisa Systems' Thin SSL Client, which provides the highest level of protection for electronic commerce with support for SSL versions 2 and 3.

Decision and Order

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorneys, and counsel for Federal Trade Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, and having duly considered the comments received, now in further conformity with the procedure prescribed in ' 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent WebTV Networks, Inc., is a corporation organized, existing, and doing business under and by virtue of the laws of the State of California, with its office or principal place of

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business located at 1065 La Avenida, Mountain View, California 94043.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

DEFINITIONS

For purposes of this order, the following definitions shall apply:

1. An Internet access product shall mean AWebTV Classic, AWebTV Plus, or any other version(s) of the WebTV set-top box, or any other Internet appliance or access product licensed or sold by respondent for connection to respondent's Internet access service(s). An Internet access service shall mean the AWebTV Network service, including the services for the WebTV Classic and WebTV Plus devices, or any other version of respondent's service for connection to the Internet.
2. A Clearly and conspicuously shall mean as follows:
 - A. In an advertisement communicated through an electronic medium (such as television, video, radio, and interactive media such as the Internet and online services), the disclosure shall be presented simultaneously in both the audio and visual portions of the advertisement if the claim triggering the disclosure is presented by both audio and video means. In any claim presented solely through visual or audio means, the disclosure may be made through the same means in which the claim is presented. Any audio disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it. Any visual disclosure shall be of a size and shade, and shall appear on the screen for a duration,

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sufficient for an ordinary consumer to read and comprehend it.

- B. In a print advertisement, promotional material, or instructional manual, the disclosure shall be in a type size and location sufficiently noticeable for an ordinary consumer to read and comprehend it, in print that contrasts with the background against which it appears.
- C. On a product package, the disclosure shall be in a type size and location on the principal display panel sufficiently noticeable for an ordinary consumer to read and comprehend it, in print that contrasts with the background against which it appears.

The disclosure shall be in understandable language and syntax. Nothing contrary to, inconsistent with, or in mitigation of the disclosure shall be used in any advertisement, on any package, or on any log-on screen, dialog box, or other similar device.

- 3. Unless otherwise specified, Arespondent@ shall mean WebTV Networks, Inc., its successors and assigns and its officers, agents, representatives, and employees.
- 4. ACommerce@ shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. ' 44.

ORDER

I.

IT IS ORDERED that respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the manufacturing, packaging, advertising, promotion, offering for sale, sale, or distribution of any Internet access product or any Internet access service, in or affecting commerce,

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shall not make any representation, in any manner, expressly or by implication:

- A. That the Internet access product and a computer are equivalent in their ability to provide access to content available on the Internet;
- B. That the Internet access product or the Internet access service provides access to all of the Internet=s content, including all of the entertainment and information available on the Internet;
- C. Regarding any other characteristic relating to access to the Internet=s content or functionality provided by the Internet access product or the Internet access service; or
- D. That respondent=s upgrades to the Internet access product or the Internet access service keep users current with all the latest Internet content or functionality,

unless the representation is true.

II.

IT IS ORDERED that respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the manufacturing, packaging, advertising, promotion, offering for sale, sale, or distribution of any Internet access product or any Internet access service, in or affecting commerce, shall not make any representation, expressly or by implication, about the cost of such product or service, unless it discloses, clearly and conspicuously, that using such product or service to access the Internet may result in long distance telephone toll charges for consumers, if that is the case, and how consumers can determine whether they would be subject to long distance telephone toll charges for use of such service.

III.

Decision and Order

IT IS FURTHER ORDERED that respondent, directly or through any corporation, subsidiary, division, or other device, shall disclose, clearly and conspicuously, on a log-on screen, dialog box, or other similar device, that appears prior to any Internet access product dialing a telephone number for which there is a long distance telephone toll charge:

- A. either that the user will incur such a charge, or that respondent's communications system indicates that the user will likely incur such a charge, which will accrue while such product is connected to the Internet access service if that telephone number is dialed;
- B. how the user can determine whether in fact (s)he will incur such a charge, and the amount of the charge (*e.g.*, notifying the user of the telephone number that such product will dial to connect to such service, and advising the user to contact his or her local and/or long distance telephone service provider(s) to confirm that (s)he will incur such a charge for dialing that telephone number and the amount of such a charge); and
- C. a source of information about means, if any, of avoiding such a charge.

In accordance with this Part, respondent must employ a procedure designed to ensure that the user expressly consents to proceed to connect on a toll basis, on the same screen as the disclosures required by this Part, before a long distance telephone toll charge is incurred.

IV.

IT IS FURTHER ORDERED that respondent, directly or through any corporation, subsidiary, division, or other device, shall disclose, clearly and conspicuously, in any document stating

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respondent's Terms of Service, or its equivalent, and in any introductory kit, or its equivalent, that respondent provides to new subscribers upon signing up for any Internet access service, that consumers may incur long distance telephone toll charges as a result of using such service, if that is the case, and how consumers can determine whether they would be subject to long distance telephone toll charges for use of such service.

V.

IT IS FURTHER ORDERED that respondent, directly or through any corporation, subsidiary, division, or other device, shall offer reimbursement to certain former subscribers to the WebTV Network Internet access service as provided in this Part.

- A. Respondent shall reimburse any former WebTV Network Internet access service subscriber, within thirty (30) days of receipt of the subscriber's Reimbursement Application Form,[@] appended to Attachment A to this order, as required under either subpart B or subpart C of this Part, who:
1. prior to March 1, 1999, incurred long distance telephone toll charges through use of the WebTV Classic and/or WebTV Plus Internet access product(s) and WebTV Network Internet access service within sixty (60) days of subscription to such service;
 2. has not been previously reimbursed for long distance telephone charges;
 3. canceled his or her subscription(s) to such service prior to April 1, 1999, within ninety (90) days after initiating subscription(s) to such service, and identified long distance telephone toll charges as a reason for the cancellation(s); and

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4. within sixty (60) days of receipt of Attachment A provides respondent with proof of the long distance telephone toll charge(s) incurred (*e.g.*, a copy of the subscriber=s telephone bill(s) reflecting the long distance telephone toll charge(s) incurred, a copy of a check or other form of payment for the long distance telephone charges, or a written declaration from the subscriber to respondent indicating the long distance telephone toll charge(s) incurred). *Provided, however*, that in the event that a former subscriber who applies for reimbursement provides a copy of a check (or checks) or other form of payment for the long distance telephone charges and not a copy of the subscriber=s telephone bill(s) reflecting the long distance telephone toll charge(s) incurred, the subscriber=s reimbursement shall be limited to the amount of the long distance telephone charges incurred but no more than one hundred dollars (\$100). Provided, further, that in the event that a former subscriber who applies for reimbursement does not provide any proof (as described above) reflecting the long distance telephone toll charge(s) other than a declaration, the subscriber=s reimbursement shall be limited to fifty dollars (\$50).
- B. Respondent shall send, within ninety (90) days after the date of service of this order, by first class mail, exact copies of the AReimbursement Offer Notification Letter and Application Form,@ attached hereto as Attachment A, to the last known address of any former WebTV Network Internet access service subscriber who, according to WNI=s records, canceled his or her subscription(s) to the WebTV Network Internet access service prior to April 1, 1999, within ninety (90) days after initiating the subscription(s) to such service, and identified long distance telephone toll charges as a reason for the cancellation(s).

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The front of the envelope transmitting Attachment A shall be in the form set forth in Attachment B to this order. The phrase "ATTENTION: WEBTV LONG DISTANCE CHARGE REFUND NOTICE" shall appear on the front of the envelope in typeface equal or larger in size to 14 point. The words "FORWARD & ADDRESS CORRECTION REQUESTED" shall appear in the upper left-hand corner, one-quarter of an inch beneath the return address. Except as otherwise provided by this order, no information other than that required by this Part shall be included in or added to the above items, nor shall any other material be transmitted therewith.

Respondent shall also mail the AReimbursement Offer Notification Letter and Application Form@ to any such former subscriber whose mailing is returned by the U.S. Postal Service as undeliverable and for whom respondent thereafter obtains a corrected address via the National Change of Address (ANCOA@) registry. Respondent shall retain a NCOA licensee to update its list of such former subscribers under this subpart by processing the list through the NCOA database. The mailing required by this subpart shall be made within ten (10) days of respondent's receipt of a corrected address or information identifying each such former subscriber.

- C. Respondent shall send, by first class mail, exact copies of the AReimbursement Offer Notification Letter and Application Form,@ attached hereto as Attachment A, to any former WebTV Network Internet access service subscriber who canceled his or her subscription(s) to such service prior to April 1, 1999, within ninety (90) days after initiating subscription(s) to such service, and identified long distance telephone toll charges as a reason for the cancellation(s), and who contacts respondent to request reimbursement within one hundred and eighty (180) days after the date of service of this order. Respondent shall

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mail Attachment A to the address provided by such former subscriber within ten (10) days after the date of the request. The front of the envelope transmitting Attachment A shall be in the form set forth in Attachment B to this order.

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- D. Respondent shall send reimbursement checks to former WebTV Network Internet access service subscribers, under either subpart B or subpart C of this Part, who complete and return to respondent the AReimbursement Application Form@ section of Attachment A to this order, postmarked within sixty (60) days of receiving it, and who fulfill the requirements set forth in subpart A of this Part. Respondent shall send each reimbursement check by first-class mail, postage prepaid, within thirty (30) days of receipt of each former subscriber=s properly completed AReimbursement Application Form.@ The front of the envelope transmitting reimbursement checks shall be in the form set forth in Attachment C to this order.
- E. Respondent shall notify any former WebTV Network and WebTV Plus Network Internet access service subscriber under subparts B or C of this Part who indicates on the AReimbursement Application Form@ that (s)he is attaching proof of the long distance telephone toll charge(s) incurred and fails to do so, or who fails to otherwise apply properly for a reimbursement, of any error in the former subscriber=s AReimbursement Application Form,@ and shall provide a reasonable opportunity for the former subscriber to rectify any such error.
- F. Within one (1) year after the date of service of this order, respondent shall furnish to the Commission separate lists of the former WebTV Network and WebTV Plus Network Internet access service subscribers who have applied for reimbursement pursuant to subparts B and C of this Part, the amount of each reimbursement request, and the date of mailing and amount of the reimbursement provided to each applicant.

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G. Respondent shall, for three (3) years after the date of service of this order, maintain and upon request make available to the Federal Trade Commission or its staff for inspection and copying:

1. Sufficient records to identify:
 - a. The name and last known address of each person sent a notification pursuant to this order and the date the notification was mailed; and
 - b. The name and address of each person who is notified by respondent that his or her reimbursement application is deficient;
2. Sample copies of all letters, descriptions, applications and forms sent to former WebTV Network Internet access service subscribers or others pursuant to this order; and
3. Each and every reimbursement application received.

VI.

IT IS FURTHER ORDERED that respondent WebTV Networks, Inc., and its successors and assigns, shall within thirty (30) days after the date of service of this order and for a period of five (5) years after the date of service of this order, send by first class certified mail, return receipt requested, to each current and future:

- A. advertising agency and retailer, exact copies of the notice attached hereto as Attachment D and this order. The mailing shall include no other document; and

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- B. manufacturer, exact copies of the notice attached hereto as Attachment E and this order. The mailing shall include no other document.

For purposes of this Part, Amanufacturer@ shall mean each company or individual that manufactures, through an agreement with respondent, any Internet access product, for sale. ARetailer@ shall mean each company or individual that sells any Internet access product or Internet access service with whom respondent has a cooperative advertising agreement, including, but not limited to, consumer electronics stores and direct marketing companies.

If consumers may incur long distance telephone charges as a result of using respondent's Internet access service, respondent shall maintain and staff during normal business hours the toll-free telephone number to which consumers are referred in Attachments D and E in a manner adequate to:

1. handle inquiries regarding such charges;
2. inform callers how they can determine whether they will incur such charges and the amount of such charges; and
3. the means, if any, by which consumers can avoid such charges.

VII.

IT IS FURTHER ORDERED THAT respondent WebTV Networks, Inc., and its successors and assigns, shall conduct a consumer education program, as set forth in this Part, about the limitations of Internet access products in their ability to access content available on the Internet.

- A. Consumer Brochure

Decision and Order

1. Within sixty (60) days after the date of service of this order, respondent shall produce, print and begin to distribute a color consumer brochure (Athe brochure@) in the form and content set forth in Attachment F to this order.
2. Respondent shall distribute the brochure, in quantities sufficient to meet reasonably anticipated demand, to every WebTV retailer that respondent visits as part of its regular retailer site visits (either directly or through an agency retained by respondent for such purpose).
3. Respondent shall submit a production-ready copy of the brochure to Commission staff at least twenty (20) days prior to the first scheduled distribution of the brochure to retailers.
4. Respondent shall distribute the brochure to WebTV retailers at no cost to such retailers or to the public. Respondent shall use its best efforts to encourage WebTV retailers to make the brochure available in a prominent and readily accessible location in the area of the retail location where the Internet access products are sold.
5. Respondent shall monitor the demand for and supply of the brochure, and shall continue to produce and distribute the brochure as necessary to meet reasonably anticipated demand for a period of one (1) year after the date of service of this order.
6. Respondent shall provide to Commission staff written reports detailing the total number of brochures printed and distributed to WebTV retailers, including any additional distributions of brochures to WebTV retailers subsequent to the initial distribution. Respondent shall submit such reports six (6) months

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and twelve (12) months after the initial distribution of brochures to WebTV retailers.

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B. Internet Availability of the Brochure

Within sixty (60) days after the date of service of this order, respondent shall place a hypertext link to the brochure on its AWebTV Products@ index Web pages (i.e., <http://www.webtv.com/products/index.html> and <http://www.webtv.net/products/index.html>), or on any other Web page(s) on respondent's primary Web site(s) for its Internet access product(s) and/or Internet access service(s) (e.g., <http://www.webtv.com> and <http://www.webtv.net>) that serves as the index Web page(s) for providing information regarding any characteristic relating to access to the Internet's content or functionality provided by the Internet access product(s). The hypertext link shall itself be clear and conspicuous, clearly identified as a hypertext link, and clearly labeled to convey the nature and relevance of the information it leads to, and shall take the consumer directly to the brochure on the click-through electronic page or other display window or panel. The brochure and hypertext link shall remain on such Web page(s) for a period of two (2) years from the date they were first placed on the site(s).

C. Print Advertisement

Respondent shall place a one-half page print advertisement, in the form and content set forth in Attachment G to this order, and in the publications and according to the dissemination schedule contained in Attachment H to this order.

VIII.

IT IS FURTHER ORDERED that respondent WebTV Networks, Inc., and its successors and assigns, shall for five (5) years after the last date of dissemination of any representation covered by this order maintain and upon request make available to the Federal Trade Commission for inspection and copying, all of

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respondent=s advertisements and promotional materials containing any representation covered by this order.

IX.

IT IS FURTHER ORDERED that respondent WebTV Networks, Inc., and its successors and assigns, shall deliver a copy of this order to all current and future officers and to all current and future managers having responsibilities with respect to the subject matter of this order. Respondent shall also deliver a copy of this order, or in lieu thereof a detailed, written summary of the requirements of this order, to all employees, agents and representatives having responsibilities with respect to the subject matter of this order. Respondent shall deliver this order, or the written summary, to current personnel within thirty (30) days after the date of service of this order, and to future personnel within thirty (30) days after the person assumes such position or responsibilities.

X.

IT IS FURTHER ORDERED that respondent WebTV Networks, Inc., and its successors and assigns, shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including, but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. *Provided, however,* that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. All notices required by this Part shall be sent by certified mail to the Associate Director, Division of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580.

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XI.

IT IS FURTHER ORDERED that respondent WebTV Networks, Inc., and its successors and assigns, shall, within sixty (60) days after service of this order, and at such other times as the Federal Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

XII.

This order will terminate on December 8, 2020, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; *provided, however*, that the filing of such a complaint will not affect the duration of:

- A. Any Part in this order that terminates in less than twenty (20) years;
- B. This order's application to any respondent that is not named as a defendant in such complaint; and
- C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

By the Commission.

Attachments

ATTACHMENT A

LETTER TO FORMER WNI CUSTOMERS WHO CANCELED THEIR
SERVICE AND NAMED TOLL CHARGES AS A REASON

[To be printed on WNI letterhead]

[Date]

[Name and address of recipient]

Re: REIMBURSEMENT OFFER FOR WEBTV SUBSCRIBERS
DEADLINE: [Insert date]

Dear [recipient's name]:

You may be eligible for a reimbursement from WebTV Networks, Inc. ("WNT") for certain long-distance charges.

WNI recently settled a dispute with the Federal Trade Commission that dealt with, among other things, the adequacy of advertising disclosures about the possibility of incurring long-distance charges while connected to the Internet via the WebTV Network Service or WebTV Plus Network Service ("WebTV service"). As part of the settlement, WNI will reimburse certain customers who canceled their service subscriptions for long-distance charges on up to the first two monthly telephone bills they received after subscribing to the WebTV Service.

You are eligible for a reimbursement if you:

- ▶ canceled your WebTV service on or before April 1, 1999;
 - ▶ canceled your WebTV service within 90 days of subscribing to the service;
 - ▶ identified long-distance charges as a reason for canceling;
 - ▶ have not already received a reimbursement for long-distance charges from WNI;
- AND
- ▶ provide proof of the long-distance charges (**Note:** reimbursement is limited to charges on telephone bills received in the first two months after subscribing).

Here's how to apply for your reimbursement:

1. Complete the attached form.
2. Attach proof of the long-distance charges. You can either:
 - ▶ Provide a **copy of your telephone bill(s)** showing the amount of the long-distance charges you paid. If you don't have a copy of your bill(s), ask your telephone company because they may have a copy on file. **OR**
 - ▶ Provide **proof that you paid the long-distance charges** -- for example, a copy of a check. If you don't have a copy of your check(s), ask your bank because they

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may have a copy on file. **OR**

- ▶ Provide a **written statement** indicating the amount of the long-distance charges you paid.

Please Note: If you cannot provide a copy of a telephone bill showing the amount of the long-distance charges you paid, the amount of your reimbursement will be limited. **So, you should provide a copy of your telephone bill if you can.** If you provide proof of payment such as a copy of a check, your reimbursement will be limited to a maximum of \$100. If you only provide a written statement indicating the amount of the long-distance charges you paid, your reimbursement will be limited to a maximum of \$50.

3. Return the completed form and your proof of payment to:
[Insert fulfillment address here].

YOU MUST APPLY FOR YOUR REIMBURSEMENT WITHIN [INSERT DATE 60 DAYS AFTER MAILING HERE]. We will honor all eligible claims within 30 days after receiving them.

If you have questions, please call us, toll-free, at 1-800-____-____.

Sincerely,

Bruce Leak
President and Chief Executive Officer
WebTV Networks, Inc.

Attachments

To: WebTV Networks, Inc.

[Address to Be Inserted]

From:

(Name)

(Mailing Address)

(City, State, and Zip Code)

(Telephone Number)

Please reimburse me in the amount of \$ _____ for long-distance charge(s) I incurred after subscribing to the WebTV service. As proof of my claim I am attaching:

- ☐ a copy of my **telephone bill(s)** showing the amount of the long-distance charges;
- ☐ a copy of a **check or other form of payment** for the long-distance charges. I recognize that, if I check this box and do not attach a copy of my telephone bill, my reimbursement will be limited to a maximum of \$100; or
- ☐ **I am not attaching any other proof of claim**, but I declare under penalty of perjury, to the best of my knowledge, that I was billed long-distance charges of \$ _____ to connect to the WebTV service. I recognize that, if I check this box and do not attach a copy of my telephone bill or other proof of claim, my reimbursement will be limited to a maximum of \$50.

I confirm that:

- I incurred the long-distance telephone charges based on my use of WebTV;
- I have not previously been reimbursed by WebTV Networks, Inc. for long-distance telephone charges based on my use of WebTV;
- One reason that I canceled my subscription to WebTV Networks, Inc. was the long-distance telephone charges I incurred;
- I canceled my subscription to WebTV Networks, Inc. within 90 days of initiating such subscriptions and on or before April 1, 1999.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge.

Date

Signature

Name (printed)

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ATTACHMENT B

REIMBURSEMENT NOTICE LETTER ENVELOPE

WebTV Networks, Inc.
[address]

FORWARD & ADDRESS CORRECTION REQUESTED

Window Envelope

[The following statement is to appear in a box, on the left hand side of the envelope in red, in extra large, bold type face]

**ATTENTION: IMPORTANT
WEBTV LONG DISTANCE
REIMBURSEMENT PROGRAM
INFORMATION INSIDE**

Attachments

ATTACHMENT C

REIMBURSEMENT CHECK ENVELOPE

WebTV Networks, Inc.
[address]

FORWARD & ADDRESS CORRECTION REQUESTED

Window Envelope

[indicates a check is enclosed]

Attachments

ATTACHMENT D**BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED**

[To be printed on WebTV Networks, Inc., letterhead]

[date]

Dear [advertising agency, or retailer with whom WNI has a cooperative advertising agreement]:

This letter is to inform you that WebTV Networks, Inc. has settled a civil dispute with the Federal Trade Commission regarding certain advertising claims for the WebTV set-top boxes ("WebTV") and the accompanying WebTV Network Internet service ("WebTV service"). As part of that settlement, we have agreed to send this letter to advise our advertising agencies and retailers not to use or distribute any advertisements or promotional materials containing any of the claims challenged as deceptive by the FTC, and to clearly and conspicuously place certain information in advertisements and promotional materials that you distribute that states or describes the price of WebTV or the WebTV service.

The advertising claims challenged by the FTC

The FTC challenged as deceptive certain claims we made in our advertising regarding access to Internet content through the WebTV service. More specifically, the FTC charged that WNI made the following deceptive claims:

- WebTV and a computer are equivalent in their ability to provide access to content available on the Internet;
- WebTV or the WebTV service provide access to all of the Internet's content, including all of the entertainment and information available on the Internet; and
- WNI's upgrades to WebTV or the WebTV service keep users current with the latest Internet technology.

Examples of the advertising language that the FTC challenged include the following:

- "WebTV service offers complete and affordable Internet access."
- "WebTV brings all the incredible entertainment and information of the Internet right to your TV."
- "With WebTV [to access] the Internet . . . You don't need a computer. There is no software to install. . . . For entertainment, information, communication, and help just getting things done, WebTV is all you need."

Attachments

- “WebTV's free periodic service upgrades keep the WebTV Network current with Internet standards.”

The FTC also alleged that, in advertising the cost of using WebTV, we failed to provide sufficient information regarding long distance telephone toll charges some consumers might incur in connecting to the Internet via the WebTV service.

The Consent Order prohibits WNI from making the claims listed above unless they are true. It also requires WNI to make clear and conspicuous disclosures in advertisements and on the log-on screen that using the WebTV service to access the Internet may result in long distance charges, and how consumers can determine whether they would incur such charges.

Compliance with the FTC order

We deny the FTC's allegations, but in order to avoid protracted litigation we entered into the settlement agreement with the FTC. We request your assistance by asking you to not use or distribute any WebTV or WebTV service advertising or promotional materials (including point of sale material) currently in your possession, or in the future, that make any of the claims the FTC challenged. We also request that you place the following information, in a clear and conspicuous manner, in any advertising or promotional materials that you distribute that states or describes the price of WebTV or the WebTV service:

- Connecting to the Internet through the WebTV Internet service may result in long distance telephone charges; and
- Consumers may contact WebTV's toll-free 800 number (or other similar WebTV mechanism that is free to consumers) for further information.

Thank you for your assistance. If you have any questions about this letter, please call 1-800-____-_____.

Sincerely,

[_____]
WebTV Networks, Inc.

Attachments

ATTACHMENT EBY CERTIFIED MAIL, RETURN RECEIPT REQUESTED

[To be printed on WebTV Networks, Inc., letterhead]

[date]

Dear [manufacturer]:

This letter is to inform you that WebTV Networks, Inc. has settled a civil dispute with the Federal Trade Commission regarding certain advertising claims for the WebTV set-top boxes ("WebTV") and the accompanying WebTV Network Internet service ("WebTV service"). As part of that settlement, we have agreed to send this letter to advise manufacturers not to use or distribute any advertisements or promotional materials containing any of the claims challenged as deceptive by the FTC, and to clearly and conspicuously place certain information on all packaging for WebTV, and in advertisements and promotional materials for WebTV and the WebTV service, that you distribute that states or describes the price of WebTV or the WebTV service.

The advertising claims challenged by the FTC

The FTC challenged as deceptive certain claims we made in our advertising regarding access to Internet content through the WebTV service. More specifically, the FTC charged that WNI made the following deceptive claims:

- WebTV and a computer are equivalent in their ability to provide access to content available on the Internet;
- WebTV or the WebTV service provide access to all of the Internet's content, including all of the entertainment and information available on the Internet; and
- WNI's upgrades to WebTV or the WebTV service keep users current with the latest Internet technology.

Examples of the advertising language that the FTC challenged include the following:

- "WebTV service offers complete and affordable Internet access."
- "WebTV brings all the incredible entertainment and information of the Internet right to your TV."
- "With WebTV [to access] the Internet . . . You don't need a computer. There is no software to install. . . . For entertainment, information, communication, and help just getting things done, WebTV is all you need."

Attachments

- “WebTV’s free periodic service upgrades keep the WebTV Network current with Internet standards.”

The FTC also alleged that, in advertising the cost of using WebTV, we failed to provide sufficient information regarding long distance telephone toll charges some consumers might incur in connecting to the Internet via the WebTV service.

The Consent Order prohibits WNI from making the claims listed above unless they are true. It also requires WNI to make clear and conspicuous disclosures in advertisements and on the log-on screen that using the WebTV service to access the Internet may result in long distance charges, and how consumers can determine whether they would incur such charges.

Compliance with the FTC order

We deny the FTC’s allegations, but in order to avoid protracted litigation we entered into the settlement agreement with the FTC. We request your assistance by asking you to not use or distribute any WebTV or WebTV service advertising or promotional materials (including point of sale material) currently in your possession, or in the future, that make any of the claims the FTC challenged. We also request that you place the following information, in a clear and conspicuous manner, on the principal display panel of all packaging for WebTV:

- Connecting to the Internet through the WebTV Internet service may result in long distance telephone charges; and
- Consumers may contact WebTV’s toll-free 800 number (or other similar WebTV mechanism that is free to consumers) for further information.

Finally, if you distribute any advertisement or promotional material that states or describes the price of WebTV or the WebTV service, you should include the same information, in a clear and conspicuous manner.

Thank you for your assistance. If you have any questions about this letter, please call 1-800-____-____.

Sincerely,

[_____]
WebTV Networks, Inc.

Attachments

Attachment F

Getting Online: Using Internet Access Products

Looking to surf the Internet? Email family and friends? Check the weather in Tahiti?

There was a time when you needed a personal computer to get on the Internet. Now, consumers have more choices: settop receivers, like WebTV®, that connect to your television, handheld computers or “personal digital assistants,” dedicated email terminals, game consoles, and even some wireless phones. When these products are advertised as providing Internet “access,” find out what “access” means.



In many cases, Internet access products are easier to use and less expensive to purchase than many personal computers, and they provide other unique benefits. But the fact is that these products are not PC's and they don't provide all the same features as a PC. There are important differences.

Before you buy a product that claims to provide Internet access, find out what the product can do and what it can't. Think about how you plan to use it. Do you want to see and hear music videos or late-breaking news? Play games alone or with others?



Participate in chat rooms? Receive email with photos attached? Connect with your friends through instant messaging? Some Internet access devices may not allow you to do these things. Ask the manufacturer or retailer if the product you're considering can provide the features you're looking for.

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If you're shopping for a product that will give you Internet access, consider these questions and answers:

Q. Can you do the same things online with an Internet access product that you can with a personal computer?

A. Probably not. In most cases, a computer lets you access more information and entertainment than an Internet access product. An Internet access product, however, may provide all of the features you are looking for. It is important to compare the capabilities of Internet access products to each other and to personal computers.

Q. What are the limitations of an Internet access product?

A. Limitations vary, depending on the product and, in some cases, the service it uses to connect to the Internet. For example, a small display screen on a cellular phone won't give you the same view of a website as a computer monitor or TV. Internet access products may not let you play certain games, use some audio or video features, send or receive certain attachments to email messages, or view information in formats like Java or PDF (Portable Document Format). You may be able to access information in a text format only. In addition, you may not be able to download information or software from the Internet to add features to your product the same way you can with a PC. You may have to wait for product upgrades from the manufacturer or Internet service provider.

Q. Will your ability to access the Internet be limited in any way using WebTV®?

A. WebTV, like all Internet access products, is not a PC. Although it will connect you to the Internet and provide a broad range of features, like email, instant messaging and an enhanced TV experience, it will not let you access all content on the Internet. For more information about the features and limitations of WebTV, call 1-800-726-9387, or visit our website at www.webtv.com. We also encourage you to take WebTV for a "test drive" at the store before you buy.

Attachments

Attachment G

Know your options for Internet Access

Looking to surf the Internet? Email family and friends? Check the weather in Tahiti?



There was a time when you needed a personal computer to get on the Internet. Now there are more products that you can use to go online—such as set-top receivers that connect to your television, handheld devices, dedicated email terminals, and some wireless phones. There may be tradeoffs between these devices and a PC in their ability to access material on the Internet. Internet access products may give you an easy-to-use way to get a lot of the content on the Internet and may provide other unique benefits. But these products may not allow you to download software, play some games, watch videos, or send and receive email attachments.



Before you buy, it pays to know what your Internet access product can do—and what it can't. For a free informational brochure call toll-free, 1-800-726-9387, or look for the brochure where Internet access devices are sold.

Attachments

ATTACHMENT H

DISSEMINATION OF PRINT ADVERTISEMENT

WNI shall place a one-half page print advertisement, in the form and content set forth in Attachment G to this order in the following periodicals:

- (a) Good Housekeeping, in the first monthly issue published following the end of the twelfth week after this order becomes final;
- (b) Modern Maturity, in the first six-week issue published following the end of the fourteenth week after this order becomes final; and
- (c) Newsweek, in the first weekly issue published following the end of the twelfth week after this order becomes final.

*Analysis to Aid Public Comment***Analysis of Proposed Consent Order to Aid Public Comment**

The Federal Trade Commission has accepted, subject to final approval, an agreement containing a consent order from WebTV Networks, Inc. (AWNI@).

The proposed consent order has been placed on the public record for thirty (30) days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty (30) days, the Commission will again review the agreement and the comments received, and will decide whether it should withdraw from the agreement or make final the agreement=s proposed order.

WNI advertises and promotes the WebTV system, consisting of a set-top box and an Internet service which, together, allows users to connect to the Internet through a telephone line and a television. WNI licenses the set-top box technology to various companies, including Sony, Philips Electronics, and Mitsubishi, which manufacture and sell the boxes. WNI sells the Internet service for a flat monthly fee.

This matter concerns allegedly false and deceptive advertising for the WebTV system. The Commission=s proposed complaint alleges that WNI falsely claimed that:

- \$ the WebTV system provides access to all of the Internet=s content, including all of the entertainment and information available on the Internet. In fact, WebTV users are unable, for example, to access files on Web sites that use popular formats or programming languages, including technologies for Web site audio, video, interactivity, and multimedia used for online entertainment and information communication.

Analysis to Aid Public Comment

\$ the WebTV set-top box is equivalent to a personal computer with respect to its Internet-related performance. In fact, in contrast to a computer, WebTV users are unable, for example, to download, store, or run software available on the Internet; display certain Web pages or play certain Web files; or open email attachments in certain common formats.

\$ WNI=s upgrades to the WebTV system keep users current with the latest Internet technology. In fact, those upgrades have failed to provide certain commonly used Internet technologies for audio, video, interactivity, and multimedia.

The complaint also alleges that, in advertising the total cost of using the WebTV system, WNI failed to disclose adequately that a significant percentage of U.S. consumers will incur long distance telephone toll charges while connected to the Internet through the WebTV Internet service. The complaint alleges that this is a deceptive practice.

The proposed consent order contains provisions designed to prevent WNI from engaging in similar acts and practices in the future.

Part I of the proposed order prohibits the three alleged false representations, as well as any false representation related to access to Internet content or functionality of any Internet access product or service.

Part II of the proposed order prohibits WNI from making any representation about the cost of any Internet access product or service unless it discloses certain material information. If using such product or service to access the Internet may result in telephone toll charges, this fact must be disclosed, clearly and conspicuously, along with how consumers can determine whether they would be subject to these charges.

Analysis to Aid Public Comment

Part III of the proposed order requires that WNI make clear and conspicuous disclosures about long distance charges on a log-on screen, dialog box, or other similar device that appears prior to any Internet access product dialing a telephone number for which there is a toll charge. The disclosures must state the following: (a) that the user will or will likely incur such a charge while connected to the Internet access service; (b) how the user can determine whether in fact (s)he will incur such a charge, and the amount of the charge; and (c) a source of information about means, if any, of avoiding the charge. Under this provision, WNI must use a procedure designed to ensure that the user expressly consents to connecting on a toll basis, before a toll charge is incurred.

Part IV of the proposed order requires that WNI clearly and conspicuously disclose in its Terms of Service and introductory kit, or the equivalent documents it provides to new subscribers, that users may incur toll charges while using the Internet service, if that is the case, and how users can determine whether they would incur these charges.

Part V of the proposed order requires that WNI offer reimbursement to certain former subscribers to its Internet service for toll charges they incurred. Subscribers eligible for reimbursement are those who: (a) incurred toll charges before March 1, 1999, and within sixty days of subscribing to the service; (b) have not been previously reimbursed; (c) canceled their subscription before April 1, 1999, and within ninety days of subscribing to the service; (d) identified toll charges as a reason for canceling; and (e) provide proof of the charges. Eligible subscribers may receive reimbursement for toll charges incurred in the first two months of their subscription. Subscribers who cannot provide phone bills as proof of the charges would receive reimbursement up to a maximum dollar amount, which depends on the type of proof submitted.

Part VI of the proposed order requires WNI to notify its advertising agencies, manufacturers, and retailers to discontinue

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making any of the advertising claims prohibited by the order. WNI must also set up, staff, and refer consumers to a toll-free customer service telephone number (or a similar mechanism that is free to consumers) that would handle inquiries regarding telephone toll charges.

Part VII describes a consumer education campaign that WNI must undertake to inform consumers about the limitations of Internet access devices as compared to computers. The campaign will include one-half page advertisements in three national magazines, as well as a brochure that WNI will (a) distribute to retailers selling WebTV set-top boxes for posting in the stores and (b) post on its Web site.

Parts VIII through XI of the proposed order are reporting and compliance provisions. Part XII is a provision Asunsetting@ the order after twenty years, with certain exceptions.

The purpose of this analysis is to facilitate public comment on the proposed order. It is not intended to constitute an official interpretation of the agreement and proposed order or to modify in any way their terms.

Complaint

IN THE MATTER OF

NOVARTIS AG, ET AL.CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATIONS OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT AND
SECTION 7 OF THE CLAYTON ACT*Docket C-3979; File No. 0010082**Complaint, November 1, 2000--Decision, December 15, 2000*

This consent order addresses Respondents Novartis AG and AstraZeneca PLC=s agreement to combine their crop protection and seed businesses. The complaint alleges that the proposed transaction, if consummated, would substantially lessen competition in the markets for corn herbicides and fungicides in the United States. The order requires Astra Zeneca to divest its acetochlor herbicide business to Dow AgroSciences including the intellectual property, know-how, registrations, trademarks, rights to technical assistance, and rights under the joint venture contracts with Monsanto that are necessary to the manufacture and sale of acetochlor-based corn herbicides. Respondent Novartis will divest its strobilurin fungicide business to Bayer AG including its trifloxystrobin production facilities in MuttENZ, Switzerland, and intellectual property, know-how, and registrations, and trademarks necessary to manufacture the divested strobilurin fungicides.

Participants

For the Commission: *Frederick J. Horne, Richard Liebeskind, Morris A. Bloom, Daniel P. DuCore, Christopher T. Taylor, Louis Silvia, and Daniel O=Brien.*

For the Respondents: *Ronan P. Harty, Davis Polk & Wardwell and Kenneth S. Prince, Shearman & Sterling.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and of the Clayton Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission (the ACommission@), having reason to believe that respondents Novartis AG (ANovartis@), a corporation, and AstraZeneca PLC (AZeneca@), a corporation, both subject to the jurisdiction of the