

Complaint

IN THE MATTER OF

GATEWAY, INC.CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATIONS OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-4015; File No. 9923276*
Complaint, June 22, 2001--Decision, June 22, 2001

This consent order addresses advertising by Respondent Gateway, Inc. for its Internet access service, "Gateway.net." The order, among other things, prohibits the respondent from misrepresenting the price or cost of any "Internet access service" -- defined as "any service that enables a consumer to access the Internet or any other electronic network" -- or of any "toll-free" telephone number. The order also prohibits the respondent from making representations regarding the price or cost of any "1-800" or "toll-free" telephone number provided to the consumer by Gateway unless it clearly and conspicuously discloses the dollar amounts of any hourly surcharges and any other fees it charges for the use of such numbers. In addition, the order requires the respondent to clearly and prominently disclose that consumers may have to pay long distance telephone charges, hourly surcharges, or other costs in excess of local telephone service charges to access any Internet access service. The order also requires the respondent to maintain customer support to answer consumer inquiries regarding any Internet access service -- including but not limited to an adequately staffed toll-free number where consumers can determine whether they have a local access number for such service -- and to refund all charges for "toll free" numbers paid by local access plan Gateway.net customers who registered for the plan between January 19, and April 1, 1999, and who paid such fees until August 15, 1999.

Participants

For the Commission: *Linda K. Badger, Matthew D. Gold, Erika Wodinsky, Jeffrey Klurfeld, and Louis Silversin.*

For the Respondent: *C. Teigue Thomas, and Ronald E. Naves, Jr., Gateway Inc., and Christine A. Varney and Lynda Marshall, Hogan & Hartson L.L.P.*

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COMPLAINT

The Federal Trade Commission, having reason to believe that Gateway, 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 Gateway, Inc. is a Delaware corporation with its principal office or place of business at 610 Gateway Drive, North Sioux City, South Dakota 57049.
2. Respondent has manufactured, advertised, labeled, offered for sale, sold, and distributed products and services to the public, including personal computers, computer peripherals, software, and Internet services.
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 for certain of its personal computers, including but not necessarily limited to the attached Exhibits A through F. These advertisements contain the following statements and depictions:
 - a. [MAGAZINE ADVERTISEMENT]

**“The Gateway Essential Line:
powerful PCs at practical prices.**

Okay, maybe you don’t need an astrophysics supercomputer. But you still want a fast processor and ample memory and drive space. Look no further than Gateway Essential PCs. With video, sound and Intel processors - and affordable prices - they’re compromise-free

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PCs. Each one includes a year on the Internet.¹ Pick a model, and we'll customize it the way you want.

Gateway Essential 400c

...

1-Year gateway.net Internet Access¹

...

[Footnote 1 appears as follows four pages later at the bottom of the page, in the eighth line of eleven lines of fine print disclosures, in approximately 4-point type:] 1. No monthly fee 1st year. Rural access \$3.95/hour. Local access \$1.50/hour over 150 hours per month. 12 months from delivery. Must register w/30 days of delivery.” (Exhibit A)

b. [NEWSPAPER ADVERTISEMENT]

**“GET A GATEWAY ESSENTIAL PC WITH
INTERNET INCLUDED.¹
LESS THAN A DOLLAR A DAY.**

An unbelievable computer that actually comes with a year of Internet access¹

...

GATEWAY ESSENTIAL 400c

...

**• 1-YEAR GATEWAY.NET INTERNET ACCESS
(\$240 VALUE)**

...

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[Footnote 1 appears as follows at the bottom of the page, in the second line of five lines of fine print disclosures, in approximately 2-point type:] 1. No monthly fee for first year. Rural access \$3.95/hour. Local access \$1.50/hour over 150 hours. 12 months runs from delivery. Must register w/30 days of delivery. \$240 based on standard month to month fee.” (Exhibit B)

c. [NEWSPAPER ADVERTISEMENT]

“Print it. Free.

With a free color printer from Gateway, you could print everything from pie recipes to pie charts. . . . Right now, we’ll also include one full year of Internet access¹ absolutely free.

[Footnote 1 appears as follows in a black box with white writing at the bottom of the page, in approximately 4-point type:] No monthly fee 1st year. Rural access \$3.95/hour. Local access \$1.50/hour over 150 hours per month. 12 months runs from delivery. Must register w/30 days of delivery.” (Exhibit C)

d. [TELEVISION ADVERTISEMENT]

“[Depiction: Two computer boxes on a table in a darkened room. A spotlight scans one of the boxes, revealing a question mark on the label. The other box bears the Gateway name and logo.]

VO: When you buy a bargain basement PC, what you’re really buying is a mystery box.

[Depiction: A Gateway box]

VO: Will there be a monitor? Probably not.* Lots of software? Ha! A year on the Internet?

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[*Super appears in white at the bottom of the screen]: No monthly fee 1st year. Rural access \$3.95/hour. Local access \$1.50/hour over 150 hours. 12 months runs from delivery. Must register within 30 days of delivery.

VO: Twenty-four hour tech support? Dream on.

[Super ends. Depiction: close up of the Gateway box alone]

VO: With a Gateway Essential PC, you know exactly what you're getting:

[Depiction of a hand lifting box up to reveal the complete PC system underneath]

VO: ...a monitor, great software, award-winning tech support,

[Super appears at top of screen in black letters framed in a box:] as low as \$28/mo. for 48 mo. or \$999

...

VO: ...and Internet access for \$28 a month or a dollar a day. No mystery there!

[Depiction: Gateway logo, Super in bold black print:]

Connect with us /1-800-

Gateway/www.gateway.com/Gateway is our trademark.

VO: Call 1-800 Gateway for a new Gateway Essential PC with an Intel celeron processor.” (Exhibit D)

e. [MAGAZINE ADVERTISEMENT]

“Let’s talk about the ultimate traveling companion.

...

Complaint

All these add-ons are available when you purchase a Gateway system.

...

gateway.net
\$14.95/mo.⁴

[Footnote 4 appears as follows at the bottom of the page, in the eleventh line of eleven lines of fine print disclosures, in approximately 4-point type:] 4. gateway.net pricing based on 6-month commitment. \$15 fee for early cancellation.” (Exhibit E)

f. [ONLINE REGISTRATION SCREEN]

“Phone Book

...

Toll Free (888) 709-4076”
(Exhibit F)

5. Through the means described in Paragraph 4, including but not necessarily limited to Exhibits A through D, respondent has represented, expressly or by implication, that with the purchase of the advertised computer models, one year of Gateway.net Internet access would be free or included at no extra charge.
6. In truth and in fact, with the purchase of the advertised computer models, for many consumers one year of Gateway.net Internet access was not free or included at no extra charge because these customers incurred long distance charges to access Gateway.net or were charged \$3.95 per hour to use respondent’s 1-888 telephone number to access the service. Therefore, the representation set forth in Paragraph 5 was, and is, false or misleading.

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7. Through the means described in Paragraph 4, including but not necessarily limited to Exhibit E, respondent has represented, expressly or by implication, that with the purchase of the advertised computer models, the total cost to consumers for Gateway.net Internet access would be a flat fee, such as \$14.95 per month.
8. In truth and in fact, with the purchase of the advertised computer models, the total cost to many consumers for Gateway.net Internet access was not a flat fee, such as \$14.95 per month because these customers incurred long distance charges to access Gateway.net or were charged \$3.95 per hour to use respondent's 1-888 telephone number to access the service. Therefore, the representation set forth in Paragraph 7 was, and is, false or misleading.
9. Through the means described in Paragraph 4, including but not necessarily limited to Exhibit F, respondent has represented, expressly or by implication, that the use of respondent's "toll free" 1-888 number to connect to the Internet was free to consumers.
10. In truth and in fact, the use of respondent's "toll free" 1-888 telephone number to connect to Gateway.net was not free to consumers. Consumers were charged \$3.95 per hour for the use of this number. Therefore, the representation set forth in Paragraph 9 was, and is, false or misleading.
11. In its advertising and sale of certain computer models, respondent has represented, expressly or by implication, that the cost of using the Internet for one year would be zero, or that Internet service could be purchased for a flat monthly fee, such as \$14.95 a month. Respondent has failed to disclose adequately before purchase that many consumers would incur significant, additional costs such as long distance telephone charges or charges for the use of "toll free" 1-888 numbers to connect to the Internet. This fact would be material to consumers in their purchase or use of

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the service or product. The failure to adequately disclose this fact, in light of the representation made, was, and is, a deceptive practice.

12. 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 Sections 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this twenty-second day of June, 2001, has issued this complaint against respondent.



67% of Gateway buyers have
purchased a Gateway® PC before.

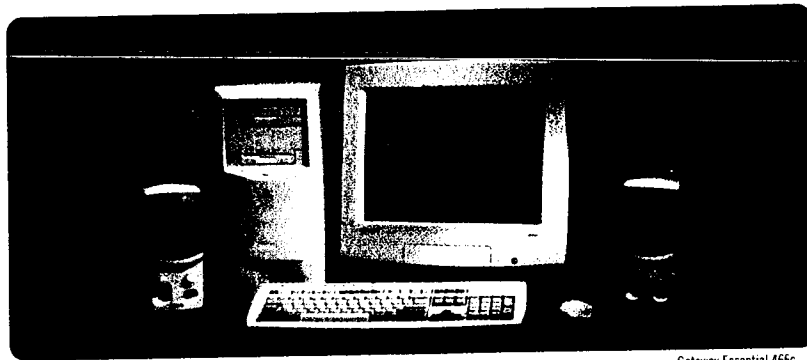
Thanks, Gateway owners, for making us #1
in customer loyalty.**



EXHIBIT A

GatewayTM
Connect with us.

Source: ACNielsen Tech*Watch™ U.S. households owning a Gateway PC who purchased January - March 1999. 67.4% purchased another Gateway system.
Source: ACNielsen Tech*Watch October 1998 - March 1999.



Gateway Essential 466c

The Gateway™ Essential Line: powerful PCs at practical prices.

Okay, maybe you don't need an astrophysics supercomputer. But you still want a fast processor and ample memory and drive space. Look no further than Gateway Essential PCs. With video, sound and Intel® processors—and affordable prices—they're compromise-free PCs. Each one includes a year on the Internet.¹ Pick a model, and we'll customize it the way you want.

Gateway Essential 400c

Intel® Celeron™ Processor 400MHz
with 128K Cache
32MB SDRAM
EV500 15" Monitor (13.9" viewable)
8MB AGP Graphics
6.8GB Ultra ATA Hard Drive
40X Max² Variable CD-ROM
SoundBlaster® AudioPCI™ 64D
GCS-200 Speakers by Cambridge® SoundWorks
56K³ Internet/Fax Modem
Micro-Tower Case
Microsoft® Windows® 98 Second Edition
Microsoft Works Suite 99
1-Year Parts, Labor & Limited Warranty
On-site Service*
1-Year gateway.net™ Internet Access¹

\$999

or as low as \$28/mo.
for 48 mos. through our
Your.)WareSM program

All Gateway Essential PCs include:

3.5" Diskette Drive
Keyboard, Mouse
Year 2000 Compliance⁴

Gateway Essential 466c

Intel Celeron Processor 466MHz
with 128K Cache
64MB SDRAM
EV700 17" Monitor (15.9" viewable)
8MB AGP Graphics
13.6GB Ultra ATA Hard Drive
40X Max² Variable CD-ROM
SoundBlaster AudioPCI 64D
GCS-200 Speakers by Cambridge SoundWorks
56K³ Internet/Fax Modem
Micro-Tower Case
Microsoft Windows 98 Second Edition
Microsoft Works Suite 99
1-Year Parts, Labor & Limited Warranty
On-site Service*
1-Year gateway.net Internet Access¹

\$1299

or as low as \$37/mo.
for 48 mos. through our
Your.)Ware program

Upgrade any system:

Add a Gravis™ GamePad Pro USB - \$19
Upgrade from EV500 15" to EV700 17"
Monitor (15.9" viewable) - \$115
Upgrade from EV700 17" to EV910 19"
Monitor (18" viewable) - \$130
Add a Hewlett-Packard DeskJet® 812C
Color Printer - \$199
Add a 100MB Iomega® ZIP BUILT-IN™
Internal Drive w/1 ZIP Disk - \$79

Gateway Essential 450SE

Intel Pentium® III Processor 450MHz
with 512K Cache
64MB SDRAM
EV700 17" Monitor (15.9" viewable)
16MB NVIDIA™ RIVA TNT™ AGP Graphics
13.6GB Ultra ATA Hard Drive
40X Max² Variable CD-ROM
SoundBlaster AudioPCI 64D
GCS-200 Speakers by Cambridge SoundWorks
56K³ Internet/Fax Modem
Mid-Tower Case
Canon Color Printer
Microsoft Windows 98 Second Edition
Microsoft Works Suite 99
3-Year Parts & Labor, 1-Year Limited
Warranty On-site Service*
1-Year gateway.net Internet Access¹

\$1499

or as low as \$42/mo.
for 48 mos. through our
Your.)Ware program

Upgrade to a DVD-ROM Drive - \$80

Upgrade to a Boston Acoustics® 3-Piece
Speaker System - \$30



Get in touch with us for more information, and for the most current pricing.

CALL

1 800 846 5257

CLICK

www.gateway.com

COME IN

Gateway CountrySM

Gateway's Solutions and Your:Ware™ Program:

Choose any Gateway Essential or Gateway Performance PC, and you can customize it with the following solution packages. We test out software titles and accessories to find the best products, and package them for better value. It's a great way to save on a computer for back-to-school.

KidBuilder '99 Preschool-Kindergarten

CTW/Sesame Street®: Toddlers Deluxe
Reader Rabbit's® Kindergarten
Dr. Seuss Preschool
Schoolhouse Rock® Thinking Games
CTW/Sesame Street:
Elmo's Preschool Deluxe
Dr. Seuss: The Cat in the Hat
Reader Rabbit's Reading

\$99

KidBuilder '99 Grades 1-4

Reader Rabbit's 1st Grade
Super Solvers® Mission T.H.I.N.K.™
The ClueFinders™: 4th Grade Adventures
Reader Rabbit's Math Ages 6-9
Arthur's™ Computer Adventure
Schoolhouse Rock: Grammar Rock®
Madeline™ Thinking Games Deluxe

\$99

KidBuilder '99 Grades 5-8

The Oregon Trail® 3rd Edition – Pioneer Adventures
The Princeton Review Algebra 1
Compton's® 3D World Atlas Deluxe™
BodyWorks® 6.0
Super Solvers Reading Ages 9-12
Where in the World is Carmen Sandiego?® Deluxe Edition

\$99

Learning 2000™ Software

This massive library of multimedia educational software incorporates interactive video, audio, text and illustrations to teach kids core learning skills: reading, writing, math and algebra. It is the ultimate resource for students from ages 8-18.

\$99

for a limited time with system purchase.
(\$599 retail value)

Total Travel Package

Rand McNally® TripMaker™ Deluxe 1999 Edition
Rand McNally StreetFinder™ Deluxe
Rand McNally wire-bound Road Atlas & Travel Guide
Mindscape's® World Atlas & Almanac
1-year prepaid basic membership to AAA† (for Gateway clients who are already AAA members, the monies would be applied to renewal)

\$129 (\$199 with Global Positioning Satellite)

Family Entertainment Package

SketchBoard™ Drawing Tablet
Hasbro Interactive™ Classic Games
Pictionary®, Boggle®, Scrabble®, Sorry!®, Ultimate Yahtzee®, Clue®, Murder at Boddy Mansion, The Game of Life®

\$149 (\$119 after \$30 SketchBoard mail-in rebate)

Deluxe Reference Bundle

PrintMaster® Deluxe 7.0
1999 Grolier Multimedia Encyclopedia® Deluxe Edition
Rand McNally TripMaker® Deluxe 1999 Edition
Rand McNally StreetFinder® Deluxe 1999 Edition
Mindscape's® World Atlas & Almanac
Home Medical Advisor

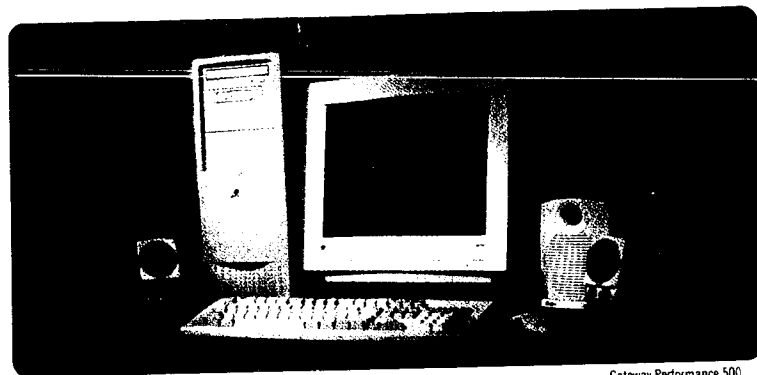
\$99

What is the Your:Ware™ program and why is it for you? Your:Ware is our way of helping you personalize your order in every way. First, choose a model from any of our lines of PCs. Then add on any peripherals, accessories or solution packages (like the ones above) to get exactly the right computer. Then we'll help you decide which service option and financing plan are best for you. And finally, you can trade in your Gateway PC toward the purchase of a new one after two years.* The Your:Ware program is how we get your computer to fit you perfectly.

Check out www.gateway.com™ and choose from over 30,000 hardware accessories and software titles.

Ad Code # 000254

*Call 1-800-GATEWAY or write to Gateway Terms & Conditions, P.O. Box 1951, North Sioux City, SD 57049-1951 for a free copy of our limited warranties and on-site service agreements. On-site customers: If Gateway determines on-site service is necessary, it will be provided for product in the continental United States, Alaska, Hawaii, Puerto Rico and Canada (excluding mice, keyboards, portable docking stations, external peripherals and monitors). You may be asked to take your PC to a Gateway location for warranty service. See agreements for specific terms and limitations. **Loan financing available on approved credit through independent lender. Payments based on 48-month term and an Annual Percentage Rate as low as 14.9%. Your APR may be higher. 2% access check fee (\$2min/\$15max.); not applicable to Gateway purchases. Gateway purchases will qualify for the Your:Ware program by: 1) financing through a Gateway authorized lender; 2) purchasing an additional software or solution bundle; or 3) purchasing support package upgrades. Trade-in available between the first day of the 24th month and the last day of the 49th month after delivery of Your:Ware product. Gateway will give you the average wholesale value for the product in good condition using the then current Onon Blue Book or similar commercially reasonable industry standard as determined in Gateway's sole discretion. Other terms and conditions apply. Call for details. ***Offer expires 9/20/99. †AAA membership subject to rules and membership approval of local AAA club in your area. If your membership is not approved by your local club, the national AAA office will issue you a refund in the amount of a one year basic membership for that local club.



Gateway Performance 500

The Gateway™ Performance Line: serious computers with serious components.

Looking for a PC that's not fooling around? One with blazing processor speeds that's tricked out with the highest-end components? Bring on the Gateway Performance PCs—our line of top-tier machines. With the latest processor technology, lots of room to expand and intense multimedia prowess, they're dialed up to power-user levels.

Gateway Performance 500

Intel® Pentium® III Processor 500MHz with 512K Cache
128MB SDRAM
EV700 .28 Screen Pitch 17" Monitor (15.9" viewable)
16MB 3Dfx® Voodoo™ 3 3000G AGP Graphics
13.6GB Ultra ATA 66 7200 RPM Hard Drive
6X DVD-ROM Drive & MPEG2 Decoder
SoundBlaster® AudioPCI™ 64D
Boston Acoustics® BA735™ Digital Speakers w/Subwoofer
3Com® U.S. Robotics® 56K¹ PCI Voice WinModem®
8-Bay Mid-Tower Case
Microsoft® Windows® 98 Second Edition
MS® Works Suite 99 Software

\$1699

or as low as **\$48/mo.**
for 48 mos. through our
Your iWare™ program*

All Gateway Performance PCs include:

3.5" Diskette Drive
MultiFunction Keyboard, Mouse
Year 2000 Compliance⁴
3-Year Parts & Labor Limited Warranty / 1-Year On-site Warranty Service**

Gateway Performance 550

Intel Pentium III Processor 550MHz with 512K Cache
128MB SDRAM
VX900 .26 Screen Pitch 19" Monitor (18" viewable)
32MB NVIDIA™ RIVA TNT2® AGP Graphics
13.6GB Ultra ATA 66 7200 RPM Hard Drive
6X DVD-ROM Drive & MPEG2 Decoder
SoundBlaster AudioPCI 64D
Boston Acoustics BA735 Digital Speakers w/ Subwoofer
3Com U.S. Robotics 56K¹ PCI Voice WinModem
8-Bay Mid-Tower Case
Microsoft Windows 98 Second Edition
MS Works Suite 99 Software

\$2199

or as low as **\$62/mo.**
for 48 mos. through our
Your iWare program*

Upgrade any system:

Add a 100MB Iomega® ZIP BUILT-IN™ Internal Drive w/1 ZIP Disk—\$79

Upgrade from EV700 17" to EV910 19" Monitor (18" viewable) - \$130

Upgrade from EV700 17" to VX900 19" Monitor (18" viewable) - \$230

Upgrade from 16MB 3Dfx Voodoo 3 3000G to 32MB NVIDIA RIVA TNT2 AGP Graphics - \$70

Gateway Performance 600

Intel Pentium III Processor 600MHz with 512K Cache
128MB SDRAM
VX900 .26 Screen Pitch 19" Monitor (18" viewable)
32MB NVIDIA RIVA TNT2 AGP Graphics
20.5GB Ultra ATA 66 7200 RPM Hard Drive
6X DVD-ROM Drive & MPEG2 Decoder
SoundBlaster Live!Value with Digital Audio Output
Boston Acoustics BA735 Digital Speakers w/Subwoofer
3Com U.S. Robotics 56K¹ PCI Voice WinModem
Intel® AnyPoint™ Home Networking
8-Bay Mid-Tower Case
Microsoft Windows 98 Second Edition
MS Works Suite 99 Software

\$2399

or as low as **\$67/mo.**
for 48 mos. through our
Your iWare program*

Upgrade to a 10-Bay Tower Case - \$50

Upgrade to MS Office 2000 Small Business Software - \$199

Add 1-Year gateway.net™ Internet Access¹ - \$129

Gateway Performance 600XL

Intel Pentium III Processor 600MHz with 512K Cache
128MB SDRAM
VX900 .26 Screen Pitch 19" Monitor (18" viewable)
32MB NVIDIA RIVA TNT2 Ultra AGP Graphics
TV/FM Tuner Card
27.3GB Ultra ATA 66 7200 RPM Hard Drive
6X DVD-ROM Drive & MPEG2 Decoder
Philips® CD-RW (CD-Rewritable) Drive with Media
SoundBlaster Live!Value with Digital Audio Output
Boston Acoustics Digital MediaTheater™ Dolby® Digital Speakers w/Subwoofer
3Com U.S. Robotics 56K¹ PCI Voice WinModem
Intel AnyPoint Home Networking
10-Bay Tower Case

Microsoft Windows 98 Second Edition

MS Office 2000 Small Business Software

\$2999

or as low as **\$84/mo.**
for 48 mos. through our
Your iWare program*

Ask us for details about software training offered at our Gateway Country® stores.



Gateway's Solutions and Your:)WareSM Program:

Choose any Gateway Essential or Gateway Performance PC, and you can customize it with the following solution packages. We test out software titles and accessories to find the best products, and package them for better value. It's a great way to save on a computer for back-to-school.

KidBuilder '99 Preschool-Kindergarten

CTW/Sesame Street®: Toddlers Deluxe
Reader Rabbit's™ Kindergarten
Dr. Seuss Preschool
Schoolhouse Rock® Thinking Games
CTW/Sesame Street:
Elmo's Preschool Deluxe
Dr. Seuss: The Cat in the Hat
Reader Rabbit's Reading

\$99

KidBuilder '99 Grades 1-4

Reader Rabbit's 1st Grade
Super Solvers® Mission T.H.I.N.K.™
The ClueFinders™: 4th Grade Adventures
Reader Rabbit's Math Ages 6-9
Arthur's™ Computer Adventure
Schoolhouse Rock: Grammar Rock®
Madeline™ Thinking Games Deluxe

\$99

KidBuilder '99 Grades 5-8

The Oregon Trail® 3rd Edition – Pioneer Adventures
The Princeton Review Algebra 1
Compton's™ 3D World Atlas Deluxe™
BodyWorks™ 6.0
Super Solvers Reading Ages 9-12
Where in the World is Carmen Sandiego?® Deluxe Edition

\$99

Learning 2000™ Software

This massive library of multimedia educational software incorporates interactive video, audio, text and illustrations to teach kids core learning skills: reading, writing, math and algebra. It is the ultimate resource for students from ages 8-16.

\$99 for a limited time with system purchase***
(\$599 retail value)

Total Travel Package

Rand McNally® TripMaker™ Deluxe 1999 Edition
Rand McNally StreetFinder™ Deluxe
Rand McNally wire-bound Road Atlas & Travel Guide
Mindscape's® World Atlas & Almanac
1-year prepaid basic membership to AAA† (for Gateway clients who are already AAA members, the monies would be applied to renewal)

\$129 (\$199 with Global Positioning Satellite)

Family Entertainment Package

SketchBoard™ Drawing Tablet
Hasbro Interactive™ Classic Games
Pictionary®, Boggle®, Scrabble®, Sorry!®, Ultimate Yahtzee®, Clue®, Murder at Boddy Mansion, The Game of Life®

\$149 (\$119 after \$30 SketchBoard mail-in rebate)

Deluxe Reference Bundle

PrintMaster® Deluxe 7.0
1999 Grolier Multimedia Encyclopedia® Deluxe Edition
Rand McNally TripMaker® Deluxe 1999 Edition
Rand McNally StreetFinder® Deluxe 1999 Edition
Mindscape's™ World Atlas & Almanac
Home Medical Advisor

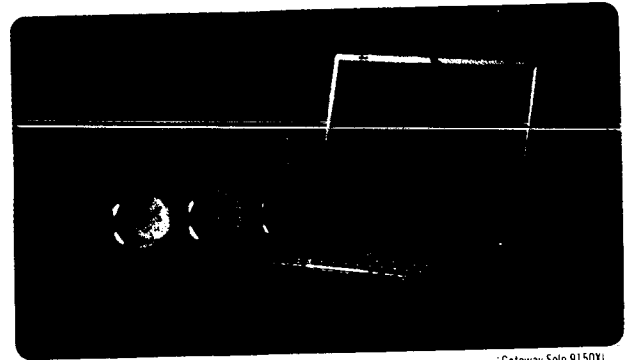
\$99

What is the Your:)WareSM program and why is it for you? Your:)Ware is our way of helping you personalize your order in every way. First, choose a model from any of our lines of PCs. Then add on any peripherals, accessories or solution packages (like the ones above) to get exactly the right computer. Then we'll help you decide which service option and financing plan are best for you. And finally, you can trade in your Gateway PC toward the purchase of a new one after two years.* The Your:)Ware program is how we get your computer to fit you perfectly.

Check out www.gateway.com and choose from over 30,000 hardware accessories and software titles.

*Call 1-800-GATEWAY or write to Gateway Terms & Conditions, P.O. Box 1951, North Sioux City, SD 57049-1951 for a free copy of our limited warranties and on-site service agreements. On-site customers: If Gateway determines on-site service is necessary, it will be provided for product in the continental United States, Alaska, Hawaii, Puerto Rico and Canada (excluding mice, keyboards, portable docking stations, external peripherals and monitors). You may be asked to take your PC to a Gateway location for warranty service. See agreements for specific terms and limitations. **Loan financing available on approved credit through independent lender. Payments based on 48-month term and an Annual Percentage Rate as low as 14.9%. Your APR may be higher. 2% access check fee (\$2min./\$15max.), not applicable to Gateway purchases. Gateway purchases will qualify for the Your:)Ware program by: 1) financing through a Gateway authorized lender; 2) purchasing an additional software or solution bundle; or 3) purchasing support package upgrades. Trade-in available between the first day of the 24th month and the last day of the 49th month after delivery of Your:)Ware product. Gateway will give you the average wholesale value for the product in good condition using the then current Open Blue Book or similar commercially reasonable industry standard as determined in Gateway's sole discretion. Other terms and conditions apply. Call for details. ***Offer expires 5/20/99. TAA membership subject to rules and membership approval of local AAA club in your area. If your membership is not approved by your local club, the national AAA office will issue you a refund in the amount of a one year basic membership for that local club.

Ad Code: # 090299



Gateway Solo 9150XL

Gateway™ Portable PCs: like a desktop PC, when the desk is your lap.

Solo® 2500SE

12.1" SVGA TFT Color Display
Intel® Celeron™ Processor 333MHz
32MB SDRAM (expandable to 288MB)
2MB Graphics Accelerator with 64K Colors
Integrated 10X min/24X max CD-ROM Drive & 3.5" Disk Drive
4GB Ultra ATA Hard Drive
NiMH Battery & AC Pack
NTSC/PAL Video Output
EZ Pad® Pointing Device
Starting Weight: 7.1 lbs.¹
Microsoft® Works Suite 99 Software
1-Year Parts & Labor Limited Warranty**

\$1499

or as low as **\$42 mo.**
for 48 mos. through our
Your iWare program™

Solo 2500LS

13.3" SVGA TFT Color Display
Intel® Pentium® II Processor 333MHz
32MB SDRAM (expandable to 288MB)
2MB Graphics Accelerator with 64K Colors
Integrated DVD-II Drive & 3.5" Disk Drive
4GB Ultra ATA Hard Drive
Lithium Ion Battery & AC Pack
NTSC/PAL Video Output
V.90 56K³ Modem
Casual Case
EZ Pad Pointing Device
Starting Weight: 7.1 lbs.¹
MS® Office 2000 Small Business Software
1-Year Parts & Labor Limited Warranty**

\$2299

or as low as **\$64 mo.**
for 48 mos. through our
Your iWare program™

Solo 9150SE

15.1" XGA TFT Color Display
Intel Pentium II Processor 333MHz
64MB SDRAM (expandable to 384MB)
2X AGP 3-D ATI® RAGE™ LT PRO with 8MB SGRAM
Removable Combo DVD-II Drive & 120MB SuperDisk™ Drive
6GB Ultra ATA Hard Drive
Lithium Ion Battery & AC Pack
NTSC/PAL Video Input & Output
Integrated V.90 56K³ Modem
Deluxe Leather Case
EZ Pad Pointing Device
Starting Weight: 8.6 lbs.
MS Works Suite 99 Software
1-Year Parts, Labor Limited Warranty & On-site Service**

\$2649

or as low as **\$74 mo.**
for 48 mos. through our
Your iWare program™

Solo 9150XL

15.1" XGA TFT Color Display
Intel Pentium II Processor 400MHz
256MB SDRAM (expandable to 384MB)
2X AGP 3-D ATI RAGE LT PRO with 8MB SGRAM
Removable Combo DVD-II Drive & 120MB SuperDisk Drive
14GB Ultra ATA Hard Drive
Two Lithium Ion Batteries & AC Pack
NTSC/PAL Video Input & Output
Integrated V.90 56K³ Modem
Deluxe Leather Case
EZ Pad Pointing Device
Port Replicator & External Battery Charger
Starting Weight: 8.6 lbs.¹
MS Office 2000 Small Business Software
1-Year Parts, Labor Limited Warranty & On-site Service**

\$4599

or as low as **\$128 mo.**
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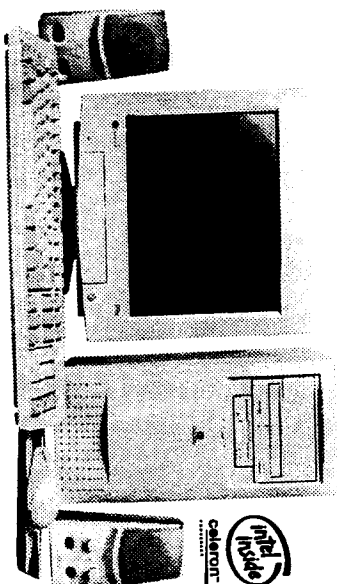
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Estimate: Estimated 4000
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Basic: Novus, Marketing week of 5/1/99
Billed: N/A
Print: 13,321
Lines: 13,321

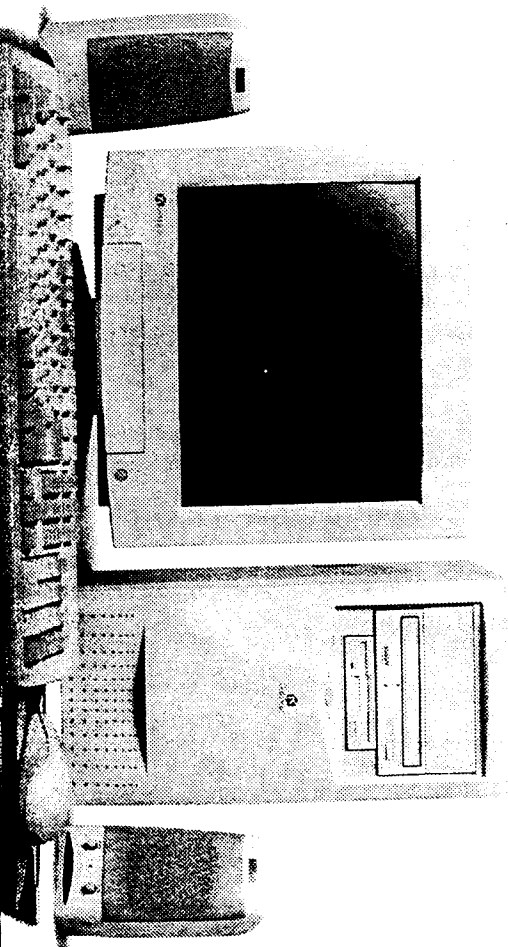
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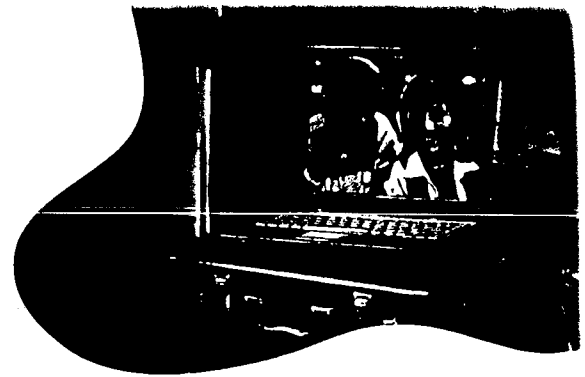
pentium II play games and watch DVD movies to make traveling more fun.

and 9100 each won the August '98 *PC Magazine* Editor's Choice award, and the magazine's Best Buy Award as well. With the best portables on the market, another more reason why customers who buy another computer come home to Gateway.

EXHIBIT E

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of desktops, make presentations
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is compact, and the Solo 2500 won't
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Every Gateway client is unique, and so is every Gateway PC. The systems here are just examples of what we can build for you.

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-  14.1" XGATFT Color Display
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- TelePath® 56K¹ Modem for Windows
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- LapLink® V.7.5 for Windows 98 & McAfee® VirusScan

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- Modular DVD-ROM Drive & 3.5" Disk Drive
- 6GB Ultra ATA Hard Drive
- Lithium Ion Battery & AC Pack
- 2 USB Ports, CardBus & Zoomed Video Support
- NTSC/PAL Video Input & Output
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Solo 2500SE

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- 2GB Ultra ATA Hard Drive
- NiMH Battery & AC Pack
- USB Ports, CardBus & Zoomed Video Support
- NTSC/PAL Video Output
- Integrated 16-Bit Sound & Stereo Speakers
- TelePath 56K¹ Modem for Windows
- Casual Case
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Whether you work in a downtown office or downstairs at home, the agreeably priced Solo® 2500SE and 2500LS are all business. Both are powered by Intel processors. They give you 12.1" TFT color screens for clear, brilliant color; superior 16-bit sound; stereo speakers; plus, integrated CD-ROM and diskette drives. And have you heard? Gateway can customize a portable to fit your specific needs.

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Intel® Pentium® Processor with MMX™ Technology 200 MHz
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Integrated 8X min/20X max CD-ROM Drive & 3.5" Diskette Drive
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USB Ports, CardBus & Zoomed Video Support
NTSC/PAL Video Output
Integrated 16-Bit Sound & Stereo Speakers
TelePath® 56K Modem for Windows
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Solo 2500LS The Business Builder



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Integrated DVD II Drive & 3.5" Diskette Drive
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USB Ports, CardBus & Zoomed Video Support
NTSC/PAL Video Output
Integrated 16-Bit Sound & Stereo Speakers
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P49

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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 complaint which the Western Region 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 the 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 a 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, 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 Gateway, Inc. ("Gateway"), is a Delaware corporation with its principal office or place of business at 610 Gateway Drive, North Sioux City, South Dakota 57049.
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.

Decision and Order

ORDER

DEFINITIONS

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

1. Unless otherwise specified, “respondent” shall mean Gateway, Inc., its successors and assigns and its officers, agents, representatives, and employees.
2. “Clear(ly) and conspicuous(ly)” 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, online services and software), 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 visual 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, with a degree of contrast to the background against which it appears, and shall appear on the screen for a duration and in a location, sufficiently noticeable 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 label, the disclosure shall be in a type size and location on the principal display panel sufficiently

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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 or on any label.

3. In the case of advertisements disseminated by means of an interactive electronic medium, such as software, the Internet, and online services, a disclosure made “through the use of a hyperlink” shall mean a hyperlink that in itself is clear and conspicuous, is clearly identified as a hyperlink, is labeled to convey the nature and relevance of the information it leads to, is on the same Web page, online service page or other electronic page, and proximate to the triggering representation, and takes the consumer directly to the disclosure on the click-through electronic page or other display window or panel.
4. “Internet access service” shall mean any service that enables a consumer to access the Internet or any other electronic network.
5. “Commerce” shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

I.

IT IS ORDERED that respondent, directly or through any corporation, partnership, subsidiary, division, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Internet access service, in or affecting commerce, shall not misrepresent, in any manner, expressly or by implication:

- A. the price or cost to consumers of such service or what is included in the price of any such service; or
- B. the price or cost incurred by consumers, if any, for the use

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of "1-800," "1-877," or "1-888" telephone numbers, or any other telephone numbers for which respondent is the toll free subscriber.

II.

IT IS FURTHER ORDERED that respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Internet access service, in or affecting commerce, shall not make any representation, in any manner, expressly or by implication, about the use of "1-800," "1-877," or "1-888 " telephone numbers, or any other telephone numbers for which respondent is the toll free subscriber unless it discloses, clearly and conspicuously, the dollar amounts of any hourly surcharges and any other fees charged by respondent for use of such numbers.

III.

IT IS FURTHER ORDERED that respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Internet access service, in or affecting commerce, shall not make any representation, in any manner, expressly or by implication, about the price or cost to consumers of such service, unless it discloses, clearly and conspicuously:

- A. that consumers may have to pay long distance telephone charges, hourly surcharges, and other fees in excess of local telephone service charges to access the service, if that is the case;
- B. the dollar amounts of any such hourly surcharges and any other such fees, other than fees which are not within the control of respondent or any of its promotional partners providing the service; and

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- C. a means for each consumer to ascertain whether he or she would incur such fees or charges to access the service, such as a list of local access numbers available on the Internet or other electronic network; and
- D. that consumers should contact their local telephone company to determine whether using the access telephone number for the location closest to them will incur charges in excess of local telephone service charges.

Provided, that in the case of advertisements disseminated through an interactive electronic medium, respondent may make the disclosures required by Part III. A through D above through the use of a hyperlink labeled: “Additional Phone Charges May Apply. Click Here.”

Provided, further, that in the case of television advertisements, respondent may comply with Part III. A through D above by making the audio and visual disclosures through the use of the phrase “Additional Phone Charges May Apply. Call [a telephone number which is free to consumers] for Details,” and by clearly and conspicuously disclosing the information required by Part III. A through D above at the time consumers contact respondent through the telephone number.

IV.

IT IS FURTHER ORDERED that respondent, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, promotion, offering for sale, sale or distribution of any Internet access service, in or affecting commerce, shall prior to consumers incurring any financial obligation for such service or any other product or service sold in connection with such service, maintain adequate customer support to respond to consumer inquiries, including but not limited to, an adequately staffed, telephone number which is free to consumers and a directory on the Internet, to determine the telephone numbers available for accessing any such service and the town or city where those numbers are located.

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V.

IT IS FURTHER ORDERED that respondent, directly or through any corporation, subsidiary, division, or other device, shall offer reimbursement to certain local access subscribers to Gateway.net services as provided in this Part.

- A. Respondent shall reimburse any Gateway.net local access subscriber, within thirty (30) days of receipt of the subscriber's "Reimbursement Notification and Request," attached as Appendix A to this order, as required under subpart B of this Part, who:
1. between January 19 and April 1, 1999 registered as a local access subscriber to the Gateway.net service;
 2. between January 19, 1999 and August 15, 1999 incurred charges for the use of a "1-800," "1-877," or "1-888" telephone number while registered as a local subscriber;
 3. has not been previously reimbursed for these charges; and
 4. within sixty (60) days of receipt of Appendix A provides respondent with a signed statement that s/he requests reimbursement and has not previously been reimbursed for these charges.
- B. Respondent shall send, within forty-five (45) days after the date of service of this order, by first class mail, exact copies of the "Reimbursement Notification and Request" attached hereto as Appendix A to the last known address of any Gateway.net local access subscriber who, according to respondent's records, paid any fee for the use of a "1-800," "1-877," or "1-888" telephone number between January 19, 1999 and August 15, 1999 and has not received full reimbursement for such use. Respondent shall include a pre-addressed, postage paid envelope for consumers to return a signed "Reimbursement Notification and Request."

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The front of the envelope transmitting Appendix A shall be in the form set forth in Appendix B to this order. The phrase "ATTENTION: REIMBURSEMENT OFFER" 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 "Reimbursement Notification and Request" and a pre-addressed, postage paid envelope, to any such local access 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 ("NCOA") registry. Respondent shall retain a NCOA licensee to update its list of such local access 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 local access subscriber.

- C. Respondent shall send reimbursement checks to local access subscribers, under subpart B of this Part, who complete and return to respondent the "Reimbursement Notification and Request" set forth in Appendix 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 local subscriber's completed "Reimbursement Notification and Request." The front of the envelope transmitting reimbursement checks shall be in the form set forth in Appendix C to this order.

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- D. Within one (1) year after the date of service of this order, respondent shall furnish to the Commission a list of the local access 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.
- E. 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 local access subscribers or others pursuant to this order; and
 3. Each and every reimbursement application received.

VI.

IT IS FURTHER ORDERED that respondent 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:

- A. All advertisements and promotional materials containing the representation, provided, however, that multiple versions of

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advertisements and promotional materials need not be maintained or submitted if they differ only in representations not at issue in this order; and

- B. All materials that were relied upon in disseminating the representation.

VII.

IT IS FURTHER ORDERED that respondent and its successors and assigns, shall deliver a copy of this order to all current and future officers and directors, and to all current and future managing employees, agents, and representatives having responsibilities with respect to the subject matter of this order. Respondent shall deliver a copy of this order to current personnel within thirty (30) days after the date of service of this order, and, for a period of three (3) years from the date of service of this order, to future personnel within thirty (30) days after the person assumes such position or responsibilities.

VIII.

IT IS FURTHER ORDERED that respondent 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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IX.

IT IS FURTHER ORDERED that respondent and its successors and assigns, shall, within ninety (90) days after the date of 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 it has complied with this order.

X.

This order will terminate on June 22, 2021, 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, Chairman Muris not participating.

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APPENDIX A**REIMBURSEMENT NOTIFICATION AND REQUEST**

[Name and Address of Recipient]

Dear [NAME]:

Our records indicate that you registered as a local access subscriber to Gateway.net between January 19, 1999 and April 1, 1999, and that you incurred charges for the use of that service between January 19, 1999 and August 15, 1999. Gateway is offering reimbursement to certain Gateway.net subscribers who, by error, were not adequately warned that they would be charged \$3.95 per hour for the use of a toll-free telephone number to access the service. Gateway initiated this reimbursement program in August, 1999 and is committed to providing refunds to customers who did not understand that a fee would be charged for the use of these numbers. We would, therefore, like to offer you reimbursement for the fees you paid, if we have not already done so.

Gateway recently settled a dispute with the Federal Trade Commission that dealt with, among other things, the adequacy of advertising disclosures to warn customers of possible phone charges for Internet access. Our agreement with the Commission provides that we continue the process we had already begun of refunding fees to customers such as you.

To request and receive your refund, simply ***sign the bottom of this letter***, stating that you have not already received reimbursement from us, ***and return the entire letter*** within 60 days in the enclosed, postage pre-paid envelope. You should return this original letter, and make a copy for your records. If you have not been fully reimbursed already, we will be pleased to send you a check within one month after we receive your signed

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form. If you have any questions about this letter, please call us at
[toll-free telephone number].

Sincerely,

[gateway.net]

REIMBURSEMENT REQUEST

I have not been reimbursed for the \$3.95 per hour charges I
incurred to access Gateway.net between January 19, 1999 and
August 15, 1999; and

I request that a check be sent for the charges I paid.

Signed: _____

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APPENDIX B

REIMBURSEMENT NOTICE LETTER ENVELOPE

Gateway, Inc.
[address]

FORWARD & ADDRESS CORRECTION REQUESTED

[Address or address window]

**ATTENTION: NOTICE OF REIMBURSEMENT
ENCLOSED**

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APPENDIX C

REIMBURSEMENT CHECK ENVELOPE

Gateway, Inc.
[address]

FORWARD & ADDRESS CORRECTION REQUESTED

Window Envelope
[Indicates a check is enclosed]

Analysis

Analysis of Proposed Consent Order to Aid Public Comment

Issued when the Commission tentatively approved a proposed consent order on May 4, 2001

The Federal Trade Commission has accepted, subject to final approval, an agreement containing a consent order from Gateway, Inc. (“Gateway”).

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.

Gateway advertises and sells personal computers, computer peripherals, software, and Internet services to the public. This matter concerns allegedly false and deceptive advertising of Gateway's Internet access service, “Gateway.net.” The Commission's proposed complaint alleges that Gateway advertised that with the purchase of certain computer models, Gateway.net Internet access service would be included for free for one year, or could be purchased for a flat fee, such as \$14.95 a month. In fact, for many consumers one year of Gateway.net was not free or obtainable for a flat fee, because these customers incurred long distance charges to access Gateway.net, or were charged \$3.95 per hour by Gateway for the use of a “toll-free” telephone number to access the service. The Commission's proposed complaint challenges these “free” or “flat-fee” ads as both misrepresentations and as failures to disclose material facts under Section 5 of the FTC Act. Further, the complaint alleges that Gateway falsely represented that the use of its “toll free” 1-888 number to connect to the Internet was free to consumers. In fact, Gateway charged consumers \$3.95 per hour for the use of this “toll-free” number.

The proposed consent order contains provisions designed to prevent Gateway from engaging in similar acts and practices in the future. Part I of the proposed order prohibits the company

Analysis

from misrepresenting the price or cost of any Internet access service, or of any "toll-free" telephone number. Under the order, the term "Internet access service" is defined as "any service that enables a consumer to access the Internet or any other electronic network."

Part II of the order prohibits representations regarding the price or cost of any "1-800" or "toll-free" telephone number provided to the consumer by Gateway unless it discloses, clearly and conspicuously, the dollar amounts of any hourly surcharges and any other fees it charges for the use of such numbers. Part III of the proposed order requires that Gateway clearly and prominently disclose that consumers may have to pay long distance telephone charges, hourly surcharges, or other costs in excess of local telephone service charges to access any Internet access service. Gateway must disclose the dollar amounts of any such fees within its control or the control of any of its promotional partners providing the service. It must also provide a means for each consumer to ascertain whether he or she would incur such fees to access the service, and inform consumers that they should contact their local telephone company to determine whether using the access telephone number for the location closest to them will result in charges in excess of local telephone service charges.

___Part IV of the order requires that Gateway maintain customer support to answer consumer inquiries regarding any Internet access service, including but not limited to, an adequately staffed toll-free number where consumers can determine whether they have a local access number for such service.

Part V is a redress provision requiring that Gateway refund all charges for "toll free" numbers paid by local access plan gateway.net customers who registered for the plan between January 19, and April 1, 1999, and who paid such fees up until August 15, 1999. Parts VI through IX of the proposed order contain the usual reporting and compliance provisions, and, Part X is a provision "sunsetting" the order after twenty years, with certain exceptions.

Analysis

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

JUNO ONLINE SERVICES, INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATIONS OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

*Docket C-4016; File No. 0023061
Complaint, June 25, 2001--Decision, June 25, 2001*

This consent order addresses representations that Respondent Juno Online Services -- an Internet service provider with approximately 842,000 subscribers to its fee-based services and nearly 4 million total active subscribers -- made for its "free" and fee-based online services. The order, among other things, prohibits the respondent from misrepresenting the price or cost of any electronic mail, Internet or other online service; the ability or terms by which consumers can cancel these Internet services; the amount of time consumers have to use these services during a free trial period before fees are charged; that Internet service is available for purchase, when it is not; or why it requests or collects credit card or any other personal identifying information from consumers. The order also prohibits the respondent from beginning to compute the billing cycle or free trial period for its Internet services before the consumer is able to use these services. In addition, the order requires the respondent to clearly and conspicuously disclose obligations that consumers have -- and the procedures they must follow -- to effectively cancel their Internet service. The order also requires the respondent to maintain adequate customer support to promptly handle requests for cancellation, terminating service before the next billing cycle. In addition, the order requires the respondent to disclose clearly and conspicuously potential toll charges associated with using its services and any cancellation penalties, and to provide consumers with reasonable means to determine the telephone numbers available for accessing its Internet services, and the town or city where these numbers are located. The order also prohibits the respondent from using or disclosing the personal identifying information obtained by the company in connection with its deceptive dry test advertisements.

Participants

For the Commission: *Laura Sullivan, Tara Hurley, Darren A. Bowie, C. Lee Peeler, and Louis Silversin.*

For the Respondent: *James H. Sneed, Amy Hancock, and Thomas B. Ensign, McDermott, Will & Emery, and Alice Lin Geene, Juno Online Services.*