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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Royce Dickens
Deputy Chief, Policy and Rules Division
Cable Services Bureau
Federal Communications Commission
445 12th Street, S.W.
3-A729
Washington, D.C. 20554

Re: Applications of America Online, Inc., and Time Warner Inc.
for Transfers of Control (CS Docket No. 00-30)
Written Ex Parte Presentation

Dear Ms. Dickens:

This letter provides follow-up information addressing matters raised in our recent meeting regarding the AOLTV service. As we discussed, AOLTV is a new interactive service designed to enhance the television viewing experience and make the TV more engaging and useful for consumers. AOLTV, which passes through (and thus operates independently of) a user's existing video programming source, provides enhanced navigation and interactive services, as well as popular AOL features such as e-mail, chat, and Internet access. AOLTV currently uses a narrowband dial-up modem connection to enable its interactive functionality.

Of particular note is the opportunity that AOLTV provides video programmers to create interactive content to wrap around a picture-in-picture display of their video programming content. The wrap-around interactive content is displayed contemporaneously with the video programming and thus offers subscribers a fuller, richer television experience. In order to maximize consumer interest in this new platform, AOL is eager to reach agreements with as many video programmers as it can -- including local and national broadcasters as well as cable programming networks -- to facilitate the development of interactive content.

Importantly, however, a video programmer can offer both its video programming and associated interactive content over the AOLTV platform even if it chooses not to partner or enter into any agreement with AOL. In the first place, AOLTV simply passes through a subscriber's chosen video signal just as the consumer receives it. Beyond that, AOLTV, built upon an open platform developed by Liberate Technologies, supports the Advanced Television Enhancement

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Ms. Royce Dickens

August 22, 2000

Page 2

Forum ("ATVEF") Enhanced Content Specification, which allows AOLTV subscribers to access web-based interactive content via "triggers" incorporated into a programmer's video signal. That capability is enabled by the AOLTV platform whether or not a programmer has entered into an agreement to customize and promote its interactive content as part of the AOLTV service. Accordingly, any video programmer can readily create interactive content suitable for display on the television screen of AOLTV subscribers. Moreover, to enable AOLTV subscribers to enjoy consistent quality and presentation in interactive content from whatever programmer they desire, AOLTV also freely publishes a style guide that facilitates the creation and display of interactive content over the AOLTV service. This style guide allows (but does not require) unaffiliated programmers to format and fashion their interactive content to appear just like that of affiliated interactive content partners.

AOL is just beginning to enter into agreements with video programming networks for the creation of interactive content for the AOLTV service, and the specific economic relationships between AOL and video programmers will undoubtedly evolve over time. However, for those video programmers who choose to enter into content agreements and thus become AOLTV partners, AOL will offer creative and other staff resources to assist in the creation of this interactive content.

AOLTV content agreements will also provide for AOL and its content partners to promote and market each others' services. In so doing, these agreements may set forth certain limitations on the services which a content partner can promote in the wrap-around content customized for and promoted as part of the AOLTV service. These provisions would not restrict what a content partner chooses to offer or promote on its video programming service or through its generally available web site. Thus, AOLTV interactive content partners may provide advertisements, links, tools, and services from any company or individual on their generally available web sites, and an AOLTV subscriber can access this content through AOLTV's web browser at any time. It is only as to the customized interactive content specifically developed for and promoted by AOLTV that AOL may set forth certain standards and conditions. Thus, AOLTV agreements will generally prohibit content providers from promoting AOL competitors within the content partners' customized AOLTV interactive content. This would include specific AOL competitors among ISPs, search engines, local content providers, e-commerce sites, and online communication tools. This is a standard business practice, particularly in the media industry, as one business does not normally agree to promote the offerings of its direct competitors. For example, the ABC broadcast network does not advertise NBC programs like "Friends" or "Frasier", the ESPN network does not advertise Fox Sports Channels, and the Disney theme parks do not advertise Warner's Looney Tunes products.

Like most online service providers, AOL enters into agreements to offer and promote certain third parties as the featured provider of specific categories of e-commerce and the like on the AOL service. AOLTV agreements would require content partners to observe any applicable exclusivities, although, to date, none of these existing third-party limited exclusivity agreements for the AOL service extends to AOLTV and AOL has not entered into any such exclusive

Ms. Royce Dickens

August 22, 2000

Page 3

arrangements specific to AOLTV. In any event, any such obligations would again run only to customized AOLTV content and would not apply to a content partner's generally available web sites, much less to the regular video programming service that the content provider offers consumers.

In sum, AOLTV offers an open platform for all video programmers to deliver exciting and new interactive forms of content that can enhance the television experience for viewers and content providers alike. Whether by choosing to become an AOLTV content partner or by independently programming interactive ATVEF - compliant content that makes use of the AOLTV platform, any video programmer can provide customers with an innovative and personalized television experience-and thereby help the industry at large to overcome the hurdles that have long-stalled the widespread emergence and adoption of truly interactive television.

Should you have any further questions regarding any of this information, please do not hesitate to contact me.

Respectfully submitted,



Steven N. Teplitz

Senior Director, Telecommunications Policy

CC: James Bird, FCC Assistant General Counsel
Linda Senecal, Cable Services Bureau
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International Transcription Services, Inc.