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September 20, 2001

BY HAND

Laurcen Kapin, Esq.
Enforcement Division IBCP
Federal Trade Commission
601 Pennsylvania Avenue, N.W.
Room S-4302
Washington, DC 20580

Re: Microsoft Corporation FTC Docket No. C-4010

Dear Ms. Kapin:

Thank you for your letter of August 27, 2001. We are gratified that you found all of the media advertising that we forwarded to you with our July 20, 2001, Compliance Report, to be in compliance with the Consent Order in this matter. We also regret that you did not find the website text referenced in your August 27, 2001, letter to be equally acceptable.

It appears to us that some part of our difference relates to your position that reference must be made in website text to the need to use a modem or other device each and every time any possible remote use of the device is mentioned. As provided in paragraph 2A of the Order, because it is almost always limited in length and content, we agreed to take that approach in ordinary media advertising and promotional material. On the other hand, in our view it is not necessary in order to provide "clear and conspicuous" disclosure in lengthy textual material like that appearing on the PocketPC.com website that the need for some extra device be referred to every time a function that might be used remotely is mentioned. If any viewer reading that material would necessarily be exposed elsewhere in the text to the clearly stated fact that a separate modem or other access device is necessary to achieve remote use, repetition each time any such use is mentioned should not be necessary and would make it much more difficult to provide clear and readable copy.

We also think that some of the usages your letter treats as "remote" do not require or ordinarily make use of remote connectivity. For example, in part B of the letter, you suggest that references to "downloading" ebooks, "books on tape" from audible.com, and references to listening to music necessarily imply remote access to the Internet. It is our understanding that these are not functions that are typically performed remotely. Normal use would be to download books (written or audio) and music, and most other substantive content, while the Pocket PC is in

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Laureen Kapin, Esq.
September 20, 2001
Page 2

its cradle linked to a desktop or laptop PC so that the text, music or other material could be carried with the user and looked at or listened to wherever he or she happened to be. We do not believe that any modem or other connectivity device is typically used for these purposes – even by people who have such connectivity devices.

In our view, the same is true of references to the Pocket Internet Explorer and its ability to browse Internet content offline. These, too, do not imply the ability to access the Internet remotely. The crucial feature of the Pocket PC that is referred to, and which is not true, for example, of Palm Products, is its ability to allow users to download unformatted HTML material from their desktops and take it with them. A user can manually select and download such material while connected to a desktop. The Pocket PC can also be configured to enable favorite web pages to be downloaded and updated automatically each time the Pocket PC is synchronized with the user's desktop or laptop PC. Services such as Avantgo can provide large amounts of information to the Pocket PC upon synchronization, which is then accessed by the user while unconnected. Similarly, while still unconnected, users can compose and "send" email which will be automatically transmitted once they return their Pocket PC to its cradle attached to their desktop PC.

Having said all this, we recognize that the copy that had been present on the website needed improvement, and your letter certainly identifies several places where such improvement ought to be made. We also have no interest in debating these issues with you or the Commission if that can be avoided in a reasonable way. For that reason, the company has rewritten all of the web pages attached to your letter and has already gone "live" with that rewritten material.

We have attached copies of the revised web pages that correspond to the pages attached to your August 27 letter. We hope that they satisfactorily respond to the concerns raised in your letter. As you have observed, website text is in a constant process of evolution as new products are introduced and the relevant technology advances, and we will continue to pay close attention to the concerns you have raised in future iterations of these website materials.

Finally, you ask what is meant by the phrase "Full Web-Site browsing" and how that function differs from the "web clipping" and "limited graphical browsing" capabilities of Palm and handspring products. This was a principal subject of a demonstration we put on during the course of our discussions with the Advertising Practices staff. As we believe we satisfactorily demonstrated at that time, a Pocket PC, unlike Palm and handspring products, permits access to any HTML page available over the Internet. The pages available to be viewed are not limited to "web clippings" formatted specifically for handheld devices. There may be differences between how a page appears on the smaller Pocket PC screen as compared to the larger screen of a desktop PC or even a laptop, but the pages can be accessed.

In contrast, Palm and handspring products can only access Internet content that has been especially written or configured for those products, thereby denying access to a very large part of the HTML material accessible on a Pocket PC. Palm and handspring products also lack the

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Laureen Kapin, Esq.
September 20, 2001
Page 3

computational power to download most graphic content. That is why, in contrast to the full content available on a Pocket PC, much of the material accessible on Palm and handspring products comes in the form of "web clippings" and why they are able to access very little graphic material at all.

As mentioned, these distinctions were substantiated during a demonstration performed for the Advertising Practices staff. As we believe they came to recognize during that demonstration, there is a very substantial difference between the scope and types of material "browsable" by a Pocket PC and by Palm and handspring products. In addition, this fact has been repeatedly verified in unbiased third-party reviews of these products performed by CONSUMER REPORTS and other reviewers. (See reviews enclosed.) It can also be observed by operating the products side by side.

We hope this responds to your concerns and answers your questions. If we can be of further help, please let me know.

Sincerely,



Charles E. Buffon

Enclosures

cc: Steve Aeschbacher, Esq.

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July 20, 2001

By Hand Delivery

Secretary
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, DC 20580

Attention: Lauren Kapin

Federal Trade Commission
Enforcement Division IBCP
601 Pennsylvania Avenue, N.W.
Room S-4302
Washington, DC 20580

Attention Lauren Kapin

Re: *Microsoft Corporation*
FTC Docket No. C-4010

Dear Secretary and Ms. Kapin:

Enclosed are the original (delivered to the Secretary) and a duplicate copy (delivered to Ms. Kapin) of the compliance report of Microsoft, Inc., in the above-captioned matter. If you have any questions about any aspect of the report, please call me.

Sincerely,



Charles E. Buffon

Enclosures

cc: Steve Aeschbacher, Esq.

**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

In the Matter of)	FILE NO. 002-3331
MICROSOFT CORPORATION,)	COMPLIANCE REPORT
 a corporation.)	July 20, 2001

Pursuant to the Agreement Containing Consent Order entered in this matter, and in conformity to the letter dated May 31, 2001, from Laureen Kapin, Esq., of the Division of Enforcement of the Commission's Bureau of Consumer Protection, Microsoft Corporation (Microsoft) submits this as its Compliance Report. The numbered paragraphs correspond to the numbered instructions set out in Ms. Kapin's letter:

1. In compliance with Part IV of the Order, Microsoft has provided copies of the Order to all principals, officers, directors and managerial and supervisory employees, agents and representatives having responsibilities with respect to the manufacturing, labeling, advertising, promotion, offering for sale, sale or distribution of personal digital assistants or handheld Internet or email access devices and instructed them as to the need to comply with all parts of the Order, including Parts I and II. The company has, to the best of our knowledge and belief, complied with Parts I and II of the Order at all times since May 21, 2001, in connection with the manufacturing, promotion, offering for sale, sale and distribution of any personal digital assistants and handheld Internet or email access devices that require the use of an additional device or connection to a telephone landline in order to remotely access the Internet or email accounts, and copies of all relevant "promotional material" (as defined in Ms. Kapin's letter) are submitted in Exhibit A.

2. Instructions have been provided by counsel to all relevant business units and personnel to preserve and maintain all records identified in Part III of the Order. All of these materials will be retained for five years, after which they will be purged.

3. A copy of the Order was provided to all categories of persons identified in Part IV of the Order and will be provided to all of their successors and future holders of such positions. A list of all such persons who have received the Order to date and their positions is provided in Exhibit B. Because not provided for in the Order, the company did not obtain written receipts, but receipt was verified in every case.

4. The company and its counsel recognize the obligation to provide notice in any of the circumstances described in Part V of the Order, but no such occasion has so far occurred.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

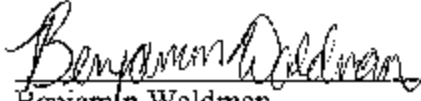

Benjamin Waldman
Vice President
Microsoft Corporation

EXHIBIT A

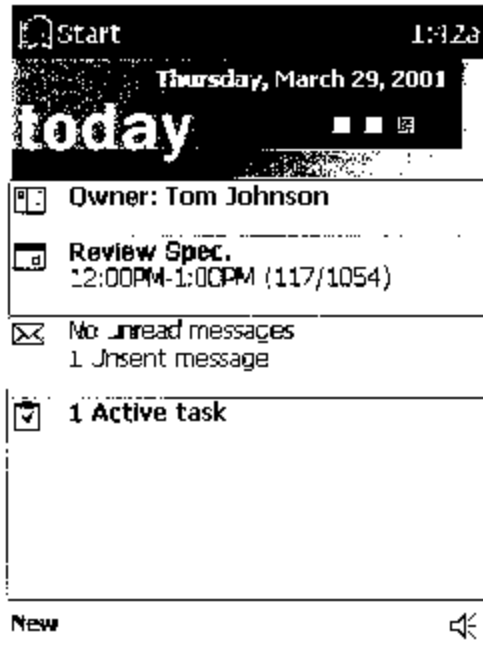
Search



Features



Access all your e-mail accounts,
and manage your Calendar, Contacts, Tasks, and Notes.

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Microsoft® Pocket Outlook® on your Pocket PC is the best Outlook companion. It offers the rich Outlook features you use on your desktop.

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With the Pocket Outlook applications, you can:

- Read, write, and send e-mail.
- Manage your calendar.
- Keep track of your contacts.
- Stay organized with tasks.
- Take handwritten or voice notes.

Pocket Outlook enables you to access your personal and corporate e-mail accounts from your **Inbox**. And because Pocket versions of Microsoft Word and Microsoft Excel are integrated into your Pocket PC, you can open, edit, and send Word and Excel e-mail attachments.

Using **Calendar**, you can quickly access your schedule information when you're away from your desk. Enter appointments, receive reminders, and view your schedule by day, week, month, or year. With **Contacts**, vital information is always within your reach. Easily store and find addresses, phone numbers, and birthdays. You get twice as many data fields within a contact file on your Pocket PC as you would on Palm or Visor devices. Using the quick find and quick tab features, you can easily move through your contact list whether you have 10 or 1,000 contacts.

With **Tasks**, you can remind yourself of important tasks. Create tasks by simply tapping the entry bar and typing. Take advantage of rich features such as due dates and attached notes. Using **Notes**, you can take handwritten or voice notes. When you write notes with the Pocket PC stylus, your handwriting is understood and saved as text. And when you don't have hands free for writing, you can take voice notes with the Pocket PC voice recorder. Plus, it's easy to edit and format notes and then send them in e-mail.

Wherever you go, Pocket Outlook keeps you productive and in touch.

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[Club Pocket PC](#)

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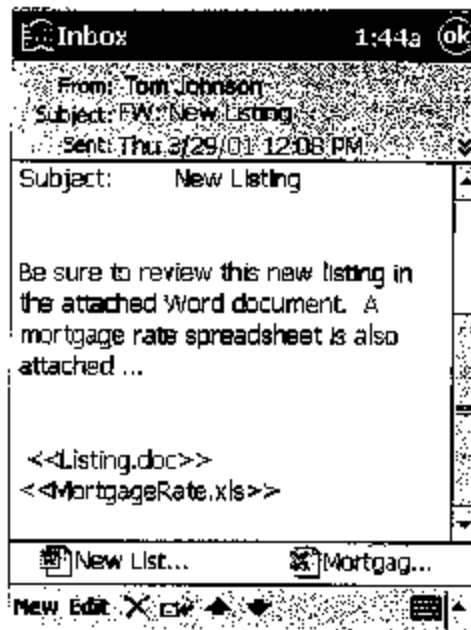
[Enterprise](#)

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Features

Pocket Outlook Inbox

Send and receive e-mail, including Word and Excel attachments, from your accounts.



Access all your personal and corporate e-mail accounts and stay in touch with colleagues, family, and friends.

With Inbox, you can:

- ◆ Read, write, and send e-mail.
- ◆ Access your personal and corporate e-mail accounts.
- ◆ Open, edit, and send Word and Excel e-mail attachments.

When you connect, e-mail automatically synchronizes between your PC and Inbox on your Pocket PC, so you can view your e-mail offline. With the addition of any modem or Ethernet CompactFlash card, you have the ability to read, write, and send e-mail. Plus, e-mail that comes to you via your Internet service provider (ISP), your corporate network, or your Web-based e-mail such as Microsoft® Hotmail® will be displayed using Microsoft® Internet Explorer for Pocket PC.

Plus, you're not limited to plain-text e-mail. Because Pocket versions of Microsoft® Word and Microsoft® Excel are integrated into your Pocket PC, you can open, edit, and send Word and Excel e-mail attachments. With additional third party applications, you can even read PDF and PowerPoint files. Inbox also supports HTML-based e-mail. When you receive HTML e-mail, your Pocket PC places the text in the body of your e-mail and converts the graphics into attachments you can view in Pocket Internet Explorer.

With Pocket Outlook Inbox, you'll never be out of the loop again.

See other features



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Search

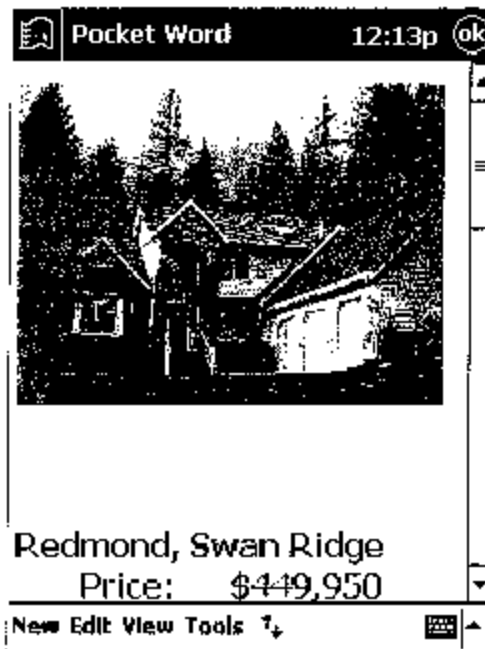
Pocket PC:

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Features



Create, read, and edit documents,
including e-mail attachments, while away from your desk.



Microsoft® Pocket Word offers many of the rich Microsoft Word features you're familiar with on your desktop computer.

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With Pocket Word, you can:

- Create, read, and edit documents.
- Send and receive Word e-mail attachments.
- Find and replace, zoom, and save in various formats.
- Insert graphics or drawings in text documents.

Pocket Word allows you to create documents such as letters, meeting minutes, and trip reports while you stay on the move. Use familiar features from the desktop PC version—finding and replacing, full-screen editing, and zooming. Format text the way you want it by selecting fonts, aligning paragraphs, and creating bulleted lists.

Sharing documents is easy. Save documents on your Pocket PC in a variety of formats, including rich text and Word 97, and send them in e-mail. Open Word e-mail attachments, edit the documents, and send them back. Copy documents from your desktop computer to your Pocket PC. Documents created using the desktop PC version of Word are automatically converted on the Pocket PC to the Pocket Word format. It's also easy to ensure that only authorized individuals read your documents. Simply apply a password to the file that you want to share.

So when you're on the go, Pocket Word ensures that important documents are always with you.

See other features

Search

Features



Create, view, and edit spreadsheets

with the most common Excel features you use on the desktop.

[Pocket PC](#)

Features

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Pocket Excel		11:03a	OK
B7		46321	
	A	B	
1	Quarterly Sales for East Coast		
2			
3	Salesperson	Gross \$\$	
4	Fred G	\$ 32,225.00	
5	John W	\$ 65,775.00	
6	Lori M	\$ 87,430.00	
7	Carolyn S	\$ 46,321.00	
8			
9	Total	\$ 231,751.00	
10			
11			
12			

Ready Show/Hide Toolbar 46,321.0

New Edit View Format Tools

Microsoft® Pocket Excel supports more than 100 functions and formulas, including the most common features from the desktop PC version of Excel.

With Pocket Excel, you can:

- Create, view, and edit spreadsheets.
- Send and receive Excel e-mail attachments.
- Split screens and freeze panes.
- Filter and sort data.

Pocket Excel enables you to create spreadsheets such as expense reports and mileage logs. Use familiar features from the desktop PC version of Excel to create templates, split screens, sort and filter data, make quick calculations, and zoom the view. Format both worksheets and cells, so that they appear the way you want them—change row height, column width, borders, fill colors, and fonts.

Sharing spreadsheets is easy. Save spreadsheets on your Pocket PC in a variety of formats, including Pocket Excel and Excel, and send them in e-mail. Open Excel e-mail attachments, edit the spreadsheets, and send them back. Copy Excel spreadsheets from your desktop computer to your Pocket PC. Spreadsheets created using the desktop PC version of Excel are automatically converted on the Pocket PC to the Pocket Excel format. It's also easy to ensure that only authorized individuals read your spreadsheets. Simply apply a password to the file that you want to share.

With Pocket Excel, you'll stay productive no matter where you are.

See other features

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Search

Features



With Pocket Internet Explorer,
you can browse, shop, and trade almost anywhere on the Web.

Pocket PC

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Microsoft® Internet Explorer for the Pocket PC enables you to travel virtually anywhere on the Web.

With your Pocket PC, you can:

- Browse, shop, and trade on the Web.
- Use Web-based e-mail such as Hotmail®, AOL, and Yahoo!.
- View your favorite Web pages offline.
- Enter any URL when online.

While other small mobile devices limit you to segments of Web pages and text-based browsing, Pocket Internet Explorer enables you to view rich color graphics on complete Web pages almost anywhere on the Web. You can shop online securely, check your stock quotes, and access your banking information. And with the [AvenGo](#) service built into Pocket Internet Explorer, you can access more than 400 channels of Web content with news, flight schedules, restaurant reviews—optimized for your Pocket PC.

Get online with your Pocket PC, a modem and a phone line—or sign up with a wireless Internet service provider. View your favorite Web pages offline as well. Creating a “mobile favorite” is as easy as adding a Web page to the list of favorites on your desktop. And after adding a “mobile favorite,” Microsoft® ActiveSync® automatically sends a downloaded version of the page to your Pocket PC when you sync with your PC.

So when you want to surf the Web, your Pocket PC helps you catch the wave.

See other features



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