

**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

In the Matter of

**PHILIPS ELECTRONICS NORTH
AMERICA CORPORATION,**

a corporation.

DOCKET NO. C-4062

COMPLAINT

The Federal Trade Commission, having reason to believe that Philips Electronics North America Corporation, a corporation (“Philips” or “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 is a Delaware corporation with its principal office or place of business at 1251 Avenue of the Americas, New York, NY 10020.
2. Respondent has manufactured, advertised, labeled, offered for sale, sold, and distributed consumer electronic equipment and other electronic products to the public. Through its division, Philips Consumer Electronics North America (“PCENA”), respondent has manufactured, advertised, labeled, offered for sale, sold, and distributed computer peripheral equipment, such as CD-rewritable drives and computer monitors.
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.

FALSE SHIPMENT REPRESENTATIONS

4. Respondent has disseminated or has caused to be disseminated advertisements and rebate forms for computer peripheral products, including but not necessarily limited to the attached Exhibits A through C. These advertisements and rebate forms contain the following statements:

- A. **“\$40 Rebate**
Receive a \$40 Rebate with purchase of a CD-Rewritable Drive, model PCRW804.
Offer good May 20 through September 8.”

(Exhibit A, advertisement).

- B. **“Up to \$100 Rebate***
Up to \$100 mail-in rebate on select Philips Monitors.
Offer good July 1 through September 30, 2001.”

(Exhibit B, advertisement).

- C. **“To receive your rebate:**

1. Please fill in the following information:

Name _____
Street Address _____
City _____
State _____ ZIP _____
Phone (area code first) _____
Product Serial Number _____
Email _____
...

Please note:

...

- Please allow 8 weeks for delivery of your rebate check.

...”

(Exhibit C, rebate coupon).

5. Through the means described in Paragraph 4, respondent has represented, expressly or by implication, that respondent will deliver cash rebates to purchasers of Philips computer peripheral products within eight weeks of respondent’s receipt of their valid requests.

6. In truth and in fact, in numerous instances, respondent did not deliver cash rebates to purchasers of Philips computer peripheral products within eight weeks of respondent’s receipt of their valid requests. For its promotions offered through PCENA, from January 2001 to January 2002, over fifty thousand consumers experienced delays of up to six months or more. The rebates at issue ranged from \$20 to \$100 in value. Therefore, the representation set forth in Paragraph 5 was, and is, false or misleading.

**UNILATERAL MODIFICATION OF TERMS OR CONDITIONS OF
REBATE OFFER: UNFAIR BUSINESS PRACTICE**

7. In the advertising and sale of computer peripheral products, respondent has offered, expressly or by implication, that consumers would receive cash rebates within eight weeks if they purchased a Philip's computer peripheral product and submitted a rebate form with proof of purchase.
8. After receiving rebate requests in conformance with the offer described in Paragraph 7, respondent extended the time period in which it would deliver the rebates to consumers without consumers agreeing to this extension of time. Respondent failed to deliver the rebates to consumers within the promised time period.
9. Respondent's practice set forth in Paragraphs 7 and 8 was not reasonably avoidable, and caused substantial injury to consumers that was not outweighed by countervailing benefits to consumers or competition. This practice was, and is, an unfair act or practice.
10. 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 October, 2002, has issued this complaint against respondent.

By the Commission.

Donald S. Clark
Secretary

SEAL: