

**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

In the Matter of

MICROSOFT CORPORATION,
a corporation.

DOCKET NO. C-4010

COMPLAINT

The Federal Trade Commission, having reason to believe that Microsoft Corporation, 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 Microsoft Corporation is a Washington corporation with its principal office or place of business at One Microsoft Way, Redmond, Washington 98052.
2. Respondent has designed and developed a Windows CE computer operating system for Pocket PC handheld computers. Respondent licenses this operating system to various manufacturers of Pocket PCs, including Hewlett-Packard Company and Compaq Computer Corp. Pocket PC devices using this operating system, including Hewlett-Packard Company's Jornada Pocket PC and Compaq Computer Corp.'s iPaq Pocket PC, function as personal digital assistants. They provide ready access to addresses, tasks, calendars, and memos and are equipped with software programs, including "Pocket" versions of respondent's Word, Excel, Outlook, and Internet Explorer.
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 Pocket PCs, including but not necessarily limited to the attached Exhibits A through C. These advertisements contain the following statements and depictions:
 - A. (Exhibit A: magazine advertisement)

"Can your palm do that?"

[Depiction: A man next to a close-up of an HP Jornada Pocket PC. The screen of the device shows an email that contains a hyperlink to an Internet URL address. Attached to the email are Microsoft Word and Excel documents.]

"Not unless it's holding a **Pocket PC**.

Who wants e-mail without attachments? No one! That's why the new Pocket PC lets you open all Microsoft® Word and Excel attachments as well as photos and HTML pages. You can also access your ISP, corporate network, Outlook®, and the most popular Internet e-mail accounts*, anytime."

[An extremely fine print disclosure, in approximately 4 point type, in white print on an orange background, at the very bottom of the ad states:

*"*Pocket PCs support industry-standard POP3 and MAP4 e-mail protocols. Please check with your ISP to verify its support. Modem required. Sold separately."]*

B. (Exhibit B: magazine advertisement)

"Can your palm do that?"

[Depiction: A woman next to a close-up of a Compaq iPaq Pocket PC. The screen of the device shows the Internet Explorer program running. It displays the <http://mobile.msn.com/pocketpc> Web page which is headlined "msn™ Mobile" and contains hyperlinks to Expedia.com™ Travel, MSNBC News, and several other services.]

"Not unless it's holding a **Pocket PC**.

Who wants only part of the Web when you can have it all? With the new Pocket PC, you can get online with Microsoft® Pocket Internet Explorer, take advantage of The Everyday Web at msn.com, or access any URL*. Order groceries, make a trade or book your next vacation knowing your transaction is secure. Or simply download your favorite pages and take them with you."

[An extremely fine print disclosure, in approximately 4 point type, in white print on an orange background, at the very bottom of the ad states:

*"*Online use requires modem, sold separately. msn.com is available free of charge on the World Wide Web. Connect time charges may apply."]*

C. (Exhibit C: magazine advertisement)

"Can your palm do that?"

[Depiction: A man next to a close-up of an HP Jornada Pocket PC. The screen of the device shows an email that contains a hyperlink to an Internet URL address. Attached to the email are Microsoft Word and Excel documents.]

"Not unless it's holding a **Pocket PC**.

Who wants e-mail without attachments? No one! That's why the new Pocket PC lets you open all Microsoft® Word and Excel attachments as well as photos and HTML pages. You can also access your ISP, corporate network, Outlook®, and the most popular Internet e-mail accounts*, anytime."

[A fine print disclosure, in approximately 6 point type, in black print on an orange background, at the very bottom of the ad states:

"Pocket PCs support industry-standard POP3 and MAP4 e-mail protocols. Please check with your ISP to verify its support. Modem required. Sold separately."]

5. Through the means described in Paragraph 4, respondent has represented, expressly or by implication, that Pocket PCs contain everything that consumers need to access the Internet and their email accounts, at anytime and from anywhere.

6. In truth and in fact, Pocket PCs do not contain everything that consumers need to access the Internet and their email accounts, at anytime and from anywhere. In order to access the Internet and their email accounts using Pocket PCs, when away from their computers ("remotely"), consumers must purchase and carry a separate modem or similar device that in most cases must be connected to a land telephone line or a mobile telephone. Moreover, many mobile telephones currently in use in the United States are not compatible with Pocket PCs. Therefore, the representation set forth in Paragraph 5 was, and is, false or misleading.

7. In its advertisements respondent has represented that consumers can use Pocket PCs to access the Internet and their email accounts, at anytime and from anywhere. In these advertisements, respondent has failed to disclose or failed to disclose adequately that in order to access remotely the Internet and their email accounts, consumers must purchase and carry a separate modem or similar device. This fact would be material to consumers in their purchase or use of the product. The failure to 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 fifteenth day of May, 2001, has issued this complaint against respondent.

By the Commission.

Donald S. Clark
Secretary

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