

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

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)
In the Matter of)
)
PALM, INC.,)
a corporation.)
)
_____)

DOCKET NO. C-4044

COMPLAINT

The Federal Trade Commission, having reason to believe that Palm, 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 Palm, Inc. is a Delaware corporation with its principal office or place of business at 5470 Great America Parkway, Santa Clara, California 95054.
2. Respondent has manufactured, advertised, offered for sale, sold, and distributed products to the public, including Palm handheld computers. These Palm devices, including the Palm m100, Palm III, Palm V, and Palm VII model lines, function as personal digital assistants ("PDAs"). They provide ready access to addresses, tasks, calendars, and memos. With Palm.Net wireless service, the Palm VII model line can, as sold, wirelessly access portions of the Internet and some email accounts from a number of metropolitan areas.
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 and packaging for the Palm PDAs, including but not necessarily limited to the attached Exhibits A through E. These advertisements and packaging contain the following statements and depictions:

A. (Exhibit A: magazine advertisement)

"

**PERFECT FOR
READING
E-MAIL WHEN
YOU'RE
"OUT SICK"
AT THE
BALL GAME.**

Database Manager
Intranet Access
Custom Form Creation
Expense Reports
Maps
Send & Receive Faxes
Digital Camera
Sales Force Automation
Infrared Beaming
View Word & Excel
Internet Access
E-Mail
Flight Schedules
Shareware
Inventory Management
Stock Quotes & Trading
Customer Relationship Mgt.
Link to Outlook
Paging
Syncing with a PC
Business Card Scanner

Simply Palm™

www.palm.com

Every now and then the chains come off and you find yourself away from your desk. (Reluctantly, of course.) No problem. The Palm™ platform lets you bring the office with you. Read e-mail. Draft memos. And check appointments. It's also perfect for reading news, entertainment and travel information. Wherever you want. Without blowing your cover. Efficiently. Elegantly. Simply."

*[Depiction of a Palm V PDA.
The screen of the Palm
displays an email message.]*

[An extremely fine print disclosure, in approximately 4-point type at the bottom of the ad states in part:

"Application software and hardware add-ons may be optional and sold separately. Applications

may not be available on all Palm handhelds."/>

B. (Exhibit B: magazine advertisement)

"

"THE MARKET'S DOWN BUY!"

Database Manager
Intranet Access
Custom Form Creation
Expense Reports
GPS
Send & Receive Faxes
Digital Camera
Sales Force Automation
Infrared Beaming
View Word & Excel
Wireless Access
Flight Schedules
Shareware
Inventory Management
Stock Quotes & Trading
Customer Relationship Mgt.
Link to Outlook
Paging
Syncing with a PC
Business Card Scanner

Simply Palm™

www.palm.com

Online trading has revolutionized personal investing. Now the Palm™ handheld takes that revolution wireless. With access to the internet, the Palm platform lets you check market news and make trades along with its scores of other business and personal applications. It's all about going where life takes you - and bringing your portfolio along. Efficiently. Elegantly. Simply."

[Depiction of a Palm VII PDA. The screen of the Palm displays a form for trading stocks.]

[An extremely fine print disclosure, in approximately 4-point type at the bottom of the ad states in part:

"Application software and hardware add-ons may be optional and sold separately."]

C. (Exhibit C: newspaper advertisement)

[Depiction of two golfers on a golf green]

"Palm Powered handhelds give you real-time access to information where it really matters -- in the field. View and edit applications like MS Excel and Outlook. Check inventory, send an email, place an order, and close the deal. Update account information and send it back to the office, along with your new updated handicap. Simply amazing.

Simply Palm™"

[An extremely fine print disclosure, in approximately 4-point type, running along the side of the ad in poorly-contrasting, black text against a very dark background, states in part:

"Application software and hardware add-ons may be optional and sold separately. Applications may not be available on all Palm handhelds."]

D. (Exhibit D: magazine advertisement)

[Depiction of mountains with a person in the distance hanging upside down from a fully-extended bungee cord. A screen-shot of a Palm device, oriented upside down like the hanging person, is superimposed on the horizon. The words "eMail" and "Sent" appear at the top of the Palm screen. Below these words a message reads "Scott, Remember that bet we made when we both turned 30? Looks like someone owes me \$100. -J."]

"Palm Powered™ handhelds can do just about anything, anytime. Drop an email, fax a lunch order, check inventory. That's taking the Internet with you. Simply amazing.

Simply Palm"

[An extremely fine print disclosure, in approximately 4-point type, running along the side of the ad in poorly-contrasting, white text against a light-colored background, states in part:

"Application software and hardware add-ons may be optional and sold separately. Apofications [sic] may not be available on all Palm handhelds."]

E. (Exhibit E: Palm IIIxe product packaging)

[Front panel of the package]

" **Access the Web***

Includes AvantGo
Internet Messaging & E-mail*
Fortified with Yahoo!
AOL Ready!"

[Depiction of a Palm IIIxe]

[Back panel of the package]

"Features & Benefits

Internet & E-mail Access

Where and when you want it.."

[Top panel of the package]

"Internet & E-mail Access"

[Right side panel of the package]

"Compatible Software

E-mail & Internet Connectivity*

- AOL Mailsm
- AvantGo
- Earthlink
- Eudora Pro
- Lotus Notes
- Microsoft Outlook & Outlook Express
- MultiMail Pro
- Netscape Communicator
- Yahoo! Messenger & Yahoo! Mail
- And other Internet e-mail services

...

*See other side panel for more information."

[Left side panel of the package]

"Technical Information

...

*Remote E-mail & Internet Access Requirements

Mail application requires modem or handset (sold separately) in addition to an e-mail account. Some e-mail applications may require optional linking software (sold separately)."

5. Through the means described in Paragraph 4, respondent has represented, expressly or by implication, that
 - A. Palm PDAs, as sold, contain everything that consumers need to access the Internet and their email accounts, wirelessly.
 - B. Palm PDAs, as sold, can perform common business functions such as data base management, custom form creation, and viewing Microsoft Word and Excel documents.
6. In truth and in fact,
 - A. Palm PDAs, as sold, other than the Palm VII model line, do not contain everything that consumers need to access the Internet and their email accounts, wirelessly. In order to wirelessly access the Internet and their email accounts using the Palm m100, Palm III, or Palm V model lines, consumers must purchase and carry a separate wireless modem or a device to connect the Palm to certain mobile telephones. Many mobile telephones currently in use in the United States are not compatible with Palm PDAs.
 - B. Palm PDAs, as sold, cannot perform common business functions such as data base management, custom form creation, and viewing Microsoft Word and Excel documents. To perform these functions using Palm PDAs, consumers must purchase and install additional software.

Therefore, the representations set forth in Paragraph 5 were, and are, false or misleading.

7. In its advertisements and packaging, respondent has represented that consumers can use Palm PDAs, as sold, to access the Internet and their email accounts wirelessly. In these advertisements and packaging, respondent has failed to disclose or failed to disclose adequately that in order to wirelessly access the Internet and their email accounts using the Palm m100, Palm III, or Palm V model lines, consumers must purchase and carry a separate wireless modem or a device to connect the Palm to certain mobile telephones. This fact would be material to consumers in their purchase or use of the products. The failure to disclose this fact, in light of the representation made, was, and is, a deceptive practice.
8. In its advertisements, respondent has represented that consumers can use Palm PDAs, as sold, to

perform common business functions such as data base management, custom form creation, and viewing Microsoft Word and Excel documents. In these advertisements,

respondent has failed to disclose adequately that in order to perform these functions using Palm PDAs, consumers must purchase and install additional software. This fact would be material to consumers in their purchase or use of the products. The failure to disclose this fact, in light of the representations made, was, and is, a deceptive practice.

9. In its advertisements, respondent has represented that consumers can use the Palm VII model line to access the Internet and their email accounts wirelessly. Respondent has failed to disclose or failed to disclose adequately that to access the Internet and email accounts wirelessly using the Palm VII model line, consumers must subscribe to Palm.Net, a proprietary for-fee service. 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.
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 seventeenth day of April, 2002, has issued this complaint against respondent.

By the Commission.

Donald S. Clark
Secretary

SEAL: