

FEDERAL TRADE COMMISSION

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In the Matter of:)
Internet Legal Issues Task)
Force) File No. P974102
-----)

Friday, May 14, 1999

Room 432
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

The above-entitled matter came on for
meeting pursuant to notice, at 8:40 a.m.

ATTENDANCE LIST

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ON BEHALF OF THE FEDERAL TRADE COMMISSION:

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Protection

Elaine Kolish Associate Director, Division of
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Dana Rosenfeld Assistant Director, Bureau of
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Laura DeMartino Attorney, Division of
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Mary Engle Assistant Director, Division of
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ON BEHALF OF THE PARTICIPANTS:

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Marketing, America Online, Inc.

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Public Policy, America Online,
Inc.

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ATTENDANCE LIST (cont.)

Carla Michelotti	Executive Vice President and Associate General Counsel, American Advertising Federation
David Clauson	American Association of Advertising Agencies
Daniel L. Jaffe	Association of National Advertisers, Inc.
Renee Baruch	Bell Atlantic
Robert Goldberg	General Counsel, Business Technology Association
Katharina Kopp	Senior Policy Analyst, Center for Media Education
Randi M. Albert, Esq.	Citizens Communications Center Project, Institute for Public Representation
Kaye Caldwell	Public Policy Director, CommerceNet
Jean Ann Fox	Director of Consumer Protection, Consumer Federation of America
John Fruehe	Dell Computer Corporation
Jerry Cerasale	Senior Vice President, Government Affairs, Direct Marketing Association

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2 Teresa L. Jennings Direct Selling Association

3 Elizabeth Wang General Counsel, DoubleClick,

4 Inc.

5 Beth-Ann Eason DoubleClick, Inc.

6 Elissa Matulis Myers President and CEO, Electronic

7 Retailing Association

8 Wendy Schmidt Associate Counsel, Federated

9 Department Stores, Inc.

10 Jill A. Phillips Senior Attorney, Office of the

11 General Counsel, Ford Motor

12 Company

13 James H. Skiles Attorney, Grocery Manufacturers

14 of America

15 William C. MacLeod Collier, Shannon, Rill & Scott

16 Mark Uncapher Information Technology

17 Association of America

18 Jeff Richards Executive Director, Internet

19 Alliance

20 Phillip C. McKee, III National Fraud Information

21 Center, Internet Fraud Watch

22 Project Coordinator, National

23 Consumers League

 Mary Tortorice

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2 Ronald Goldbrenner General Counsel, Promotion
3 Marketing Association
4 John P. Feldman Chair, PMA Subcommittee on FTC
5 Interpretation, Promotion
6 Marketing Association
7 Kevin Else Associate Counsel, QVC, Inc.
8 Michael Nelsen QVC, Inc.
9 Deborah Hagan Chief, Consumer Fraud Bureau,
10 Office of the Attorney General,
11 State of Illinois
12 Craig Jordan Assistant Attorney General,
13 State of Texas
14 Eric A. Wenger Assistant Attorney General,
15 Internet Bureau, State of New
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P R O C E E D I N G S

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MS. BERNSTEIN: Good morning, everybody. Will the Senate please come to order? That means we can all vote later on. So we'll just consider ourselves that way.

Welcome, everybody. It's just marvelous to see all of you here for what we consider to be a really very exciting event at the FTC. I would note that there are a number of people here, and we particularly welcome them, who have been with the Bureau -- with the Commission in the past.

Bill MacLeod, who is one who was in my wonderful job sometime ago, told me he was very jealous this morning of this wonderful event. And I told him that was why we did it.

(Laughter.)

MS. BERNSTEIN: To make sure that he was enormously jealous. But welcome anyway, Bill.

MR. MACLEOD: Thank you, Jodie.

MS. BERNSTEIN: I would also like to note that Commissioner Thompson is with us this morning, Mozelle Thompson, one of our most recent appointees to the Commission, who has been very supportive and helpful of the Bureau's efforts and with the rest of the Commission.

1 He's also, I think, the youngest -- probably the youngest
2 person in the room, which means he's enormously
3 competitive technologically. So we welcome him and
4 welcome his support of this effort.

5 I think you all know what this is about today.
6 It's our effort to -- oh. Before I move on, there is
7 another young Commissioner here in the room, Christine
8 Varney, who just came in.

9 MS. VARNEY: Former.

10 MS. BERNSTEIN: Former. Yes, yes, yes. But you
11 were so influential, Christine, that sometimes we think
12 you're still here.

13 **(Laughter.)**

14 MS. BERNSTEIN: And we welcome you,
15 particularly. I think you know what our goal is today,
16 and that is to examine really with you and with each
17 other what the application of the rules and guides --
18 many of which have been in existence for some time -- are
19 to electronic commerce, most particularly the Internet.

20 I am really very proud of the effort that's been
21 made today, because it really demonstrates, I think, the
22 new way in which the Commission is staying not only
23 competent, but hopefully ahead of the game in terms of
24 applying existing law to this new area in a very informed
25 educated way. We recognize the enormous benefits that

1 are already coming to consumers, and we want to be sure
2 that what we do encourages that marketplace, makes it
3 better for consumers and at the same time that we carry
4 out our law enforcement responsibilities as we have over
5 the years.

6 So we're continuing to proceed in the same way I
7 think we have always proceeding, and that is to apply
8 existing law to new markets, new technologies. I
9 fortunately was here in the era when television was
10 pretty new, and in some ways we went through the same
11 thing then. So I consider myself an experienced hand in
12 applying the Commission's law to new media and new
13 markets.

14 I would like to add one organizational note, and
15 that is that in order to really focus your attention --
16 our attention -- on what's happening and be sure we know
17 exactly what we're doing as we apply law to these new
18 areas, we have established something we call the Internet
19 Advertising Group. It's within the Division of
20 Advertising Practices, so it's not really a bureaucratic
21 structure. Rather, it's an effort to see to it that
22 experienced lawyers and investigators are focussing
23 particularly on these areas.

24 We will also, in that context, build a state of
25 the art Internet lab, which will hopefully put us in a

1 position to be able to monitor in a very systematic way.

2 I do want to make sure that I thank all of the
3 people here who have been responsible for this marvelous
4 workshop. And I must say, that when you see the stuff
5 that has been created here, creation of new products and
6 new ads, so that you can figure out how to apply the laws
7 to them, and we can do it together. I don't want any of
8 you recruiting any of my people.

9 **(Laughter.)**

10 MS. BERNSTEIN: They're fabulous. They're
11 fabulous and creative. And they're going to stay here
12 with us so that we can continue to stay ahead of the
13 game.

14 So let me then close my very brief opening here
15 and put for the record at least the names of the people
16 who were so centrally involved in putting this together.
17 And first and foremost Laura DeMartino, who is right
18 there in the middle of the room, from the Division of
19 Enforcement, has played a central role here. She really
20 was the team leader. I don't intend to pass the hat in
21 order to reward Laura today, because we have money in the
22 budget to do that.

23 **(Laughter.)**

24 MS. BERNSTEIN: But she's really done an
25 extraordinary job of pulling this together. And if you

1 will indulge me for a moment and let me just thank the
2 others who have been involved. Beverly Thomas and Dean
3 Forbes and Faith Veenoo of the Division of Enforcement.

4 Several from the regional offices, Seattle,
5 Boston and others have been involved as well. Orey Lief,
6 Alice Hardy and Dana Rosenfeld in my office. Liz Grant
7 in Marketing Practices. Lou Silverson, the Bureau of
8 Economics. Randy Clark of the Division of Policy and
9 Information. Bruce Jennings and Barry Hutchins in our
10 Office of Information and Technology Management deserve
11 mention for their -- and if they can be helpful today --
12 for their technical assistance.

13 Particularly acknowledge Elaine Kolish, who you
14 will hear from for a moment. She did the management of
15 this project, and I know will do an equally wonderful job
16 in leading the discussion today.

17 And before I close, a special thanks to the
18 Direct Marketing Association and the Grocery
19 Manufacturers for generously providing us with breakfast
20 this morning. That is a new -- in addition to creating
21 an advertising unit here, we also had a break through in
22 receiving permission from the General Counsel's office to
23 receive this nice breakfast from these associations. And
24 we thank you.

25 **(Applause.)**

1 MS. BERNSTEIN: So you see, we're all in this
2 together. And with that, let's get on with the work of
3 the day, because I know it's going to be very exciting
4 and challenging.

5 Elaine?

6 MS. KOLISH: Yes. Thank you, Jodie. Good
7 morning. My name is Elaine Kolish, and with me is Laura
8 DeMartino, as you know, who has been the project manager,
9 and Dana Rosenfeld, who is an Assistant Director in
10 Jodie's shop.

11 Laura, Dana and I are going to moderate today's
12 discussion about clear and conspicuous disclosures on-
13 line. Or at least we're going to try to. I think with
14 this crowd if we can try to get a word in edgewise, we'll
15 be doing well.

16 Later in the day we're going to have a session
17 on proposed interpretations for the online world, a term
18 such as written and printed, as they are used in FTC
19 rules and guides. And of course the good news is, since
20 we've had a very, very active regulatory review program
21 here, we have 50 percent fewer rules and guides than we
22 did several years ago under Jodie and the Chairman's
23 direction.

24 Our final session, the one on printed, is going
25 to be moderated by Mary Engle, over there in the back of

1 the room, Assistant Director in the Enforcement Division,
2 and Alice Hrdy, one of Director Bernstein's legal
3 advisors.

4 I want to tell you why we're focussing on rules
5 and guides in this workshop today. We're doing so,
6 because for the most part the content of the disclosure
7 is prescribed. Thus our discussion does not have to
8 involve to any significant degree broad issues about what
9 claims in all ads might need qualification, or what the
10 content of a qualification should be.

11 Although we are not examining the wide array of
12 matters that might be unfair or deceptive under section
13 five, in identifying topics for today's discussion, we
14 have considered how the Commission has evaluated clear
15 and conspicuousness in all types of law enforcement
16 actions, as well as the actual language of the rules and
17 guides themselves.

18 I want to emphasize at the outset that the

1 That is, that the net impression of the ad is not
2 misleading.

3 We would like to learn from all of you more
4 about the circumstances that may affect whether a rule or
5 guide requires disclosure, is clear and conspicuous, and
6 about both the challenges and opportunities that the
7 online world provides for communicating with consumers.

8 We hope that you will come away with a better
9 understanding of the types of questions that we might ask
10 when we're analyzing an ad, and any future guidance that
11 we might provide will be designed along the same lines.

12 Now, as we have our discussion today, many of
13 the commentors advocated that in evaluating clear and
14 conspicuousness online that a reasonable online consumer
15 approach be used. No empirical research was submitted by
16 the commentors on this point, however, and the research
17 that we have identified provides no basis for suggesting
18 that reasonable consumers interpret ads differently in
19 the online and off-line world.

20 But if there is such research, we would love for
21 you to provide it. In the absence of reliable research
22 to the contrary, common sense dictates that we assume
23 that online and off-line reasonable consumers have common
24 characteristics. Indeed, some research already suggests
25 that with respect to advertising, consumer behavior

1 online and off-line is comparable in at least one
2 material way: consumers don't read every word on every
3 page, whether it's a web page or a written page. This,
4 of course, has important ramifications for advertisers,
5 particularly with regard to disclosures.

6 The Commission has long recognized that in
7 evaluating disclosures, in many circumstances reasonable

1 and you'll be able to submit comments for about 45 days
2 until July 1st.

We will be putting the transcript of to

1 had a chance to review that material.

2 So Laura is going to do a brief introduction for
3 us.

4 MS. DEMARTINO: Thanks, Elaine. Our first two
5 sets of ads from the FTC fashion jewelry site involve
6 pearls and diamonds. The Commission's guides for the
7 jewelry, precious metal and pewter industries state that
8 when you're advertising or selling imitation pearls, you
9 need to disclose that the pearls are imitation or
10 simulated, so that consumers are not misled about the
11 type of pearls that they're getting. The guides state
12 that this disclosure, the word "imitation," immediately
13 precede the term pearl.

14 For diamonds, many retailers, and FTC fashion
15 jewelry included, use fractions to make diamond weight
16 claims, fractions such as three quarter carat. But the
17 fraction does not necessarily mean the decimal
18 equivalent, .75. Instead, the fraction is used to
19 represent a range of weights. In that situation, the
20 jewelry guides state that the advertiser and seller needs
21 to disclose that diamond weights are not exact, and
22 disclose the range of weights that are being used for
23 that fraction.

24 Our second -- or next two sets of ads involve
25 our fake product, Quick DDRIP. Quick DDRIP is designed

1 to speed up your Internet access. And in our world,
2 Quick DDRIP works for everyone. But Quick DDRIP works
3 better for some consumers than others, depending on your
4 computer equipment and depending on phone line
5 conditions.

6 So the testimonials that we have in our ads
7 represent the best case scenario. According to the
8 guides concerning the use of endorsements and
9 testimonials, the advertiser needs to disclose the
10 limited applicability of the testimonials to what
11 consumers may generally achieve.

12 Also in the Quick DDRIP ads on the Quick DDRIP
13 home page, we have an endorsement from D. J. Blackhand.
14 And assuming that D. J. Blackhand is not known to a
15 significant portion of the viewing public, the advertiser
16 needs to disclose that D. J. Blackhand was paid for his
17 endorsement.

18 MS. KOLISH: Thank you, Laura. Let's put ad one
19 up. We apologize to people in the overflow room that you
20 may only be able to see screen one because of technical
21 difficulties getting screens two and three to display.
22 But that's not a problem for this ad.

23 This, as Laura mentioned, is an ad for pearl
24 earrings, and there is a one word disclosure, imitation,
25 which immediately precedes the word pearl. And that's

1 what the guides say you have to do. You have to have it
2 immediately preceding it.

3 So we thought we would start with an easy
4 example, and see if there is any disagreement about the
5 fact that there is no reason this word -- this disclosure
6 -- can't appear exactly where it is, or whether we should
7 treat this ad differently in the online world. We all
8 agree this is easy? Let's do it? Okay.

9 Let's move on to ad two, diamond weights.

10 MS. DEMARTINO: That was quick.

11 MS. KOLISH: In ad two we have a claim that this
12 is a three quarter carat diamond earrings. And if you
13 look down to the bottom of the page, you can see that
14 there is a disclosure there: diamond weights may not be
15 exact. So this disclosure is on the same screen as the
16 claim that it is qualifying. On the other hand, it's
17 below the claim at the top.

18 Are you having trouble? It's hard to see, I
19 know. Can we turn down the lights a tiny bit? No? Oh,
20 it's the camera lights probably. We found our eyes
21 adjusted during the course of the day when we looked at
22 these.

23 **(Laughter.)**

24 MS. KOLISH: The question we have for you, is it
25 important to always have the disclosure on the same

1 screen, or only under certain circumstances to have it on
2 the same screen? And does it increase its noticeability
3 and accessibility and effectiveness if it's on the same
4 screen? And what kinds of considerations may affect
5 whether it appears on the same screen?

6 Anybody want to -- Jean Ann?

7 MS. FOX: We think it's important for material
8 disclosures to be as prominent as possible to be on the
9 same screen with the sales pitch. This would be improved
10 by moving it above add to cart so that the consumer has
11 seen the important disclosure before they make the
12 decision to purchase.

13 MS. KOLISH: What does anybody else think?

14 FEMALE SPEAKER: Elaine, we mirror that. We
15 were concerned about it being below add to cart. It
16 seemed to be too close to a purchase decision at that
17 point and they had not seen a disclosure.

18 MS. KOLISH: So in your view, the fact that it's
19 on the same screen isn't even sufficient. It needs to be
20 closer to the claim that's being qualified?

21 FEMALE SPEAKER: And before a purchase decision.

22 MS. KOLISH: Let me ask you whether it makes a
23 difference in this ad -- if we scroll down a little bit,
24 you'll see that there are other relatively important
25 information about this item here. I mean, this is a pair

1 of earrings selling for nearly a thousand dollars, and
2 all you know is the diamond weight. And although that
3 might be the only thing of importance to some people, you
4 might want to know what kind of setting it occurs in.
5 Whether it has -- you know, what color the diamond is.
6 Whether it is included or not.

7 So it's possible consumers could choose to do
8 the add to cart before they read this. But would a
9 reasonable consumer likely look for additional
10 information about this product and therefore inevitably
11 have to see this information?

12 Jerry, was there something you wanted to say?

13 MR. CERASALE: Well, yeah.

14 MS. KOLISH: Jerry Cerasale.

15 MR. CERASALE: Jerry Cerasale from the DMA. The
16 first thing is talking about what's on the screen that
17 you see, and that depends on the recipient's computer,
18 not on what the ad is. Not on what the -- the only thing
19 you could make sure that is on the screen, I guess, is if
20 you had the disclosure the first words on the ad before
21 anything, because you don't know the size of the screen.

22 So I'm not positive. I mean, this happens to
23 show on the same screen in your ad here, because of the
24 computer you have. But someone could have the whole
25 thing on one screen, or someone could have just down to

1 the bottom of the picture on the screen, or even less.
2 So I think the screen itself is a problem for you to make
3 that any part of your rule or any part of your real
4 interpretation because it depends on the recipient. It
5 doesn't depend on the advertiser.

6 MS. KOLISH: Ron?

7 MR. GOLDBRENNER: Yeah, I would like to expand
8 on that just a little bit.

9 MS. KOLISH: It's Ron Goldbrenner.

10 MR. GOLDBRENNER: If you look at the range of
11 regulation that comes now from the FTC and the states in
12 this respect, where you put the disclosure --

13 MALE SPEAKER: Could you put the mic to your
14 mouth? We can't hear you. Thank you.

15 MR. GOLDBRENNER: Where you put the disclosure
16 often demands upon how important that particular
17 disclosure is. So materiality is relative, and
18 prominence is relative, and accessibility is relative.
19 And we need to keep that in mind when we deal with the
20 technology of the Internet, because the ability to do
21 different things -- scroll down, clip to, etc. --
22 increases your ability to give prominence, to give
23 access, etc.

24 And so if you set very specific rules, if you
25 say only this is sufficient access, not only are you

1 freezing the technology, but you're freezing creativity.
2 You're dealing with a whole range of technological
3 capabilities -- as Jerry said, the different size of the
4 screen -- that you really can't foretell. And so I think
5 you're getting into a very difficult area.

6 And I just want to make a comment about
7 something that was said before about the reasonable
8 Internet consumer. While it is true that the perceptions
9 of an individual of an ad and the content of the ad are

1 And so the reasonable Internet consumer is a
2 concept that you need to consider with respect to
3 technology and how one perceives that. Thank you.

4 MS. KOLISH: Would you please remember to
5 identify yourselves for the court reporter?

6 MR. UNCAPHER: Mark Uncapher for the ITAA. Let
7 me expand on that particular point. I think beyond what
8 the reasonable consumer expects, or rather would
9 anticipate, I think there is an expectation on the
10 Internet that information doesn't necessarily have to be
11 on one particular page, that there can be hyper links.
12 And there is this expectation that additional valuable
13 information that the consumer can exercise the choice to
14 move on to will be available on one page.

15 In that format, quite a part from just
16 e-commerce is something that is available across the
17 board on the Internet. And trying to cram additional
18 information on a particular page really runs counter to
19 that particular expectation of the consumers. And I
20 think actually has the effect of defeating the purpose of
21 disclosure, because, you know, dense text is something
22 that consumers will click through and won't bother
23 reading.

24 MS. KOLISH: Is there any empirical evidence
25 about how consumers are going to act? Oh. Did a plug

1 just get pulled?

2 MALE SPEAKER: Yeah.

3 MS. BERNSTEIN: Either that or we blew a fuse.

4 **(Laughter.)**

5 MS. KOLISH: One of the things we're interested
6 in is consumer research on consumer behavior online, and
7 if people have that, we would like to see it and, of
8 course, take that into account.

9 In terms of materiality, let me just comment
10 that because we're talking here about rules and guides,
11 for the most part the disclosures we're talking about are
12 ones that the Commission has already made a decision are
13 necessary to prevent a consumer from being misled. So
14 we're not just talking about any information that might
15 be of interest to a consumer that an advertiser might
16 like to provide -- and certainly hyper links are a
17 fabulous way of doing that.

18 But we're talking about important information
19 that should qualify the claim so that a consumer isn't
20 misled. And would you be confident if at the end of the
21 day you did a copy test on your web ad, whether the net
22 impression would be appropriately qualified.

23 So that's one of the reasons we think it's
24 important to focus on how noticeable and prominent these
25 disclosures are and make certain they're not overlooked.

1 Because as we can take for granted, consumers typically
2 aren't going to read every word, whether it's a web page
3 or a written page.

4 But I'll stop editorializing. I think Dan had a
5 comment next?

6 MR. JAFFE: Dan Jaffe with the Association of
7 National Advertisers. What you're talking about is a
8 very significant moving target. I carry one of these.
9 I'm sure lots of people have palm pilots. People are
10 getting information in smaller and smaller equipment, and
11 therefore you can talk about unavoidability, as was
12 discussed in the FTC's notice, but that may be
13 impossible.

14 Also, the other thing that I think makes this
15 medium different than all the other medium that we've
16 ever dealt with before, or at least significantly more
17 pronounced, is that the receiver of the information has
18 more control over what he sees. I can -- even with this
19 very, very small screen, I can split that screen so that
20 I can be taking notes, or sending information back, or
21 taking an e-mail while I'm seeing something else.

22 And so I can configure it. However you may say
23 the advertiser should put the information out to the
24 consumer, the consumer now can say no, I'm not going to
25 get that that way. I'm going to make the screen very

1 smaller or very large.

2 I saw something in the paper just the other day,
3 which was a telephone -- a hand held telephone that you
4 flipped out and had a little screen, and the screen was
5 no bigger than that. And so I think it's going to be
6 very, very important that we not start asking advertisers
7 to do the impossible.

8 And the other aspect of this is that maybe when
9 you put something with, you know, color and a click
10 screen, it's more likely that someone is going to look at
11 it, particularly if it's tagged to particular key
12 information than having just a lot of words. Because
13 you're saying this is important, and people are being
14 trained in this area to say, this is important
15 information in a particular area.

16 MS. KOLISH: Thank you. We would like to get to
17 more about the technology issues, but does anyone else
18 wonder about why as we get older, everything is getting
19 smaller and harder to read?

20 **(Laughter.)**

21 MS. KOLISH: I think Phillip was next.

22 MR. MCKEE: Thank you. Phillip McKee from the
23 National Consumers League. Many of the previous
24 commentators have been quite correct in stating that we do
25 have a large amount of control as to the way the

1 information is presented to us. Our screens can be made
2 much smaller.

3 And so the statement -- as many of the industry
4 representatives have said, insisting that the statement
5 is on the screen can be very difficult to monitor. I can
6 force the statement off the screen if I so desire. What
7 I cannot do if the statement is properly placed, is force
8 myself not to see it prior to placing my order.

9 So in this case, to look at example number two,
10 I can very easily re-size the screen, so that just
11 because of my personal viewing preferences, I may not see
12 that disclosure prior to placing my order. But if the
13 disclosure statement concerning the weight of the diamond
14 is moved upwards, above the add to cart button, it
15 becomes impossible for me not to see the disclosure
16 statement prior to making my order.

17 So it becomes incredibly important to consider
18 the placement of these disclosures, not simply in a vague
19 position on a screen, but in relation to the other
20 components of the web site. Be it the hyper link,
21 whether you are considering scrolling, or whether you're
22 considering the ordering information, it has to be
23 considered relative to the rest of the web site.

24 MS. KOLISH: A good point. I know that people
25 have their hands up. I want to put up a couple more ads

1 so you can see some additional descriptions. We'll take
2 down ad one, and we're going to put up ads 19 and 20.

3 MALE SPEAKER: Well, there's a jump.

4 MS. KOLISH: And then I'll try to call on people
5 in order. Our little surfers over there are coming up to
6 -- we could leave up ad one if you -- yeah. I mean leave
 up ad two, that's right, and put up 19 and 20.

1 think this all relates to the prior question in ads you
2 saw, how do advertisers design their web sites so that
3 most consumers are going to see their ad in an optimal
4 fashion? Obviously you are aware that there are
5 different browsers, and you may have some concern and
6 consideration. Are there defaults and, you know, can you
7 plan for your ad to consider the impact of a different
8 browser, or could you evaluate and plan for the
9 prominence of the disclosure relationship to other
10 elements of the ad?

11 For example, if most of your ad copy was in 12
12 point type and you had your disclosure in 15 point type,
13 and then the recipient changes their browsers so they
14 don't ever see it in 12 point type, can you still ensure
15 that that disclosure will be in larger type and thus may
16 be more prominent in relationship to the rest of the
17 language on the ad?

18 So I'll go in order -- unless people want to
19 have different views and don't want to raise hands any
20 more, I'll go with the ones who were up before. Did you,
21 Phillip? Right. You already talked, so --

22 MR. MCKEE: Yeah. I just had a comment with
23 regards to your statement on point size. As a web master
24 myself, point size is not really a very good way of
25 discussing size on a screen. If you are using a what you

1 see is what you get web editor, you can sometimes have a
2 statement that it's going to be in a particular point
3 type, but that's not actually the case.

4 When you look at the HGMO code, what you're
5 saying is size one, two, three, four, five or six, and
6 it's a relative size statement. On your browser you can
7 set what is a standard font size that you're at.
8 Anything of a number higher than that will appear larger.
9 Anything of a number lower than that will appear smaller.

10 And so to make any kind of statement of point
11 type as a guiding principle loses its ability to apply
12 in the realm of the Internet. So we need to consider it
13 in terms of relative type size to other sections of the
14 screen.

15 MS. KOLISH: Well, that was part of my question.
16 Before we move on to other commentators, let me note for
17 people who are standing that there is an overflow room in
18 room 332 if you would like to sit. Although maybe if the
19 cameras aren't here all day, we'll be able to put in a
20 few more chairs.

21 Okay. Katharina I think was first.

22 MS. KOPP: Yes, thanks. I just wanted to
23 reiterate what Phillip was saying earlier, that we are
24 dealing with a problem that we have different sizes --
25 computer screen sizes -- and therefore I think that what

1 we should learn from that is that we have to move up the
2 disclosures high up on the web page as possible. And at
3 the very least it should be before the purchasing
4 decision is made. It should be disclosed there.

5 And then there was another point that
6 advertisers should take advantage of the ability to hyper
7 link and therefore that the disclosures -- you know, the
8 hyper links then can disclose more information. And I
9 think the second ad is a good example of that. In fact,
10 it's not that important to have that much information in
11 the disclosure. Like this one sentence here is
12 sufficient to provide a lot of information that can be
13 put in the initial ad and there is no need to hyper link.

14 And also if the hyper link is very, you know,
15 down and hidden in the page, the consumer might never
16 find out that there is all this information and will
17 never click on that to obtain all the additional
18 information.

19 MS. KOLISH: Well, we're going to get to some
20 examples involving hyper links in a minute, so we will be
21 able to pursue that point. And I think Jean Ann was --
22 you don't want to. Okay. Melissa?

23 MS. MYERS: Elissa.

24 MS. KOLISH: Elissa. Elissa Myers. Remember to

1 MS. MYERS: Sorry. Elissa Myers, President of
2 the Electronic Retailing Association. You know, we read
3 different -- in different languages in different products
4 in different ways. Russian is read right to left.
5 English is read left to right. And so the whole question
6 of prominence and how an Internet page is read is a
7 complex and interesting one.

8 It occurred to me -- in looking at the example,
9 which is your ad number 19, and the comments that have
10 been made relative to positioning the disclaimer at the
11 very beginning of the page, it occurred to me that if I
12 -- as a consumer looking at that, I'm not ready to absorb
13 that information until I've begun to address the sales
14 message. So the disclaimer has no relevance to me if I'm
15 reading it linearly on the page. I'm not interested yet,
16 because I don't know what it is that I'm interested in
17 buying.

18 And going back to the earlier ads and the
19 placement above the button that adds the item to the
20 cart, as a passionate shopper both in brick and mortar,
21 from catalogs and online, it's one of my great passions
22 in life, and I wish it was so easy to push a button and
23 consummate the order online. Perhaps it will be one day.

24 But right now all that button does is to take me
25 beyond to another page where I have copious -- additional

1 information and blanks. So the Internet is a contextual
2 environment, and it perhaps becomes more relevant once I
3 get to the order decision. You don't know -- we don't
4 know looking at these ads what is on the order page.
5 There may be a very prominent statement that says any
6 time you're purchasing jewelry, you want to be very
7 careful about the conditions and here are some of the
8 things you should be aware of.

9 We don't know that, looking at the ads you have
10 provided.

11 MS. KOLISH: Right. But we will have an example
12 of that that we can talk about later. I think David
13 Clauson from four A's is next.

14 MR. CLAUSON: Thanks. Dave Clauson representing
15 the four A's today. In some of the discussion -- first
16 of all, I think I'm one of the few people in the room who
17 actually design this work for many different kinds of
18 clients. I've heard some assumptions today that I would
19 like to challenge.

20 First of all, we're speaking in very generic,
21 general terms about who the consumer is, how they behave
22 and where things need to be. From our experience with
23 our clients, that is a very, very misleading assumption.
24 The first lesson you learn about marketing on the
25 Internet is that the minute you start to assume that all

1 consumers behave one way, or that all consumers desire
2 things in a certain way, you're in deep trouble.

3 What we consider first in marketing online is
4 where is the consumer in the purchase process, and you
5 have many different variables here. In this instance
6 we're talking about diamonds. If we were talking about
7 cars, if we were talking about credit cards, or if were
8 talking about food, you would find that the consumers
9 behave and react to information very differently.

10 Probably the most generic thing you can say is
11 that the more information you can give earlier on in the
12 sale cycle, in the consideration phase, that is where the
13 Internet has its most value. We have done research with
14 a lot of consumers in various different product
15 categories, and from that research I can at least argue
16 the point that consumers behave very, very differently.

17 So when it comes to disclosure, what most
18 marketers are discovering, is that the more information
19 about the product that can be put in the consideration
20 cycle, rather than saving disclosures and things like
21 that for just before you buy, actually empowers the
22 consumer and makes the consumer an expert.

23 If you consider the fact that what the Internet
24 really represents is a lowering of the cost of
25 information, consumers are getting smarter out there

1 about the information they can get and are empowering
2 themselves. And that's a very important dynamic that
3 marketers need to recognize, that the choice to control
4 the convenience is now in the hands of the consumer. And
5 that is the way the Internet behaves.

6 So we advise a lot of our clients that the best
7 marketing we know of is to provide as much information
8 early on in the sales cycle as you possibly can. And if
9 you can make that consumer smarter, you actually
10 empowered the consumer to deal with brands who are making
11 you smarter and in that way more effectively.

12 So many of the considerations about technology
13 and browsers are important issues, but they are not as
14 relevant to the discussion. Most consumers are not out
15 there configuring their browsers in different ways every
16 day. They usually plug it in out of the box and go. The
17 expert techs may want to -- the web masters of the world
18 may want to adjust their browsers and things like that,
19 but most consumers just want to be informed as best they
20 can. But they want the information on their terms, not
21 on someone else's terms, not on the government's terms
22 and not on the marketer's terms.

23 So as representing marketers, what we need to do
24 is recognize that dynamic and step into the consumer's
25 shoes for a moment and give them as much information to

1 rely on as we can.

2 MS. KOLISH: Thank you, David. Carla
3 Michelotti?

4 MS. MICHELOTTI: Carla Michelotti representing
5 the American Advertising Federation. I want to follow up
6 on what David just said, because it really is a key
7 principle for what we're all going to talk about all day,
8 which is this reapplication of -- I don't know -- 70 some
9 years of consumer protection law.

10 So for 70 some years, we've had consumer
11 protection law that's been written to protect consumers
12 against media which was out of their control and forced
13 upon them. And so as a result, there were a lot -- there
14 is a lot of information that is commanded and demanded,
15 because the consumer was not empowered. The consumer was
16 not in control.

17 So in this new media, we've now reinvented the
18 power base between the consumer and the media. And in
19 this empowerment of the consumer, the reapplication of
20 consumer protection, I think we have to look at the goals
21 of consumer protection to provide key information to the
22 consumer before the purchasing point, which it depends on
23 the behavior, as David said, where the purchasing point
24 is. But the consumer must be provided with all the key
25 information before the point that they spend the dollar.

1 So if you look at consumer protection law and
2 reapply it, with the understanding of the empowerment of
3 the consumer, you don't have to have the demands of
4 placement and location, and you look much closer to what
5 Ron Goldbrenner was talking about with the ordinary,
6 reasonable Internet user, and the education of the
7 Internet user, and the experience of the Internet user.

8 You know, one of the clues here that would tell
9 the ordinary, reasonable Internet user that there was
10 other stuff to read about, is just that little bar on the
11 side. You know, if you put an eight year old on this web
12 page, the eight year old would go to the bar and go down
13 and see what else is there. It tells the consumer
14 something else is there.

15 So I think as we move forward, it's the
16 empowerment of the consumer and reapplication of consumer
17 protection law in this empowered society where we can
18 control the media as an overriding concept.

19 MS. KOLISH: Let me follow up on that for a
20 minute, because a lot of people have talked a lot about
21 that.

22 MS. MICHELOTTI: The new medium is so
23 interactive and consumers are in control. But when we
24 look to the media consumers have now, they get many --
25 often get multi page solicitations. They have the power

1 to read every single word, to turn every single page if
2 they choose. But what we know is that they don't.

3 And that the Commission has long decided that
4 the advertiser has the responsibility of making certain
5 that the information is placed prominently so that they
6 see it. That burying it in the middle of a multi page
7 document, or in fine print at the bottom of an ad, simply
8 isn't good enough. But you have to assume they're not
9 responsible for reading every word, that advertisers
10 spend a lot of effort to draw consumers' attentions to
11 certain points, and they can be equally responsible for
12 drawing consumers' attention to a disclosure.

13 So in terms of empowerment, I think there has
14 been empowerment in other media, too. We probably don't
15 think of it. You have the power not to open the
16 envelope, to open it and read every page, read the little
17 sub-pieces within it. And, you know, in terms of new
18 media, as Jodie was saying, she was, you know, here when
19 television was in its infancy.

20 **(Laughter.)**

21 MS. BERNSTEIN: That's not quite right.

22 **(Laughter.)**

23 MS. MICHELOTTI: Advertising. When advertising
24 was really developing, is what I meant to say.

25 MS. BERNSTEIN: I think I just heard Carla refer

1 back to my origin -- 70 years?

2 (Laughter.)

3 MS. BERNSTEIN: And I would add a more serious
4 comment other than, Carla. In regard to your very good
5 point, doesn't the new medium also empower, if you will,
6 the marketer or the advertiser as well, in the sense that
7 the advertiser or marketer also has more flexibility than
8 in the conventional media, where the limitations are the
9 30 second spot, etc., etc.

10 So from that point of view, which I think is
11 valuable to both, it does provide more flexibility to
12 provide more information in a less restrictive media. So
13 in a sense, the power is more balanced between the two.

14 MS. KOLISH: We have some other people who
15 already put their hands up, so we'll try to call them.
16 Debbie?

17 MS. HAGAN: Deborah Hagan from the Illinois
18 Attorney General's Office, and the New York and Texas
19 Attorney General's Office, too. In terms of the bigger
20 picture that Carla was talking about, I think we would be
21 very concerned if the standard moves towards material
22 disclosures before a payment purchase decision. To us,
23 that moves the whole information situation from the
24 trigger term to a purchase, which could be many screens
25 and far down the process.

1 We think that it is still important --
2 particularly we're talking about rules here in which the
3 Commission has already determined that certain qualifiers
4 are material and that they should be in close proximity
5 to the trigger term. And in particular, we think that
6 based on what's been said here, because of consumers'
7 differing levels of understanding and maybe ability to
8 vary technology, it becomes even more important for a
9 material disclaimer to be in close proximity to the
10 trigger term.

11 MS. KOLISH: Thank you. I think Phil had his
12 hand up and then we'll go to you, Kevin.

13 MR. MCKEE: Okay. Just a couple of issues here.
14 One, earlier I had stated the necessity of placing the
15 disclosure prior to the add to cart button on number two.
16 I wanted to make sure that it was very clear that we did
17 also intend that the disclosure should be close to the
18 trigger term, that it not be on a separate screen.

19 In regards to Ms. Myers' statement about some of
20 the places that she has purchased online, I, too,
21 purchase a lot of things online, and several of my
22 favorite online sites actually have complete profiles of
23 my information located on their servers. And so for me,
24 it is actually as simple as one click of a button and a
25 password and that item is mine and my credit card has

1 been billed.

2 So it isn't as simple as all of a sudden you
3 have a screen with a large amount of information that you
4 have to put in. On many stores it has gotten to the
5 point where online purchasing is as simple as a single
6 click.

7 Also, to get back to one of the earlier
8 questions that you had asked, in regards to ad number 19
9 and ad number 20, the coloration and the points and the
10 font size is incredibly important. And something that we
11 had noticed in looking over the ads is the necessity of
12 stating that it be clear, that it be concise, and that it
13 be easy to notice.

14 That can be difficult when creating a web site
15 because of the large amount of control that the

1 does become a completely contextual concept.

2 And finally, in regards to Mrs. Michelotti's
3 statement about scrolling, yes. When an experienced
4 Internet user goes to a web site and sees a scroll bar --
5 for example, the scroll bar on ad number two is not very
6 large -- they're quite likely to scroll down and read
7 what the rest is. However, that same user shows up at ad
8 number 19 or ad number 20 and sees that based on the size
9 of the moving section of the scroll bar, there is a very
10 large amount of information on that page. They are far
11 more likely to avoid the scroll bar.

12 That's why when you look at advertising sites
13 and you look at online sites, the most successful sites,
14 the ones that are having the largest amount of hits, the
15 gateway sites that are becoming the most popular, they
16 tend to be single screen or simple, small scrolling
17 screens. People don't want to have to wait for a huge
18 amount of information to download. They're going to
19 click away.

20 People don't want to have to scroll down through
21 everything to get to what they want. They want it right
22 there. They want it now. If that means they have to
23 hyper link to it, that's what they're going to do. But
24 they don't want to have to scroll.

25 So if you embed that disclosure at the very

1 bottom of a page such as 19, the vast majority of people
2 are never going to see it, because they are going to
3 exercise their choice to control the media and not scroll
4 through everything.

5 MS. KOLISH: Well, Phillip, hold that thought,
6 because maybe we'll show an example of that later. Next
7 is going to be Kevin.

8 MR. DUKE: Kevin Duke with America Online. Just
9 a few points on the discussion so far. I think it points
10 up the need to proceed with care and caution here. Even
11 though we've got ads up on the screen, we're all talking
12 about the same things.

13 You know, defining our terms is so important
14 here, and that's why I think it's a good idea, the
15 approach the Commission is taking. You know, I know when
16 I read the materials and they were talking about should
17 the disclosure be on the same screen, I took that to mean
18 the same page, and didn't realize they were talking about
19 the display. There is a difference there.

20 People have been throwing around the idea that,
21 you know, disclosures need to be made before the purchase
22 decision. You know, again, the way people click through
23 web pages and cruise the Internet, it's hard to say what
24 that before means.

25 And again, there's been discussion about other

1 media. I know a mail package comes to my house with a
2 catalog. There is information materials. There is an
3 order form. The advertiser there is not required to make
4 sure the order form is the last thing I see and, you
5 know, that it's stapled to the back or whatever. It's in
6 the envelope. All the information is there and is
7 available to the consumer.

8 And while I think it's important to recognize
9 and to take advantage of the flexibility of this medium,
10 we also need to approach in such a way as not to
11 discriminate against a media and impose rules here that
12 aren't imposed for other media.

13 MS. KOLISH: No, we agree. Our goal is not to
14 discrimination, but merely to see what the applicable
15 type of clear and conspicuous would be in this medium.
16 You know, what's the equivalent of saying, you don't have
17 fine print at the bottom of a written page. Is it buried
18 fine print if it's at the bottom of a web page.

19 And to go back to define terms just for a
20 minute, we use screen to mean what you're seeing on your
21 computer now, and that a page -- a web page -- could
22 consist of multiple screens. Is that how everybody else
23 is understanding it? Carla, you're looking puzzled?

24 MS. MICHELOTTI: Because I've never -- AOL, I've
25 never thought about a web page, because of the web page

1 variation. I can't tell you --

2 MS. KOLISH: Well, I know it's going to vary.

3 But that's how we were using it here for the purpose of

1 vulnerable. So having that in mind, we should apply it
2 very carefully.

3 MS. KOLISH: Okay. Renee, you were next, I
4 think.

5 MS. BARUCH: Renee Baruch, Bell Atlantic. We
6 have a concern as a newly soon to be deregulated
7 industry --

8 **(Laughter.)**

9 MS. BARUCH: -- that as such we are going to
10 have to make huge amounts of disclosures to consumers,
11 all of which will be mandated, all of which will be
12 required to be displayed with prominence and
13 conspicuously.

14 Accordingly, we're very concerned about any
15 standard which would require a display on a single
16 screen. We would like to be able to have as much
17 flexibility as possible to hyper link, to do anything
18 that is appropriate, to bring information to the
19 consumer.

20 I do think that there are other considerations
21 when designing hyper links and your pages that make
22 required disclosures more easily available to the
23 Internet consumer. Specifically, I think if you create a
24 page with huge amounts of graphics which require a great
25 deal of time to download, you will discourage consumers

1 from viewing your disclosure.

2 I think there are different considerations that
3 you have to take into account as we move into this new
4 media.

5 MS. KOLISH: And I think that's what we would
6 like to do. I think Jean Ann was next, then Bill and
7 then Elissa. And then Jeff.

8 MS. FOX: I think it was Katharina.

9 MS. KOLISH: Okay.

10 MS. KOPP: Katharina Kopp, Center for Media
11 Education. I just wanted to follow up with what Kevin
12 Duke was saying. I think actually that the Internet is a
13 different medium and that there should be different
14 standards that apply to the Internet.

15 Obviously on the Internet you can order directly
16 immediately, and that puts it in a different category. I
17 mean, it's different from television. It's different
18 from the print that you get in the mail. So I think we
19 need to take that into consideration and have stricter
20 standards here.

21 MS. KOLISH: Okay. There's a voice for a
22 stricter standard. Bill? What a nice lead in to Bill.

23 **(Laughter.)**

24 MR. MACLEOD: Thanks, Elaine.

25 MS. KOLISH: If I can anticipate what you might

1 say.

2 (Laughter.)

3 MR. MACLEOD: This is Bill MacLeod from Grocery
4 Manufacturers of America. We are mixing some standards
5 here as we're talking about them, and I think that can
6 get very dangerous, especially in the Internet context.
7 We are talking about design standards, and we're talking
8 about performance standards, almost as if they are the
9 same thing.

10 The ultimate performance standard, of course, is
11 that the advertisement or the message on the web site not
12 deceive. Clear and conspicuous is kind of a performance
13 standard, but it starts to mix elements of design.
14 Proximity is almost entirely a design standard. It is a
15 prophylactic that is designed to make sure that people
16 get information.

17 I have heard a number of suggestions here as to
18 why the standard -- or why the disclosure, ought to be
19 high in the screen or ought to be near the particular
20 representative to which it applies. And there are other
21 ads that you have coming up pretty soon which I think may
22 even be better under some Internet circumstances of
23 getting this information to consumers.

24 When we are talking about design standards on
25 the Internet, that is when we are at the most danger of

1 designing out of the Internet the effectiveness that this
2 medium can offer. And I think it will be useful to look

1 facts and the information about how -- where those
2 numbers came from and how they were created. But until I
3 find the numbers, again, the background is irrelevant.

4 Second, just -- I'm not sure what the
5 implication is, but adding a layer of complexity to the
6 discussion, we've so far been talking about the Internet
7 as a computer experience. And we believe that the
8 Internet is rapidly going to become not a one-on-one
9 consumer computer relationship, but a multi person
10 relationship via the television. And I think that adds a
11 layer of complexity.

12 And then finally, Phillip, I know what you mean
13 about storing data on your credit card and so forth. But
14 it would scare me -- scare the bejesus out of me, if
15 you'll excuse the expression, if I had no other
16 alternative than to click, because my hand so often
17 slips.

18 So again, I hope that we can keep thinking about
19 not only the consumer protected in terms of the offer,
20 but in terms of the whole transaction. What is the final
21 outcome of the consumer relationship to the purchase.

22 MS. KOLISH: Okay. Jeffrey is going to be next.
23 But I was just going to add, in terms of you mentioning
24 television, that when the Commission was first dealing
25 with television ads long ago in the 1970's, it actually

1 issued a policy statement on clear and conspicuous for
2 television ads.

3 And one of the requirements there, one of the
4 pieces of advice, is that no matter what the size of the
5 picture tube, the lettering of the disclosure has to be
6 in a size large enough to view it. So in a way, you
7 know, 20 or 30 years ago the Commission already dealt
8 with a new technology in advertising medium and said,
9 okay, advertisers, you've got to figure it out.

10 So keep that in mind as we're talking. You can
11 go on, Jeff.

12 MR. RICHARDS: Thank you. Jeff Richards,
13 Internet Alliance. You know, so far in our discussions
14 here, and this is an important dialogue, we're still
15 assuming -- we all have our old media hats on. It's so
16 hard to break through. Each of us here in this room is
17 not only a potential consumer or an actual consumer via
18 the Internet, we're also all potential advertisers
19 individually as well.

20 And we all know the explosion of advertising and
21 sales that are occurring between individuals. We all
22 know the impact on traditional and even classified
23 advertising that may occur. All kinds of issues are at
24 stake here. But our guiding principle here needs to be
25 simplicity such that each of us can be appropriate

1 advertisers as well as consumers, because that's what's
2 going to happen worldwide.

3 MS. KOLISH: Thank you. Ron?

4 MR. GOLDBRENNER: On behalf of the advertisers
5 who I represent, I think we have to keep in mind that the
6 advertiser is engaging in Internet advertising or selling
7 to accomplish a specific purpose. And I think it's fair
8 to say that we should preserve to the advertiser and/or
9 the seller the fundamental benefit of what he does
10 primarily.

11 So a lot of what I've heard, unfortunately,
12 seems to me to require disclosure over the advertiser's
13 desire to use this media properly. The most important
14 thing to people advertising on the Internet now, and it
15 is statistically supportable, is to get the visitor to
16 come to the site. The second most important thing is to
17 hold him at the site, to make him go through the site.

18 I think the Commission and everybody who
19 criticizes or comments upon what we must do on the
20 Internet has to keep that in mind. And you have to
21 measure what you finally do against that and say, am I
22 destroying those values. Am I going to destroy the
23 ability of the advertiser to capture and hold people by
24 the manner in which I require these disclosures, by the
25 size and all of the rest.

1 How can we accomplish a full and fair ad? A
2 full and fair ad is not one that immediately says don't
3 buy this product because, or be leery of buying this
4 product because. We all would agree that a fair context
5 is that the advertiser should be permitted to get his
6 message across to some degree initially.

7 And so, again, measure what you're going to do
8 against some kind of ability for the advertiser to do
9 that.

10 MS. KOLISH: Of course. I mean, we all agree
11 that the advertiser, you know, has the right and should
12 make advertising claims. In fact, if there is not claim,
13 there is no need for a disclosure.

14 **(Laughter.)**

15 MR. GOLDBRENNER: That's where we don't want to
16 wind up.

17 MS. KOLISH: Right. We're not talking about --

18 MR. GOLDBRENNER: And with respect to what you
19 said before the proximity of disclosures and print and
20 all of the rest, that's true. But we have a variety of
21 disclosures in print. Some of it appears in the bottom
22 in small type or on later pages, and that is permissible.

23 So again, you have to measure the requirement
24 for a particular disclosure. How important is it that it
25 be up front. Can it be later on. Can it be just before

1 the order. Why must it be right after the trigger. You
2 can do any of those things. You have to have a good
3 reason for them.

4 MS. KOLISH: That's right. We agree and that's
5 what we want to talk about. You know, do all disclosures
6 need to be in the same place. But remember that the
7 purpose here is so that your ad isn't misleading, which
8 would be bad for you as a business if consumers were
9 misled.

10 MR. GOLDBRENNER: Absolutely.

11 MS. KOLISH: I mean, Bill probably knows from
12 having represented jewelry people before that consumers
13 who bought a three quarter carat diamond and later had it
14 appraised and found out there was only 70 points and not
15 75 points, are real mad. So that's why if they don't see
16 the fact that oops, there is a range here. It's not
17 necessarily going to be -- guaranteed to be 75 points on
18 the dot, that's going to help ensure that you don't have
19 really angry consumers.

20 MR. GOLDBRENNER: We're all talking about
21 achieving the balance.

22 MS. KOLISH: Right.

23 MR. GOLDBRENNER: And all I'm asking is that --
24 I think the primary element of the balance ought to be
25 that first and foremost the advertiser be guaranteed a

1 shot at the consumer first and a shot at holding him.

2 MS. KOLISH: We agree. We have some other
3 people who had their hands up first. Dave Clauson, did
4 you still want to speak?

5 MR. CLAUSON: Just a quick comment on comparing
6 media. It's a very fuzzy arena. In considering design
7 of a web page or a screen, the first thing you have to
8 think about is that there is an information architecture
9 that we consider. There is a flow of information that
10 the consumer wants and goes through before they come to
11 even consideration of whether to purchase or not, and
12 that is critical.

13 And even though we mentioned that this is not
14 about art direction, when you talk about where disclosure
15 buttons need to be, that very much is our direction. So
16 I just want to be careful that we're not misleading
17 anybody here.

18 The second thing is that -- well, it is a new
19 medium and to take Katharina's point, you can buy -- you
20 can also buy on 800 numbers on a screen. The Home
21 Shopping Network is very adept at doing that. There are
22 many other mediums where immediacy of buying is very
23 real.

24 I think what is different here is that because
25 it is information based, the Internet actually is a

1 better opportunity to have more informed buyers. The
2 points that were just made a moment ago about where
3 information needs to be in disclosure is important. It

1 information about diamonds, something that the consumer
2 language -- is in the language of the consumer that they
3 understand, or if you click there you would have all of
4 the information about diamonds and then back to the page.

5 MS. KOLISH: Do you mean like information that
6 these are classic diamond earrings, their sparkling
7 design, round, six prong, you would have moved it up some
8 place in here?

9 MR. CLAUSON: Yeah. I would have -- what you
10 would want on the page -- and the point was made earlier
11 -- is that simplicity of information delivery is the key.
12 That on this page where we are talking about price and
13 those kinds of things, you're assuming that a transaction
14 is going to happen here. We find that that is usually
15 not the case.

16 The consumer will come to a page like this in
17 consideration mode. So what you would also want to have
18 on here is maybe a bar at the top that says more about
19 diamonds, how to evaluate a diamond, diamonds come from
20 different places and have different capabilities, so the
21 consumer has the ability to go back and drill down into
22 the information as he or she feels they need to.

23 So in terms of selling, again, this is providing
24 information. I wouldn't use the term disclosure. It's
25 empowering the consumer when they are at this point in

1 the consideration cycle to either drill down more, be
2 informed more, and then come back. And then if there is
3 a formal disclosure that needs to be there, that would
4 probably, you know, be a matter of debate about where
5 that needs to be.

6 But I think again, assuming that everybody
7 responds the same way to a page is a big mistake.

8 MS. KOLISH: Okay. I think Teresa was next.

9 MS. JENNINGS: I would also agree with David.
10 With your ad right here, it kind of builds on the point
11 that I wanted to make, that the consumers are going onto
12 the web sites -- I'm Teresa Jennings with the Direct
13 Selling Association, by the way.

14 The consumers are going on the web site not
15 necessarily just to buy something. They're going on
16 there to be entertained, to do research, to find out
17 information that they want to share with their friends,
18 and maybe they'll come back next time or the next time
19 after that. We have a responsibility to give them what
20 they want, or they won't come back.

21 And we want to hold them there, but we also want
22 to give them the appropriate information at the time that
23 they're ready for it, and not just pretend that it is a
24 newspaper ad where there is the picture, there is the
25 price, there is the information. It truly isn't like

1 that here.

2 And I think we need to use this medium in the
3 way to get the consumers the information that they want
4 at the time they want to have that activity
5 appropriately, but also, again, make it easy for them to
6 do research and to get the entertainment they want.

7 MS. KOLISH: Thank you, Teresa. We're going to
8 go to Elizabeth Wang, then to Phillip, then Carla, then
9 John, and then I would like --

10 **(Laughter.)**

11 MS. KOLISH: Remember your order. Try to keep
12 it short, because then we're going to move on to
13 scrolling after that. So we will have opportunity to
14 have more debate as we look at some different ads in
15 different contexts.

16 Okay. So Elizabeth -- no, you don't want to
17 talk? Oh, I'm sorry. Then Phillip?

18 MR. MCKEE: Okay. What I want to do is to go
19 back to Mr. Goldbrenner's point about allowing the
20 advertiser to make his or her point concerning the
21 product, to make the sales pitch prior to being forced to
22 make a disclaimer that might make the consumer leery of
23 purchasing.

24 If we use ad number 19 as an example, you look
25 at the top and you have the menu bar, which shows the

1 layout of the site structure essentially. The home page
2 for this single product web site is going to be where the
3 initial product pitch has been located. You're going to
4 have something similar to, say, ad number 16B, for
5 example, or any of the 16 series of ads.

6 You're going to have this home page. It's going
7 to give you a quick blurb about it. It's going to tell
8 you what has been happening. Then the consumer will look
9 at the menu bar and say, oh, let me see what other people
10 have purchased -- have experienced. Click on that and go
11 to this other page. They already know something about
12 the product. They've already read the initial sales
13 pitch. And now they've decided they want to go read some
14 testimonials.

15 At that point, having a disclosure prior to
16 reading the testimonials does not deprive the advertiser
17 of making their sales pitch. They have made the sales
18 pitch. There is nothing at all wrong with insisting that
19 prior to testimonials, they be told that these
20 testimonials may not represent what their experience is
21 going to be in this case.

22 And the same situation applies to anything else.
23 If you have links that take you deeper into the
24 information, the consumer knows where they're going.
25 They don't need to be not told the disclosure concerning

1 that information until well afterwards.

2 MS. KOLISH: Thank you, Phillip. Then Carla, I
3 think you're next, and then John.

4 MS. MICHELOTTI: Carla Michelotti with the
5 American Advertising Federation. I think that we --
6 someone down here was talking about how hard it is to
7 take off the hat of the old medium. We continually are
8 talking about geography here, folks, because we're
9 talking about the geography in a two dimensional world of
10 paper, or even the flat world of a television screen, and
11 in the digital world, where there isn't any paper, there
12 isn't any two dimensions.

13 We're into a cyber space world. It's like the

1 **(Laughter.)**

2 MALE SPEAKER: So it's a paid endorsement.

3 MS. MICHELOTTI: Yeah.

4 **(Laughter.)**

5 FEMALE SPEAKER: Paid by moi.

6 MALE SPEAKER: There's disclosure for you.

7 MS. MICHELOTTI: But the standard -- they were
8 talking about that DMA believes that a disclosure should
9 be easy to find, easy to read and easy to understand.
10 Easy to find, easy to read and easy to understand, with
11 just the value of the disclosure going to a value based
12 standard, going to the goal of consumer protection and
13 not the geography of where it appears on an individual
14 screen.

15 MS. KOLISH: Well, we think those are great
16 goals. And the question is, what does easy to find mean
17 to different people. And, you know, some people -- well,
18 I think we'll have disagreement about that.

19 MS. MICHELOTTI: You know what, I had one more
20 sentence which I forgot.

21 MS. KOLISH: I'm sorry.

22 MS. MICHELOTTI: Which you reminded me of,
23 Elaine. And it's also very premature to allow -- you
24 know, the technology is developing. The creativity --
25 the people -- I don't know how many people here have ever

1 developed a web page. I never developed a web page. The
2 creativity is spanning geometrically with the technology,
3 and it would be very hard to tie down specific rules,
4 regulations and guidelines that are going to become
5 outmoded or outdated very quickly.

6 MS. KOLISH: All right. Just remember, we're
7 not talking about prescribing specific things. If
8 anything, we're talking about types of questions that
9 might be asked, like we are doing today.

10 Anyway, I keep editorializing. John, you were
11 next?

12 MR. FRUEHE: John Fruehe from Dell Computer.
13 One of the dangers that we have here is that we're
14 evaluating web pages in a vacuum. I'm looking at one
15 page and I'm making a judgment about some type of
16 disclosure, but I don't know what's happened prior to
17 that.

18 We do a lot of research at Dell, and one of the
19 things we found that's typically is that someone comes
20 back to the site five or six times before they make the
21 purchase. The average visit is somewhere between eight
22 and 15 pages. So if you start to do the math on that,
23 people are looking at, you know, 50 to 75 web pages
24 before they make the decision to make the purchase.

25 And I think this is something that is extremely

1 important that we understand, and that we don't go down a
2 path of saying, we have to, you know, prescribe to these
3 particular specifications. Or we're going to take this
4 one path for the consumer and, you know, this is the path
5 that they have to follow in order to make the purchase,
6 but we have to be flexible in the way that the customers
7 want to buy.

8 We find that they come back. They comparison
9 shop. They go around and check out different
10 manufacturers. They probably do more research as the
11 price goes up. You're probably less likely to find
12 someone making an impulse buy on a thousand dollar pair
13 of earrings than on a book. I've got a one click buy
14 with an organization that sells books on the Internet. I
15 would never do one click buy with jewelry.

16 So we have to look at things in context of the
17 selling process also.

18 MS. KOLISH: That's a good point. Is that
19 research that you mentioned something that you could
20 submit for the record?

21 MR. FRUEHE: Pardon me?

22 MS. KOLISH: Is that research that you mentioned
23 something that you could submit for the record that we
24 could all look at?

25 MR. FRUEHE: Most of it would be confidential

1 Dell information, but we would be more than happy to
2 share what we can with you.

3 MS. KOLISH: Thank you. We would appreciate
4 that. Okay. Let's go to some -- Elissa, did you want
5 the last comment on this and then we'll move on. Because
6 I'm sure people's comments are going to be relevant to
7 lots of other ads, too.

8 **(Laughter.)**

9 MS. MYERS: Again, just tagging onto a couple of
10 things that were said. Just a reminder that in this new
11 media you're talking about -- when you're looking at the
12 Internet on television, you're talking about multiple
13 people in the audience potentially with only one driver.
14 Typically.

15 MS. KOLISH: Good point.

16 MS. FOX: Elaine, could I add one point?

17 MS. KOLISH: Sure. Jean Ann Fox.

18 MS. FOX: Jean Ann Fox, Consumer Federation of
19 America. As I recall your rules, an awful lot of the
20 information that you want to be sure consumers get is
21 cautionary. It is not the information they're
22 necessarily searching for. If they knew they needed to
23 be cautioned, you wouldn't have required the advertisers
24 to tell them.

25 So it's not as if you're looking for how big the

1 engine is the car you want to buy. It's that you need to
2 be told some cautionary word about the claim the
3 advertiser is making. So there is a tension here between
4 what they want to tell you and what you think they ought
5 to tell us.

6 I also think we need to bear in mind on the
7 question of how sophisticated consumers are, that as a
8 new medium is being launched that is supposed to appeal
9 to a mass market, we need to write the protection in
early rather than allow problems to develop and have

1 to a point more closely.

2 A lot of people have talked about scrolling and
3 how it is part of the Internet culture, and therefore
4 scrolling down to reach a disclosure should be
5 permissible. What we would like to do is explore what
6 circumstances where scrolling might be acceptable, and
7 ones where maybe it's less desirable, and see if we can
8 come up with some principles for distinguishing the two,
9 if possible.

10 So in ad three you'll see that here we are with
11 our three quarter carat diamond earrings. And if you
12 would scroll through this ad, please? Keep going. Keep
13 going. Oh, look. There's a disclosure at the end. Here
14 you have to scroll, as you can see, beyond a fair bit of
15 white space.

16 Are consumers likely to keep going when they hit
17 white blank space? And, you know, in general what
18 factors are going to affect whether a consumer will
19 continue to scroll. Now, some of you may think, oh, we
20 just made this up. But we saw this on our surfing of the
21 web, and so we thought well, it happens, so let's talk
22 about it.

23 People have comments there? John?

24 MR. FRUEHE: Yes. Contextually what you want to
25 do on a web page, is you want to have something that

1 breaks the visual plain. If you look at all the pages on
2 our site, we've got -- the left hand column is a dark
3 blue column that will break the plain. So if somebody
4 looks at the screen, they see that this column goes down
5 to the bottom and it does theoretically continue on.

6 Or having the text at the bottom on some of the
7 others that you had up, where it's actually at what we

1 because there is a scroll bar here that consumers would
2 know that they could keep scrolling. Is that really
3 reasonable to, you know, assume here?

4 MR. FRUEHE: I think that you probably couldn't
5 get to this site if you weren't familiar with the concept
6 of clicking on hyper text or the concept of scrolling.
7 It's probably fairly difficult to get this far into a
8 site on the Internet.

9 MS. KOLISH: Phillip and then Dave and then --

10 MR. MCKEE: One, I do think it is -- it is
11 fairly reasonable to assume they understand how to
12 scroll. As I said earlier, however, that has negative
13 consequences. They can see a scroll bar that's very
14 large and decide oh, there's nothing there.

15 They are also used to the concept that if you
16 scroll down just a little ways after you've gotten the
17 hint, as Mr. Fruehe has said, that there is something
18 else down there, that you've found something that has
19 broken the plain, be it a color bar or just the top of
20 the line of text, then you know that there is something
21 else down there.

22 If you begin to scroll down the page, and you
23 just get white space after white space after white space
24 -- something that I've seen on several sites is, all
25 you've got is a bunch of empty space until you get down

1 on the bottom. And oh, great. I really wanted to waste
2 my time scrolling down so I can read the copyright
3 information. That's exactly what I wanted to do with my
4 time today.

5 Some people after they see that white space will
6 assume it's lazy coding. Poor site design. Just a

1 MS. KOLISH: But you still down see it, because
2 I have disclosures.

3 MR. MCKEE: You don't see everything.

4 MS. KOLISH: Yeah.

5 MR. MCKEE: You don't see the disclosure, but
6 you see a little -- you would see something slightly
7 different. And we do have to take into account the
8 scrolling behaviors out there. But like I said, there
9 are negative consequences to scrolling.

10 MS. KOLISH: That's right. Well, the FTC
11 fashion jewelry is a one product retailer.

12 **(Laughter.)**

13 MR. MCKEE: All right.

14 MS. KOLISH: Dave, you're going to be next and
15 then Kevin.

16 MR. CLAUSON: Could I ask the people controlling
17 the screen on the left -- could you move it all the way
18 to the top, please, because I think this illustrates a
19 perfect point.

20 First of all, no disrespect to the people who
21 designed the screens, but you won't make it as an
22 information architect in our firm today.

23 **(Laughter.)**

24 MS. KOLISH: We'll keep our day jobs.

25 **(Laughter.)**

1

MR. CLAUSON: Can you take the screen on the

1 But in design here, this would be just a very
2 straightforward design. And on the left in particular,
3 and on the right, I would want you to buy right now. So
4 again, scrolling is a very nebulous science, and to
5 assume that people scroll the same way or for the same
6 reasons is a huge mistake.

7 MS. KOLISH: Thank you, David. We accept your
8 criticism about our design.

9 **(Laughter.)**

10 MS. KOLISH: All I can say in our own defense is
11 that we borrowed liberally from sites that we visited.

12 MR. CLAUSON: I would comment that I thought you
13 did a very good job in showing the breadth of creativity
14 on the web.

15 **(Laughter.)**

16 MS. KOLISH: Kevin?

17 MR. DUKE: Kevin Duke from America Online. Some
18 people have been talking about, you know, the reasonable
19 Internet consumer or reasonable consumer. There is sort
20 of one in between, and that's a reasonable computer user.
21 And anybody that has used a computer or, you know, typed
22 half a page in a word document, has seen a scroll bar.
23 And we've seen that the appearance of a scroll bar is a
24 good indication that there is more.

25 And again, there's been discussion about, you

1 know, do people really go and reset their defaults and
2 their browser or change their fonts. One thing people do
3 do is they use -- they work in different size windows,
4 and whether a scroll bar is even going to appear, depends
5 on how big their window is. Whether you have, you know,
6 expanded the window to take up the whole desk top, or if
7 you, you know, are using the Jargon Multi Tasking and
8 have two windows open, the windows are going to be much
9 smaller and you're probably going to have to scroll
10 through everything.

11 MS. KOLISH: Right. I know, Ron, you have a
12 comment. I want to put up this other ad, ad 12. You can
13 leave ad three up, if you want. Oh, no, just put ad 12
14 up. This is the Quick DDRIP ad. And you'll see if you
15 scroll down through this, I think as you would, because
16 you want to see more about it, you'll see on the right
17 hand side this endorsement from D. J. Blackhand, who is
18 just a great guy and has won lots of games.

19 Somebody had mentioned earlier that other stuff
20 -- well, John, you had. That if there is other
21 information on the page -- scroll back up and let's go
22 through it more slowly. If you're looking at stuff that
23 is of interest to you, and all of a sudden you're in the
24 middle of this endorsement, you might keep going if
25 you're interested. If you stop before you read very much

1 of it, who cares. You don't have to know he's a paid
2 endorsement.

3 But you're likely to get through the whole
4 thing. Is this the difference -- an importance
5 difference between this and ad three, the jewelry ad,
6 where there is tons of white space?

7 MR. FRUEHE: Absolutely. Yes.

8 MS. KOLISH: Okay, good. Let's just put up ads
9 19 versus 21 now. And this is, again, the Quick DDRIP ad
10 with the pages of endorsement. As you saw from ad 12,
11 that was the home page where there is a menu. You can go
12 -- you can click to see what satisfied customers have to
13 say about Quick DDRIP.

14 And we have in ad 19 that the disclosure is at
15 the top. You've seen this one before. And on ad 21,
16 just scroll, scroll, scroll. Keep going. Keep going.
17 Keep going. You see there is a disclosure at the end.

18 And some people -- I think Phillip mentioned how
19 if you had clicked into this page because you had said
20 oh, I want to see what satisfied customers have to say,
21 maybe you would notice this. But does everyone agree
22 that at the top of the page, you know, it's good enough
23 here?

24 I see a lot of heads being shaken yes. Okay.
25 So we'll not talk about that. But -- no, you're not

1 agreeing, Bob?

2 MR. GOLDBERG: No, I was agreeing.

3 MS. KOLISH: Oh, you are agreeing.

4 MR. GOLDBERG: Absolutely.

5 MS. KOLISH: Okay. Great. What about in ad 21,
6 where you have to go to the bottom. Other people have
7 said well, you know, at the top I'm not really ready for
8 that information. I'm not interested enough yet. It's
9 only going to be relevant to me later on in the process.

10 Is this good enough where consumers have to
11 scroll down, in this instance seven screens of
12 information, the equivalent of four written pages? I
13 don't know whether you guys read these endorsements, but
14 they're hysterical, I think. So maybe you would read all
15 four pages of them, but maybe you wouldn't.

16 Is it good enough when it's at the end under
17 these circumstances? All right. We'll let Ron, and then
18 Elissa and then Phillip.

19 MR. GOLDBRENNER: There is a very old joke,
20 older than my --

21 MS. KOLISH: Okay. Identify yourself first.

22 MR. GOLDBRENNER: This is Ron Goldbrenner and
23 I'm with the Promotion Marketing Association. There is a
24 very old joke about a boy scout who helps an old lady
25 across the street, and she's beating him with the

1 umbrella all the way. But there's traffic and he
2 perseveres and gets her to the other side. And he says,
3 you know, I was just trying to help you. Why are you
4 beating me with your umbrella? I was just trying to help
5 you get across the street. And she said, because I don't
6 want to go across the street.

7 So we have to keep in mind the consumers'
8 preferences -- the consumers' choices. We're talking
9 about a spectrum of making information available. Do we
10 just make it available somewhere. Do we make it
11 available at the right place, at the trigger point of the
12 order point. Do we make it unavoidable so that he

1 end of commercials on television, or at the end of a
2 radio commercial.

3 So it's not such an easy decision to say that
4 just because it's at the bottom of a page it's wrong.
5 And I'm not making a judgment on this particular ad. But
6 again, I think when the Commission decides how to do
7 this, you have to keep that spectrum of availability.
8 Really it's a spectrum of information delivery. How
9 important is this piece of information to be delivered,
10 because that's going to determine whether it can go on
11 the bottom, or right next to, or on the top.

12 MS. KOLISH: Okay. We're not trying to make a
13 judgment about the bottom of an ad in all circumstances.
14 We're trying to say, if this is something that consumers
15 might typically encounter, does this work here, and to
16 get people's reactions to that.

17 Elissa, I think you were next.

18 MS. MYERS: This doesn't work for me, because it
19 is not readily noticeable, legible or audible and

1 this to be lost in the discussion -- that another
2 requirement that we make of our members, we require them
3 to agree to respond to complaints, inquiries or refund
4 requests promptly and courteously. So no matter how
5 smart and prominent, if the consumer makes an error, it's
6 the whole transaction that is at issue. What is the
7 consumer experience in its totality.

8 MS. KOLISH: Elissa, you said that you didn't
9 think that this was, you know, very noticeable. Is it
10 because it's of the type -- if it were this same blue
11 type appearing at the bottom, would you feel differently?

12 MS. MYERS: I actually don't think either one of
13 these would prompt the average consumer to stop and read.
14 I don't think it's the type. I don't think it's the
15 placement. I think it's the graphic treatment. I think
16 it's the architecture of the way the message is conveyed,
17 to quote -- not to speak for in this instance, but to
18 quote from what David said.

19 MS. KOLISH: Well, I think that's a good point.
20 I mean, I've commented as we've been looking at these
21 ads, that below the disclosure this, you know, AWESOME in
22 capital letters and all those exclamation points always
23 grabs my eye first and I always go to that. So I always
24 had questions about whether people would notice that
25 language, even in blue.

1 But putting that aside for a moment, I'll let
2 other people comment. I think Phillip, Dan and then
3 Jerry.

4 MR. MCKEE: Thank you very much. Phillip McKee
5 from the National Consumers League. Ms. Myers, thank you
6 for being very concise in stating why ad number 21 is
7 bad. It's very difficult to read. You do have to scroll
8 down. And I agree, of the two number 19 is the better
9 one. Both of them, however, desperately need jazzing up.
10 They need something that grabs the consumer's attention.

11 In the case of ad number 19, the endorsement
12 directly below it does grab your attention to a greater
13 degree, but it is also a matter of context. The specific
14 reason why ad 21, though, is difficult is the format of
15 the page. A specific reason is simply that if you have
16 to scroll down that many sections, you're unlikely to do
17 it.

18 If you're actually reading every last one of
19 these endorsements of this huge list of testimonials, and
20 you're believing every last one of them, you're going to
21 get to the bottom of the page. And at that point it may
22 not even be material to your decision. It truthfully may
23 not. You've gotten incredibly excited at this point.
24 Now you've got this thing. It's in slightly smaller
25 type. It's a little bit -- it's less difficult to read.

1 Oh. Let me just go back up here. I want to get
2 back to this one that said Awesome. I want to reread
3 this section. The first one grabs your attention at
4 least a little bit. It comes in at a point where you
5 have the ability to make a decision. You know before you
6 got to this page, like I said before, it's going to be
7 testimonials. So you don't need to wait until after the
8 testimonials to find out that this testimonials may not
9 apply to your experience.

10 MS. KOLISH: Okay. So, all right, we take your
11 criticism. We have to make it jazzier. All right. Then
12 Dan?

13 MR. JAFFE: Dan Jaffe, Association of National
14 Advertisers. I think we get back to something that Bill
15 MacLeod said earlier, which was we are again going back
16 into a design approach. It's one thing to say that this
17 would be a nicer way to make something even more clearer
18 and conspicuous, and jumping from that to saying that's
19 how you have to do it.

20 As I have understood how the FTC has been doing
21 its business in all media, it's not to say there is only
22 one way to do this, but you have to have a reasonable
23 consumer. And there's been some discussion that we
24 should now have the most vulnerable consumer become the
25 test for the reasonable consumer. And I hope we're not

1 going to suddenly change that, because that would be a
2 major backtracking for the FTC. We went through those
3 battles, as I'm sure some of you remember.

4 MS. KOLISH: That was expressed by somebody
5 else.

6 MR. JAFFE: That's right. I understand. I'm
7 just saying that there have been some suggestions to move
8 from the reasonable consumer to the most vulnerable
9 consumer. And I think that would not be a good idea.

10 But also I think that all of these examples
11 actually understate the problem, because you can have --
12 you're having a single trigger term and a single product.
13 And it's not at all clear that that's how it would have
14 to be. You could have a pearl, a diamond and a third
15 type of jewel on there, all of them having a trigger term
16 involved with them.

17 If you're going to demand that they all have it
18 on the top, you're suddenly going to have three
19 disclosures on the top. Now, the question is, are some
20 of those disclosures going to get lost, or is the
21 consumer going to say, no, I'm not going to look at that

1 think it's useful to talk about some of the kinds of
2 things that you would think about. I think we're then
3 drifting to say, well, you had better jazz it up, because
4 if you don't jazz it up, it's not clear and conspicuous.
5 And I'm not sure that that -- at least we would not
6 believe that that is necessarily accurate.

72 -2 I think we could find some that I would at least

1 MS. KOLISH: -- or a disclosure of the fake --

2 MR. JAFFE: Imitation pearl.

1 multiple trigger terms and they all had to be on the top,
2 you would be in a very different situation.

3 MS. KOLISH: Right. We understand that.

4 MR. JAFFE: So you may be led into a simple

1 proprietary information, as to exactly how the average
2 consumer works. And that's not so surprising, as we've
3 only been selling on the net for what, four years?

4 MS. KOLISH: Exactly. Thank you. Jerry?

5 MR. CERASALE: Jerry Cerasale of the DMA. I
6 wanted to -- Dan took some of the points I was going to
7 make, one being that I think his idea of taking a look at
8 multiple triggers on the same page I was going to raise.

1 elsewhere on it because of time.

2 So I think that sitting right now, trying to
3 look and think about how you want to dictate copy and
4 where it's going to go and dictate design, we're way too
5 soon and the consumer is going to find -- is going to
6 react exactly in the opposite that you want the consumer
7 to react potentially.

8 MS. KOLISH: Thank you. Jeff, you're next.

9 MR. RICHARDS: Jeff Richards, Internet Alliance.
10 I just want to quickly echo this, because it is so
11 important. The first time I used a scroll bar was on a
12 Macintosh in 1984. It was not in the Internet
13 convention. I mean, a scroll bar -- all the navigation
14 tools we're seeing up here and that we're talking about
15 as if they are here forever, in fact are a product of the
16 moment.

17 Scroll bars have been around for a long time,
18 because they work pretty well for a whole lot of people
19 in a lot of computing environments. But there are lots
20 and lots of things on the horizon to replace navigation
21 tools like scroll bars.

22 So I think this is really valuable to have the

1 MS. KOLISH: And that's a good point. I mean,
2 one of the issues that we talked about among ourselves
3 was the fact that on different platforms, such as web TV,
4 you won't have a scroll bar and you might use Tab. And

1 advertiser's and in the consumer's best interest.

2 MS. KOLISH: Right. Bob and then Elizabeth.

3 MR. GOLDBERG: Bob Goldberg with the Business
4 Technology Association. I'm concerned when I hear that
5 if you're using multiple triggers, it might be an
6 opportunity to delay or diminish the disclosures that are
7 necessary. I would hate to get on a ride at an amusement
8 park, which says if you're pregnant or have a heart
9 condition you shouldn't ride, and then get to the end and
10 find out four other conditions that you shouldn't have

1 And I think the colleagues on either side of me
2 are about to hit me.

3 **(Laughter.)**

4 MS. KOLISH: Thank you, Bob. Well, I think
5 we're going to --

6 MR. GOLDBERG: But not in a room full of
7 lawyers.

8 MS. KOLISH: Oh.

9 **(Laughter.)**

10 MS. KOLISH: Elizabeth, you're next. And she
11 needs a microphone so she can speak into it and identify
12 herself.

13 MS. WANG: Elizabeth Wang from DoubleClick.
14 Expanding on a few of the comments that have been raised
15 so far, one thing that is clear is that in the two case
16 studies we're looking at, it's very straightforward in
17 that you see the product. You get the pitch. You can
18 buy it right away.

19 Standing back a moment looking at the entire
20 context of how web -- how the web has helped marketers
21 market, the fact is that there is more than one source of
22 information. So one thing that in, say, the Dell context
23 that Mark raised, in this case it may be that -- well,
24 this is actually perhaps not the perfect case. But you
25 could have a toll free number and we can call up and find

1 out for your particular computer configuration what the
2 speed might be. And so it's not really just relitigated
3 to the hyper links or the scrolling and all that.

4 And also, in a much bigger situation where you
5 couldn't click and buy online, at least not easily, is in
6 the car situation where you are getting a lot of
7 information from a lot of difference sources, not just
8 what is on the web. You also probably have brochures,
9 and you talk to friends and all that.

10 So I think that in terms of what the disclosure
11 is in getting information to the consumer, it's not a
12 uni-dimensional experience for any consumer, even the
13 most vulnerable. I think people really do look to people
14 they know and all that. And so in terms of getting the
FfrylDet disclosure up front, I think we should make it -- we

1 disclosure on the top is any better than the disclosure
2 on the bottom, or how much better it is if it is better.

3 And the question in the end is going to be, what
4 did consumers think after they went away from this web
5 site. If the FTC is going to haul some advertiser into
6 court, the question is not likely to be, was this a
7 conspicuous disclosure. The question is going to be, did
8 consumers take away the proposition that their
9 experiences may vary.

10 And I would be very surprised, no matter how
11 much your eyes are attracted to the word awesome in the
12 first one, that you will ever have any advertiser in
13 front of a judge with that disclosure on top of the
14 awesomeness. Would you be a little more intrigued, and
15 would we have a little more of a fight, if we had
16 disclosure number two there? Maybe so.

17 But I don't know what people are going to take
18 away from reading these endorsements themselves. They
19 might find after reading the first three that none of
20 these apply to me. They may scroll to the bottom, and
21 they may not scroll to the bottom. But they may have
22 taken away the very message that that disclosure is
23 intended to impart.

24 So it is very hard sitting here, without the
25 benefit of the research that you mentioned, really to

1 give a clear answer to whether number 21 does the job.

2 MS. KOLISH: Now, that's a good point, and of
3 course copy tests are always valuable. But in our
4 experience we find that advertisers would like some clues
5 or suggestions about what things are likely to enhance
6 the effectiveness of a disclosure, because they don't
7 always want to do copy tests. They like to have a little
8 bit of knowledge that these things have a better chance
9 of working than other things. Otherwise, you do have to
10 go to a copy test.

11 And of course, if an advertiser wants to copy
12 test their ads all the time, we think that's great and we
13 would encourage that. But we doubt that's what they
14 always want to do.

15 Phillip?

16 MR. MCKEE: Once again, something that keeps
17 coming up and that many people have brought up, we're
18 dealing with a different situation here. We're not -- we
19 do not have a simple printed page, so top and bottom can
20 sometimes be confusing. And in regards to the particular
21 ad number 19 and those that are similar to it, it becomes
22 very confusing.

23 Mr. Goldberg brought up a very good point. It's
24 the trigger word that really makes a difference. If the
25 disclosure is nowhere near the trigger word but very

1 prominently displayed, it's not going to modify the
2 trigger word. People aren't going to understand, for
3 example, if they see a disclosure and they haven't yet
4 gotten to something that explains why.

5 In the case of number 19, one of the reasons why
6 the disclosure at the very top of the page works better
7 than the disclosure at the bottom is the trigger for the
8 disclosure was when they clicked on what customers say.
9 So the instant after they had clicked on the desire to
10 read an endorsement, they are given the disclosure
11 concerning endorsements.

12 That's why in regards to this particular page,
13 the disclosure at that absolute top most part is
14 important. If there is a very long page of legalese, for
15 example, such as an acceptance agreement which many of us
16 are familiar with from installing software, and you need
17 to make some kind of explanation of a term that appears
18 in the last paragraph, placing it at the first page of a
19 31 page document is not necessarily going to be the best
20 place for someone not trained to be looking for these
21 items.

22 So it does need to be near the trigger word, and
23 that does need to be taken into account, and it's not
24 simply a matter of saying top, bottom, middle. Where is
25 the trigger word? What is the context and how is the

1 consumer going to be navigating?

2 MS. KOLISH: And when you mean trigger here,
3 you're talking about the claim that requires that a
4 disclosure be made?

5 MR. MCKEE: Yes. And in this case it's not just
6 the claim, but the fact that you're moving to the claim.

1 that I might close this section with a couple of remarks.
2 First of all, I myself have found this a very informative
3 and helpful discussion.

4 And just to go back to what we on the staff were
5 trying to achieve here, I think most of you know that for
6 the most part the Commission has already applied the law
7 to Internet in its law enforcement effort. We brought a
8 number of cases. They have not raised questions or
9 issues about whether there is a significant difference
10 between the new technology and the way the laws have been
11 applied.

12 In these particular areas in rules and guides,
13 and especially where there is a clear and conspicuous
14 disclosure requirement where it says written or some
15 other kind of application, those to us were perhaps once
16 where it did raise issues.

17 So we were not talking about revising the law.
18 And I want to make that point, because we're not talking
19 about revising the definition of the reasonable consumer.
20 That's not before us at all. Nor are we talking about
21 changing the basic direction of law enforcement that the
22 Commission has taken over the years and its flexible
23 approach.

24 But we are trying to learn together whether in
25 these particular -- and they're fairly narrow instances

1 in the greater sense of things. Whether we can inform
2 each other so that the Commission and the staff
3 particularly will be better able to continue, I think,
4 the Commission's longstanding ability to understand that

1 Okay. You get to have a break now.

2 MS. KOLISH: The voice of wisdom. Yes. Please
3 come back at 10:45.

4 **(Whereupon, a brief recess was taken.)**

5 MS. KOLISH: Okay. While you're still taking
6 your seats, let me just say that the downstairs room
7 reports they can hear well, but that they would like it

1 of course, we're not doing this in isolation when we
2 would actually investigate an ad that we would consider
3 lots of factors. But I think it may be possible to say
4 well, gee, I think people can pretty much agree that this
5 is less good than something else. Maybe not. But if
6 possible, I would like to get some kind of specific
7 comments out on those points.

8 So let's go to hyper links. We're going to be
9 looking at ad four. But the reason we want to talk about
10 hyper links is because you all want to talk about hyper
11 links and what a great way it can be used to present
12 information in a positive way. And we think that there
13 is lots to discuss about that.

14 So we have prepared some ads using hyper links
15 that we think will provoke some discussion about whether
16 they can be an effective tool, and if so, under what
17 circumstances. So let me put a few questions out on the
18 table to sort of frame the rest of the discussion. You
19 don't have to answer each of these, but just sort of keep
20 them in mind.

21 And one question is, are disclosures that appear
22 on another that is the link to page close enough to the
23 claim to be effective and qualifying it to make certain
24 that the net impression changes appropriately? And
25 another question is, what factors affect whether

1 consumers will actually click on a hyper link? There may
2 be lots of different issues to explore there.

3 So let's start with ad number four, which is,
4 again, an ad for the three quarter carat diamond
5 earrings. And in this instance you'll notice that three
6 quarter carat is underlined and represents a hyper link.

7 And sort of a preliminary opening question I
8 have for you all is, is a hyper link through a simple
9 underlined word something that most consumers know to
10 click on, and if so, would this hyper link technique be
11 sufficient to put consumers on notice that important
12 information that qualifies the claim is on the link to
13 page? Or could it reasonably be construed as general
14 information that an advertiser wants to provide about --
15 as Dave said -- what diamonds are, and what mine they
16 came from? Something that could be interesting, but not
17 important.

18 Does anybody want to start with some views? A
19 whole bunch of people. No, one. Jean Ann and then
20 Phillip and then Jeffrey and then Don.

21 MS. FOX: Jean Ann Fox, Consumer Federation of
22 America. I'm here representing all the unsophisticated
23 Internet browsers in the world. And I will tell you,
24 that when I looked at this ad, I didn't even know that
25 was a hyper link. It wasn't obvious to me. And I don't

1 think that having the key disclosure on a separate page
2 is sufficient notice to customers. And there is no
3 incentive there for a consumer to go to the link, even if
they recognize that an underlined blue word meant there

1 not lead to a disclosure concerning that individual or
2 company. The link leads to that individual's or
3 company's web site.

4 I have to admit that the first time I saw this
5 ad, I saw a link there --

6 MS. KOLISH: Which ad?

7 MR. MCKEE: On number 13. I actually thought
8 that the link was going to lead not to a disclosure
9 statement, but to something concerning D. J. Blackhand.
10 I didn't know whether that was a company that D. J.
11 Blackhand runs, whether it's his personal home page, or
12 whether it's further additional information concerning
13 his endorsement. Is it a longer endorsement? Is it the
14 full text of his letter? It may even be a link over to
15 the wrath of Thor. It's not necessary -- it doesn't
16 necessarily state that because he's got a link there that
17 it's a disclaimer.

18 If you're going to use that kind of method,
19 there has to be something that definitively states to the
20 consumer that this link leads to a disclaimer. And if
21 you're going to have this additional information sitting
22 right there saying this link leads to a disclaimer, you
23 might as well have the disclaimer right there the way
24 it's done in ad number --

25 MS. KOLISH: Phillip, I think you're preceding

1 our script here.

2 MR. MCKEE: The way it's done on ad number 12.

3 MS. KOLISH: Okay. We'll take some other
4 comments. We can take down -- shall we take down -- oh,
5 leave 13 up for a minute, although we actually were going

1 remembering today. But the whole idea is that we can be
2 linked worldwide to each other and to information and
3 make use of this.

4 And what we've seen in the consumer explosion on
5 the Internet is exactly that. It's everyone's use and
6 excitement about that. So I just wanted to frame -- just
7 remind us for a moment here that we're talking about that
8 which differentiates this medium from the paper I'm
9 holding in my hand. And as we talk about hyper links,
10 let's see that as a fundamental part of the architecture.
11 Thanks.

12 MS. KOLISH: Good point. John?

13 MR. FRUEHE: This --

14 MS. KOLISH: Say who you are.

15 MR. FRUEHE: John Fruehe, Dell Computer. This
16 particular example is very clear in what it's trying to
17 indicate, which is that there is more information about
18 three quarter carat diamond earrings behind that. Now,
19 what I would assume a general consumer looking at that --
20 if the word diamond were the one that was hyper linked as
21 opposed to the three quarter carat, it generally would
22 indicate that here is some information about diamonds.

23 The fact that three quarters carat is
24 highlighted, or even if you just had just the word carat,
25 these would all be ways to help identify that there is

1 something very particular about that piece of the
2 information. Again, if earrings were the one that was
3 hyper linked, you wouldn't necessarily assume that you
4 were going to find some information about the weight of
5 the diamonds.

6 But because that particular one -- and as
7 Phillip pointed out, looking at the name of a person
8 there is already an indication that is building in
9 consumers' minds that this is information about the
10 person or a mail to for that person. So what you're
11 seeing is, you're actually categorizing it and
12 highlighting one particular piece of information that
13 you're telling the consumer there is more behind this.
14 This is an area to go look.

15 And another point about hyper links is that the
16 most important piece is consistency. So throughout the
17 site, one of the most helpful things you can do for
18 consumers is to be consistent with your links, always
19 using the same types of visual indicators, such as a blue
20 underline or in our case, a small yellow arrow that we
21 use to indicate a hyper link.

22 These are things that when we test with
23 consumers, it becomes very easy for them to identify and
24 say, yes, this is clickable. That is not. And quite
25 often we'll have a page. We'll give them a piece of

1 paper that is not a web site, and we'll ask them to
2 circle the things that are clickable on the page. So
3 from a hyper link standpoint, if you are consistent,
4 consumers generally would pick out all of the things that
5 are clickable on the page.

6 MS. KOLISH: Well, John, let me ask you this.
7 You said because the three quarter carats is underlined
8 rather than diamonds or earrings that, you know, it's
9 more likely to draw attention. But what if consumers
10 would think, oh, that's going to tell me there is a
11 hundred points in a carat or, you know, it's a fifth of a
12 gram, blah, blah, blah. I already know that. You know,
13 I already know what a carat is.

1 ranges to another place. But the question is, they have
2 to do it so that it's, you know, clear and conspicuous.

3 And we're saying this is hyper linked as clear
4 and as conspicuous as having it on the same page or not.
5 But I take your point, and we will take on some other
6 questions and then we'll move to some other ads where we
7 can explore different types of links.

8 Eric is next.

9 MR. WENGER: Hi. Eric Wenger from the New York
10 Attorney General's Office. And I'm sure that this is

1 -- or does this disclaimer appear in a way that is clear
2 and conspicuous. And I don't think that it does.

3 If you read the guide, it specifically requires
4 that the language weights may vary must be within the
5 bounds of the ad itself, and then there can be a
6 reference to the actual ranges. And I think that that
7 seems to be an appropriate use of a hyper link, if there
8 was some sort of disclaimer that said that weights may
9 vary. Click here for more -- and we see this in later
10 examples, so I don't want to jump ahead.

11 And let's assume, again, that there is no guide
12 on point. Then you have a question about whether or not
13 a hyper link can be a clear and conspicuous disclosure
14 under section five itself. And I think in this case it
4peumet thead;n fwct

1 information that needs to be disclaimed is rather short,
2 then as Phillip pointed out, maybe there is no real need
3 for a hyper link. And in that case, the only purpose
4 that a hyper link can serve is to make the disclaimer
5 less prominent and more avoidable. And if you look at
6 those standards that the Commission has laid out as being
7 factors that it would analyze in determining whether or
8 not a claim is clear and conspicuous, that might lead you
9 to determine that a particular disclaimer is not clear
10 and conspicuous.

11 MS. KOLISH: Thank you, Eric. Renee, you're
12 next.

13 MS. BARUCH: I think the thing that we're all
14 speaking of here is the concept of accurate labelling of
15 hyper links. If you have an accurate label for the hyper
16 link, then that should suffice to advise consumers of
17 what they might find.

18 For example, in -- I guess it's ad four where
19 the three quarter is the hyper link. If instead of
20 underlining three quarter, you had under it a small
21 button that said "about our weights," or something like
22 that, that would be a much more accurate label for this
23 particular hyper link.

24 There is another issue as well, and that is the
25 issue of a mandated hyper link. If you really, really

1 want to have a safe harbor and want to be assured that
2 your consumer has seen the information there, you could
3 actually create an unavoidable hyper link that the
4 consumer would have to go to.

5 I don't think that that's what most people would
6 want to do, but nevertheless it's there as an option.

7 MS. KOLISH: Okay. Wendy, and then we'll move
8 to show some other examples.

9 MS. SCHMIDT: I wanted to respond to the --

10 MS. KOLISH: Oh, state your name.

11 MS. SCHMIDT: Oh, I'm sorry. Wendy Schmidt from
12 Federated Department Stores. I wanted to respond to the
13 point that links might be used to obscure or sort of hide

1 way to give the disclosure.

2 And if you think about print media when you're
3 doing the jewelry guides, oftentimes you would have an
4 asterisks. And the customer can always decide whether
5 they're going to look further down the page to find the
6 disclaimer that carat weights may vary, and two, whether
7 they are actually going to look at the chart. We can't
8 necessarily control what a consumer does, and I think we
9 need to make sure we're maintaining comparability between
10 the print.

11 MS. KOLISH: Thank you, Wendy. Let's pull up
12 ads five, six and seven. Here we have the same jewelry
13 ad, the three quarter carat diamond earrings, but we have
14 three different ways of presenting the hyper link. This
15 one I think says jewelry disclaimer, and this one says
16 click here for more details on the jewelry you are
17 purchasing -- and that's in ad six. And ad seven says,
18 diamond weights are not exact. Click here for weight
19 ranges.

20 And Renee raised the point that accurate
21 labelling of a link might make a difference and came up
22 with her own example. And, you know, here are three
23 examples of different kinds of labelling of a link.

24 Does anyone have any views? Are these more
25 effective than ad four, which just had three quarter

1 carat underlined, to put people on notice? Do any of
2 these links -- do they vary in their effectiveness? What
3 do people think the word disclaimer means? Is it just
4 legalese? Does click here for more details mean oh, it's
5 information about sales tax and delivery, blah, blah,
6 blah?

7 So, you know, here are some questions I'll put
8 out. And we already have hands up. Jo, Eric and then
9 Phillip.

10 MS. REED: Jo Reed, AARP, with allergies. You
11 actually raised the question earlier what people might
12 interpret from the hyper link in terms of whether it was
13 just going to be general information about jewelry or
14 actually a disclosure about something they needed to know
15 in terms of the claim being made.

16 And I think that being in Jean Ann's
17 constituency of unsophisticated types, I would definitely
18 require that diamond weights are not exact in number
19 seven line of disclosure. I want to go there to learn
20 more about it.

21 And that goes back to my earlier comment about
22 vulnerability. I was not suggesting that FTC's approach
23 to the reasonable consumer was wrong, but rather that in
24 looking at who a reasonable consumer is, we have to
25 recognize that there are people new to cyber space. And

1 they can be quite reasonable, but need more information
2 in order to be well protected.

1 weights may vary disclaimer. And if that rule did not
2 exist, then you have a question about whether or not the
3 claim about weights may vary would be important enough to
4 be required to be made in the hyper link itself.

5 But when you look at six and seven, I think it
6 highlights something that I raised before. I didn't mean
7 to suggest that hyper links are necessarily bad. But
8 they can be used in ways that either convey information
9 to consumers, or make information more avoidable and less
10 prominent for consumers.

11 And it's approximately the same number of words
12 in six and seven, and if you're going to say that six is
13 okay and it's not overly burdensome from a design
14 perspective -- and I'm not trying to dictate what is a
15 good design. If as an ad designer you think that that's
16 not overly burdensome, then I don't see what is -- what
17 makes it harder for you to do seven than six, because it
18 actually conveys the information that would be required
19 under the jewelry guides.

20 In addition, assuming that the jewelry guides
21 did not exist, it probably conveys the most important
22 disclaimer -- sorry. Important information that the
23 consumer needs to know about what they're going to be
24 clicking to.

25 MS. KOLISH: Thank you, Eric. Dave, you wanted

1 to comment?

2 MR. CLAUSON: Yes.

3 MS. KOLISH: And then we'll do Mark, and then
4 we'll do Carla.

5 MR. CLAUSON: Dave Clauson.

6 MS. KOLISH: Oh, I thought you had already --

7 MR. MCKEE: You have gotten out of order.

8 MR. CLAUSON: Sorry.

9 MS. KOLISH: I'm sorry. I lost my place. Well,
10 Dave is talking and then we'll go to you, okay? And then
11 we'll go to Mark, and then we'll go to Carla. And then
12 who else has their hand raised? Kevin.

13 MR. CLAUSON: Dave Clauson. Just to comment on
14 a couple of questions that were raised. First of all on
15 this issue of experience, it's okay to be a novice.
16 Everybody has a first time on the web.

17 **(Laughter.)**

18 MR. CLAUSON: So you can all lower the anxiety
19 about your first time. It's okay. I don't think you
20 will ever use the Internet without being able to master
21 the point and click metaphor. It is the way the basic
22 navigation functions. You will never get past the home
23 page of your browser unless you can move a mouse and
24 click a button. It just doesn't work without that. So
25 to assume that people would not be capable of doing that

1 I think is a mistake.

2 Secondly, just a quick point on some of the
3 technologies. I could have very easily used ad four, and
4 with the basic browser technology of rollover made any
5 statement on five, six or seven in a rollover on the
6 hyper link on ad number four.

7 MS. KOLISH: What do you mean. I don't get
8 that.

9 MR. CLAUSON: If we go back to ad number four,
10 please, but leave six and seven up, please? If you would
11 move the arrow curser over the three quarter carat just
12 for a moment? In many browsers, do you see the way the
13 arrow changed to a hand? In rollover technology that
14 could very easily be a text bubble containing the text in
15 six and seven.

16 So in other words, a simple hyper link on ad
17 number four could very easily, if it's designed properly,
18 contain the information in six and seven. Without
19 necessarily having the full disclosure on the page, it
20 can very clearly signal what that hyper link is about if
21 it is designed carefully.

22 So, again, design does matter here and
23 experience in information architecture matters and use of
24 technology matters. You can't leave these things as
25 separate issues. They have to be considered as a

1 collective whole. And in general information
2 architecture, the simplest, most effective way of
3 conveying the basic information is always best.

4 So in terms of these three, if I would simply
5 use the rollover technology of most browsers today -- you
6 cannot buy a personal computer with an Internet browser
7 without rollover capability -- that you would have that
8 -- I would have designed that hyper link in that way.

9 So a couple of questions. One, where is the

1 So again, this is an inexact science and it has
2 to be considered from all those dimensions.

3 MS. DEMARTINO: Can I just jump in for a second.
4 The rollover technique that you're talking about is
5 unique and it sounds great, except would there be any
6 concern of a consumer missing that information, because
7 in the scenario you're presenting a consumer would have
8 to roll their mouse over the three quarter carat claim.

9 You know, are there concerns that a consumer
10 might not roll their mouse over that? I mean, they see
11 it as a link and they might continue scrolling down the
12 page or click some place else. And then I guess there is
13 a twofold of will the information stay up on the screen
14 long enough once you've put your mouse there for a
15 consumer to read it.

16 MR. CLAUSON: I'll break both of those questions
17 down.

18 MS. DEMARTINO: Thanks.

19 MR. CLAUSON: And those were good questions. We
20 wrestle those issues every day. The first point is that
21 you just brought up the issue that no two consumers
22 operate the same way, okay. And the fact that -- again,
23 this is what I was trying to get at in terms of my
24 decision cycle. My decision cycle on when to buy this
25 product may be very different than yours.

1 In fact, in some cases -- and I'll go back to
2 the gentleman from Dell who was referencing the math of
3 75 pages potentially before a product is purchased. I'm
4 likely to come to that three quarter carat at my first
5 time, and if I don't know anything about carats, I'm very
6 likely to click on it, because I might like to know more.
7 But I might not, okay. I mean, that's the individual
8 nature of it.

9 In terms of the rollover technique, if the mouse
10 or the curser is left on the hyper link, it will stay
11 there as long as the curser is on it. So it will stay
12 there as long as I want it to. So if that rollover comes
13 up and it's long enough for me to read it, fine. If it
14 comes up and I want to roll away from it, that's up to
15 me.

16 **(Staff speaking, not picked up by the**
17 **microphone.)**

18 MR. CLAUSON: Can you point out -- she's
19 referring to ad six in the middle screen? If you watch
20 her --

21 MS. KOLISH: Are you talking about this bar
22 here?

23 **(Staff speaking, not picked up by the**
24 **microphone.)**

25 MS. KOLISH: What yellow one that pops up?

1 MR. CLAUSON: Right there?

2 (Staff speaking, not picked up by the
3 microphone.)

4 MS. KOLISH: Yes.

5 (Staff speaking, not picked up by the
6 microphone.)

7 MS. KOLISH: Yes.

8 (Staff speaking, not picked up by the
9 microphone.)

10 MS. KOLISH: Oh, okay.

11 MS. DEMARTINO: So for the people downstairs,
12 we're demonstrating through the use of the tool bar the
13 rollover technique so the information will stay up.

14 But I guess, you know, just to follow up on what
15 you were saying. Is there still a concern that a
16 consumer might miss an important disclosure if they
17 choose not to, or don't know that they need to, roll
18 their mouse over the link?

19 MR. CLAUSON: I'm not attorney, but I play one
20 on T.V.

21 (Laughter.)

22 MR. CLAUSON: I think there is -- regardless of
23 whether it's disclosure information or any information,
24 again, the nature of the information architecture
25 dictates such that a consumer may miss it or they may

1 not, depending on -- you cannot sit there and ask them to
2 point the button here and say press this. That just
3 doesn't work.

4 So will some consumers rollover a hyper link,
5 not read it and not click through it? Yes.

6 MS. KOLISH: Okay. Let's put five back up, so
7 we have five, six and seven for our general discussion.
8 And we'll go to Phillip now.

9 MR. MCKEE: Thank you, Elaine. Phillip McKee,
10 National Consumers League. The mouse over technique,
11 another name for rollover, can be used very effectively
12 on web sites. Another convention that is already
13 displayed on all of the ads on the screen, five, six and
14 seven, and something that online shoppers are very used
15 to, is the idea that the button add to cart and buttons
16 of similar design, if you have a consistent site design,
17 mean that it's a link.

18 You click on it and it does something. You
19 click on a submit button, it submits your form. You
20 click on add to cart, it's going to add to cart. You
21 have buttons that are of similar design. They're also
22 going to have a similar function.

23 Another way to provide a disclaimer that has
24 obvious functionality and is also eye catching on the
25 screen -- yes, I realize I'm edging to the realm of

1 design, again; please indulge me, everyone else -- is to
2 have a button of similar design that says something along
3 the lines of the language Mr. Wenger from the New York
Attorney General's Office mentioned, that weights may

1 The language is the best on seven, but I'm
2 dissatisfied with all three.

3 MS. KOLISH: Well, Phillip, you're always ahead
4 of us. We're going to talk about placement of those
5 links, too. But we'll get through some more stuff about
6 language. So we're going to go to Mark next, then Carla,
7 then Kevin, then Ron, then Eric. Did someone else just
8 have their hand up? Okay.

9 So Mark is next.

1 forward than sort of a more general one that says click
2 here for more details, because they may have a number of
3 questions that need to be answered. And I'm more likely
to choose that and get the additional information.

1 Again, reasonable people -- different consumers
2 -- will respond differently and in different points in
3 the context. But all of this is really kind of a game of
4 percentages in terms of whether or not somebody is going
5 to go forward.

6 MS. KOLISH: Well, let me ask you this as a
7 follow up. Is there anything that would, you know,
8 prohibit or interfere with an advertiser using something
9 more specific, like diamond weights are not exact, so
 that consumers see that there is some

1 breadth of the information contained in such a small
2 piece of information.

3 I guess the appeal here is for sort of
4 reasonableness and flexibility and recognition that the
5 consumers will respond differently, and that the link
6 itself can contain meaningful information.

7 MS. KOLISH: Okay. Carla, you were next. Do
8 you still want to talk?

9 MS. MICHELOTTI: Yeah. A lot of what I was
10 going to say has been covered, so --

11 MS. KOLISH: Uh, uh, uh.

12 MS. MICHELOTTI: I'm Carla Michelotti from Leo
13 Burnett, representing --

14 **(Laughter.)**

15 MS. MICHELOTTI: Representing the American
16 Advertising Federation. The legal test has never been
17 avoidable versus unavoidable. And that's something
18 important as we talk about this, because I think we're
19 imposing that standard of unavoidability, and that isn't
20 the standard.

21 And then the other point that I was going to
22 make is a point that has been probably well made, which
23 is consumer behavior. When they're spending a thousand
24 dollars on the web, consumer behavior would be an
25 exploration of the web site. Once they're interested in

1 a page and interested in an item -- how deep they go --
2 they're going to be spending a thousand dollars. And it
3 would be a very rare consumer that would not start
4 clicking around and examining all four corners of that
5 web site.

6 MS. KOLISH: Even a man who was in a mad rush to
7 get his wife the anniversary present?

8 MS. MICHELOTTI: Especially.

9 **(Laughter.)**

10 MS. MICHELOTTI: Especially a man.

11 MALE SPEAKER: I resent the sexist comment by
12 the Commission.

13 **(Laughter.)**

14 MS. KOLISH: All right. Strike that from the
record. All right. Kevin, we'll get to you the8.4

1 MR. DUKE: So, I mean, they came here in the
2 first place because they knew to click on something. And
3 then again, in context is the whole question of what is
4 the ad. Is it sort of the four corners of what is
5 displayed currently on the screen and that's where you
6 have to comply with the jewelry advising guides?

7 I would submit that it's not. This is sort of a
8 multi page advertisement, if you will, that started, you
9 know, when they clicked on your splashy advertisement.
10 And it is, you know, the electronic equivalent of a multi
11 page ad. And, you know, one of the great things about
12 the use of links is that they -- you know, they can
13 provide more information than an advertiser might
14 otherwise provide.

15 If the advertisers are restricted, you know, to
16 get it all on this page at the top of the page, you know,
17 they may try to cut back on some of the information.
18 Whereas if I can click and go to all the information
19 about the carat weight and other jewelry disclosures, you
20 know, an advertiser might be encouraged to put more
21 information there.

22 And similarly, you know, we could assume that
23 this isn't the only item in the FTC jewelry store.

24 MS. KOLISH: It is.

25 MR. DUKE: And that -- it is. Well, you've got

1 other problems also.

2 (Laughter.)

3 MR. DUKE: Well, you have imitation pearl
4 earrings.

5 MS. KOLISH: Oh, yes, you're right.

6 MR. DUKE: So you have two items, although only
7 one set of diamonds. But typically an advertiser or a
8 merchant will have a lot of items and may make the same
9 warranty, for example, on all of them, and it's more
10 efficient for the advertiser to have all of the warranty
11 information in a single place.

12 And again, sort of the benefits of this medium
13 are rather than try to figure out how to make, you know,
14 the pre-sale availability disclosures of a warranty, in
15 the interactive medium we can say, you know, click here
16 to read our warranty. And if they want to read the whole
17 warranty, they can or not.

18 MS. KOLISH: Kevin from QVC, I think we
19 overlooked you inadvertently.

20 MR. ELSE: That's okay.

21 MS. KOLISH: Do you want to speak? Okay.
22 Because I think I left him out, and then we'll go back to
23 the order. Plus QVC sells jewelry. Maybe you have great
24 insight.

25 MR. ELSE: We sell an incredible amount of

1 jewelry.

2 (Laughter.)

3 MR. ELSE: Exceptionally high quality jewelry.

4 (Laughter.)

5 MR. ELSE: Sorry, I had to do that.

6 (Laughter.)

7 MR. ELSE: I think one thing that has come up,
8 and it's a recurring theme with all the comments, is that
9 no particular disclosure mechanism will necessarily be
10 better than other disclosures, depending on the
11 particular advertisement that's being presented.

12 In this situation of the last disclosure -- the
13 number seven disclosure -- it obviously offers a lot more
14 information. But if, for instance, I was selling a
15 guaranteed three quarter carat, fur and leather lined
16 diamond earrings, I may have a lot of disclosures that
17 have to go up in the front.

18 (Laughter.)

19 MR. ELSE: And that's a scary thought.

20 MS. KOLISH: Yeah. That would be the least of
21 your problems thinking about disclosure.

22 (Laughter.)

23 MS. BERNSTEIN: Kevin, don't leave out the care
24 labelling rule.

25 (Laughter.)

1 MR. ELSE: So even with a hyper text link that
2 has that kind of -- or that amount of information for
3 each link, you still may have nothing but links before
4 you get to the product if it's up in front. And then
5 when you get to the situation, which I'm sure is not that
6 far away, where you have a television program and you're
7 showing a product, you can instantly bring up on your
8 television screen a page from your Internet site in order
9 to purchase the product immediately.

10 That little picture may be a tiny picture on
11 your screen and the best disclosure may be that each
12 individual word, if you were to hit it, gives you the
13 information. And if your -- we found that our customers
14 become very sophisticated about our sites very quickly.

15 I think that has to do with the amount of time
16 they spend on the site. Some people will watch 24 hours
17 a day, or be on our Internet continuously, and if they
18 know that individual words will immediately hyper text
19 them to information about that, that may be the best sort
20 of disclosure.

21 MS. KOLISH: All right. Thank you, Kevin. Now
22 Ron, Eric, Jean Ann and Teresa.

23 MR. GOLDBRENNER: I think that all of the things
24 we've --

25 MS. KOLISH: Uh, uh.

1 MALE SPEAKER: You had better tell who you are.

2 MR. GOLDBRENNER: Oh, I'm sorry.

3 **(Laughter.)**

4 MR. GOLDBRENNER: I'm Ron Goldbrenner with PMA.
5 We've been talking about two different things. Whether
6 or not consumers understand and can use scroll bars,
7 hyper links, pop ups and all the rest. It goes to the
8 question of the reasonable Internet consumer. You've got
9 to define first who your consumer is. Who your audience
10 is. And only then can you measure whether these things
11 are adequate.

12 The second thing we've been talking about is
13 which one of these is the best disclosure. Well, even if
14 you accept that seven is the best, six next and five the
15 least disclosure, what that has to be measured against --
16 in the abstract that doesn't mean anything, because you
17 have to know the standard for choosing a disclosure.

18 Do you have to make the best kind of disclosure
19 possible, one that is definitely assimilated by the
20 consumer, or do you have to make one that's a little bit
21 less than that, unavoidable? Although he doesn't have to
22 go through it, he's definitely going to see it. Or is it
23 possible to make a disclosure a level prior to that?
24 It's a good disclosure. It's an adequate disclosure.
25 It's possible for him to see, but it's not going to be

1 unavoidable. Or perhaps the least adequate on the scale
2 is one that is available in the context of this ad,
3 period. However it's available, it's there. It's
4 available.

5 You've got to decide where on that spectrum you
6 want to be before you can decide whether these are good.
7 If you are looking for somebody to say that number seven
8 is the best disclosure, then presumptively you are
9 setting up the proposition that one must make in all
10 circumstances the best possible disclosure.

11 I'm not sure that's the law. I'm not sure it's
12 a good idea for the law to be that. And I think we need
13 to think about those issues and discuss them as well.

14 MS. KOLISH: The standard for judging the
15 consumer's net impression. Are they going to come away
16 from your ad knowing that it is not exactly 75 points?
17 That's the standard. And these are techniques that can
18 help you get there.

19 MR. GOLDBRENNER: Well, does clear and
20 conspicuous mean a disclosure which is the best possible
21 disclosure?

22 MS. KOLISH: It means an effective one. One
23 that succeeds in changing the net impression. I mean,
24 there could be better ways of doing it.

25 MR. GOLDBRENNER: One that succeeds in changing

1 the net impression, or one that is capable of succeeding
2 in changing the net impression?

3 MS. KOLISH: Well, usually if you're going to do
4 a copy test, you're going to look to see what consumers
5 actually came away with. It's going to be looking at
6 performance in a fact based setting.

7 Okay. Eric, you were next, if you still want to
8 talk?

9 MR. WENGER: Yes, I do. Eric Wenger from the
10 New York AG's Office. I think with all due respect to
11 David and John, they were talking about information that
12 might be interesting to consumers, and that's not really
13 the standard here. The standard here, as examined by the
14 Commission when they looked at jewelry ads in light of
15 section five, was that they created these guides to say
16 that this is information that should be conveyed to
17 consumers.

18 And so merely having information available in a
19 way that could be seen by them if they were interested in
20 looking for more information, I don't think meets that
21 standard. If you look at what Carla said, she talked
22 about that unavailability is not really the standard,
23 because it's not the standard in other forms of media.

24 I think that the variety of consumer paths and
25 choices that they make on web sites actually does make

1 unavailability a factor that should be looked at the
2 Commission in evaluating whether or not a disclaimer is
3 clear and conspicuous, because it goes back to the fact
4 that this is information that the Commission has decided
5 should be conveyed to consumers.

6 And, therefore, if you look at what Ron was
7 saying, that information should be just placed in a way
8 that consumers can find it if they're interested, I don't
9 think that that's enough.

10 MS. KOLISH: Okay. Let me just comment on
11 unavailability. Although we have not used it widely in
12 other contexts, in fact the theory of it is viewed in
13 many other Commission decisions. I mean, Commission
14 decisions about putting something on the first page of a
15 multi page document. It's getting out the notion that
16 consumers are then going to see it. Requiring that
17 important disclosures sometimes appear at the end of an
18 ad, so that the recency effect comes into play, is a way
19 of getting at unavailability. Requiring in an
20 infomercial that the notion that this is paid advertising
21 you're at be repeated multiple times is a way of getting
22 -- a way of saying it's not avoidable.

23 So we haven't used those words, but the concept
24 is there in other ways.

25 MR. WENGER: And also the Commission has decided

1 that -- or recommended that this language up here be in
2 close proximity to the triggering term. And to have
3 something that doesn't really point the consumers to the
 direction of exactly what they're going to be told and

1 developed with some of the comments and Eric and all of
2 your comments.

3 I'm Teresa Jennings with the Direct Selling
4 Association. And we have a unique requirement that was
5 placed on our industry by the FTC back in the early 70's.
6 We have a three day cooling off period for all of our
7 sales, because we were selling -- we are selling outside
8 of a fixed retail establishment. It's in the home,
9 usually. And there is specific language that must be on
10 the back of every Direct Selling sales receipt, in
11 duplicate, in ten point type.

12 As an attorney with the Direct Selling
13 Association, one of my responsibilities is to review the
14 materials of all of our pending and current members to
15 make sure that that requirement is in place and is
16 accurate. And one of the frustrations that many of these
17 new Direct Selling companies weren't aware of is that
18 sometimes they have a warranty or a guaranty that goes
19 much further than a three day cooling off.

20 It could be a 100 percent forever money back
21 guarantee on anything you ever purchased from our
22 company. But they can't put it on the back of the
23 receipt, or anywhere on the receipt, because the receipt
24 is full of information. It's full of the order that you
25 placed and the amount of money you spent. And then four

1 paragraphs of ten point information that has to be handed
2 in duplicate to the consumer.

3 The attorneys understand that the FTC requires
4 this, but the marketing people frequently do not. And so
5 I think here in the Internet, we're coming up to the same
6 sort of thing in a different medium. There is required
7 information. I think every business around this table
8 understands that it is required information.

9 And we do want to convey that to consumers,
10 because ultimately when the consumer is protected and
11 happy, they come back to our businesses. I think we're
12 on the same side here, team, but how do we do it
13 adequately in this new medium. And we're still
14 struggling with that.

15 MS. KOLISH: Thank you, Teresa. Elissa?

16 MS. MYERS: Teresa, I think that was -- Elissa
17 Myers, Electronic Retailing Association. Teresa, I think
18 that was very well said and an important point to be
19 made. There is a certain skepticism about the retailer
20 and the consumer experience that sort of has pervaded all
21 of our comments today.

22 And I was thinking again from my personal
23 experience. Even reading the disclaimer or the click
24 through diamond weights are not exact, click here for
25 weight ranges, as a personal shopper I probably ought to

1 be a lot more careful in my shopping than I am. But I
2 don't find that entertaining.

3 I do expect to find a bunch of legal stuff
4 underneath it that I'm not really interested in. And I
5 was thinking -- and you probably won't like this idea.
6 But I learned something this morning. I never knew that
7 if I bought a three quarter carat pair of diamond
8 earrings that I might get a pair of diamond earrings that
9 were bigger than three quarter carats.

10 (Laughter.)

11 MS. MYERS: I never knew that. So I was
12 thinking that if you really wanted to get me to read the
13 message, maybe the statement at the top should be: you
14 might get a bigger diamond than you're expecting.

15 (Laughter.)

16 MS. MYERS: And that I would click on.

17 (Laughter.)

18 MS. KOLISH: Good point.

19 MS. MYERS: And I was thinking that on the
20 testimonials -- I was thinking, now how would I word it
21 there. And where you have the little thing that's going
22 to tell me that it's paid, you could have a statement
23 that said something like you, too, can be paid for a
24 testimonial, if you would like.

25 (Laughter.)

1 MS. MYERS: And I do think -- I do think that if
2 you try to impose a standard on this that is -- that over
3 complicates, that over legalises the experience, you're
4 going to through the baby out with the bath water.
5 You're going to loose the attention of the consumer.

6 MS. KOLISH: Thank you, Elissa. Carla? And
7 then we want to move on, because we want to break at 12
8 for lunch, or as close to it as we can. And there are a
9 few more issues that we would like to cover before lunch.

10 MS. MICHELOTTI: Okay. Carla Michelotti from
11 Leo Burnett representing the American Advertising
12 Federation. Just a further point on the avoidability and
13 unavailability. There is no debate that these are very
14 -- it's important material information to be provided to
15 consumers that the FTC is requesting that it be provided
16 to consumers.

17 But as to the point of whether avoidability is a
18 standard, to the extent that the web is a strip mall of
19 the largest sort, what would be the standard that would
20 be used if one would walk into a jewelry store, or one
21 would walk into a K-Mart, or walk into any retailer --
22 what would require, you know, that same person going in
23 to spend a thousand dollars -- at what point does the law
24 mandate that the retailer -- the clerk behind the counter
25 -- tell them well, you understand that the weight ranges

1 vary, blah, blah, blah, or read this disclaimer.

2 And that's to my point of whether avoidability
3 and unavailability has ever been the key pin prior to a
4 purchase decision. Everyone -- all the lawyers around
5 the room know that in every retail store, if you're

1 and we've asked them to beef up their procedures.

2 Let's now move on to ads seven and eight. It
3 won't take long to do these two ads. So we have seven up
4 already, and we're going to look at eight. Now, the
5 difference between seven and eight is that the hyper link
6 appears at the top of this page on seven, and on eight,
7 if you scroll down -- if you scroll down, and down, you
8 see it down here.

9 And, you know, we've talked about this a little
10 bit, about the placement of a link and, you know, I've

1 down on these ads a little bit so we can see the little
2 endorsement on 13. Okay. Here on ad 13 you see that
3 D. J. Blackhand's name is underlined showing it's a link.
4 And in ad 16A there is a disclaimer button, and in 16B
5 it's paid endorsements.

6 Do you think, for example, like D. J. Blackhand
7 being underlined here is more effective than three
8 quarter carat? Actually, I heard somebody already say
9 no, they didn't think it was. They mentioned that it
10 wasn't good enough, because you might go to a company
11 name or something.

12 And then the same thing about the disclaimer.
13 Is the disclaimer better here? Does it look less
14 legalese when it's in bright blue color and it's button?
15 And does paid endorsement help you? Well, somebody
16 actually already said they think it's a way they could
17 become a paid endorser. We all thought that, too.

18 **(Laughter.)**

19 MS. KOLISH: So, anyway, I'll take comments from
20 people. I see Phillip has his hand up. Ron has his hand
21 up and Dave has his hand up.

22 MR. MCKEE: Phil McKee, National Consumers
23 League. Misgivings about all three. Let's be blunt up
24 front on that. As I said earlier when I made the comment
25 and you referenced it, on ad number 13 it could very well

1 go to something else. It is convention at this point
2 that an underlining of an individual's name can either go
3 to their personal web site or a mail to function. You
4 click on it and all of a sudden an e-mail window pops up
5 and you can send D. J. Blackhand a letter telling him

1 just mentioned, a way of becoming a paid endorsement.

2 But they all have their problems.

3 MS. KOLISH: Thank you, Phillip. Ron, you
4 wanted to comment?

5 MR. GOLDBRENNER: Yeah. Ron Goldbrenner of PMA.
6 I don't think it's fair to state the question as which of
7 these is the best, because I don't think that's the
8 question. I think the question is, which is adequate to
9 be clear and conspicuous. Which is good enough to be
10 clear and conspicuous. And that's the question we need
11 to be asking. And then further than that, does it have
12 to be unavoidable or definitely assimilated by the
13 consumer in order for it to be clear and conspicuous.

14 MS. KOLISH: Okay. Just to go back, we're not
15 talking about best being the standard. We're talking
16 about clear and conspicuous, which means is it an
17 effective communication technique. And obviously, you
18 know, it could be something that's, you know, very
19 effective, or it could be a hundred percent effective.

20 But we're saying effective so that most
21 consumers are not going to misled. And obviously you
22 could have things that were better than that. So better
23 isn't -- best isn't the standard. It's effective
24 communication. Are consumers likely to be misled or not.

25 Dave?

1 MR. CLAUSON: Dave Clauson, IXL, representing
2 the American Association of Advertising Agencies. I find
3 myself echoing Phillip's comments to a degree, and again
4 arguing the need for flexibility in interpretation here.

5 Across all three, you're not sure what any of
6 those three are potentially. So, you know, if you go all
7 the way to what appears to be the most extreme, the paid
8 endorsement, the button if floating on the page, not
9 anchored anywhere. If that were text that finished up
10 the quote that said, you know, D. J. Blackhand is a paid
11 endorser of, that's clearly even more descriptive.

12 So there are degrees of ranges here that you can
13 -- I think we're all agreeing that it's a spectrum.
14 Which leads me to the point that I'm trying to make,
15 which is, these need to be designed for each experience
16 and they are unique. They're not just -- you cannot make
17 just generic comments about where things should be or how
18 they should look.

19 Is the blue button more conspicuous? Yes.
20 Actually the blue button, because of its use of color,
21 white on blue, from an art direction standpoint is far
22 more attractive to the eye than paid endorsement. So am
23 I more likely to see the disclaimer by clicking the blue
24 button and then paid endorsement? I don't know.

25 Which gets me to the final point that probably

1 the only metric that you can arguably use to say, is the
2 consumer reading the disclosure, is to look at the click
3 through rates to the disclosure page and find out what is
4 the average length of time the consumer is spending on
5 that page.

6 And I would argue that most manufacturers and
7 most brands, if they are clearly -- what they do -- and
8 I'm to the point that Teresa made. We are on the same
9 team here. The cost of Dell to fulfill the wrong order
10 is a number they want to cut. They want to make sure
11 their customers are getting what they expect. And I
12 think every good manufacturer does.

13 But the point being, that you can look at click
14 through rates and see how long the average person spends
15 on the disclosure page, and somebody needs to make a
16 judgment, is that enough. Is 20 percent click through
17 enough? Fifty percent? What is -- what are you going to

1 consumer will tell you by their behavior what is the
2 best.

3 MS. KOLISH: Good point. And I always look at
4 click through rates in an investigation. Eric and then
5 Teresa and then we're going to move on.

6 MR. WENGER: I think one of the interesting
7 things about the disclaimers that appear here is that the
8 last one -- which one is that, 16B?

9 MS. KOLISH: Yes.

10 MR. WENGER: Is an example where even without
11 clicking through, perhaps the heart of the endorsement is
12 already conveyed -- I mean, sorry. The heart of the
13 disclaimer is already conveyed to the consumer. And so
14 while looking at the click through rate and which of
15 these links is most likely to entice people to click
16 through is an interesting thing to look at, you also
17 might want to look at do these disclaimers right up front
18 convey the information that the consumer needs to know.

19 If you look at the first one, again we have the
20 question about whether or not it's clear to people that
21 this is a hyper link. And then assuming that it is --

22 MS. KOLISH: In ad 13, you mean?

23 MR. WENGER: Right. In ad 13 and also in 16A,
24 let's assume that in both of those cases you know that
25 there is something that you're going to be clicking

1 through to. You don't really know, or have any idea
2 without clicking, what that information is likely to be.

3 And so if people don't click through, then the
4 information is not conveyed. And if the Commission's
5 position is that that information must be conveyed, as it
6 appears to be in the endorsement guides, then the
7 question is, would it be overly burdensome. I think one
8 of the factors would be, would it be overly burdensome to
9 put that information right up front in the ad itself.

10 And if you look at the amount of text that is on
11 this particular ad page, it doesn't seem like it's too
12 much to require -- or to say that a paid endorsement is
13 something that should appear there right next to the --
14 in close proximity to the endorsement itself.

15 MS. KOLISH: Thank you, Eric. Teresa, and then
16 we'll move on.

17 MS. JENNINGS: This is Teresa Jennings with the
18 Direct Selling Association. I agree with what David
19 Clauson was just saying about flexibility being key. The
20 example I gave with the required language on the back of
21 our sales receipt is a problem 25 years later, because
22 that standard hasn't changed, but the protection have
23 gotten greater.

24 And so how do you convey that additional
25 information to consumers when there is less space? Now,

1 on the Internet, we don't have less space, but we're
2 still trying to grapple with how do consumers use the
3 Internet.

4 And my brother brought up an example last night.
5 When we were at the University of Maryland 16 years ago,
6 he volunteered for a study on computers, and the study
7 was on using a mouse. Will people go up and down to get
8 to where they want to go, or will they go straight across
9 the page? Nowadays that seems utterly logical. Of
10 course you're going to go straight to the place that you
11 want to do.

12 But now we're looking at what will a hyper link
13 do. What is the best way to communicate the information.
14 Where is the disclaimer adequate and where it is not.
15 It's the same thing that he was describing in the 16 year
16 old study. Will you go straight to it or will you go up
17 and down?

18 And I think that we're developing that
19 information. We want to get that information and share
20 it. But what I would hesitate to do is create a rigid
21 standard, like maybe what happened in our industry 25 to
22 30 years ago, that can't grow with the technology. That
23 can't be useful with the technology as it expands and as
24 consumers gain in their knowledge themselves.

25 MS. KOLISH: Thank you, Teresa. Can I just ask

1 sort of a summary question. We've talked a lot about
2 this and about D. J. Blackhand and how people could
3 interpret a lot. But just to focus on disclaimer, do I
4 hear any sort of general agreement that that by itself
5 might not be good enough to put people on notice that
6 there is important information? That it is too legalese,
7 that you need a better label?

8 **(Audience: no and yes.)**

9 MS. KOLISH: How about a show of hands? All of
10 those in favor of a disclaimer as an adequate technique
11 under some circumstances and barring other factors,
12 taking them into account, raise their hand.

13 FEMALE SPEAKER: That it should work, right.

14 MS. KOLISH: That it should work? And those who
15 don't think a disclaimer is usually not good?

16 MR. MCKEE: Usually not good or too complicated
17 with legalese?

18 MS. KOLISH: Too complicated with legalese and
19 may not be good?

20 FEMALE SPEAKER: Inadequate.

21 MS. KOLISH: Inadequate. Ineffective.

22 **(Laughter.)**

23 MS. KOLISH: Because I can't get the votes here.

24 MS. JENNINGS: I don't think you can have black
25 and white.

1 MS. KOLISH: It's too complicated. Never mind.
2 I can't get agreement on that. It's 12:00. We have a
3 couple more issues we were hoping to cover by lunch, but
4 I think that we could probably do them after lunch when
5 we cover some other issues.

6 So we'll break now and we'll come back at 1:15.
7 Okay? Thank you all.

8 **(Whereupon, a lunch recess was taken.)**

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AFTERNOON SESSION

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MS. KOLISH: We're back. Did everyone have a nice lunch? We're back. I hope you all had a nice lunch and refreshed yourselves so you can be equally passionate this afternoon. Great. That got your attention. If everybody takes their seat, maybe we'll find out that there are some empty seats up here, and if so, some folks from the overflow room might want to meander up. There are still a few empty ones.

So anybody in the overflow room, there are a few more empty seats up here if you want to take a chance that they'll still be here by the time you walk up.

Okay. We're going to turn now -- we're going to continue our hyper linking theme and look at a few more ads with hyper link presentations, although this probably won't take long based on the prior discussion that we've had.

We're going to look at ads 14 and 15. And ads 14 and 15 are for our lovely Quick DDRIP product, and we're going to again scroll down to D. J. Blackhand's endorsement. There you go. Stop. On both of them. And you'll see in ad 14 that there is an asterisk next to D. J. Blackhand's name with an underline, and in the other ad 15 there is a star icon. Both of these are meant to be links here.

1 One of the questions that we have for you is
2 that since on web sites asterisks and icons are sometimes
3 used simply as a way of attracting attention, can they
4 resemble other graphics on a page as is the case of this
5 ad. If someone scrolls down a little bit, they'll see
6 that that star theme is repeated elsewhere.

7 There you go. And that star there is just a
8 larger version of the star that you see next to D. J.
9 Blackhand's name. And in light of this, the question we
10 would like to pose for discussion is, are consumers
11 reasonably likely to know that these are links that they
12 should click on, or will they ignore them thinking they
13 just graphics?

14 Yes, we have comments. Good. We know Phillip
15 wants to talk. Anybody else? Okay. And John. All
16 right, we'll start with you.

17 MR. MCKEE: Thank you very much, Elaine.
18 Phillip McKee, National Consumers League. And I'll try
19 to take that not as a comment that I always want to talk.

20 **(Laughter.)**

21 MS. KOLISH: I was just observing that you were
22 raising your hand.

23 MR. MCKEE: First, in regards to -- let's start
24 off with ad number 15. That's the one where I have the
25 most negative comments. Ad number 15, it's not readily

1 apparent that it is a link, as you said. It's a graphic
2 that is very similar to a graphic that's used for a
3 bullet point later on.

4 And I have to admit, when I first looked at it
5 -- yes, I do need reading glasses that I'm not wearing
6 today. But when I first looked at it on the printout, it
7 did look like a printer's smudge. But I don't think
8 that's a very effective way of drawing people's
9 attention. More often than not, when you look at a link
10 on many well designed web sites, the links are
11 contextual. That is a comment that applies to both of
12 them.

13 The item that is making you want to link is the
14 link itself. For example, up at the menu, what customers
15 say would most probably be the link, not the yellow space
16 on either side of it. So in this case, either the little
17 star or the asterisk that has been turned into the link,
18 would be less obvious to the consumer that the link is
19 there, especially in regards to the red star. And also,
20 it isn't quite as eye catching as simply having something
21 larger that is very obvious as the disclaimer, or the
22 item itself being the link.

23 MS. KOLISH: Thank you. Well, there are a lot
24 of people who want to talk, but I want to hear from all
25 of those people who defended all those links on prior

1 occasions and see if they want to defend these, too.

2 Elissa and then John. Oh, you don't want to
3 talk? Okay. John?

4 MS. MYERS: It's not that I don't want to talk.
5 I don't defend it.

6 MS. KOLISH: Okay, fine.

7 **(Laughter.)**

8 MR. FRUEHE: John Fruehe from Dell Computer.
9 It's interesting this morning that we talked a lot about
10 gemstones. And gemstones, when you actually grade them,
11 there are four c's that you deal with: the color, the
12 cut, the carat weight and the clarity.

13 And as we look at some of these -- as we get
14 through some of the real kind of simple semantics on how
15 we're actually identifying links and things like that, it
16 really brings out that there are kind of three c's that
17 we also need to start to think about. Which are, number

1 formula and it's do X, Y and Z and you'll be successful.
2 And we're continually spending a lot of money doing
3 research and doing usability testing and revising our
4 site in kind of an effort to bring ourselves closer to
5 what the consumers are looking for.

6 And the second thing is really caution. And
7 with the way that everything changes today, looking at
 these links and saying, you know, these may not be

1 reasonably know where to look for that asterisk's
2 reference? I mean, in the off-line world, I think you're
3 pretty familiar with the fact that if you see an asterisk
4 in the headline, you look to the bottom of the page or
5 the bottom of your television screen.

6 Is that going to be the case here, especially if
7 consumers end of having to -- in this case in ad 15 you
8 would have to scroll through multiple pages -- multiple
9 screens -- to get to the bottom of the page. Is there
10 any concern about -- because sometimes these figures --
11 these asterisks and icons -- are used as blinks, and
sometimes they're just used to mean go elsewhere on the

1 of dell.com, I know what that yellow arrow means, because
2 my behavior pattern has been educated to know -- to
3 associate that yellow arrow with a link to go to more
4 information.

5 So again, it depends on where the consumer is in

1 up. It is in the dictionary.

2 MS. KOLISH: Oh.

3 MR. CLAUSON: That which means is confusing, or
4 disorganized. And in fact, if you continually modify
5 your site to change graphical elements all the time for
6 the sake of changing them, you're putting yourself in the
7 way of the consumer's experience with you. And not only
8 that, if I do come back to your site more than once, or
9 I'm a regular visitor, I come with a certain set of
10 expectations, and that is clarity and consistency.

11 So if we're not meeting those expectations, I'm
12 not as likely to return.

13 MS. KOLISH: Okay. Ron?

14 MR. GOLDBRENNER: I'm not going to defend these
15 two particular examples. But again, I think it's a
16 contextual matter. Just as you said before, the asterisk
17 in a newspaper ad, the consumer knows what to do with it.
18 I think it could very well be adequate in an Internet
19 context as well. We don't know from this kind of a
20 limited example. I think one has to take the whole
21 context of how an Internet ad or Internet information is
22 conveyed. And so I think one of the mistakes we can make
23 is to say automatically this is no good and should not be
24 allowed.

25 The other thing is kind of a twisted view of

1 these things. Suppose you had one asterisk, as you do,
2 with nothing else on it, and suppose you had another one
3 that said information you must have, and then you had a
4 third that said disclaimers. If you did a test on that,
5 I'm not sure that the blank one wouldn't win in terms of
6 more consumers going to it than the other two.

7 So you have to take those kinds of things into
8 consideration.

9 MS. KOLISH: Okay. Thank you. Kevin, Else, you
10 had a comment?

11 MR. ELSE: Yes.

12 MS. KOLISH: Okay.

13 MR. ELSE: Kevin Else with QVC. I really hate
14 to be -- or least put my employer at a disadvantage
15 compared to our competitors with the print media. I
16 don't know how many times I've gotten especially a credit
17 card proposal in the mail. And there may be something
18 with a single asterisk, something has two, something has
19 three, and sometimes I can't find the references
20 anywhere.

1 adequate, then this should be adequate.

2 And as far as whether or not a person that gets
3 on the page would actually click on that spot, at least
4 in my experience, I tend to click on anything that looks
5 like it could be informational as opposed to disregarding
6 things. Just because oh, the hand changed here, boom,
7 you know, and I go and jump to it.

8 MS. KOLISH: Thank you. Well, actually if you
9 look at past Commission cases, there are a variety of
10 cases where asterisks have not been held to be
11 acceptable. But occasionally, depending on the type of
12 information in a section five case, it may be okay. More
13 typically they're going to have to say where to find the
14 information, like see bottom of page, as opposed to just
15 a general asterisk reference.

16 We may not go after everybody who uses them,
17 though.

18 MR. ELSE: Well, I understand.

19 MS. KOLISH: And then Jeff?

20 MR. RICHARDS: Jeff Richards, Internet Alliance.
21 Just real quickly. I think it's important to remember
22 here looking at these examples, or some of the discussion
23 we just had, to remember that we're still so early in the
24 web experience that in many cases we do things simply
25 because we can do them, not because they're wise or

1 informative.

2 For example, whatever happened to blinking text?
3 Six months ago or a year ago, you know, text blinked all
4 over the place. It's stopped now, thank God.

5 **(Laughter.)**

6 MR. RICHARDS: Why is that? It's because
7 consumers probably hated it, and people figured out
8 pretty quickly that blinking text was not an attention
9 getter. It was just the opposite. It screamed amateur
10 and get out of here.

11 Similarly, underscored text typically means it's
12 a hyper link. But, of course, we find in many badly
13 designed sites, text that is underscored that's not a
14 link to anything. It's meant to be an underlined like
15 text. And so consumers also make a judgment about the
16 professionalism or trustworthiness of that.

17 So I think we -- and conventions. Many of us go
18 and look at the bottom of the page if we're looking for
19 copyright, because we're aping the legal style of today.
20 Already that convention is beginning to end, and very
21 important copyright notices are going to where they are
22 effective, not the bottom of the page.

23 So I'm suggesting that we should be really
24 careful about thinking that conventions are going to last
25 more than three months, that they're anything other than

1 consumer driver, and that we should be cautious about
2 doing things simply because we can.

3 MS. KOLISH: Thank you. Next is Jerry Cerasale,
4 then Roy and then Craig.

5 MR. CERASALE: Yes. Jerry Cerasale with Direct
6 Marketing Association. I wanted to add to David, when he
7 talked about blunk and confusing things. I think in ad
8 number 15, if in fact the star -- and I'm not talking
9 about the adequacy of whether you just put a star next to
10 the person's name or whether that meets what you need.

11 But if the star next to the name is a hyper
12 link, and the star further down the page is just a dot,
13 not a hyper link, that's really very confusing. So, I
14 mean, I think that does the opposite of, for example,
15 what Dell does with the arrow. The yellow arrow means
16 that wherever you see it, it's a hyper link.

17 So I think that if your ad -- and I don't know
18 whether you meant them to be hyper links or just points.
19 If you meant them not to be hyper links, then I would
20 think that that is very confusing from our perspective,
21 that you've actually switched a symbol to be a hyper link
22 and not a hyper link on the same page.

23 MS. KOLISH: Thank you. Roy?

24 MR. GREEN: Yes. Roy Green with AARP.

25 MS. KOLISH: Do you want to speak into a

1 microphone?

2 MR. GREEN: Sorry. All right now?

3 MS. KOLISH: Yes.

4 MR. GREEN: Okay, good. It strikes me from a
5 consumer point of view that one of the ways to look at
6 the incredible variation in consumers that you have
7 coming onto the net with different kinds of experience,
8 plus the incredible variety of advertisements are the
9 symbols that we're look at today.

1 MS. KOLISH: It's Craig Jordan.

2 MR. JORDAN: I'm sorry. Craig Jordan from the
3 Texas Attorney General's Office. Raised some thoughts
4 for me that I think they're saying here that we've been
5 talking about context. There are a couple of contexts in
6 which asterisk disclosures can be used. And your comment

1 Act is a fine example of this. If a car dealer
2 advertises that you can buy X car for \$2,000 down and
3 \$199 a month, that's a true statement. There is nothing
4 misleading about it.

5 It's helpful from a comparative shopping point
6 of view to also know what the APR is and some of the
7 other information you get from the Truth in Lending Act.
8 But there is no misleading or false statement made in the
9 body of the ad that the asterisk is trying to correct.

10 On the other hand, if we look at one of the
11 Quick DDRIP ads, for example, where you have the customer
12 testimonials, and the company has chosen testimonials
13 which substantially exaggerate the typical performance of
14 the product, at that point the disclosure is now
15 correcting a false impression. And at that point I would
16 say an asterisk or a hyper link is never really going to
17 be acceptable, except in very rare circumstances, for
18 correcting that kind of interpretation.

19 MS. KOLISH: Thank you, Craig. Our financial
20 practices staff, you know, want to disagree about whether
21 those Truth in Lending advertisements might not be
22 deceptive on their own because of implied claims that
23 they may give rise to. And so they don't view it just as
24 additional helpful information, but imperative
25 information.

1 MR. JORDAN: Okay.

2 MS. KOLISH: So I had to note that for the
3 record so they would be happy. Thanks. Let's move on to
4 ads 27 and 28. Here on ad 27 we're back to our pages of
5 testimonials. And you'll see at the top of the page --
6 you can read the testimonials.

7 Okay. If you scroll down a little bit, you'll
8 see scattered throughout this page, order now, order now.
9 And if you clicked on that order now, you would go to
10 page 28, where you see the actual disclosure that the
11 speed improvements are not the ones that -- you know, may
12 not be something that everybody will get to the same
13 degree. And then you have the order form.

14 And the question that we pose for you is, are
15 consumers going to notice this disclosure prior to
16 purchase? The outfit is right there on the last page
17 where you're going to order. But one question I have is,
18 if you just pressed order now, are you going to go right
19 to this little yellow form and start filling it in and
20 never read this? Is this in fact designed -- you know,
21 set up so that consumers are less likely to notice it?

22 On the other hand, would tinkering with it, like
23 making it, you know, in color contrasting type as opposed
24 to this black type, boxing it, increasing its type size

1 And then the final question to keep in mind is,
2 is this close enough to those endorsements to be
3 effective in qualifying them so that people understand
4 that these experiences are not necessarily typical ones?

5 So that's a whole lot of questions I put out
6 there, but you're a great group and I know you'll be able
7 to keep up with them. So --

8 MR. GOLDBRENNER: Elaine, could I just ask you
9 to clarify one thing?

10 MS. KOLISH: Yes.

11 MR. GOLDBRENNER: Do you mean -- you said if
12 you're taken directly to the order form, are you going to
13 see what's above it. Do you mean that the screen would
14 be lowered --

15 MS. KOLISH: No.

16 MR. GOLDBRENNER: -- so you only see the order
17 form?

18 MS. KOLISH: No.

19 MR. GOLDBRENNER: Or come up like this?

20 MS. KOLISH: Just that you go this screen.

21 MR. GOLDBRENNER: And the screen would look like
22 it does now?

23 MS. KOLISH: Yes. It would look like it does
24 now. And my question --

25 FEMALE SPEAKER: Right. And if we click on the

1 order now button in ad 27, you'll just see what comes up?

2 MS. KOLISH: Yeah. So the question was, if you
3 do that, because you've decided to take the action of
4 ordering, do you go just directly to this page and start
5 filling it in and avoid other text?

6 Ron, Bill, Jean Ann.

7 MR. GOLDBRENNER: I find it difficult to
8 understand how the page here with the order form can be
9 anything other than the quintessential clear and
10 conspicuous. It's there. If your standard is not clear
11 and conspicuous, but the consumer must absorb it and
12 assimilate it and read it, maybe it's not adequate. But
13 I don't think that's the standard.

14 And as far as the endorsements, it being
15 proximate enough to the endorsements, we're trying to get
16 information to the consumer before he makes the important
17 decision of purchasing. Before he makes some important
18 decision where he commits himself. And I don't think it
19 matters if it's right next to the endorsement, if it's
20 right ahead of the order where he's making that important
21 decision.

22 The object of the game here is not to get him
23 the information at the same time you make the trigger
24 claim. The object of the game is to get him to have a
25 fair and balanced view of the information conveyed

1 overall. And certainly in some circumstances, putting it
2 above the order form or next to it or even below it, can
3 be adequate. We just have to look at each one.

4 And I think it would be a mistake to prescribe a
5 rule that says it must be on top, or it must be on the
6 side, or it can only be proximate to trigger words, etc.
7 We have to look at the context of each ad.

8 MS. KOLISH: We agree that's what net impression
9 is all about, and what we're trying to identify are
10 factors that are going to be more or less helpful in
11 ensuring that something is clear and conspicuous.

12 Anyway, Bill, did you have comments?

13 MR. MACLEOD: Bill MacLeod with the Grocery's
14 Manufacturers of America. I think this is a good
15 example, Elaine, of what we were talking about this
16 morning in talking about how the Internet really adds a
17 separate dimension to this thing.

18 Proximity -- if you want to look at it simply in
19 terms of the definitions and the guidelines, proximity is
20 not just left, right, up or down. Now, proximity can be
21 a separate dimension away, and it may well be that that
22 is more proximate to these particular testimonials than
23 anything anywhere on the page where the testimonials
24 appear, because it is in between those testimonials.

25 And if I have just read one -- maybe I quickly

1 scroll down to a particular testimonial that is neither
2 at the top of the page nor the bottom of the page. And
3 unless I had something that was qualifying it running all
4 along the page or constantly there, that might be the

1 catch it. It just all sort of globs together. That's
2 not like blunking, but we say it in Virginia. Globs
3 together.

4 **(Laughter.)**

5 MS. KOLISH: Great. Carla?

6 MS. MICHELOTTI: It's really just following up
7 on Bill's about the cyber space environment, and it's
8 worth repeating because it's so important as we apply the
9 standards and we apply our historical perspective of
10 proximate, close, conspicuous, immediate adjacent to. We
11 have all these terms of art legally that are in a
12 measurable, physical environment. And cyber space is not
13 a measurable, physical environment.

14 So we are in a third dimension or a fourth
15 dimension, but it's not a dimension that's measurable.
16 And what's important is the consumer behavior, in that
17 the consumer involves himself and engages himself in this
18 environment and what is reasonable and understandable for
19 the consumer to have access to and make available to him.
20 It is not an environment that is any longer measured in
21 inches or distance, which is what I was trying to say
this morning when I talked about geography not being

1 Attorney General's Office. I think Bill made a good
2 point that on the Internet, at least in the context of
3 the web as we use it today, a disclosure on another page
4 might be in some sense more proximate to the term that
5 modifies a disclosure elsewhere on the page where the
6 trigger term is.

7 A caution there and a real concern I would have
8 is if you put them on different pages, you now have to
9 start anticipating what a user's click track is going to
10 be through the web site. I might not be one to buy Quick
11 DDRIP today. I might just be shopping around. I might

1 know, now I'm going to go click on how Quick D works.
2 I'm going to go read their privacy policy, an intriguing
3 notion, or see what experts say, and then they decide to
4 buy it. It's not their fourth or fifth visit, but it's
5 the same visit, but they've gone to lots of different
6 pages and then they go here and then they see this.

7 Now, this may be not, you know, many inches
8 away, but it could be many different plains away. I
9 can't remember the type of geographical terms you used,
10 Bill. But anyway it's now separated, you know, probably
11 a fair bit in time, as well as textually, from the claims
12 that they started reading before deciding to click
13 around.

14 Does that make a difference in people's
15 analyses? And I know, Roy, that you had your hand up, so
16 if you want to go ahead.

17 MR. GREEN: Again, Roy Green with AARP. I'm
18 always interested in the characterizations of consumers
19 from the standpoint of the seller. One of the options
20 here might be to set up your format in any number of
21 these combinations, but to have as a default at the end,
22 particularly if someone hasn't gone through the
23 disclaimers, automatically -- I would think in this
24 context proximity might mean proximity to the
25 transaction. That is, to the decision to transact. Buy

1 something.

2 And that if they haven't done it before -- they
3 haven't done so before, that one would automatically be
4 directed -- or in fact the software would automatically
5 take you to a disclaimer and that you would have to, in
6 fact, opt out of that decision. So at least there would
7 be one mandatory look at the disclaimers, if they hadn't
8 chosen to do so individually as they're working through
9 the web page.

10 MS. KOLISH: Okay. Are there any other
11 comments?

12 MR. FRUEHE: There are two things. One is I
13 think that we need to think about the consumer
14 expectation. When a consumer clicks on the order now
15 button, I think their expectation is, I'm going to place
16 an order now. So the next thing they're going to do is
17 go to the next page, and they're going to zero in on, the
18 first thing I need to do when I give somebody an order is
19 I have to give my name. So I go from the order now. I'm
20 starting to fill in the form. And I think of the
21 expectation of where a customer is going is extremely
22 important when you talk about proximity.

23 And the other piece is that if this company
24 sells more than just Quick DDRIP, if they're selling a
25 multitude of products, now you've either got the

1 situation that Kevin brought up earlier where you have
2 multiple disclaimers at the top, possibly obscuring the
3 order form and making the customer think I've gone to the
4 wrong place. Because I've clicked order form and all I'm
5 seeing is legalese, so I go back.

6 So you've confused the customer. You've made it
7 harder for them to make that purchase. Or you've got to
8 do some programming to look at what the customer is
9 buying and put the appropriate disclaimer up. Now, for a
10 large company like Dell to do that type of programming is
11 a relatively expensive task, but we can do it. We've got
12 the resources. But that may disadvantage a lot of the
13 smaller businesses who rely on less complex electronic
14 commerce applications.

15 MS. KOLISH: So, John, what would you do to make
16 certain -- to have an effective disclosure for these
17 endorsements?

18 MR. FRUEHE: There are a variety of different
19 things you could do. One of the things I think that may
20 have been beneficial was actually handling it on the page
21 prior. But that's not to say that this may not
22 necessarily work. Again, a lot of it goes back to we
23 need to sit down and test it and understand can consumers
24 really pick up on it.

25 You know, there is a lot of conjecture here.

1 Everybody seems to believe that we know what the consumer
2 wants and how the consumer acts. And I as one, who deals
3 with, you know, 1.6 million consumers a week, can tell
 you that we're not really all that clear on exactly what

1 endorsement on the box, there's probably not a disclosure
2 on the box. Or they might never ever even go to the
3 order form, depending upon, you know, what their
4 perceptions of the product, where they can get it and
5 what their best opportunity to buy it is.

6 MS. KOLISH: Good point. Thank you. Jeff and
7 then Dave.

8 MR. RICHARDS: Jeff Richards, Internet Alliance.
9 We should look carefully at this order form, because this
10 is one of the last times we'll see an order form like
11 this. Order forms are no longer order forms. In fact,
12 interestingly enough, one way -- there are many ways
13 around the conundrum of how to ensure customer
14 satisfactory and disclosure and all of that -- is to
15 build it right into the order form.

16 You know, what are the factors that affect the
17 speed and quality, and you build it into the order form.
18 So as you're testing it out, in other words. Before
19 you're finally buying it, you're putting in -- I don't
20 know -- maybe that you know you're within ten miles of
21 the central office -- telephone central office. Or, you
22 know, the basic things that people could really do.

23 That's why this fill out the handwritten form is
24 going away real fast, and why we want to give every
25 encouragement into building in these disclosures. I

1 can't agree -- Internet Alliance members have strong
2 experience with consumers who get to this point in the

1 said it, Elaine -- on a case by case basis.

2 The other thing I wanted to raise was a comment
3 that was raised, I think, by Roy, of the mandatory pop up
4 screen that you have to then click through to go out.

5 That creates from our -- what we've seen, and of course
6 we would need more study on it, I'm sure. That creates a
7 disincentive to go on the net and go through here.

8 That's an annoyance and people don't want to do that.

9 And I think that it also places the Internet at
10 a disadvantage compared to other media, because you're
11 mandating you have to go through this. It's not -- and I
12 think that what we would like to see here is that the
13 Internet not receive any favored treatment, but also not
14 disfavored treatment. That you just apply things in
15 relationship to the technology, but not create any
16 special advantage or disadvantage for the net.

17 MR. GREEN: Could I respond to that?

18 MS. KOLISH: Sure, Roy.

19 MR. GREEN: Thanks. Well, again, the Internet
20 has many rights -- many opportunities for seniors, but
21 consumers of all kinds. And I understand the point that
22 you're talking about there. But the issue here is that
23 it is a default. That is, if people have not taken the
24 opportunity to look at a disclaimer beforehand, that it
25 pop up and that it be made efficient so that they can opt

1 out if they don't want to read it. It doesn't require
2 that they read it. It just requires that they be
3 confronted with that information momentarily. I think
4 that might be an important principle.

5 On the other hand, in the way we're talking
6 about, so far in most of the advertisements and ways for
7 presenting disclosures, all of the responsibility falls
8 on the consumer. And you're talking about a variety of
9 techniques and strategies here for different web sites
10 over different time periods involving lots of
11 advertisements and lots of companies, and with lots of
12 people coming online with the tremendous variation in
13 experience.

14 So again, from the consumers' point of view, it
15 seems to me that one might consider the trade off here,

1 It's not meant to put the Internet at a disadvantage, but
2 rather if you're talking about a new environment -- that
3 is, an electronic environment -- in which there is this
4 tremendous variation of inexperienced people online,
5 providing some basis protection to them.

6 MS. KOLISH: Thank you, Roy. All right. We'll
7 go back to Dave and then Elissa, and then we'll wrap this
8 up, because we have some final points about hyper links.
9 Then we're going to go to a different topic.

10 MR. CLAUSON: I'll go very quickly. Dave
11 Clauson with IXL. You asked a point earlier, Elaine,
12 about should the disclaimer print on the order form and
13 what happens. It was Jeff's point earlier. That order
14 form should be filled out for me if I've been to
15 dell.com. I wouldn't even have to do that in many cases,
16 so that's going to change.

17 A couple of quick points. Again, this gets back
18 to the issue of information design. The objective is to
19 permeate to the consumer as much relative information on
20 the consumer's terms. If we don't accept the fact that
21 the Internet is not like traditional -- it is not
22 television. It is not print. It is not -- it is not
23 media, okay.

24 It is a community of interests. It is an
25 environment where I am in control. The minute we begin

1 to start down the path of words like mandatory, words
2 like forced, must view this before you're allowed to
3 purchase, (1) you're fighting the whole context on which
4 the Internet was created, and (2) you will engender -- I
5 guarantee you if you had that policy up today there would
6 be about 10,000 programmers who would be out trying to
7 find a way around that immediately.

8 The truth is, the consumer will tell you. And I
9 think, again, what the best marketers on the web
10 understand, is empowering the consumer with information.
11 You asked where should disclosure information go. I
12 would argue it should be in many different places in many
different forms, Because youayo ersket

1 message, because the content of the message in that
2 paragraph modifies not only the testimonials, but in fact
3 the description of the product.

4 Which led to me to a train of thought in which I
5 went back to the -- Elissa Myers, Electronic Retailing
6 Association.

7 **(Laughter.)**

8 MS. MYERS: And we've just published online
9 marketing guidelines. And in the online marketing
10 guidelines, one small paragraph that we require our
11 members to adhere to is that testimonials and
12 endorsements in online advertisements may not make
13 representations that would be deceptive or could not be
14 substantiated if the advertiser made them directly.

15 And the nature of a disclaimer, as I was sitting
16 here thinking about, what does that word mean, and do I
17 really understand it. It implies that a misstatement or
18 a misunderstanding has been generated which has to be
19 disclaimed. So there is something -- we believe at the
20 Electronic Retailing Association -- call me Pollyanna.
21 But we believe, and we're asking our members as a matter
22 of contract with the organization, to tell the whole
23 truth -- tell the truth, the whole truth and nothing but
24 the truth to consumers.

25 And if you're doing that, perhaps this whole

1 issue of where the disclaimer appears and how we treat
2 disclaimers becomes an issue of slightly less critical
3 importance.

4 MS. KOLISH: Thank you, Elissa. Thank you also
5 for noticing that we wrote such a good disclosure, that
6 it does give you a lot of information even if you're not
7 looking at the endorsement. We thought that was one of
8 its flaws for this purpose, actually.

9 Dan?

10 MR. JAFFE: Well, this discussion brings me back
11 to a point I made earlier, but I think it has more point
12 here, which is that if you start having forced pop ups --
13 first of all, I'm Dan Jaffe with the Association of
14 National Advertisers.

15 MS. KOLISH: Actually the court reporter has
16 said she's actually getting us now.

17 MR. JAFFE: But in these ads, again, you could
18 have multiple disclosures. You would have to have
19 multiple pop ups. You would have to have multiple
20 agreements for the consumer to go through them whether
21 they read them or not. It's going to become a very
22 cumbersome way to do things.

23 So I would really like to associate with what
24 Mr. Clauson said, which is that you have to let the
25 consumer be sovereign here. We have the goal of making

1 sure that these things are noticed. But I really believe
2 it's going to be very tricky at this point for the most
3 knowledgeable people the most expert in this area to
4 really predict what we're going to be facing six, nine or

1 raised in a Federal Register notice and many of your
2 commented on a possible need for repetition. We're not
3 saying it's mandated. We're just raising a question
4 about this. And it's going back to our seven screens of
5 endorsements, which is the equivalent of four printed
6 pages, as you'll see from your printouts.

7 And the question is -- we're talking about
8 effectiveness and communication, and what is going to be
9 communicated, and what's still going to be communicated
10 at the end of the scrolling. And so in ad 19 you see
11 that the lovely clear and conspicuous -- ha, ha,
12 laughing; just kidding -- blue, color contrasting
13 disclosure is at the top. And in ad 22 you see there is
14 a disclaimer button after every single endorsement. And
15 in ad 23 you see that there is a hyper link, your
16 experience may vary.

17 And we thought, well, let's look at it in this
18 context. Do we think that this disclosure at the top of
19 the page, you know, is effective. I mean, a lot of
20 people said yes, it could be good. Maybe it should be
21 when you're really further into it.

22 Assuming it's good here, is it still good in
23 terms of a communication technique? When consumers go
24 down to the bottom of the page, will it still have the
25 effect of qualifying the impression that people take

1 away? And what about this disclosure -- well, let's talk
2 about that first, and see if anybody has views shortly.

3 Ron and Kevin, okay.

4 MR. GOLDBRENNER: Ron Goldbrenner. Again, I
5 would measure it against the inadequate test. I think

1 MR. ELSE: Well, I think -- not to say that, you
2 know, it would be absolutely necessary in every
3 circumstance. It may be that some of these testimonials
4 really are proper for any consumer. So it really does
5 depend when you look at the disclaimer whether or not,
6 you know, there is some general statement in there that
7 says, you know, in an affirmative statement that it will
8 work for everything. And then I think you absolutely
9 have to put it a disclaimer.

10 And if there was just some oblique reference
11 that perhaps really what you're looking at are four --
12 you know, four statements that are very similar and they
13 just sort of well, it may work, you know, with things, it
14 may be appropriate to then just simply have one, you
15 know, your experience may vary button.

16 MS. KOLISH: Okay. Carla, did you want to say
17 something?

18 MS. MICHELOTTI: Well, you were asking how it
19 would be incorporated in -- Carla Michelotti representing
20 AAF from Leo Burnett. You asked how it would be
21 incorporated in the real world. Number one, as far as
22 this being signed, legally approved, is this good enough,
23 I would say all of these three -- as Ron said, all of
24 these three are adequate and it's disclosed.

25 In the real world, I don't think anyone would

1 really design a web site like this. And the testimonials
2 would be reviewed, and probably the creatives would come
3 up with some kind of introduction, and maybe they would
4 call the whole area, fan mail. You know, read our fan
5 mail. You know, your experience may not be exactly like
6 this. They could come up with some way of disclosing
7 that. You know, you don't know how creatively the same
8 concept may be conveyed, which all speaks to -- it's hard
9 to interpret a strict application of the rules, which I
10 know is what you all are saying.

11 MS. KOLISH: Right. And in fact, you know, one
12 of the reasons we did this is it's not uncommon to go on
13 web sites to see consumer experiences and to see quite a
14 few screens worth of information. We didn't sort of just
15 make this up out of whole cloth.

1 be able to repeat the information.

2 But does it end up being over used and so less
effective? John?

1 mean, obviously the issue that you're getting at is this
2 kind of gray line that develops between the clear rules
3 on disclaimer and where you provide an open forum for
4 consumers to provide information about products.

5 And where you have kind of a log, if you will,
6 in which consumers are able to comment and it can be a
7 valuable source of information, there is probably a
8 continuum there between the clear example of a paid
9 endorser, where that is part of the copy which has to be
10 disclosed, and one where you really are providing an open
11 mic that allows for consumers, say, to provide book
12 reviews. And really there is no particular vested
13 interest in the marketer to -- you know, the person is
14 going to buy one thing or another.

15 But clearly what we don't want to do is to
16 inhibit that kind of exchange of information. I think
17 Jeff made the point very eloquently before. We should
18 not look at this medium as simply, you know, consumer and
19 marketer as separate, but where there is an interaction
20 between consumers and marketers in an exchange of
21 information that can be quite useful for all concerned.

22 MS. KOLISH: Okay. One tiny final remark, Ron,
23 and then we'll move on.

24 MR. GOLDBRENNER: I think John has made a couple
25 of very critical remarks. The doctors have an important

1 part of their ethics that says first do no harm. And I
2 think that that has to be a paramount principle for

1 going to visit the site.

2 MS. KOLISH: Thank you. Roy and then we'll move
3 on.

4 MR. GREEN: Looking at the end point and
5 actually turning it around, there is, as we say, a great
6 variation of people who come online to shop. But there
7 is also, as you were just pointing out, a tremendous
8 variety of skills and talents that are putting
9 advertisements on the web. You have some of the best
10 brains around the country represented by the table here
11 in terms of the state of the art.

12 There are an awful lot of people coming on and
13 putting advertisements on the web that aren't state of
14 the art. And the question in developing standards is
15 what the minimum has to be for everyone. Because the
16 best usually are the best, and probably need less
17 guidance than anyone else.

18 But the question we're looking at here overall
19 is what kinds of standards have to be required, not only
20 of the burden on the consumer to know what they're doing,
21 but on the minimum level of anyone who decides to in fact
22 hang out their shingle on the net and to do business.

23 So I think there is an aspect of that that needs
24 to be considered here as well in terms of the minimum
25 standard that we're talking about.

1 MS. KOLISH: Thank you, Roy. Final comment,
2 Jean, and then we're going to definitely move on.

3 MS. FOX: Jean Ann Fox, Consumer Federation.
4 Since all of these rules and guides already are legally
5 binding on Internet commerce, correct, and since
6 certainty is a term I keep hearing -- when you talk to a
7 business, they want certainty. They want to know what
8 they're supposed to do.

9 I think you would be less likely to have to have
10 a lawyer at your elbow if the Commission issued a general
11 policy statement on how you plan to apply these rules to
12 this venue than if you didn't.

13 MS. KOLISH: I know all the lawyers in town
14 might not like that, Jean Ann.

15 **(Laughter.)**

16 MS. KOLISH: We're not going to go to these
17 questions. But as you think about post-workshop
18 comments, if you're inclined to write one, if you think
19 about other issues or factors that could affect -- you
20 know, that are great ideas about hyper links or things
21 like, oh, you know, this is something that is hardly ever
22 going to be effective, or is likely to be ineffective,
23 please put that in your comment. And if you have
24 research, we would love to see it. And we would love to
25 hear more of your views about this.

1 But we're going to switch gears now, and we're
2 going to go to the link to page from the hyper link. And
3 Laura DeMartino is going take over and lead this part of
4 the discussion, because I'm sure you're sick of my voice
5 by now. I know I am.

6 MS. DEMARTINO: So far we've talked about the
7 hyper link itself, and now we would like to continue on
8 and discuss what is seen on the link to or the click
9 through page. As you recall, for the diamond weight ads
10 -- and if we could pull up ads seven and eight, please?
11 For the diamond weight ads, there needs to be a
12 disclosure that diamond weights are not exact, and a
13 disclosure of the range of weights that are used for the
14 three quarter carat.

15 And on seven and eight we have two links. On
16 eight you have to scroll down to get to it. And if we
17 could click on those links and see where they take us,
18 they take us to two different pages. On number nine the
19 link to page has information about diamond weights. And
20 imagining that an advertiser might put links on all of
21 its diamond product home pages, there is a lengthy chart
22 of weight ranges for each fraction.

23 Page 10, on the other hand, contains information
24 about colored gemstones and pearls and also diamonds.
25 Assuming we thought that the hyper link that took us here

1 was adequate -- it was effective -- we would like to hear
2 your views on whether our analysis ends there. Or if
3 not, what considerations need to be taken into account
4 when we're looking at this link to page.

5 Phillip McKee?

6 MR. MCKEE: Phillip McKee, National Consumers
7 League. The analysis can't end there. It has to keep on
8 going. It has to look at what kind of information is
9 provided on the disclosure page, if you're going to make
10 a disclosure page.

11 In this case the disclosures that we're talking
12 about refer to the weight ranges. Page nine very
13 directly takes you to a page that discusses the weight
14 ranges, what could possibly be there in a three quarter
15 carat ring. Ad number 10 takes you to a page with lots
16 of general information. Yes, there are interior links
17 that allow you to go down to where the diamond section
18 is, but it's rather buried. You have to look for that
19 information. It makes it more difficult for the consumer
20 to find the required disclosure.

21 If the FTC is looking at a site that has to make
22 a required disclosure, but then when it makes the
23 disclosure hides it among all sorts of other useful, but
24 not necessary information at that point, the disclosure
25 becomes ineffective.

1 MS. DEMARTINO: Does anyone else have any other
2 views? David Clauson?

3 MR. CLAUSON: Dave Clauson, IXL. I just want to
4 be careful when we use terms like hide and buried. If
5 you were a consumer, I would argue that, again, if you're
6 a diamond jeweler expert, you don't need to be told what
7 a carat was.

8 If you're a novice -- if it's your first time
9 that you've bought a diamond, a lot of the information
10 that is on -- and by the way, I would not call this an
11 advertisement. But on this page is very useful
12 information. It begins to -- this is what consumers who
13 are uneducated need to know.

14 MR. MCKEE: If I may respond?

15 MR. CLAUSON: Just let me finish, please.

16 MR. MCKEE: Okay.

17 MR. CLAUSON: And when you go through that
18 information and the fact that yes, you can find what a
19 carat is -- and again, I'm not doing a legal
20 interpretation here. But in terms of again what I can
21 speak to, which is the information architecture, this is
22 a very useful way of conveying even more information than
23 just what I would get in the disclosure.

24 And as a consumer, I am going to feel more
25 empowered to make a better purchase, because the provider

1 of this information has made sure that I'm more expert by
2 reading this page than when I was before.

3 MR. MCKEE: If I may respond to that? The
4 reason I said hidden or buried is that the information
5 concerning diamonds is exactly the same on both pages.

1 MS. MICHELOTTI: Carla Michelotti representing
2 the American Advertising Federation. Both of these pages
3 are fine as jump to pages, and there are dozens of other

1 nondiscouraging, now don't stifle the creativity, now
2 don't stifle the economy, don't stifle the marketing
3 opportunity of the Internet. And that's been very
4 positive, yet do this in a nondeceptive environment. And
5 that's been very positive.

6 If, in fact, we had the ability -- if we could
7 say okay, here is the minimum standards, everybody must
8 comply with these standards, this is the minimum
9 language, and this is how you have to do it, what that
10 really would do is force the advertisers with integrity
11 and the honest, ethical, huge corporations that are out
12 there doing the right thing and trying to comply with the
13 rules of the road, they would just give it up.

14 And the web would be still there. You would
15 still have people noncomplying with the minimum the FTC
16 would establish, and the web would become graffiti. It
17 would become graffiti without advertisers of integrity.
18 So it's important to maintain not to stifle creativity,
19 not to stifle the technological development, and not to
20 stifle future opportunity.

21 And I haven't heard anything from the FTC
22 inconsistent with this.

23 MS. DEMARTINO: Right. Exactly right. And that
24 is all good points. If I could just, you know, follow up
25 with you. For page number 10, then, I mean, is it your

1 view that the message that diamond weights are not exact
2 and that a three quarter carat diamond could range from
3 .70 to .80 -- I mean, is it your view that that message
4 doesn't get lost in this page?

5 MS. MICHELOTTI: It's fine. It's fine.

1 Call this number for information about our jewelry sale,
2 50 percent off. And then at the bottom of the page it
3 says, \$3.75 per minute.

4 MS. MICHELOTTI: But it would --

5 MR. SKILES: All the way at the bottom of the
6 page. Scroll down to where the diamond weights are.

7 MS. MICHELOTTI: That kind of speaks to what we
8 were talking about this morning, whether important
9 information -- whether the location of important
10 information, where it's located on the page and the
11 reasonableness of whether somebody would understand that
12 they should scroll down the page, and how long the bar
13 is. It kind of goes back to what we were talking about
14 this morning.

15 MR. SKILES: Right. But would you say that's
16 okay down there?

17 MS. MICHELOTTI: I'm not -- if in fact -- if
18 the consumer -- I'm not understanding your example. I
19 really am not. I'm not trying to be tricky. I'm not
20 understanding the example, because in what we're looking
21 at here, you're talking about diamonds. I clicked on
22 diamonds and I go over. I'm talking about the weight,
23 and I get to a weight and diamond information and I go to
24 diamonds.

25 MR. SKILES: And I'm leaving the weight example

1 and substituting for that a 900 hundred number example.

2 MS. MICHELOTTI: But I don't understand.

3 MS. DEMARTINO: David?

4 MR. CLAUSON: I've got it. Do you want me to
5 try?

6 MS. DEMARTINO: Yeah. Let David respond.

7 MS. MICHELOTTI: The gentlewoman from Illinois
8 passes to the gentleman from Atlanta.

9 **(Laughter.)**

10 MR. CLAUSON: I think I can take a whack at
11 that. The screen on the right -- I believe it's ad
12 number ten. Could we just scroll up a bit? I just want
13 to make, again, a point -- right there, that's great. A
14 point about the architecture.

15 It is very common practice on a jump page to
16 come to an indexing. Remember, look at the title. It
17 says Jewelry Information. This would assume that this is
18 in a site in the FTC jewelry site that the FTC also has
19 colored gemstones and pearls and diamonds that it is
20 offering. It is not inconsistent that I would find
21 diamond information along with pearl information and
22 colored gemstone information.

23 In fact, if it was well designed, I could click
24 on diamonds -- click -- and come right to this page,
25 okay, which is common navigational practice. Will every

1 consumer click on the diamonds on that page? No, not
2 sure. Will many of them do it? Yes, especially the more
3 educated. The more time they spend on the web, the more
4 natural environment of click. Because I can actually get
5 to that information very, very quickly by click, click,
6 click.

7 To answer the gentleman's question about if it
8 were a 900 number, again, the first question I would ask
9 is, if I'm moving to the information about the call, am I
10 giving you clear conveyance in that architecture at the
11 top what you will be charged. If there were -- instead
12 of diamonds it had what you'll be charged, that's a very
13 quick information -- it's a quick way -- rather than
14 scrolling through that text to find it, it's actually
15 designed to be a more effective way of getting to the
16 information that I'm most concerned about, which is what
17 are you going to charge me by minute for taking that 900
18 call.

19 So the answer to your question, I think this
20 could absolutely be just as effective, if it was designed
21 properly.

22 MS. DEMARTINO: Well, if I can just jump in to
23 continue for this page and for, you know, the 900 number
24 rule hypothetical, we've just clicked on a link to come
25 here. Is there any reason not when you click -- is there

1 any reason that when you click on the first link it
2 doesn't take you directly to the middle of this page?

3 MR. CLAUSON: None at all. And that's the way
4 you can design the link to take you to specific areas on
5 the page. Again, the information architecture matters.
6 So if the link is designed to take you to the cost
7 information about the call, it can take you right to the
8 sentence that says you will be charged X per minute. If
9 that's the way it's designed.

10 I'm not a frequent user of 900 number web sites,
11 so I can't --

12 **(Laughter.)**

13 MR. CLAUSON: -- comment on that, and I'll defer
14 to someone else on that one. But I think the point,
15 again, that I just want to reiterate, is how you design
16 does matter. And you need to design in terms of the
17 experience that the consumer wants. And if I want
18 information about what you're going to charge me, I'm
19 very smart to design it so you get that information fast,
20 or I'll go some place else.

21 MS. DEMARTINO: We got a little sidetracked. I
22 think, Wendy, you had some comments?

23 MS. SCHMIDT: I would like to say -- and this
24 sort of emphasizes why it's important to keep flexibility
25 and keep context in mind. I mean, many diamonds come

1 with gemstones. So you might send someone to this page
2 so that they can get a variety of information on one
3 piece of jewelry. And in fact it's easier.

4 And from a web site perspective, each of us is
5 at a different technical level. I can tell you when we
6 started our web site, we couldn't jump around that much.
7 And as we get more sophisticated, we can. But you don't
8 want to take the smaller marketers or the newer web sites
9 out of the picture, and for them doing something like
10 this satisfies the requirements. It meets the baseline
11 test, and they may not be able to meet a higher standard.

12 I think, again, we're trying to figure out will
13 prevent deception and what will a reasonable consumer be
14 able to look at and find information on. And I have to
15 say that if you go into most jewelry stores, the
16 information on gemstones, diamonds and pearls is all
17 going to be in one booklet that they have to look
18 through.

19 So I don't think it's unreasonable to say that
20 someone should be looking -- paging down a little bit on
21 a web site.

22 MS. DEMARTINO: John Fruehe from Dell. You had
23 your hand up a while back.

24 MR. FRUEHE: Yes. Actually David stole one of
25 my points, which was an anchor link, which as you said

1 from the other page, would take you directly to that
2 diamonds piece is a very common occurrence, actually.
3 That would be the proper way to code it. Not to say that
4 whoever did this didn't do it right, but that is
5 generally how we would do it at Dell, and I think how
6 most of the people on the Internet would do that. So
7 you're taking the person directly to that relevant
8 information.

9 The other piece, though, that I wanted to touch
10 on is that in this particular case, you've taken the
11 colored gemstones, the pearls and the diamonds and you've
12 put it all on one page with the anchor links. And while
13 some people may say it would be better to split that all
14 off on separate pages, having a single consistent page
15 that you can consistently across your site link to is
16 very important.

17 And in addition, I've got 150 web designers that
18 I've got at my company that I can have them go off and
19 drive all the different pages, create them and manage
20 them. But for a lot of smaller companies -- smaller
21 businesses -- they don't have the ability to create large
22 sites with lots of pages. And the ability to consolidate
23 will help a small business to be able to compete in the
24 Internet.

25 MS. DEMARTINO: Okay. Beth-Ann Eason.

1 MS. EASON: Thank you. Beth-Ann Eason from
2 DoubleClick. We spoke about this earlier, but I think
3 it's important to keep in context that the decisions that
4 are made and the rules that are put into effect are broad
5 enough to think about the changing technologies.

6 A lot of assumptions are being made about this.
7 But a web site actually exists. And the technology today
8 allows you to actually transact within a banner, never
9 having to leave that space.

10 So it's important to keep in mind that the
11 changing technology and evolution is that this is a good
12 format to start with and it addresses one aspect of it.
13 But it's a constantly evolving medium, and the broader we
14 can make the regulations, the more effective they will be
15 today and moving forward.

16 MS. DEMARTINO: Phillip?

17 MR. MCKEE: One thing I would like to say about
18 page number 10, so I don't use the word ad. David and
19 John have both made really great points about the page
20 and the use of anchor links. As it is designed now when
21 you link to it from the original jewelry page, it just
22 takes you straight up to the top. And that doesn't do
23 justice to showing the disclosure.

24 If you're using the anchor links properly, as
25 both of them have stated, it will take you directly to

1 the diamond section. And in that way making sure that
2 the first thing you see is the disclosures and not
3 information on one of the other topics, it is a perfectly
4 acceptable way of making sure that people see it.

5 And anchor links are very easy to do. They're
6 very easy to create. And so it's not something that is
7 overly burdensome at that point. So you're quite
8 correct, David, in saying that the properly designed site
9 will be able to use a single page and provide the
10 information.

11 The biggest problem with the particular site was
12 that it didn't take you directly to diamonds. It showed
13 you something else and there was the possibility of a
14 consumer looking at it and saying oh, it's just general
15 information. Whereas if they get jumped directly to
16 diamonds, they'll know that it's not just general
17 information. It's something that was directly related to
18 what they clicked on a few seconds before.

19 MS. DEMARTINO: Okay. Greg Jordan, I think you
20 had some comments?

21 MR. JORDAN: I would just say that the anchor
22 point is a good point. I think it brings up a different
23 consideration, one that I think about when I'm making
24 decisions about what's prosecutable and what should be
25 prosecuted. And it has to do with kind of a real world

1 analysis. There are lots of different ways to
2 communicate things. Some are better and some are worse.
3 And this, I think, goes perhaps to the PMA point about
4 what's adequate as opposed to what's best.

5 It may well be better to do this with a link --

1 MS. DEMARTINO: Okay. We're going to actually
2 look at this issue, but in another context, and then
3 maybe I'll get to you once we pull up these next ads.

4 For our Quick DDRIP product that was ad 16B,
5 which is lost.

6 **(Laughter.)**

7 MS. DEMARTINO: For 16B remember D. J.
8 Blackhand, and D. J. Blackhand was paid for his
9 endorsement. And if we clicked on a link that was on the
10 page, it would take us to 17, which, you know, sets out
11 the disclosure quite clearly, or it could take us to 18.
12 And if we could maybe just go straight to page 18?

13 All right. If you click on the link on 16B, it
14 will take us straight to page 18. Maybe. Okay. We
15 didn't purchase Quick DDRIP. This is why it's taking so
16 long. Okay. So 17 sets forth the disclosure. It's not
17 really controversial, so I would like to focus our
18 attention on ad number 18.

19 There is a lot of information here about Quick
20 DDRIP. And if we could scroll down a little bit, there
21 is a lot of fun information here. Is it likely -- or
22 would it be reasonable for consumers to find --

(Laughter.)

1 have a little test here, you know, to see who finds the
2 disclosure first.

3 Jean Ann, I think you really want to comment.

4 MS. FOX: Jean Ann Fox, CFA. No. It took me a
5 while to find it hidden here down in the first box under
6 hot, hot, hot, that you had paid Mr. Blackhand for his
7 glowing endorsement.

8 If I were looking at that, I would say that was
9 an obvious effort to hide that information. And when you
10 print it off, it doesn't even come out on the first page.
11 On my poky computer it comes out on the second page.

12 MS. DEMARTINO: Bob Goldberg, did you still --
13 did you have a comment?

14 MR. GOLDBERG: Well, the only comment I had on
15 the last series was I thought those disclosures were
16 good. But are we missing some of the very basic points?
17 I hope our prosecutors over here might look at the
18 jewelry ads. I still haven't determined if it's three
19 carats for each or both together.

20 **(Laughter.)**

21 MR. GOLDBERG: And what is the FTC going to do
22 about this retail price on an Internet market that's
23 nationwide? Whose retail price are they comparing it to?

24 MS. DEMARTINO: We're not doing deceptive
25 pricing today. Sorry.

1 **(Laughter.)**

2 MS. DEMARTINO: Or maybe ever. Didn't we say
3 total carat weight there? I can't remember. Well,
4 focussing on the page number 18, there is a lot of fun
5 features on this page. There is a lot of animation.
6 There is a lot of vivid information that, you know, Quick
7 DDRIP is 129.95. And this is, at least in my view, one
8 of the benefits of the Internet. There is a lot of fun
9 graphics and things that can catch your eye.

10 But we would like to hear your views about how
11 we should evaluate these graphics and animations in the
12 context of when a disclosure is being made.

13 Roy Green?

14 MR. GREEN: Roy Green with AARP. One of the
15 things that fascinates me, if you have a machine that can
16 handle this kind of animation, is it important that --
17 getting back to Jean Ann's comment a moment ago -- that
18 it be printable out? Whatever you see can be printed,
19 and particularly if you have maybe a color monitor, but
20 you have a black and white printer.

21 Because I've had the experience, for example,
22 with being unable to see a fair amount of what was on the
23 screen. I couldn't reproduce it on a printer. And it
24 seems to me that might be an important feature as well
25 for disclosures in particular. You want them to put them

1 in the file after a purchase.

2 MS. DEMARTINO: Phillip? Phillip McKee?

3 MR. MCKEE: I would think another important

1 supposed to use.

2 MS. DEMARTINO: Okay. While we're on the topic
3 of fun, unique Internet features, let's shift gears a
4 little bit and take a look at some examples we have
5 prepared using unique features online to see if they can
6 be used to make disclosures clearly and conspicuously.

7 And if we could pull up ads 25, 26 and 16C?
8 I'll go backwards as we're waiting to load. Ad 16C on
9 the right hand screen demonstrates the use of a marquee
10 or scrolling text bar to make the disclosure that Quick
11 DDRIP has paid D. J. Blackhand. Ad 26 demonstrates the
12 use of a pop up to make the disclosure. And 25, which
13 we're still waiting to load, demonstrates the use of
14 frames.

1 not a good use for that.

2 On the second, the pop up, as the gentleman that
3 pointed it out before, why don't we have a pop up that
4 can, you know, ask me these questions or give me this
5 information. One of the real drawbacks with that is that

1 people that aren't onto the latest technology, they may
2 not be able to adequately print within the frame. It's
3 real tricky. Even the later version browsers, the four
4 and five version browsers, can print frames now, but it's
5 much more difficult. It's still not a one click process.

6 So you really may just confuse your customer.

7 MS. DEMARTINO: Well, even with frames -- if I
8 could just follow up. You know, are there any other
9 considerations about browsers that don't support frames?
10 Or, you know, computer -- you know, if you have older
11 computer equipment that doesn't support frames, are there
12 any concerns that the consumer will miss the disclosure
13 altogether?

14 MR. FRUEHE: Generally from what we see -- and
15 I'll just say that this may be Dell specific information
16 and maybe we skew a little more of a technical crowd.
17 We're at about somewhere between 75 and 80 percent of the
18 people who come to the site can actually use frames.
19 They've got a browser level that allows them to do that.
20 But that still leaves out, you know, ten to 15 percent of
21 the population.

22 MS. DEMARTINO: Okay. Maybe Jean Ann Fox and
23 then Philip and then Carla.

24 MS. FOX: Jean Ann Fox, CFA. I'm one of those
25 people in the 25 percent. I couldn't even look at that

1 mock ad, because the frames didn't even come up. It was
2 just a blank page. I would think you would write your --
3 and I need to take one of these technical people home
4 with me to help me.

5 **(Laughter.)**

6 MS. FOX: But it would seem to me that for the
7 purposes of providing minimum standards, you would write
8 your rules to the basic level of what's out there,
9 knowing that some folks can do better with better
10 technology.

11 But this is a matter of trying to provide basic
12 fundamental protection to all consumers who are able to
13 shop on the Internet. So you need sort of a threshold
14 rather than the optimum.

15 MS. DEMARTINO: Okay. We'll go to Phillip.

16 MR. MCKEE: As we were seeing a little while ago
17 and as Jean mentioned, one of the biggest problems with
18 frames is not all browsers can handle them. Yes, it's an
19 ever dwindling share of the Internet community that
20 cannot handle frames. But they're still there. And
21 there are some people who still have a deep seated hatred
22 of frames, and so they've altered the browsers. I know
23 very few people alter their browser settings, but there
24 are some who do turn off frames.

25 The biggest problem, then, is that when you make

1 a frames enabled site, as a web master you give it the

1 of how effective they are in the real world whether they
2 work.

3 MS. DEMARTINO: Okay. Roy?

4 MR. GREEN: A different issue here actually
about these advertisements is how long the advertisement

1 There is going to be a discussion, I guess,
2 about, you know, whether something is written or in
3 writing and whether it's printable. But I don't think --
4 I mean, if the information is displayed on the screen
5 with the rest of the ad, whether it's printable or not I
6 don't know is an issue as to whether it was clear and
7 conspicuous.

8 MS. DEMARTINO: All right. Well, just to follow
9 up, then, for the pop up, are there any concerns? I mean
10 putting aside the printing issue, are there any concerns
11 that if you click some place else on the ad -- and I tend
12 to do that, because I tend to click very quickly going
13 through ads -- that you minimize the pop up and a
14 consumer might miss the disclosure and in some cases may
15 not be able to return to it?

16 MR. DUKE: That's possible. But you could also
17 minimize your whole screen and go do something else.

18 MS. DEMARTINO: Right. I'm just talking in the
19 context in thinking about making pop ups to -- or using
20 pop ups to make the disclosure and that's the one time a
21 consumer is going to be exposed to the disclosure. You
22 know, I've gone to the Quick DDRIP home page and clicked
23 on what consumers might say. And I come here and the pop
24 up comes up, and I'm clicking so quickly that I miss --
25 the pop up disappears. I miss it.

1 Is that a valid concern regarding the use of pop
2 ups? Well, I know some people have comments, so we'll
3 come back to you, if you want. Maybe go to Ron and to
4 John?

5 MR. GOLDBRENNER: I think the question you just
6 asked has to do with is it adequate rather than is it the
7 best. If your standard is I want the best, then you
8 worry about pop ups in the manner you described. If your
9 standard is I want it adequate, then you don't worry
10 about pop ups.

11 And I think that one of the things we've seen
12 from the discussion just now, particularly Phillip's
13 remarks, is that if we're going to try and implement a
14 series of minimum standards as has just been talked
15 about, not only will you need a lawyer. You're need a
16 technological expert as well.

17 MS. DEMARTINO: Okay. Bill next.

18 MR. MACLEOD: Bill MacLeod, GMA. I think your
19 question points up a very important distinction that we
20 need to keep in mind here. When we're talking about
21 disclosures, we're talking about disclosing information.
22 We're not talking about indoctrinating the consumer.

23 I thought the pop up was kind of a slap in the
24 face and something that was very hard to ignore, and it
25 may well be that that is starting to point up some of the

1 complexities and some of the traps in the inter-activity
2 of this medium. If you make a disclosure so in your face
3 that the first thing the consumer is going to do is to
4 push it away, then you have started to make the perfect
5 the enemy of the good.

6 And that's why I think Ron's standard is a very
7 good standard to follow here. Adequacy is what you're
8 looking for.

9 MS. DEMARTINO: Okay. Roy, I think you had a
10 comment over there?

11 MR. GREEN: Just a follow up to the business of
12 printing out. If there is no way to reproduce the
13 disclaimers relevant to even the positioning of the
14 location or proximity of buttons or the pop up with the
15 text, it seems to be that if there is in fact
16 disagreement about what that disclaimer said, or whether
17 in fact it comports with the law, how will there be
18 evidence. It will just disappear into space, will it
19 not?

20 MS. DEMARTINO: Well, we'll go to Phillip next
21 and then back over to this side.

22 MR. MCKEE: Normally to get the pop up back, you
23 just need to kind of -- if you're in a Windows
24 environment, just keep alt tabbing and sooner or later
25 your pop up should come back. But not everyone realizes

1 to do that.

2 And you're quite right. Frequently when you get
3 a pop up, you -- there you go. Frequently when you get
4 -- I deal with these things all the time. When you get a
5 pop up, it is the first thing that comes up, and a lot of
6 times you're clicking at other points. Especially if you
7 see that there is a large amount of stuff coming up,
8 you're maybe already down to the scroll bar. You're kind
9 of seeing whatever graphics are coming up.

10 If you're doing it -- if you do have part of the
11 pleasurable experience in mind, you're moving around the
12 web site a lot. You don't wait patiently for everything
13 to come up, and then you interact, and then you wait
14 patiently, and then you interact. That's not how a lot
15 of people do it.

16 And so the pop up can very easily get lost. And
17 as we've seen, it's very -- not everyone realizes how to
18 bring it back up onto the screen. That's a little bit of
19 an unfortunate point to that type of technology.

20 MS. DEMARTINO: Okay. We'll go to Elissa.

21 MS. MYERS: Just as a point of clarification --
22 a question -- all of the points that are being made about
23 the pop ups, I think we're dealing with some complex
24 issues. I think we've agreed on that today.

25 I noticed that in a consent decree that is

1 currently pending but drafted, I believe, by the staff
2 here that there is a section of definitions that was
3 issued this month. And in it it says, in addition to the
4 foregoing, in interactive media the disclosure shall also
5 be unavoidable and shall be presented prior to the
6 consumer occurring any financial obligation.

7 So although we're discussing this generically
8 and how we feel about this, am I mistaken, or how am I to
9 interpret how the FTC is -- where the FTC is on this
10 issue?

11 MS. KOLISH: Okay. You know, in consent decrees
12 we often, you know, are more prescriptive to remedy pass
13 violations. And as you noted, it said in addition to the
14 foregoing. That foregoing said it has to be clear and
15 conspicuous.

16 And the unavoidability part is added in to make
17 certain that you don't have a great vivid, wonderful
18 disclosure, but a consumer could go and buy the item
19 without ever seeing it because of the way the click
20 through pattern would be.

21 And because that was an important disclosure
22 that we wanted consumers to see, that was put in as part
23 of the remedy. And also there has to be --

24 MS. MYERS: So this definition applies to this
25 particular situation?

1 MS. KOLISH: Yes. Those are in cases.

2 MS. MYERS: Okay.

3 MS. KOLISH: And, you know, they can be
4 instructive for people. And you'll notice they'll say
5 prior to purchase. Because you could have an unavoidable
6 and you could say after you submitted your purchase
7 information, when the screen pops up and says thank you,
8 and by the way, we want to disclaim the following facts,
9 that wouldn't be good enough.

10 So that's why they put all of those elements
11 together. But we've actually been sort of talking about
12 unavailability in this context as part of the clear and
13 its inconspicuousness. This is just hammering it home in
14 those orders.

15 MS. MYERS: Thank you.

16 MR. PEELER: And, Elaine, there is a difference
17 between what is charged in the complaint, which sets out
18 what the Commission found to be the violation of law, and
19 as Elaine said, what's in the order, which is often
20 remedies to fence in future conduct.

21 MS. MYERS: Okay, thank you.

22 MR. DEMARTINO: I think we had a couple of more
23 comments. John and then we'll go to Beth-Ann and Randi.
24 So John first.

25 MR. FRUEHE: Two quick comments. One is that

1 we've just spent ten minutes here trying to understand
2 how we grapple with the idea of using technology to solve
3 what really is an education problem.

4 And as we start to look at this, we start to
5 realize that we've got a lot of technologies and things
6 are changing, and there are a lot of things that you're
7 able to do today that you weren't able to do in the past.
8 And that will continue to change.

9 So trying to come up with solutions that wrap
10 themselves around particular technologies, maybe advanced
11 technologies like pop ups, that, again, you know, you're
12 back to this issue of now I may require additional -- I
13 may put an undue burden on some businesses that can't
14 afford to have not only a web master, but also somebody
15 who can do java script programming to make the pop ups
16 work.

17 So we want to make sure that as we go through
18 these tactics that we look at really what are
19 technologies that are going to be conducive to the
20 customer as well as the business, because not everybody
21 has a lot of resources.

22 MS. DEMARTINO: Right. Beth-Ann?

23 MS. EASON: Beth-Ann Eason from DoubleClick.
24 Well, clear and conspicuous is the goal. Invasive isn't.
25 And putting the pop up window -- or even taking a third

1 of the page is the equivalent in traditional media of
2 putting the equivalent of a post-it size over a four
3 color print ad, or asking to take instead of the full
4 page for that ad, one third of it for the disclaimers.

5 And that seems extreme, and does put undue
6 pressure on the advertiser and the message that they're

1 MR. JAFFE: Dan Jaffe from the Association of
2 National Advertisers. Just in this discussion today, I
3 had always thought of the inter-activity aspect as a
4 positive thing to the consumer. But you can have a
5 tremendous disclosure wear out if you start training the
6 consumer that the disclosure is coming at them all the
7 time. That could very well happen if you were going
8 through a lot of material. You know, when you start
9 bringing catalogs online, etc., etc.

10 And if most of that information is when they pop
11 to it and it's really not something that they can get
12 very interested in, you will find out that they're not
13 going to be looking.

14 So I think that as a regulatory matter, it may
15 become even more important in this area to give people
16 the ability to put this in ways that are going to be
17 consumer friendly, or you're going to get the situation
18 where Dell wanted people to see the information. They
19 did see the information for a while, and then they got
20 tired of it.

21 And then you have to have Dell then figure out a
22 new way to make sure that people see the most critical
23 information. And it's going to be very hard for any of
24 us, to repeat what I said earlier, to guess that now.
25 Because just when you think you've figured it out, the

1 consumer surprises you and shows you you've got it wrong
2 and then you have to redo it.

3 MR. DEMARTINO: Okay. Ron, we'll give you the
4 final word before we move on.

5 MR. GOLDBRENNER: I would be very interested in
6 a survey done by the FTC or anybody which asks consumers
7 does clear and conspicuous mean the same things -- the
8 same thing as you can't miss it.

9 And then the next question I would put in that
10 survey is, do you want information that is clear and
11 conspicuous and you can find if you want it, or do you
12 want something that you must read because somebody told
13 you to do it.

14 MS. KOLISH: Okay. Well, this will conclude our
15 session on links. We're going to move to an entirely
16 different web technique. I just want to note, we had
17 planned initially on breaking at 3:30, but I think we've
18 run on a little bit here, because we started a little
19 late with some stuff from the morning that went over.

20 So I thought we would go from 3:00 until 3:45
21 and then we'll take a break, come back at 4:00, and then
22 we'll go into our last session of the day on printed or
23 written. Is that all right with everybody? If you need
24 to run out, that's fine.

25 Okay. So we're going to move on, and we're

1 going to talk about banner and badge ads. And Dana
2 Rosenfeld, one of Jodie's Assistant Directors in her
3 office is going to lead this part of our discussion.

4 MS. ROSENFELD: Thank you, Elaine. Can we put
5 up ad number 29, please? This discussion will involve a
6 disclosure required under the Commission's guides
7 concerning the use of the word free and similar
8 representations. For the purposes of our discussion, the
9 relevant provision in the guides requires that any terms
10 or conditions of any free offer be set forth clearly and
11 conspicuously at the outset or in close conjunction to
12 the offer.

13 Before we get started, I wanted to thank
14 DoubleClick for creating this ad for our use today.
15 We've made some minor changes to suit our discussion.
16 And we've also based the next ad, ad 30, that we'll take
17 a look at soon, on the original submission. So we really
18 appreciate that help.

19 Before we discuss it, I want to just describe
20 the ad a little bit, as soon as it comes up. There we
21 go. As you can see, the ad is for free flowers. And
22 both ads are really identical, the badge ad and the
23 banner ad, but if we click on the banner -- we click on
24 the banner. If we could display it on another computer,
25 too.

1 MS. KOLISH: Yeah, maybe that would be a good
2 idea.

3 MS. ROSENFELD: Okay. We find out that indeed
4 the bouquet is free, but the consumer must pay a 5.95
5 shipping and handling fee to receive the flowers. And
6 this is explained right there in the first linked page.
7 And it also explains that following the delivery of the
8 free flowers, the consumer will then have the opportunity
9 to sign up for the bouquet of the month club and then
10 receive flowers on a monthly basis.

11 But if we could go back to -- there we go -- to
12 the banner and badge ads? The question here -- I think
13 the overriding question is how should banner
14 advertisements be analyzed. Should they be considered as
15 a separate ad, or as part of the web site that they link
16 to?

17 And in discussing that, I would like us to think
18 about whether it's desirable to place a button or a
19 disclosure in the banner ads. Any -- would anyone like
20 to comment? Ron?

21 MR. GOLDBRENNER: I think you need to ask
22 yourself, where do you get to from the banner. If you
23 have nothing on the banner but free flowers, how is the
24 consumer harmed?

25 MS. ROSENFELD: Does anyone want to respond to

1 that? Renee?

2 MS. BARUCH: I think there is more here than
3 consumer harm. I mean, if we talk about, you know,
4 simple advertising where the consumer doesn't actually
5 purchase something -- we can't look at this in terms of
6 consumer harm. We just can't.

7 But what you can say is that I think that there
8 is a completely different expectation of banner
9 advertising than any other advertising that we've ever
10 seen to date, because nobody really expects the whole
11 story there. I mean, that is -- that is the current
12 expectation of every Internet user and every Internet
13 advertiser.

14 MS. ROSENFELD: Roy?

15 MR. GREEN: Building on your comment earlier,
16 what's the harm in getting free flowers? Nothing, if
17 they're genuinely free. Nothing if they're free and
18 there's nothing associated with it, like the collection
19 of information about the person who is responding -- I
20 mean, clicking on the banner.

21 Then you have something -- then you have an
22 exchange occurring. You're having the free flowers for
23 information collected on the individual, whether that's
24 done voluntarily or not.

25 MS. ROSENFELD: Okay. I think we want to stick

1 to the factual situation that we have here. Carla?

2 MS. MICHELOTTI: The question is whether the
3 free banner ad -- the free ad with the click here,
4 whether that complies with the free rule and whether
5 there is an adequate disclosure.

6 And i would reinforce what Ron said, which is
7 when someone looks at the web page and they have a banner
8 ad, either -- and DoubleClick knows this better than I
9 do. Either the banner ad is going to be totally ignored,
10 or somebody is going to get engaged in the banner ad.
11 And if they say, okay, free flowers, let me figure this
12 out.

13 It's like a flyer on your car window shield or
14 something, you know. And it's like, okay, I'm interested
15 in that. And then they go in and they're interested in
it, and they'll learn whether -- you know what the TD (15omeÇZ) Tj

1 some reason, I'll click on it and go in and that's where
2 I expect to find more information.

3 I think because of the nature of what a banner
4 ad is, I don't think any consumer -- at least any who
5 have been on the Internet more than once -- expects to
6 see everything in that ad immediately. They expect to
7 get more information the moment they click into it.

8 MS. ROSENFELD: Phillip?

9 MR. MCKEE: Teresa and the others are right.
10 The banner ads are something different. But something
11 else that we need to take into account is that not only
12 are the banner ads different from other forms of
13 advertising, the button ads themselves are different from
14 banner ads.

15 They use the same technology. But something
16 that was mentioned before -- I believe it was by Ron and

1 full banner ad, such as in 30, to in an empty space that
2 it's not really using aside from the redundant click here
3 on 29, to say shipping and handling not included.

4 If it doesn't destroy the ad, if it doesn't harm
5 the creativity of the ad, and it doesn't harm the
6 company, there is nothing which shouldn't -- there is
7 nothing that -- there is no reason why it shouldn't also
8 say shipping and handling not included, as well as simply
9 click here. That doesn't destroy the ad in any way,
10 shape or form.

11 Now, to mandate that all of that information
12 show up on that little itty bitsy button ad, that would
13 be a little overly burdensome. At the same time, you
14 have to take into account the type of ad and the way it's
15 being used on the Internet.

16 MS. ROSENFELD: Thank you, Phillip. We're going
17 to get to ad 30 in a minute. But Renee?

18 MS. BARUCH: I think there is a kind of

1 MS. FOX: Jean Ann Fox, CFA. I think consumers
2 look at banner ads -- besides the fact that they're
3 aggravating, that they take so long to load up. If you
4 can get the material disclosure that says it's not really
5 free, give me a break, that that helps keep down people
6 being grumpy with you.

7 But part of the problem on 29 is, you do the
8 click here. You get over to this two inches of text that
9 all looks alike, and the 5.95 got you is buried in the
10 middle of it. No highlighting. No nothing. So even if
11 you agree that you can just have the click here on the
12 banner, the actual disclosure is deficient within the
13 link.

14 MS. ROSENFELD: So the 5.95 should perhaps be
15 more prominent. Okay. Elissa?

16 MS. MYERS: How do they get the money? How do
17 you get the money?

18 MS. ROSENFELD: Oh, cash on delivery. No. The
19 order form provides for credit card information, I
20 believe. I thought it did.

21 MALE SPEAKER: No.

22 MS. ROSENFELD: No?

23 MALE SPEAKER: No.

24 MS. ROSENFELD: COD.

25 MS. MYERS: The reason I asked the question is

1 because most -- I mean, if the truth was that the guy
2 arrived at the door and you had somebody collecting it
3 forever. But otherwise you don't have free flowers, and
4 you haven't accepted them until you get to the place
5 where you acknowledge somehow that you're going to pay.
6 And it seems obvious than that you know that there is
7 some kind of a fee associated with them.

8 MS. ROSENFELD: I think we would want to include
9 a line for credit card information. That was probably
10 just an omission. Carla?

11 MS. MICHELOTTI: A couple different things.
12 One, I want to again go back to the concept of a banner
13 ad not really saying much, because it doesn't say much.
14 You can't do anything as a result of it.

15 If you had free flowers and take away the click
16 here -- just free flowers -- that's really what the
17 banner ad would look like. And you would have to --
18 people would either understand they could click on it or
19 not click on it. And there is no -- there is little
20 information that is conveyed in banner advertising, and
21 the content of the offer is being made in the jump page.
22 And I think that's important.

23 And I think it is distinguishable from the
24 outside of an envelope, which is, again, back in the
25 print/paper world. I think it's dangerous when we get to

1 the hard copy print/paper world when we're in this
2 twilight zone of cyber space of, you know, neither time
3 nor space. You know, another dimension. We're in the
4 twilight zone.

5 So I don't think there are any standards that
6 are mandated in a banner ad because the offer, to the
7 extent there is any offer in the ad, isn't until you
8 reach the jump page.

9 And to an extent, I agree with the Consumer
10 Federation of America. I think that, you know, this jump
11 page -- there are better ways to have written this jump
12 page.

13 MS. ROSENFELD: Craig?

14 MS. MICHELOTTI: And it goes to the question of
15 whether it's adequate.

16 MS. ROSENFELD: Yeah. Craig?

17 MR. JORDAN: Craig Jordan from the Texas
18 Attorney General's Office. I think that it's valid to
19 say that there are ads like banner ads which are teasers.
20 That is, they don't give necessarily the full picture.
21 They want to get you to a place where they can give you
22 the full picture. I don't see anything necessarily wrong
23 with that.

24 I have a problem with this banner. And that is,
25 the flowers aren't free. They're 5.95. And I think this

1 is probably outside the scope of the hypothetical. The
2 hypothetical here is that the 5.95 is not the price of
3 the flowers. It's somehow a term and condition.

4 As a practical matter, I think for the ad to be
5 truthful, it ought to say 5.95 flowers. Cheap flowers.

6 **(Laughter.)**

7 MR. JORDAN: Cheap is probably not a good
8 marketing term.

9 **(Laughter.)**

10 MALE SPEAKER: Inexpensive.

11 MR. JORDAN: But the point that I want to make,
12 and it may be outside the scope of this hypothetical, is
13 that teasers cannot misrepresent fundamentally in and of
14 themselves. From my point of view, I think a teaser that
15 affirmatively misrepresents what the offer is going to be
16 when you get to the main offer page should not be
17 permitted.

18 I think that's a different case from a teaser
19 that doesn't tell you the whole story and then you get it
20 later. I think we ought to be careful about that. It's
21 something that certainly --

22 **(Laughter.)**

23 MS. ROSENFELD: Okay. John, you had your hand
24 up?

25 MR. FRUEHE: I think that in context --

1 **(Laughter.)**

2 MR. FRUEHE: In context I think that also
3 something that you have to consider when you look at an
4 advertising banner is that yes, it does say free flowers.
5 Now, when we get to that other page, what is the
6 expectation. Is there going to be paper flowers? Is it
7 going to be a graphic of flowers and here, download this?

8 So I think that, you know, we haven't set up
9 really that this is a free set of tulips that will be
10 delivered. And so we really haven't gotten into actually
11 what the deal is. You know, it's just the teaser. So I
12 think that we have to think about things in context
13 again, as we do on just about everything that we look at.

14 And one other piece is that as you get into the
15 animations and the click heres, those tend to increase
16 the size of the graphic, which makes it longer to
17 download, which means that, you know, again, consumers
18 are dealing with longer pages to download and slower
19 Internet surfing.

20 MS. ROSENFELD: The point that you raised about
21 you don't really know what you're getting, you know, one
22 of the things that we thought free flowers could also

1 100 people to receive flowers, so that the free flowers
2 doesn't tell you all that much.

3 Who was next? Jeff?

4 MR. RICHARDS: Jeff Richards, Internet Alliance.
5 This is one of those great examples where we're assuming,
6 number one, that banner ads are forever -- in fact,
7 they're changing extremely fast -- and two, that's
8 because consumers are merciless. And that includes all
9 of us in this room.

10 How many of us have clicked on a banner ad which
11 was less than what it appeared to represent, and what is
12 our judgment about that. And, again, we all -- I think
13 one theme I've heard here today is we all need to
14 understand consumer behavior much better than we do.

15 But this is one of the few times that I'm going

1 **(Laughter.)**

2 MS. ROSENFELD: Ron, did you want to make a
3 comment?

4 MR. GOLDBRENNER: No.

5 MS. ROSENFELD: No. Okay, Kevin?

6 MR. DUKE: Kevin Duke, America Online. I think
7 somebody said that there is a lot of information -- yeah,
8 I think they said there was a lot of information in
9 banner ads. I wanted to correct that. Space is
10 extremely limited. It's at a premium. You know, people
11 have described this as really just a teaser.

12 And the context of the ad is what comes next.
13 You know, again, that concept of proximity in terms of,
14 you know, physically or at least on the flat screen it's
15 not next to it, but it is the next -- can be the next
16 thing I see when I click on it. And again, that's the
17 context of a banner ad, not, you know, the four corners
18 of that button or banner.

19 MS. ROSENFELD: This might be a good lead into
20 ad number 30, if we could put that up. As you can see,
21 the ad has changed a little bit, and the offer is now
22 free flowers delivered to your door. And then we have
23 some rotating text in the corner, indicating that
24 shipping and handling is not included.

25 So the offer here now has gotten a little bit

1 more specific. You know that they're going to be
2 delivered. And again, the second page hasn't -- the jump
3 to page has not changed. So you've got the same
4 disclosures on the second page, which indicate the 5.95
5 charge, the exact fee of the shipping and handling.

6 So does the analysis change about whether the
7 banner is just a teaser when you have a more specific
8 offer, such as free flowers delivered to your door?
9 Anyone? Ron?

10 MR. GOLDBRENNER: With respect to that claim,
11 and with respect to the claim before about free, you have
12 to measure it against what's delivered. Is it free?
13 Well, if shipping and handling is truly a cost just for
14 shipping and handling, it is free. If the 5.95 includes
15 enough money to cover the seller's cost of the flowers,
16 then it's not free.

17 And so I don't think you need any limitation on
18 the word free in the beginning. We have to see what the
19 offer has to say. I don't think because you have some
20 kind of charge in there the offer is automatically
21 illegal or automatically unfair.

22 It's a very interesting point about delivered to

1 and read it, you have to see, am I getting that specific
2 thing for free.

3 MS. ROSENFELD: Teresa?

4 MS. JENNINGS: Teresa Jennings with the Direct
5 Selling Association. I wouldn't necessarily say that ad
6 number 30 is better than ad number 29. Ad number 30 is
7 different, in that as you just pointed out, you're now
8 specifying that they're delivered to your door, but
9 you're also specifying that the shipping and handling is
10 a part of what you're getting at. Ad 29 just said, free
11 flowers. Click here if you want more information,
12 basically, and you can go there.

13 I think that we've all discussed what type of an
14 ad these banner ads are. I don't think either one of
15 these are per se misleading. And I think it goes back to
16 what we've been saying all day long: flexibility here.
17 The ability to change with the technology, with what we
18 learn about what the consumers are doing and not doing
19 based on what we do, and, you know, a minimum standard of
20 truthfulness and not misleading, but also not a concrete
21 mandate of it must look this way in order to be correct.

22 I think they're both correct.

23 MS. ROSENFELD: There was someone else?

24 Phillip?

25 MR. MCKEE: The banner ad number 30, one thing

1 -- when you said free, delivered to your door, it's not
2 necessarily that that changes anything on the face of the
3 ad. But if you're going to say something like delivered
4 to your door on the ad, at that point I would think it

1 have to positively state you wish to join the club. But
2 that is a problem which needs to then be addressed
3 overall on the banner ads, because there will be the
4 situation. It's not a maybe. Let's face it. There will
5 be the situation where people, who would not themselves
6 wish to be sitting at this table discussing anything and
7 wish they wouldn't be sitting in a room with the FTC, who
8 are going to create negative option ads with banners that
9 look very similar to a legitimate company's promotional
10 offer, but that are instead used as lures into negative
11 options that do not offer easy cancellations.

12 MS. ROSENFELD: That's a good point, but we just
13 felt that we ought to limit our analysis to one set of
14 rules at a time.

15 **(Laughter.)**

16 MS. ROSENFELD: So we purposely avoided the
17 negative option plan, as you can tell. Beth-Ann?

18 MS. EASON: Beth-Ann Eason from DoubleClick.
19 The advertisers purchased an ad such as that to be able
20 to communicate their message to the customer. And that
21 dialogue is an ongoing dialogue that begins with the
22 banner and continues into the site that they're clicked
23 through on.

24 So 29 does convey effectively all of the
25 information before the individual is going to transact.

1 When you're trying to fit all of the information to 30 --
2 and again we're talking about trying to come up with
3 broad rules that will apply to multiple advertisers with
4 different types of stipulations.

5 This is a relatively simple one. There are four
6 things that you need to fit into that little segment, yet
7 that alone is taking up about 15 percent of the banner.
8 You really couldn't get it any smaller. So it's
9 prohibitive to the advertiser to take up that much of
10 their creative space to put a disclosure in that they are
11 in fact communicating in the next phase of that
12 discussion.

13 And, again, to keep it broad so that it does
14 apply and is applicable for advertisers, who have to take
15 into consideration people that will have more information
16 than just shipping and handling not included to
17 communicate in that space.

18 MS. ROSENFELD: I think Carla and then Wendy.

19 MS. MICHELOTTI: Carla Michelotti representing
20 American Advertising Federation. I think it's important
21 to think about the intent of the banner ad, consistent
22 with what DoubleClick just said.

23 And the intent of a banner ad here is not to
24 provide an offer for free flowers. It's an offer to go
25 to a web page where you learn about what the advertiser

1 is talking about. It's an invitation to go some place
2 where the consumer can learn a lot more information. And
3 toward that point, you don't need the S & H not included,
4 and whether you say delivered to your door or not,
5 because it is just -- it's an invitation to go further.

6 Now, what would make the banner ad deceptive, in
7 my opinion, written as it is, is if I would click on the
8 banner ad and then go to a page -- a pornography page. A
9 completely -- you know, all of a sudden it sends me into
10 Afghanistan or something. Then that banner ad has been
11 misleading to me, because all the banner ad did is invite
12 me to learn about an offer regarding free flowers.

13 MS. ROSENFELD: Okay. Wendy?

14 MS. SCHMIDT: Wendy Schmidt, Federated
15 Department Stores. My understanding of the free rule and
16 some of the others is that you don't want to just have a
17 free offer without details, because you're asking someone
18 to go into a store, or make a phone call, or send it to
19 the post office. In this case, all they have to do is
20 click and then they can click right back. So it's
21 appropriate to have fewer restrictions here.

22 And I think the same would be true with
23 something like an interstitial where you are -- my
24 understanding of that is you can show a picture of a
25 product on someone else's site. You click on that

1 picture and it takes you to the web page, directly to the
2 part of your site that displays that picture.

3 And I think similarly if we're talking about the
4 jewelry guides, in the interstitial on someone else's web
5 site, it's going to be smaller. You can't get in a lot
6 of detail. You're counting on the fact that the consumer
7 has to come to your web site to get additional detail,
8 and I think you have to treat those very differently.
9 They are truly teasers, and you're not causing the
10 consumer to do something that costs them money or time,
11 because it's so easy to click back and forth.

12 MS. ROSENFELD: Actually, let me just say, that
13 raises a good point. Which is, suppose that instead of
14 clicking on the banner ad to get to the order form,
15 instead it asks you to call an 800 number to take
16 advantage of the offer.

17 It changes the analysis a little bit, but I'm
18 wondering what people think, since you can't click back
19 and forth, and indeed perhaps some consumers have to
20 actually go off line to make a phone call because they
21 only have one phone line in their house.

22 On that point, Dave and then Ron.

23 MR. CLAUSON: Dave Clauson, IXL. I don't
24 understand what the difference would be between this and
25 an outdoor billboard with an 800 number on it. This is

1 on a screen. That is on the freeway. There is a message
2 call the number. And if that's what you have to do to
3 get fulfilled or place your order, there's very little
4 difference there.

5 Again, I think the point is that we're
6 disrespecting the consumer's right to choose. If they
7 don't like what they see, they will back away quickly.
8 And in particular, if you're going to try to cramp --
9 first of all, think about, again, the benefit to the
10 consumer and in that small space trying to convey that
11 much information. You may be confusing the consumer by
12 throwing all that stuff in there, rather than making a
13 simple message and having an appropriate area, perhaps in
14 the middle screen here, where the offer is clear,
15 consistent and easily understandable. Or whatever the
16 DMA's comments were: easy to read, easy to view, etc.

17 MS. MYERS: Easy to find, easy to read and easy
18 to understand.

19 MR. CLAUSON: Thank you.

20 MS. ROSENFELD: Ron, I think you had a comment?

21 MR. GOLDBRENNER: Yeah. I thought that Wendy
22 Schmidt raised a really terrific point that we haven't
23 focussed much on today. And that is, in what ways does
24 the Internet bring information to the consumer, both in
25 quantity and accessibility, that obviates the need for

1 some of the rules we already have. Do we need to do
2 things in the same way we have with respect to free and
3 clear and conspicuous and a lot of other things.

4 There are, I think, many ways that the Internet
5 gives a consumer information that may obviate the need
6 for some of the things we've been doing.

7 MS. ROSENFELD: Space constraints obviously is a
8 big issue that a number of you have raised. And as we
9 see in ad number 30, we have here the rotating text that
10 has S & H not included, and in 29, of course, we have
11 click here.

12 Are there any other techniques or other kinds of
13 technology that can be used to include a disclosure or
14 other important information in the banner ad? I think
15 DoubleClick had raised earlier on the fact that some
16 banners -- there is a new form of banner technology where
17 you can -- you don't have to leave the web page that
18 you're on.

19 Is that something that would be significant to
20 our analysis or help to make information more effective?

21 MS. EASON: I think it's consistent with
22 everything that we're saying here, which is it's an
23 ongoing communication process. And if you were to
24 continue to just transact in the banner, that you didn't
25 click on the banner and go some place else, you can start

1 to interact in the banner if it's an HTML based program.

2 And that will enable you to then go to the next
3 bit of information. They're still communicating in the
4 same space, but I think what is important, what are they
5 communicating. And you can take the information you have
6 on the second page and condense that and break it up into
7 sound bites that flows and communicates the same
8 information -- the same important information -- that
9 makes the customer aware of what they are going to be
10 entering into the transaction for.

11 So it's just taking what would be on the jump
12 page and then making it the next banner that appeared,
13 and then the next banner, so that it all happened within
14 that space, instead of going some place else. So the
15 same rules apply.

16 MS. ROSENFELD: Could you complete your order on
17 the banner then?

18 MS. EASON: Um-hum.

19 MS. ROSENFELD: Okay. Jeff?

20 MR. RICHARDS: Very quickly. Dave Clauson keeps
21 making a point that we all need to hear about -- design.
22 This is a pristine example of one to a page. Of course,
23 we've all seen banner ads 20 and 30 to a page. We have
24 human limitations of information ban width, flashing and
25 rotating and flipping and whirling.

1 And I'm reminded of the Times Square of old.
2 The new one -- the new Times Squares actually is a lot
3 more coherent. But the old Times Square had flashing and
4 beeping and everything else all at once, and in fact, was
5 very hard to see what was going on for lots of people.

6 And so I think another theme I keep hearing
7 today is we're talking about tools, some of which are
8 already developing very rapidly; some of which are very
9 primitive. We're talking about fascinating concepts and
10 we're doing so very much in the abstract.

11 And this is a lovely example. I've learned a
12 lot from this discussion. But then I think about this
13 times 30 on a page and I know my eyeballs would cross.

14 MS. ROSENFELD: I'm sorry. Bill?

15 MR. MACLEOD: Bill MacLeod from the Grocery
16 Manufacturers. Dana, i think you have found one of the
17 rare instances of virtual consensus in the room on one
18 thing.

19 **(Laughter.)**

20 MR. MACLEOD: And that was, people were pretty
21 happy with 29. And what we are talking about now is how
22 we might be able to improve 29 as a creative execution,
23 but not necessarily as an execution that better satisfies
24 the requirements, or at least the suggestions of the FTC
25 guides.

1 MS. ROSENFELD: Thank you, Bill. Anyone else?

2 Elissa?

MS. MYERS: In addition to tagging onto Jeff's

1 do -- something that did occur to me right now is that if
2 we do decide -- if you do decide to have some form of
3 disclosures within the banner ad, then it will become
4 more difficult to find them in these very complex ads.

5 At the same time, if the industry says that
6 well, you can't enforce us to make a disclosure because
7 it will clutter up the ad, my response to that statement
8 is, why have you cluttered up most of the ads in the
9 first place to make them almost unintelligible.

10 MS. ROSENFELD: I guess one point I sort of
11 touched on, but, you know, the click here -- I guess the
12 simple click here on 29 as opposed to the rotating text,
13 I think there is some literature out there -- I've read a
14 little bit -- that suggests that click here makes people
15 click here and will increase click rates. I'm not sure,
16 you know, whether there is conflicting evidence about
17 that. There may well be.

18 But if that's the case and advertisers are
19 putting click here in the banner, is there any real
20 difference than including the rotating text, or is that
21 less accessible to consumers, or too distracting?

22 Dave?

23 MR. CLAUSON: Yeah, a quick response. Dave
24 Clauson, IXL and the four A's. The issue about the
25 rotating text, I think we've been staring at it now for

1 quite a bit.

2 MS. ROSENFELD: Right.

3 **(Laughter.)**

4 MR. CLAUSON: One of the problems of rotating
5 text is distraction. If you look at most of the Internet
6 research out there, speed is an issue in all things on
7 the Internet. Purposeful sourcing of information is the
8 primary use of the web. If you have to wait for things
9 to rotate, click, spin, etc., it's a distraction and an
10 annoyance.

11 That's way everyday marketers wrestle with the
12 issue, how much information. I won't go into the
13 technical issues of file size and things like that. But
14 those are real concerns about delivering information in a
15 clear, concise, compact, efficient manner, which is what

1 Motor Company. To me it would depend on how much you
2 need to say. Here it is pretty simple, because there is
3 -- shipping and handling is the only thing that really
4 makes it not free.

5 But what if it said win an Austin Martin, you
6 know, and there are all these sweepstakes rules. There
7 is no possible way you could fit them in there, and they
8 would have to take an affirmative action to go see what
9 all those rules were.

10 MS. ROSENFELD: One of the last issues I just
11 want to cover with these banners is, if the disclosures
12 aren't made directly in the banner but in a link to page,
13 where should they be made in the web site that follows?
14 Should it appear on the first screen that the consumer
15 sees, as here, and does the disclosure become less
16 conspicuous if the consumer needs to scroll through the
17 link to page, or yet on another link to get there? Could
18 a disclosure that appears, say, on the second or third
19 page be effective under these circumstances?

20 Does anyone think so? Okay, consensus?

21 MR. RICHARDS: I'll just say I think it depends
22 on the context of the web site. If the next page of the
23 web site is some sort of -- how shall we put it. The
24 technical term is a splash page, that shows a flower
25 blooming that has nothing to do with the offer, I don't

1 see any reason they would have a disclosure there.

2 But if the next page is the offer, the
3 disclosure ought to be on that offer page.

4 MS. ROSENFELD: Thank you.

5 MR. RICHARDS: And subject to all the things
6 that we've already said today.

7 MS. ROSENFELD: Anyone else? Okay. Now, we're
8 just going to move onto one other issue quickly before we
9 break. And that is, claims that are made through audio
10 and video means. Some comments objected to the proposal
11 that the disclosure be made in the same medium as the
12 claim. And others objected to the proposal that the
13 disclosure be made in both the audio and video portions
14 of an ad, because this would be expensive or take up
15 greater bandwidth.

16 And I guess typically the requirement is that
17 the disclosure be made in the same medium as the claim
18 that it's modifying. And I wanted to see what comments
19 anyone has about that, if any.

20 Ron and then Bill.

21 **(Comments of Mr. Goldbrenner were not picked**
22 **up.)**

23 MS. ROSENFELD: Bill, did you have a comment?

24 MR. MACLEOD: Yes. Bill MacLeod from GMA. I
25 was going to make about the same point that Ron did. And

1 that is, there is a perfect example of a design standard,
2 and it's there for a good reason. So you don't have to
3 spend millions of dollars litigating with the advertiser.
4 Every time you say that ain't good enough, the advertiser
5 says it is.

6 But the fundamental question, or the ultimate
7 question, is indeed what Ron said. It doesn't
8 necessarily have to be that way, but it's obviously a
9 little harder to tell sometimes whether it is effective
10 if it is not that way.

11 MS. ROSENFELD: Phillip and then Roy.

12 MR. MCKEE: For problems with the concept of an
13 audio disclosure, one goes back to something Roy had
14 mentioned several times on the pop ups. For many
15 consumers it would be absolutely impossible for them to
16 create a copy of it for themselves. They will not
17 realize how to grab that wave file and store it on their
18 own hard drive.

19 So they have no way of duplicating the
20 disclosure and verifying that it was even made to them.
21 They have no way to listen to it again later. They are
22 not able to do those kinds of things.

23 Secondly, from personal experience I've gotten
24 incredibly tired of going to web sites and having beeps,
25 whistles, songs, jingles and all this other stuff playing

1 at me out of my speakers. I just turned the speakers off
2 on my computer forever. Just turned them off. I don't
3 bother any more.

4 If you have a situation where it's dependent
5 solely on the audio, you will get some people who decide
6 either (a) they can't -- they don't remember what it was

1 fact that, you know, the computer user isn't able to
2 record it and store it is no different than the person
3 driving their car isn't able to stop and record the radio
4 advertisement.

5 So that in and of itself, you know, does not
6 make it deficient.

7 MS. ROSENFELD: Well, now we'll go to Roy and
8 then go over, since he had his hand up before.

9 MR. GREEN: Well, that did elicit a comment.

10 MS. ROSENFELD: Okay.

11 MR. GREEN: And that is that if there is no way
12 to verify -- if the advertisement itself is audio or
13 visual or a combination thereof, that would mean then for
14 consistency sake that disclaimers would be in that same
15 format, and you still have the same record keeping
16 responsibility.

17 If there is a disagreement about what the
18 disclaimer involved, the burden then falls on the
19 consumer to figure out a way to maintain it. It seems to
20 me it's not deficient, but there has to be an
21 extraordinary effort to be sure that people are
22 forewarned that they're going to have to keep some kind
23 of record in case there is a disagreement about what the
24 disclaimer and the advertisement said.

25 Otherwise, once again, the evidence goes to

1 ether space, and you have no way -- unlike television
2 where in fact the networks keep a record of what has been
3 broadcast over the air and it's retrievable. Here it's
4 between -- unless you have some other notion, it's
5 between the marketer and the individual consumer based on
6 an advertisement that's audio visual and a disclaimer
7 that also may be audio visual.

8 MS. ROSENFELD: Randi?

9 MS. ALBERT: Randi Albert, representing the
10 Center for Media Education. As FTC knows, we have been
11 working mostly on behalf of children in these issues, and
12 children are subject to a reasonable child standard. And
13 we think that for children having written and audio would
14 be useful.

15 MS. ROSENFELD: Carla?

16 **(Comments of Ms. Michelotti were not picked up.)**

17 MS. ROSENFELD: Are you going to repeat what you
18 said or do you have a new point?

19 MR. MCKEE: No. I'm going to comment on what
20 she just said.

21 MS. ROSENFELD: All right.

22 **(Laughter.)**

23 MR. MCKEE: Just to reinforce and to comment on
24 yours. The reason why you need to print out the online
25 ad is when you get into a dispute with the company. What

1 we see in consumers who complain to us is, they then go
2 back to say, hey, wait a second. You didn't tell me that
3 this could be a problem. And the company says, oh, yes,
4 we did, and all of a sudden there is it on the web site.

5 And when they then go to a government agency,
6 they can say, see, there it was. Well, there's no proof
7 that it wasn't there in the past. And from the
8 consumer's perspective they never saw it, or they saw a
9 disclaimer that said something substantially different.

10 On the radio, the radio station has copies. On
11 the TV, the TV station has copies. The newspaper, it's
12 on microfiche and God only knows how many places. The
13 web is different. And it's not there because they have
14 to be able to print it out. It's not there because they
15 have to print it out. It's there because if they get --
16 it's an option, because if they get into a situation
17 where they're in a dispute with the company, it's their
18 only means of showing exactly what that company promised.

19 MS. ROSENFELD: I think we'll go to Dan.

20 MR. JAFFE: Dan Jaffe, Association of National
21 Advertisers. I just want to at least associate with this
22 side of the room.

23 **(Laughter.)**

24 MR. JAFFE: And some people on this side of the
25 room. I believe this would be an extremely dangerous

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1 consumer to be buying printers. Two, if there is a
2 controversy over a commercial offer, or over a TV
3 commercial or a radio commercial, you secure a copy of
4 that commercial the same way you would secure a copy of a
5 banner ad from the advertiser. And that is, you would
6 ask them for a copy of the commercial. If brought to
7 court, you would subpoena for a copy of the commercial.

8 You do not need to be able to print out the ad.

9 MR. MCKEE: It's the contradictor, once again.

10 **(Laughter.)**

11 MS. ROSENFELD: All right, Phillip.

12 MR. MCKEE: I know it seems like I'm hammering
13 away the point. It's the type of people that we get

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1 people who want to. And we have plenty of people who
2 call us, who write us, who have problems, and it's simply
3 because there is no independent third party that they can
4 go to, such as a TV network that has a copy of the

1 room downstairs, there's lots of space up here now, if
2 you would like to join us.

3 Welcome back everybody. Okay. Everybody is at
4 the table who's going to be at the table? Okay,
5 everybody, we'll get started now. And if we get through
6 everything, perhaps we'll leave early, and you can have
7 an early start on your weekend or your weekend work.

8 This session on written and printed and what
9 those terms may mean as used in our rules and guides is
10 going to be an interesting, but shorter session than
11 we've had before. And leading the session are going to
12 be two new moderators to give you a break from the rest
13 of us.

14 Mary Engle, to my right, who is an Assistant
15 Director in the Division of Enforcement, and Alice Saker
16 Hrdy, who is one of Jodie's Legal Advisors, are going to
17 moderate this session. And they have some power point
18 slides -- a few -- that they're going to use with their
19 presentation and with this dialogue.

20 MS. ENGLE: Good afternoon. We're going to
21 shift our focus for this session to using electronic
22 media to comply with our rule or guide, in particular
23 when a rule or guide refers to something that's written,
24 or in writing, or printed, how that applies to
25 advertising on the Internet.

1 In other words, if a rule says provide a
2 consumer with a disclosure in writing, or refers to a
3 printed catalog, how does that apply to advertising or
4 catalogs on the Internet?

5 The two main points that we will discuss this
6 afternoon are the use of electronic media, mainly e-mail
7 and web sites, to provide consumers with information
8 required by an FTC rule or guide, and second, application
9 of the terms written, writing and printed in the rules
10 and guides. Those terms have been traditionally
11 associated with text on paper, but it seems that with the
12 use of computers, it could also apply to electronic
13 information.

14 So we would like to discuss how that application
15 could occur. And I think now we want to go back to one
16 of the examples that we used earlier this morning with
17 the Quick DDRIP product.

18 MS. HRDY: Yeah. We thought to illustrate this
19 concept of complying with the rule or guide -- generally
20 we mean via e-mail when we say electronically -- we do
21 two case studies. The first of which we'll go back to
22 the Quick DDRIP product, and we'll take a look at the
23 order form.

24 And in this case study, we would like just to
25 throw out a few facts that we'll presume for the purpose

1 of the case study, and then open it up for discussion.
2 And let's assume that after being featured at our
3 workshop, Quick DDRIP starts accepting quite a number of
4 online orders.

5 And let's say that a consumer decides to fill
6 out this order form. And although if you'll scroll down
7 you'll notice there isn't a space for the consumer to
8 enter his or her e-mail address, let's just presume that
9 there is, and that the consumer fills out the order form
10 and puts in the e-mail address.

11 And let's go ahead and submit the order form,
12 and you'll see that Quick DDRIP thanks us for the order
13 and indicates that all orders will be processed and
14 mailed within two business days.

15 And let's also just assume that Quick DDRIP
16 realizes quickly that they are experiencing a high volume
17 of orders, and they realize they're not going to be able
18 to ship it within two days as promised.

19 And as you all know, under the Mail and
20 Telephone Order rule, if sellers can't ship within the
21 promised time period, they need to offer the consumer an
22 option either to consent to the delay or to cancel the
23 order and to get a refund. And as you also might know,
24 the rule now no longer specifies that this notice has to
25 be done by first class mail, so other means can be used.

1 So with that background in mind, we would like
2 to throw out a few issues. As a starting point, given

1 MS. REED: I mean, on the face of it, it seems
2 logical and reasonable. I'm just suggesting there is
3 some concern I would feel about relying on that
4 exclusively.

5 MS. HRDY: And maybe that brings us to the next
6 point. You know, to the extent there is -- I think we
7 generally agree that, you know -- in fact, I think this
8 is a common business practice of using e-mail to notify
9 consumers who have ordered online, obviously when the
10 consumer has provided the e-mail address.

11 Should Quick DDRIP -- maybe this gets to your
12 point, Jo. Should Quick DDRIP notify the consumer -- if
13 we could go back to the order page? Notify the consumer
14 at the time that the consumer is inputting the e-mail
15 address that Quick DDRIP wants to be able to contact the
16 consumer by e-mail.

17 Is that a reasonable thing for Quick DDRIP to
18 do? Is there any reason why they shouldn't do it? Go
19 ahead.

20 MR. CERASALE: Why are they asking for the
21 e-mail address, then, is the first question I have, if
22 that's the notice. The other is that if in fact the
23 statement -- or how you had it here and at least the
24 setup is that the two day notice and they're not going to
25 make the two days come through the electronic medium, so

1 if the trigger isn't electronic medium, I don't see any
2 reason why to discriminate against electronic medium for
3 the notice that's required.

4 If the trigger for the notice is electronic,
5 then if it's physically possible, an e-mail response
6 would make some sense. I'm not sure -- you have a -- I'm
7 not sure you need to have the notice, if we're looking at
8 it just from our perspective of getting back and saying
9 -- giving notice on whether or not you can make it on
10 time.

11 Whether you have to give a separate notice that
12 we can contact you by e-mail if we get your e-mail
13 address, I mean, you're not asking them can we -- it's
14 not a privacy problem, because you're not asking, can I
15 contact you by first class mail to tell you that I've
16 delayed, because it's required. So you can still contact
17 them. Or can I contact you by phone, because I have your
18 home phone number and the FTC is requiring a notice.

19 And I don't think unless you're going to require
20 -- and you have never done it. That we will contact you
21 by first class -- is it okay to contact you by first
22 class mail. What if they say no.

23 **(Laughter.)**

24 MR. CERASALE: Then you can't meet the rules.
25 So I think that that kind of notice doesn't seem to make

1 any sense. You're not looking at it from a privacy
2 perspective, but you're looking at it from a notice
3 perspective.

4 MS. HRDY: Right. I guess maybe one issue might
5 be that if the consumer isn't -- you know, with the phone
6 call or a piece of mail, you know, we generally accept
7 those. And this is information the consumer wants.

8 But if the consumer doesn't know to expect the
9 e-mail, is it sort of a reasonable -- is the consensus
10 that it's reasonable to expect that the consumer will go
11 back and check the e-mail for this important information?
12 Particularly, you know, two days go by and no receipt of
13 the package, maybe they will go back, because they want
14 to contact the company and find out why they don't have
15 it.

16 But I guess that was a point.

17 MR. CERASALE: Okay.

18 MS. HRDY: I'm sorry. I was going to go to --

19 MR. CERASALE: Let somebody else go first, since
20 I've already had the floor. I'm sorry.

21 MS. HRDY: All right. Kaye, I think, had her
22 hand up.

23 MS. CALDWELL: Kaye Caldwell with CommerceNet.
24 I think one of the other things you need to take into
25 consideration here is that the consumer does have the

1 option of not providing their e-mail address as part of
2 filling this out. So that if you are concerned that you
3 don't want to be communicated with by e-mail, there is
4 that ability.

5 And also, the seller has the option of checking
6 to see if that e-mail address is there. And if they
7 don't want to deal with people who they can't communicate
8 with by e-mail, then they may have the ability -- they
9 may have the option of building into their web site
10 something that says we need your e-mail address. We need
11 you to fill this in. And somehow deal with, you know,
12 what happens when they don't provide their e-mail
13 address.

14 MS. HRDY: Jeff?

15 MR. RICHARDS: Quickly, I agree with that. Real

1 deal, I give my real e-mail address for real, because
2 they're going to tell me about patches or flows or, you
3 know, important consumer notices. And they tell me
4 they're going to do that and it becomes a very, very
5 clear transaction.

6 So I think the day of where -- this is
7 absolutely right, and consumers and companies both will
8 prize developing this efficient relationship.

9 MS. HRDY: Elissa and then back to Kaye.

10 MS. MYERS: I think also, piggy backing on
11 Jerry's argument, you know, when I go home tonight my
12 mailbox is going to be full of wonderful advertisements
13 through direct mail.

14 **(Laughter.)**

15 MS. MYERS: Some of whom -- some of which I will
16 scrutinize carefully and some of which I'll put in my to
17 read later pile. And it wouldn't be unusual to get --

18 FEMALE SPEAKER: The round one?

19 MS. MYERS: The round one, right. And it
20 wouldn't be unusual to get a communication through the
21 mail that I didn't open, just as I didn't open -- just as
22 I might not open the e-mail message.

23 If the postal service or another carrier fails
24 to deliver the postcard that the merchant that I was
25 doing business with me -- boy, is that a convoluted

1 sentence. If I don't get that postcard the merchant sent
2 because the carrier didn't deliver it, nobody knows. I
3 would eventually figure out that I didn't hear something

1 to speed. And therefore I think it's in the consumer's
2 interest to allow that, and therefore in the FTC's
3 interest to facilitate it.

4 MS. HRDY: Okay. Phillip?

5 MR. MCKEE: From my experience as a very
6 prolific online shopper, much to the detriment of my
7 credit card bill, I very commonly buy things online. The
8 sites that I enjoy using the most and that I use the most
9 frequently do communicate with me by e-mail.

10 They make it very obvious within the order form
11 and during the order process that they're going to --
12 that's why they're collecting the e-mail address -- and
13 what kinds of things I can expect to be receiving, such
14 as the confirmation of my order, statements about
15 shipping and any delays that are going to be occurring. I
16 get that information much quicker.

17 And with one company, they sent me a notice that
18 the item I had ordered was going to be delayed. And
19 instead of having to wait for it to get to me and then
20 make the decision based on the options they had offered,
21 do I still want it, or do I want to order something else,
22 or do I wish to just cancel the order, if it had been
23 done by mail, a few weeks would have passed quite
24 possibly before I found this out, concerning the way the
25 mail is delivered in my neighborhood.

1 By e-mail it was there the next day. I knew
2 immediately that I wanted to change what I wanted to
3 order. And if handled properly, it can be a much more
4 effective way of communicating with the consumer.

5 MS. HRDY: Jerry?

6 MR. CERASALE: Yeah. You asked one question
7 about the reaction of consumers. And our members are
8 starting to find that e-mail responses back to customers
9 have the greatest increase in customer satisfaction of
10 anything they have ever done.

11 They send out notices, thank you for the order
12 and confirms the order. They send out -- let's say
13 everything is going fine. They send out a notice your
14 order was shipped today, so that people know when to look
15 for it. And the customer service response has been
16 fantastic.

17 So the customers who purchase on the web tend to
18 be looking for e-mail as a response back.

19 MS. HRDY: Jean Ann?

20 MS. FOX: Jean Ann Fox, CFA. But to also go
21 with this request for all this information, it
22 underscores the importance of each of these commercial
23 sites having a clear privacy policy and abiding by all
24 the elements of Fair Information Practices.

25 Once consumers are comfortable and confident

1 that that is going to be done, then they will be much
2 more likely to give that information accurately and
3 smooth the way for this good customer service.

4 MS. HRDY: And, Kaye, did you have a comment?

5 MS. CALDWELL: I just wanted to follow up on
6 something that was said a little earlier about the
7 ability of the e-mail message to perhaps offer more
8 benefits to the consumer in terms of what they're
9 communicating.

10 If you get a postcard in the mail, you're being
11 asked to make a decision. Do you want to cancel this
12 order. Do you want to wait. Do you want to order
13 something else. You need to go find a telephone, or you
14 need to go remember what the web site was, or whatever.

15 If you get this in an e-mail message, it's very,
16 very easy for the consumer to immediately respond, either
17 by a reply message or clicking on maybe a web site that
18 they've set up to let them know what you want if you need
19 to make some sort of an affirmative action there.

20 So you're really offering a lot more to the
21 consumer in terms of the ease of their response than you
22 would be in a mail message.

23 MS. HRDY: Okay. Well, seeing as there is
24 consensus, we'll move on to the next case study -- the
25 next slide. And we'll go back and revisit Sandy's

1 Bouquet of the Month Club. And let's go ahead and go to
2 the order form on Sandy's Bouquet of the Month Club.

3 And let's assume that you went ahead and you got
4 the free bouquet. You paid the shipping and handling.
5 And you liked it so much that you decided to enroll in
6 the Bouquet of the Month Club, which is described on the
7 order form.

8 And let's assume that Sandy's Bouquet of the
9 Month Club sends the negative option notice each month
10 describing the monthly bouquet and giving you the option
11 to accept or decline. And they send this by e-mail to
12 consumers who provide their e-mail addresses on the order
13 form.

14 And so this is a little bit different than the
15 Quick DDRIP, in that we're going to have successive
16 e-mail messages every month, and there is sort of an
17 immediate, you know, cost to the consumer if they don't
18 respond and actually would have preferred not to have
19 gotten the bouquet that month.

20 I wonder, does this raise any different issues
21 or, you know, the same issues as the Quick DDRIP, to
22 order online? Jerry?

23 MR. CERASALE: Yeah. I think it raises one
24 different issue. I think that in this context with a
25 negative option, you have to ensure that you inform the

1 consumer how the consumer is going to receive that
2 negative option.

3 I mean, you should be required to tell them if
4 you're going to send it through e-mail that it in fact is
5 coming in e-mail, to know where to look for it. Or if
6 it's going to come through -- just as current negative
7 option rules, every month you're going to receive
8 something in the mail. You're informed of that. That
9 should be a requirement.

10 But I think that if it's informed that way, you
11 send it e-mail and then you're set to roll with it.

12 MS. HRDY: Okay. Jean Ann?

13 MS. FOX: Because it is so easy to communicate
14 with people by e-mail, it really makes you wonder why
15 there is any justification from the consumer's point of
16 view of having a negative option. If you have agreed to
17 join the club, and they can send you the notice every
18 month and say, this month it's tulips, would you like
19 some, you can do a positive thing so it's an opt in
20 rather than an opt out.

21 I know that's off the subject.

22 **(Laughter.)**

23 MS. HRDY: Then Phillip?

24 MR. MCKEE: I want to say that I completely
25 concur with what Jean Ann said about turning it into a

1 positive option instead of a negative option.

2 But from a more practice perspective, in case
3 anyone else out there is thinking of such a thing, if you
4 are going to use a negative option -- since you do have
5 an automatic bounce back for e-mails that are not
6 functioning for any particular reason -- that would be
7 the perfect location to make that an automatic negative,
8 that you do not want it if it gets bounced back.

9 MS. HRDY: I guess just to pick up on what Jerry
10 was saying that the Bouquet of the Month Club should
11 definitely inform the consumer when they're signing up
12 that they're going to send it via e-mail, should the
13 Bouquet of the Month Club get an express consent? An
14 e-mail coming back from the consumer agreeing to this?
15 Or if they notify them that's enough?

16 MS. FOX: Consent is better.

17 MS. HRDY: Consent is better.

18 MR. MCKEE: It's so easy, why not?

19 FEMALE SPEAKER: What is the law in other areas?

20 MR. CERASALE: Yeah, the law -- if you sign up
21 for it -- here are the rules of the sign up and you sign
22 up for it. I don't think we want to start -- if you want
23 to look to new rule making for Internet, that's fine.
24 But if you're looking to try and set the current rule
25 into a modern day, this medium, context, I don't think

1 you add different disclosures.

2 You have the situation set up. By the way, I'm
3 Jerry Cerasale, DMA. I'm sorry I didn't say that. It's
 set up. You tell people what it is a

1 and that all parties understand it and do it.

2 But once that is set up, I might have 20 or 50
3 transactions going on a month myself as I move into an
4 Internet life. You know, when I was growing up we had
5 milk delivered three mornings a week to our front door.
6 Isn't that remarkable? And that was not -- that was
7 something that gosh, we didn't really want to fool around
8 with that. You know, we were grateful that it came
9 regularly without change and without requiring consent
10 every other morning.

11 **(Laughter.)**

12 MR. RICHARDS: And I think in the future what we
13 want to do is have this clear relationship and then make
14 use of the technology to keep it simple, and ask people
15 in a bewildering way to have to constantly reaffirm their
16 relationships, when they're not yet demanding to do so.
17 They'll tell us if they want us to require that.

18 MS. HRDY: Okay. Elissa and then Kaye.

19 MS. MYERS: I'm in complete agreement with what
20 Jeff has said and what Jerry said. But, Jerry, I don't
21 know how I feel about this. You raised -- you caused a
22 thought to pop in my mind, which I have to revisit and
23 think about.

24 I remember about a year ago I had a computer
25 account set up at home -- an Internet account set up at

1 home -- and I have a lap top, and I just kind of stopped
2 checking the Internet account at home. And my daughter
3 signed me up for this month -- this daily quilters
4 newsletter. Why she thought I would want a quilters
5 newsletter, I have no idea.

6 (Laughter.)

7 MS. MYERS: But there it was. And I finally
8 remembered after a couple of months to go check my
9 account. And my mailbox -- in between a few dedicated
10 messages, my mailbox was full of incredibly copious,
11 lengthy messages from these quilters.

12 And the question that Jerry raised that I
13 thought was interesting, I'm in complete agreement on the
14 notification. But the product could actually be
15 delivered with the negative option out. For example, the
16 book of the month club could deliver the book of the
17 month to you, and there it would be online for ever and
18 ever.

19 And I don't know how I feel about that. I think
20 it does raise another set of questions to be thought
21 about.

22 MS. HRDY: Okay. Kaye?

23 MS. CALDWELL: Kaye Caldwell with CommerceNet.
24 I would be considered -- getting back to something you
25 said a little earlier -- if you were going to try to make

1 different rules for one kind of communication to the
2 other. And just to use this example, as a consumer that
3 occasionally participates in these negative option
 arrangements, it would be very confusing to me to try to

1 MR. CERASALE: They're working on it, you know,
2 as part of trying to keep customers. That's right.
3 Trying to meet the needs of the customers is something
4 that they're doing. That's true.

5 MS. KOLISH: So you may get your wish, Phillip.

6 MS. HRDY: Dan, did you have a comment?

7 MR. JAFFE: Just a short one, which is while
8 your example is one that I think would rightfully worry
9 all of us, I think the same problem would come with mail.
10 It's just not clear to me that one is going to get you
11 more on notice than the other.

12 Lots of stuff comes pouring into people's --
13 through people's mailboxes. Often it gets circular
14 filed. So I think this is as good and there is no reason
15 to distinguish the two.

16 MS. CALDWELL: I agree, Dan.

17 MR. JAFFE: And that you do have some advantages
18 with record keeping, that you know that someone actually
19 received it.

20 MS. CALDWELL: I agree.

21 MS. ENGLE: So no one is concerned about --
22 because an issue had been raised, well, it's customary
23 for consumers to check their mailboxes. I mean, that's
24 pretty frequently or every day that the mail comes.

25 And you had talked about, well, what if, you

1 know, there is an account that you're no longer using, or
2 you change your e-mail address and maybe you don't get
3 it, but people don't seem to be too concerned about that
4 as a barrier to the Commission -- to the consumer
5 receiving the notice?

6 Teresa?

7 MS. JENNINGS: Teresa Jennings with the Direct
8 Selling Association. Somehow you are still paying for
9 it. You're getting your credit card receipt or some
10 monies are being taken from you. So even if you have two
11 e-mail accounts -- you know, three somewhere -- and you
12 start seeing these bills that gosh, I haven't used that
13 in a while, there is still a means to figure it out, just
14 as there would be if the product was being delivered to
15 you through another means.

16 MS. ENGLE: Okay. Kevin?

17 MR. ELSE: Just, you know, as Jerry said, if the
18 contract is clear up front, we're going to send your
19 notices to the e-mail address you give us. Now, that's
20 maybe adequate disclosure. If a customer moves to
21 another e-mail address, change the address and notify the
22 company.

23 MS. ENGLE: Right.

24 MR. ELSE: It's very similar to off line.

25 MS. ENGLE: But some people seem to think that

1 in the case of a negative option plan it was important
2 for the company to get the -- to inform the consumer and
3 get their consent to receiving these monthly notices by
4 e-mail, versus the one time Quick DDRIP situation where
5 if you give your e-mail address, no notification or
6 consent was necessary.

7 We wanted to use the negative option rule and
8 the situation that was set out with the Bouquet of the
9 Month ad for a further discussion of some of the other
10 requirements in the negative option rule.

11 And you can see up there on the slide that the
12 negative option rule provides that it is an unfair,
13 deceptive act or practice for the seller to refuse to
14 credit a consumer if the seller has received, quote,
15 written notice of cancellation of membership by
16 identifying the subscriber prior to the return date for
17 the shipment, and also to fail to terminate a membership
18 promptly upon written request.

19 And we just wanted to explore whether anyone
20 thinks there is any reason why this written notice could
21 not also be done through e-mail?

22 Teresa?

23 MS. JENNINGS: Teresa Jennings with the Direct
24 Selling Association. You all might recall earlier today
25 when I described the requirement that the direct selling

1 industry has with a cooling off notice that must be on
2 all of our sales receipts.

1 speaking for QVC at this point, but just -- I have to
2 qualify that, because we don't do anything like this. I
3 have no idea what we would be doing.

4 But it occurs to me that if you're signing up
5 for a particular service, and you're doing it in writing
6 or through an e-mail, and then the company then requires
7 you to do some entirely other -- you know, to make a
8 telephone call in order to shut the service off and they
9 don't give you the option to e-mail back to shut it off,
10 that's a problem.

11 MS. ENGLE: Not without precedent.

12 MR. ELSE: I know, it's not. No, it's not.

13 MS. ENGLE: Phillip?

14 MR. MCKEE: It just seems quite simple to me
15 that if an e-mail is sufficient for the business to put
16 the consumer on notice of some aspect or change in the
17 shipping arrangements or the like, that it should also be
18 sufficient for the consumer to be able to put the
19 business on notice of the desire to close the account.

20 MS. ENGLE: Okay. Jerry?

21 MR. CERASALE: I agree with Phillip a hundred --
22 I agree with Phillip a hundred percent on that. If it's
23 good enough that I can make the order and so forth and
24 give you notice through the e-mail, the response back
25 from the consumer to the company, the company should be

1 required to accept the e-mail notification back to the
2 company.

3 MS. ENGLE: Does it make a difference if the
4 consumer signed up on paper?

5 MR. CERASALE: That potentially could. I think
6 that could make a difference in the sense of is the
7 company set to work with this customer on paper or on the
8 web. I mean, that looks -- internally they may have some
9 different process. I don't know about that. I mean, I
10 think you have to look at that case by case, but I don't
11 know if you force a company that way.

12 I think that the key is don't distinguish
13 between -- don't discriminate against any particular
14 medium. If the consumer -- everything the consumer did
15 was on electronic to sign up, the notices back from the
16 company were electronic, then the consumer should have

1 MS. TORTORICE: Mary? Mary Tortorice, National
2 Retail Federation. And I would agree with Jerry that you
3 can't mandate that if a business has entered into a
4 relationship with a consumer either through the mail or
5 through the phone that the business then accept the
6 consumer to respond through e-mail.

7 Because there would be a number of businesses
8 that just don't have that capability. They may have
9 different business units separate, and it could very well
10 be that the e-mails would never get to the appropriate
11 business unit.

12 MS. ENGLE: Just because they have an e-mail
13 address doesn't mean it's okay for consumers to notify
14 them through that?

15 MS. TORTORICE: Yes.

16 MS. ENGLE: Okay. Anybody else? Okay. Then we
17 wanted to move onto an example of a different rule in the
18 use of the term written, and that rule would be the
19 appliance labelling rule. That's my favorite -- my
20 personal favorite. I still have it, I think, on my air
21 conditioning thing that's been outside for ten years.

1 seem that there is general agreement that when a rule or
2 guide refers to the term in writing, there is no inherent
3 reason why we just can't go and apply that to writings on
4 the Internet as opposed to on paper. Right? Okay.

5 And the appliance labelling rule specifically
6 says that it is unfair or deceptive to make any
7 representation in writing, including a representation on
8 a label or in any broadcast advertisement, with respect
9 to energy used or efficiency of certain products, unless
10 the product has been tested in accordance with the rule.

11 Neither the rule nor the enabling statute
12 defines in writing, and we're just wanting to know if
13 there is any reason why in this context we shouldn't just
14 assume that this requirement would also apply to
15 representations made in advertising on the Internet.

16 Kaye?

17 MS. CALDWELL: Kaye Caldwell with CommerceNet.
18 I don't know if this is the appropriate point to bring
19 this up, but it may be the best point that we'll get.

20 **(Laughter.)**

21 MS. CALDWELL: I understand that the FTC
22 generally does not use -- does not have requirements that
23 notices or particular things be communicated to the
24 consumer in specific sizes of type.

25 But I would like to encourage you that if there

1 are any of those particular requirements anywhere, that
2 you will have a problem there, because I don't think that
3 you can adequately ensure that something that you design
4 in 12 point type as a seller will end up being viewed in
5 12 point type as a consumer.

6 So I would encourage you to make sure that those
7 kinds of requirements just don't exist anywhere any more,
8 and if you could possibly encourage the states to get rid
9 of them, too.

10 **(Laughter.)**

11 MS. ENGLE: We had some discussion about that
12 issue this morning, how difficult or impossible it is to
13 transfer a point size requirement to the Internet.

14 Phil?

15 MR. MCKEE: To give an example of how the actual
16 appliance labelling can be done -- I guess you're going
17 to tell by this statement that I am the quintessential
18 online shopper. I was researching some information to
19 buy a replacement washer/dryer stacking unit for my
20 condominium. And I went looking around, and I was
21 looking at these units online to check on prices and to
22 see how they compared with the local dealers that I could
23 simply purchase from and have them delivered through as
24 well.

25 And one of the sites that I went to online

1 actually had this little graphic on their screen, which
2 you could tell was a very, very miniaturized version of
3 the label, and it said below it, click here to enlarge.
4 I clicked on it. All of a sudden my entire browser was
5 filled with a huge version of the label that I could very
6 easily scroll through and look.

7 It's quite possible to provide this information,
8 to do so easily, and at the same time to engender a lot
9 of consumer loyalty, because I, as a consumer, feel that
10 the site is trying to be helpful to me.

11 MS. ENGLE: Um-hum.

12 MR. MCKEE: And I did buy it.

13 **(Laughter.)**

14 MS. ENGLE: Okay. Kevin?

15 MR. DUKE: Kevin Duke, America Online. I guess
16 the difficulty here is figuring out whether the Internet
17 advertisement is in writing. You know, there seems to be
18 a consensus that e-mails are the sort of electronic
19 records that people intend to be writing to meet the
20 requirement.

21 This rule, you know, is a little bit tricky,
22 because it says in writing or any broadcast, which was
23 probably for the time when the rule was written. So that
24 should cover all advertising. I guess the more difficult
25 question would be is it if it applied to any

1 representation in writing. The question is, is text on a
2 computer screen paramount to writing.

3 MS. ENGLE: Right.

4 MR. DUKE: Or is it now like text on a
5 television screen.

6 MS. ENGLE: That's a question.

7 MR. DUKE: And I don't know the answer.

8 **(Laughter.)**

9 MR. DUKE: That's a hard question.

10 MS. ENGLE: Carla?

11 MS. MICHELOTTI: Carla Michelotti, representing
12 the American Advertising Federation. I think we're all
13 being very quiet, Mary, at this point, because I think
14 there would be consensus that -- I think there would be
15 consensus that in writing could be easily transferable to
16 an Internet advertising textual use.

17 MS. ENGLE: Bill?

18 MR. MACLEOD: Well, we ought to have a little
19 controversy here.

20 **(Laughter.)**

21 MS. ENGLE: We can count on you.

22 MR. MACLEOD: This is an example of where the
23 nature of a web site might call into question the
24 applicability of this rule. Is the web site being an
25 advertisement where this writing is taking place, and are

1 you simply engaging in some debate about the proper level
2 or the proper method of measuring energy efficiency.

3 And if you are not careful in confining the
4 regulation in connection with a commercial transaction,
5 then you will have a problem, and a web site doesn't
6 always define itself that way.

7 MS. ENGLE: Yeah. I mean, I think that would --
8 that's an underlying assumption that this is actually an
9 advertisement. It's a commercial speech. It's trying to
10 get consumers -- to influence consumers to buy or
11 purchase, not, you know, an energy efficiency group
12 comparing energy efficiency of different appliances.

13 Or I know there can be harder cases, but I think
14 we're just talking about something that's pretty clearly
15 an advertisement.

16 MS. KOLISH: And right below this screen there
17 would be an order now the stackable dishwasher unit.

18 **(Laughter.)**

19 MS. ENGLE: Moving on to the -- oh, I'm sorry,
20 Phillip.

21 MR. MCKEE: Well, no. I was just going to say
22 to go back to my stackable washer. When I was at the
23 dealers, they have the energy unit posted on the front of
24 thing, right when I was sitting there at the web site.
25 If they hadn't taken the extra step of scanning in the

1 energy use certificate, I could have very easily ordered
2 it without ever seeing it. But they didn't make the
3 effort to show it to me, since I do not have the physical
4 unit sitting in front of me, as I would at a regular
5 store.

6 MS. ENGLE: Okay. Moving on to the next slide,
7 the appliance labelling rule also requires that certain
8 disclosures be made in catalogs. And the rule defines
9 them as printed material which contains the terms of
10 sale, retail price and instructions for ordering, from
11 which a retail consumer can order a covered product.

12 So here we have the use of the word printed --
13 printed material. And we were just wondering if there
14 was any issue about assuming that an Internet site
15 contained this information and a consumer could order,
16 that it shouldn't be considered a catalog for purposes of
17 the rule.

18 MS. FOX: Jean Ann Fox. This seems like a no
19 brainer.

20 **(Laughter.)**

21 MS. FOX: It's just an online catalog.

22 MS. ENGLE: Good. We saved the easiest stuff
23 for later in the day, now that everyone is tired.

24 **(Laughter.)**

25 MS. ENGLE: Okay. Did someone have their hand

1 up? Jeff, did you?

2 MR. RICHARDS: Briefly, and this is probably my
3 fatigue speaking. Sorry. Jeff Richards. On the face of
4 it, of course this makes sense. But I caution us again
5 that a catalog may be a new kind of compilation brought
6 together on the fly to meet my -- me, the consumer -- my
7 particular conditions at that particular moment, and that
8 we're again, I think, thinking of a catalog in a static
9 sense with static warnings that can be predicted.

10 And what we really need to do here is understand
11 how consumers themselves in fact will need to pull
12 together information that is current as of the moment
13 that they asked for it, and swiftly uses its currency
14 thereafter. And that's my caution.

15 MS. ENGLE: Carla?

16 MS. MICHELOTTI: You know, all these rules --
17 the FTC rules and guidelines of advertising are things
18 that we read and we apply, but they're all tactics. And
19 they're specific tactics to accomplish a goal. And if we
20 think about the overall goal with the rules of whether in
21 this case a consumer has a right to know certain energy
22 information before they're buying the appliance, that's
23 the goal.

24 And the way that -- the defined way in which the
25 tactic has prescribed that goal to be reached may be

1 modified because of the medium. Here I think it's -- you
2 know, in what my limited mind right now sees as the
3 Internet, I think it's pretty clear, but tomorrow I don't
4 know, you know, and maybe it's going to have the computer
5 talking to me or something. You know, it's not going to
6 be printed at all. Who knows what's going to happen.

7 MR. RICHARDS: Give an example of what you're
8 saying.

9 MS. MICHELOTTI: But it's a goal. Do you
10 understand my point, a goal versus a tactic? I mean,
11 these are tactics, but the goal is whether there is
12 appliance energy information made available to consumers.

13 MR. RICHARDS: I just moved into a new home with
14 a heat pump, so clearly I was interested in this
15 information. But it turns out that on the web -- right
16 now the rule, of course, originally assumes showroom and
17 static media and so forth.

18 But in fact on the worldwide web what I was able
19 to do -- and actually maybe automobiles are even a better
20 example. Instead of getting even a pop up of a label,
21 the same one that I had seen in the showroom, is suddenly
22 a comparison chart that shows competitors side by side
23 with actual rankings and ratings, including this rule.

24 So what I'm saying, this is my kind of example
25 to your point. Let's be really careful, in fact, that

1 we're not holding back the next evolution of comparative
2 information by insisting on the literal application of
3 what we got today.

4 MS. ENGLE: Okay. Are there any other -- oh,
5 I'm sorry. Kaye?

6 MS. CALDWELL: Kaye Caldwell with Commerce Net.
7 I would just caution you that this is an example where
8 the definition of catalog makes it very clear that in
9 this case it would work, because of the additional
10 conditions you have for it to be a catalog in this
11 particular example.

12 I'm a little concerned that there might be other
13 areas where the word printed is used, but it's not quite
14 so clear that it would work so well. So I think you do
15 have to be careful and look at what happens in each
16 particular situation where you do use that word,
17 unfortunately.

18 MS. ENGLE: Okay. Well, were there any other
19 concerns or points people wanted to raise about the
20 application of the terms written, writing, printing and
21 so forth as they are used in our rules and guides to
22 advertising on the Internet?

23 It seems a little bit easier than the clear and
24 conspicuous issue, fortunately.

25 **(Laughter.)**

1 MS. ENGLE: And we will keep in mind, of course,
2 the points that have been raised about the need to, you
3 know, maintain flexibility and be open to changes in
4 technology. And hopefully this workshop is really one
5 example of how, you know, we are trying to do that and
6 not just be an old mind set.

7 MR. DUKE: I have a question.

8 MS. ENGLE: Sure, Kevin.

9 MR. DUKE: Maybe Kevin Else can answer it. Does
10 this rule apply to, you know, a television commercial
11 from which it advertises the terms of sale, the retail
12 price, instructions for ordering and gives an 800 number
13 from which the consumer can order? Does this rule apply?

14 MS. ENGLE: I'm sorry. Would we interpret a TV
15 ad as printed material?

16 FEMALE SPEAKER: That's broadcast.

17 MS. ENGLE: I don't think so.

18 MR. DUKE: Well, I mean, from the point that,
19 you know, the rest of the stuff in the definition of
20 printed material sort of leads us to the conclusion that
21 an Internet ad is closer to the printed material than
22 not. You can have all these other elements, you know, in
23 an infomercial or just a regular television commercial,
24 yet because it's clearly not printed material, the rule
25 wouldn't apply.

1 Now, as technology evolves, you can have
2 streaming technology and somebody clicks on a web site
3 and they are presented with what is in essence a video
4 television commercial, and maybe the rule shouldn't
5 apply. You know, it points up the difficulty of hard and
6 fast rules to a single medium.

7 MS. ENGLE: Yeah. Well, one thing is, we often
8 make a distinction between printed ads and TV ads,
9 because it's much harder to make disclosures in TV ads.
10 The cost is much higher. You don't generally have the
11 time now. An infomercial might be different. And I
12 think probably when we wrote the rule we never imagined
13 someone selling a refrigerator through an infomercial.

14 So what I hear you suggesting is maybe we need
15 to amend our rule to make it apply to infomercials in
16 this way.

17 **(Laughter.)**

18 MS. ENGLE: Phillip?

19 MR. MCKEE: Something I knew that I would want

1 is changing so rapidly, as has been said many time, this
2 is the kind of situation where we would want to come back
3 to the table. Frequently, not constantly. But on a
4 regular basis, so that as technology changes, the FTC can
5 hear the views of industry and regulators and consumer
6 groups on these new circumstances affect the rules.

7 And it's something where we all, I think in the
8 back of our heads, have kept in our mind that anything
9 that was said today is really not going to apply
10 tomorrow. But it's a wonderful thing that the FTC has at
11 least allowed us a chance to express these views and
12 hopefully we 're have more opportunities again in the
13 future on this topic.

14 MS. HRDY: Well, Laura has just told me she
15 would really like to do this all over again.

16 **(Laughter.)**

17 MS. ENGLE: Yes, is it Ron?

18 MR. GOLDBRENNER: Yes.

19 MS. ENGLE: Yes.

20 MR. GOLDBRENNER: I wasn't scheduled to say
21 anything here, but --

22 **(Laughter.)**

23 FEMALE SPEAKER: Go ahead.

24 MR. GOLDBRENNER: I wanted to thank the FTC for
25 doing a really terrific job in approaching the whole

1 issue of Internet advertising and commerce. I think the
2 mix of enforcement of browsing the Internet for various
3 ne'er do wells, of taking enforcement actions on a large
4 scale against a group of them, of having these kind of
5 workshops to consider regulations, guides, enforcement
6 policies, etc., to learn about how the Internet works,
7 etc., is absolutely the best way of dealing with this
8 situation that I've seen.

9 And the agency, I think, is doing a terrific job
10 of taking the initiative, but also being very cautious
11 with the new medium. And I want to thank you for the
12 opportunity, because not only is this a good idea, but
13 you executed it so well. We had to do our homework, and
14 when we showed up, you gave everybody a really fair and
15 honest hearing. And we appreciate it very much.

16 MALE SPEAKER: Here, here.

17 **(Applause.)**

18 MS. KOLISH: Well, that seems like a good place
19 to end.

20 **(Laughter.)**

21 MS. KOLISH: Let's end on a high note. I think
22 Jodie wanted to make a few closing remarks.

23 MS. BERNSTEIN: I did, but I'm not sure that I
24 can exceed what Ron already said about us. And I won't
25 try to. I did want to thank all of you for both doing

1 your homework, coming with us today and spending the
2 entire day with really open and honest discussions.
3 Because our principal purpose here for us is to educate
4 ourselves, and to see to it that we do remain current.

5 Phillip, I had written down also, will they come
back again. Because despite the fact that I expect all

1 I've ruled out telling you about my first and maybe only
2 foray onto the net to attempt to buy a year's supply of
3 panty hose.

4 (Laughter.)

5 MS. BERNSTEIN: Because the reason I was buying
6 a year's supply was the offer was so terrific that the
7 more I bought, the cheaper it got, and I expected that a
8 year or two they would be free.

9 (Laughter.)

10 MS. BERNSTEIN: That didn't turn out to be the
11 case. And if I could have figured out how to say, how
12 soon, buddy, would you like this site to be banned by the
13 FTC, I would have done it. But I couldn't figure out how
14 to do it.

15 (Laughter.)

16 MS. BERNSTEIN: So I'm going to stay with the
17 net a little time longer so that I can figure all those
18 things out. In the meantime, again, my thanks to you and
19 to our wonderful staff that's done this.

20 We're going to keep this record open until the
21 1st of July. We would like to encourage your comments --
22 follow up comments -- as much as possible, and among
23 those comments for any of you who have ideas for either
24 stimulating research or undertaking research on what the
25 theme of this has been, as none of us know enough about

1 what a consumer's behavior is like in this new medium.

2 We would certainly be grateful for that if there
3 is existing research. There are also academics who, of
4 course, are salving to have somebody sponsor research,
5 who would love to hear about it. That's probably longer
6 term, but to the extent that we are all learning, I think
7 that would be a very valuable thing to do.

8 We are keeping a transcript. It will be
9 available. And in terms of what we will do in the end, I
10 think in all likelihood it will not -- certainly will not

1 So, again, our thanks. I am going to release
2 you now from your purgatory of having to work with us all
3 day. Again, our thanks. And I'll give you a round of
4 applause, if we may, for your contributions today.

5 **(Applause.)**

6 **(Whereupon, the foregoing workshop was concluded**
7 **at 5:03 p.m.)**

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1 C E R T I F I C A T I O N O F R E P O R T E R

2

3 DOCKET/FILE NUMBER: P9741024 CASE TITLE: Internet Legal Issues Task Force5 DATE: May 14, 1999

6 I HEREBY CERTIFY that the transcript contained
7 herein is a full and accurate transcript of the notes
8 taken by me at the hearing on the above cause before the
9 FEDERAL TRADE COMMISSION to the best of my knowledge and
10 belief.

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DATED:

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14

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SONIA GONZALEZ

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17

C E R T I F I C A T I O N O F P R O O F R E A D E R

18

19 I HEREBY CERTIFY that I proofread the transcript for
20 accuracy in spelling, hyphenation, punctuation and
21 format.

22

23

24

JACKY KARNCHANAPHATI

25