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November 7, 2006

The Honorable Kevin J. Martin
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: CS Docket No. 97-80
Proposal for Bi-Directional Digital Cable Compatibility and Related Issues

Dear Chairman Martin:

The undersigned consumer electronics (“CE”) and information technology (“IT”) companies¹ and the Consumer Electronics Association are pleased to present you with a comprehensive proposal to achieve bi-directional digital cable compatibility and address related issues,² which we have filed today with the Federal Communications Commission (“Commission”) in the above-referenced docket. We believe that this proposal, if implemented, will substantially increase consumer choice by quickly and effectively bringing a wide variety of two-way “plug-and-play” devices to market. As you are well aware, more than two years of negotiations between the cable, CE and IT industries have not yielded a mutual agreement on a bi-directional specification. In addition to frustrating the goals of Section 629 of the Communications Act, this delay has harmed both the cable and CE and IT industries and, most importantly, consumers. Cable customers who wish to obtain interactive digital services are forced to lease a cable operator-supplied box and must rely on multiple remote controls and devices. Consumers deserve an easier, more elegant, option: a single, integrated device that displays and allows them to navigate among the interactive video services of their choice. As Section 629 mandates and the Commission has long contemplated, consumers should have a choice among such devices in a competitive retail market.

With this proposal (the “Proposal”), we seek to move the process forward in a fair and constructive manner. We believe that the Proposal is technically feasible and relatively inexpensive to implement, reasonable from the business perspectives of all affected industries, and good public policy. In developing the Proposal, we have built on our experience in negotiating and implementing the one-way plug and play memorandum of understanding (“MOU”), and seek to have the cable industry adopt only those requirements that we believe are absolutely essential to bring two-way products to market. In order to present you with a

¹ Sony Electronics Inc., Dell Inc., Hitachi Home Electronics (America), Inc., Intel Corporation, JVC Americas Corp., Microsoft Corporation, Mitsubishi Digital Electronics America, Inc., Philips Electronics North America Corp., Pioneer North America, Inc., Sharp Laboratories of America, Toshiba America Consumer Products, LLC, and TTE Corporation.

² The same parties that are signatories to this letter have today submitted a complete plug-and-play proposal for the Commission’s review that includes: (1) an extensive cover letter outlining the proposal and the supporting policy rationale; (2) a technical explanation of the “non-OCAP” interactive device; and (3) a list of the regulatory, licensing, and testing changes necessary to enable a competitive market for retail interactive devices.

comprehensive solution that can be adopted expeditiously by the Commission, we also have sought to address virtually all of the open issues in CS Docket No. 97-80, including common reliance, downloadable security, and home networking.

The goal of the Proposal is to allow competitive CE and IT manufacturers to build devices that, from the consumer perspective, are functionally equivalent to proprietary leased products. To date, it appears that cable providers do not intend to use the OpenCable Application Platform (“OCAP”) middleware software in their so-called “low-cost, low capability” boxes. Thus we have fashioned the Proposal to maintain competition in this market segment, consistent with the mandate of Section 629. Retail products should compete on a level playing field with leased products with respect to price, features, and functionality. We thus propose that competitive manufacturers have the option, but not the obligation, to include OCAP in devices that access “basic” interactive services -- switched digital, electronic program guide (“EPG”), video-on-demand (“VOD”), and impulse pay-per-view (“PPV”) -- and must implement OCAP to access “advanced” interactive services -- perhaps on-line games, email and ‘play-along’ interaction coordinated with specific video content. Rather than absorbing all the cost and uncertainty associated with OCAP, competitive manufacturers would be permitted to offer functionally equivalent bi-directional products that build on existing digital cable compatibility technologies.

Further, if implemented, the Proposal would give every competitive manufacturer the freedom to develop and deploy its own user interface, if it so chooses, and the flexibility to innovate in the areas of navigation, parental controls, accessibility to users with disabilities, use of consumer-produced content (*e.g.*, home movies, digital photos), and interaction with third-party applications (*e.g.*, television ratings services). A competitive market for bi-directional devices would finally offer families a choice of user-friendly devices to better navigate the 500-channel universe.

We believe that the Proposal promotes not just the interests of consumers and competitive manufacturers, but those of cable providers as well, since it will allow consumers to purchase interactive cable services without leasing a separate, inconvenient and perhaps confusing set-top box and associated remote control. Moreover, we believe that, if implemented, the Proposal would further the DTV transition by increasing the pool of available cable-ready devices, thus giving consumers an incentive to move from analog to digital.

CONSUMER-FRIENDLY PRINCIPLES FOR TWO-WAY PLUG AND PLAY

Each element of the Proposal – whether implemented in a non-OCAP or OCAP device – is based on one or more of the following consumer-friendly principles, all of which are derived from the congressional mandate of Section 629. Whether a two-way plug and play regime is unilaterally licensed by cable, mutually agreed upon by cable and CE, or adopted by the Commission, we submit that it will not be effective or fair unless it embraces these principles.

1. **Safeguarding Consumer Choice and Competition.** Consumers should be able to view, move, store, and access cable content that they legally obtain without restriction, other

than as necessary to protect theft of service, electronic or physical harm to the network, and in accordance with reasonable content protection requirements.

2. **Protecting Consumer Investment.** Consumers have a right to expect that the digital cable ready products that they purchase will continue to operate for a reasonable period of time. To ensure that the device fulfills this expectation, and prevent consumer purchases from becoming disadvantaged, inoperable or prematurely obsolete, requires that the device and the service received by it must remain consistent throughout the life cycle of the product.
3. **Establishing Fair and Open Technical Standards.** Bi-directional digital cable compatibility and related specifications should be developed and approved by a mutually agreeable standards-setting body, with oversight by the Commission.
4. **Requiring a Level Playing Field.** Only equivalent product functionality and common reliance on the same services, applications, and support infrastructure will create an economic incentive for cable operators to support the technology necessary for CE products.
5. **Removing Barriers to Innovation.** As with one-way products and DFAST, manufacturers should be allowed after initial certification to self-certify that their products are compliant with the applicable standards.

In conclusion, we believe that this comprehensive proposal, if implemented, will allow CE and IT manufacturers to compete fairly with cable providers for customers seeking access to interactive digital cable services. And more to the point, the Proposal will allow consumers to enjoy the benefits of competition as Congress and the Commission have long intended. Please do not hesitate to let us know if you have any questions.

Sincerely,

/s/ Michael T. Williams

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/s/ Brian Markwalter

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cc: Commissioner Michael Copps
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