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| <b>Case Reference</b> | R/E/I/076   |
| <b>Title</b>          | Ericsson's Multiple Breaches of the Premium Rate Services Code (" <b>PRS Code</b> ")  |
| <b>Case Opened</b>    | 30 July 2009  |
| <b>Case Closed</b>    | 11 November 2009  |
| <b>Complainant</b>    | IDA initiated enforcement proceeding  |
| <b>Respondent</b>     | Ericsson Telecommunications Pte Ltd (" <b>Ericsson</b> ")   |
| <b>Case Summary</b>   | <p>IDA had received complaints from members of the public regarding three subscription-based premium rate services ("<b>PRS</b>") offered by Ericsson. Arising from IDA's investigations into these complaints, IDA discovered that Ericsson had contravened multiple sections of the PRS Code, as described in the sections below:</p> <p><u>"SgTone" Service</u></p> <p>The "SgTone" service is a mobile content service provided by Ericsson. Users who subscribe to the "SgTone" service will be automatically subscribed for a minimum of two weeks, and charged a total of \$27, comprising a one-time sign-up fee of \$9 and two week's worth of subscription at \$9 per week. After their subscription to the first two weeks of the "SgTone" service, subscribers would receive the third week of subscription free.</p> <p>IDA discovered that the Internet advertisement for the "SgTone" service had failed to comply with IDA's PRS Code. Specifically, Ericsson had:</p> <ul style="list-style-type: none"> <li>(a) prominently highlighted the word "Complimentary" at the top of the advertisement, but stated the actual prices only at the bottom of the advertisement in small print;</li> <li>(b) employed ambiguous wording to describe the charges that end users would incur once subscribed to the "SgTone" service; and</li> <li>(c) failed to include its company name in the advertisement for the "SgTone" service.</li> </ul> <p>Separately, IDA also discovered that Ericsson had failed to include the relevant charges in one of the chargeable SMS messages it had sent to subscribers of the "SgTone" service.</p> <p><u>"Splash" Service</u></p> <p>The "Splash" service is another mobile content service</p> |

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|                                   | <p>provided by Ericsson. IDA discovered that Ericsson allowed users to subscribe to the “Splash” service entirely via the Internet. Ericsson did not require authentication via SMS prior to subscription to the “Splash” service.</p> <p><u>“Zemgo” Service</u><br/> The “Zemgo” service is an ongoing quiz service in which subscribers would be sent three chargeable SMS questions a week by Ericsson. IDA discovered that Ericsson had failed to state, in the Internet advertisements for the “Zemgo” service, that subscribers who reply to any of the three initial SMS questions will also automatically be sent further chargeable SMS questions.</p>   |
| <p><b>IDA’s Determination</b></p> | <p><u>For the “SgTone” Service</u></p> <p>Section 2.2.1(a) of the PRS Code provides that “[n]o disclosure or advertisement shall be presented in a manner that is reasonably likely to confuse or mislead in any way, whether by inaccuracy, ambiguity, exaggeration, omission or otherwise”. Section 2.2.1(b)(ii) of the PRS Code provides that: “[e]very disclosure and advertisement must state ... the name of the premium rate service provider as registered with the Accounting and Corporate Regulatory Authority”. Section 2.9 of the PRS Code provides that: “[a] premium rate service provider must ensure that every chargeable message which it sends to any person via electronic messaging contains a short and distinct pricing message to indicate the charge for that message”.</p> <p>IDA therefore found Ericsson to be in contravention of the following sections of the PRS Code:</p> <ul style="list-style-type: none"> <li>(a) Section 2.2.1(a) of the PRS Code – for presenting the Internet advertisement for the “SgTone” service in a manner which “<i>is reasonably likely to confuse or mislead in any way, whether by inaccuracy, ambiguity, exaggeration, omission or otherwise</i>”;</li> <li>(b) Section 2.2.1(b)(ii) of the PRS Code – for failing to include its company name in its Internet advertisement for the “SgTone” service; and</li> <li>(c) Section 2.9 of the PRS Code – for failing to indicate the applicable charge in one of the chargeable messages that Ericsson had sent subscribers to the “SgTone” service.</li> </ul> <p>For this case, IDA noted that Ericsson had suspended the “SgTone” service shortly after being notified by IDA of its potential contraventions.</p> |

However, IDA identified the following aggravating factors:

- (a) More than 500 end users had subscribed for the “SgTone” service after viewing the misleading advertisements online; and
- (b) In September 2008, IDA had already issued a warning to Ericsson for its breach of Section 2.2.1(a) and imposed a financial penalty of \$1,000 for its breach of Section 2.2.1(b)(ii) of the PRS Code. IDA had warned Ericsson then that any future contraventions of the same provisions would result in more severe enforcement action taken against Ericsson (Case Reference: R/E/I/070, found on IDA’s webpage [www.ida.gov.sg](http://www.ida.gov.sg), under “Policies & Regulations” → “Regulatory Policies & Frameworks” → “Competition Management” → “Determinations and Enforcement”). Nevertheless, despite this earlier warning, Ericsson has again contravened Sections 2.2.1(a) and 2.2.1(b)(ii) of the PRS Code in relation to the Internet advertisement of its “SgTone” service.

For the “Splash” Service

Section 2.5 of the PRS Code states that: “A premium rate service provider who enables its premium rate service to be purchased or subscribed for via the Internet to be delivered to mobile phones must ... (c) ensure that it receives a SMS message containing the purchase keyword command from the same mobile phone number that was provided or used in the Internet registration before delivering the service to that mobile phone”.

As Ericsson had failed to ensure that it received an SMS message containing the purchase keyword command, prior to subscribing users to the “Splash” service, it had contravened Section 2.5 of the PRS Code.

For this case, IDA considered the mitigating factor that Ericsson’s had suspended the “Splash” service shortly after being notified of its potential contravention, and that only 12 users were affected, who were all refunded by Ericsson.

For the “Zemgo” Service

For presenting the Internet advertisement for the “Zemgo” service in a manner which “is reasonably likely to confuse or mislead in any way, whether by inaccuracy, ambiguity, exaggeration, omission or otherwise”, IDA found Ericsson in contravention of Section 2.2.1(a) of the PRS Code.

In relation to this case, IDA considered the following

aggravating factors:

- (a) As highlighted above, in September 2008, IDA had issued a warning to Ericsson for its breach of Section 2.2.1(a) of the PRS Code. Nevertheless, Ericsson has again contravened Section 2.2.1(a) in relation to the Internet advertisements for its “Zemgo” service;
- (b) In December 2007, IDA had also provided Ericsson with advice on the measures to be taken to ensure that its advertisements for its quiz services are not misleading and do not contravene the PRS Code. However, despite this, Ericsson continued to advertise the “Zemgo” service, which is a quiz service similar to those quiz services provided by Ericsson in 2007, in contravention of the PRS Code;
- (c) Although Ericsson had ceased the “Zemgo” service shortly after being informed of its potential contravention, Ericsson had subsequently reintroduced the service with a second advertisement, which similarly did not comply with the PRS Code;
- (d) More than 4,000 subscribers were affected; and
- (e) Ericsson’s conduct, seen in totality, is tantamount to Ericsson having acted in a wilful disregard of its obligations under the PRS Code.

Taking these factors into consideration, IDA decided to:

- (a) Impose **a financial penalty of \$22,000** on Ericsson for its contravention of Section 2.2.1(a) and 2.2.1(b)(ii), and issue **a warning** to Ericsson for its contravention of Section 2.9 of the PRS Code, in relation to the “SgTone” service;
- (b) Impose **a financial penalty of \$1,000** on on Ericsson for its contravention of Section 2.5 of the PRS Code, in relation to the “Splash” service; and
- (c) Impose **a financial penalty of \$50,000** on Ericsson for its contravention of Section 2.2.1(a) of the PRS Code, in relation to the “Zemgo” service.