



WARREN'S Consumer Electronics Daily

The Authoritative News Service of the Consumer Electronics and Allied Industries

TUESDAY, JANUARY 16, 2007

VOL. 7, NO. 9

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BEST BUY'S 'ESCAPE' CONCEPT STORE shuts its doors. Lessons learned will be used at regular Best Buy stores, Anderson vows. (P. 1)

CEA WOOING APPLE BACK TO CES, seeking to end iPod monger's long absence. No way, Apple says -- Macworld is enough. (P. 2)

SED INC. TO BECOME CANON SUBSIDIARY after Canon agrees to buy out Toshiba's shares in troubled joint venture. (P. 4)

COMMISSIONERS WARM TO CABLE on CableCARD waiver appeal, but Martin will call the tune, say FCC officials. (P. 5)

CEO Vows Future Experiments

ALPINE CLAIMS SUPERIOR DEVICE for in-dash entertainment system with removable, portable navigation system. (P. 6)

WII SURPASSED A MILLION IN SALES in Dec., NPD reports. Installed PS3 base grew to just under 700,000, it says. (P. 7)

COPYRIGHT: CEA 'disappointed' at Perform Act's reintroduction, says it will 'assault' consumers' freedom to record. (P. 9)

INDUSTRY NOTES: CEA querying 'whether there's room' for a CES event in Europe, but has no answer yet, Shapiro says. (P. 10)

FORMATS: HD DVD as low as \$299 possible this year from Asian OEMs using Microsoft/Broadcom chipset, Microsoft says. (P. 10)

Best Buy Shuts 'Escape' Chicago Concept Store After 2 Years

CHICAGO -- Best Buy is closing its last concept store here to focus on the flagship Best Buy brand. "Escape powered by Best Buy," the high-end concept store aimed at young male CE lovers, was to close Sun. (Jan. 14) after a run of more than 2 years.

The 3,600-sq.-ft Escape, opened in Nov. 2004 in Lincoln Park, goes the way of "Studio D," another Best Buy concept store for women. Studio D ran for 2 years out of a 5,000-sq.-ft. storefront in suburban Naperville before being shuttered last Aug. 4.

Set in a vintage brick police station, Escape carried digital music players, desktop and notebook PCs and videogame consoles. Customers became "members," paying a \$9.99 annual fee. The store had 4 themed "Game Pods" ranging from modern to retro, each stocked with 40 games. Other stock included higher-end Best Buy DVD and digital audio players, cellphones and remote-controlled cars. Escape was among the first stores to sell TiVo's Series3 PVR (CED Aug 28 p2).

Best Buy was "exploring 2 paths" with Escape and Studio D, CEO Brad Anderson told *Consumer Electronics Daily* in an interview Fri. "One was to create separate brands for different customers, and the other was to take what we learned from these stores and bring it inside Best Buy. We are taking the elements from Escape that worked and bringing them inside Best Buy. You could see some of this in stores as early as this year."

Escape tried to be a community hub for young male early adopters by offering interactive suites where members could watch sporting events and host parties, Anderson said. That gambit flopped and won't be revived, said Anderson. Joe Obucina, Escape's gen. mgr., said "being in an environment where you can interact with the technology is definitely successful." Escape members received refunds in line with the time left on their subscriptions and are being referred to regular Best Buy stores nearby to continue personal shopping relationships, Obucina said.

The Escape name isn't entirely dead at Best Buy. Online, a website showcases the cutting-edge product that was Escape's forte. The lessons learned, soon to be incorporated at Best Buy: The need for wider arrays of portables, especially handheld PCs and gaming devices, and import items generally not available elsewhere in the U.S.

Ditching Escape doesn't mean Best Buy isn't looking for new opportunities, Anderson told us, declaring the chain will expand efforts to identify and serve diverse demographics. "We'll be continuing to do more things like this in future years," Anderson said. -- *Laura Heller*

Jobs Sticking with Fan Show

CEA Not Holding Its Breath About Apple Coming Back to CES

CEA has been trying to coax Apple to return to CES but isn't counting on success, said Karen Chupka, CEA senior vp-events & conferences. She spoke as one of the week's biggest CE splashes came, not out of CES in Las Vegas, but in Apple CEO Steve Jobs' Macworld Expo keynote in San Francisco.

Jobs' coups last week -- announcing the iPhone for June U.S. release, and on Apple TV, a PC-to-TV set multi-media box coming in Feb. -- are seen as showing Apple's determination to capitalize on its iPod smash and to reach much more broadly into CE. Jobs made that point when he said his company dropped the word "Computer," becoming Apple Inc. "They are really much more consumer electronics-centric" than the computer company Apple used to be, said Tim Bajarin of Creative Strategies, a Silicon Valley consultant who has followed Apple closely for decades.

CEA overtures to member Apple about CES have included offers of a featured keynote slot for Jobs, most recently about 2 years ago, Chupka said: "We'll definitely offer Jobs a keynote at times... We would continue to invite them down the road." Apple management has said it would like to participate in CES but can't handle so great a commitment so close to the one it has to Macworld, she said. The shows are both in early Jan.; this year, as sometimes happens, they coincided. Organizers don't plan to change dates to prevent conflicts, they said. "It isn't the first time it's happened, and I'd probably be remiss to say that it won't happen" again, said Charlotte McCormack, PR mgr. for Macworld Expo parent IDG World Expo.

But Apple doesn't need CES, Bajarin said, and IDG's McCormack agreed. Chupka said CES offers managements like Apple's an unparalleled chance to parley with executives from companies, including the top ones, across the spectrum of converging technology industries -- media companies, communications service providers and software makers as well as hardware and retail companies -- and to grab Wall Street's attention.

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But Jobs -- who's also Disney's largest individual shareholder -- has no trouble getting anyone he wants on the phone, Bjarin said. And even that's unnecessary when major companies flock to Apple's doorstep. When, with the iPod, Apple decided to broaden its sales channels a few years ago, "the Best Buys and Circuit Citys came to them," Bjarin said: "Apple never needed to go them." By the same token, even with Apple's rise in consumer technology, "CES will be just fine" without it, Bjarin said: "I can't see either of them saying they'll suffer without each other."

Apple's return to CES would end a long hiatus, not mark a reversal of course. In 1992, Apple introduced the visionary but ill-fated Newton PDA in Chicago at the midyear CES, an event discontinued soon after. Apple went to CES into the mid-1990s, Bjarin said. Apple didn't provide us a representative to interview. A spokeswoman said the company is swamped with media inquiries.

Invitations aimed at getting Apple back to CES aren't affected by the show's longstanding featured solo for arch-rival Bill Gates, usually the night before CES's main business starts, Chupka said. Gates, "an icon in the industry," has keynoted every year since 1997 and did so in 1995, she said. Despite his announced pullback from day-to-day involvement in Microsoft, Gates is set for a 2008 CES keynote. "We will take it from there," Chupka said. Gates makes for an irresistible keynoter because he's an international attention magnet, she said. And CEA likes to spotlight Microsoft and Intel, Chupka said, noting that they develop technology platforms, do co-branding and share the stage with CEA member partners. No company has a lock on a CES keynote, and Microsoft has no say about wooing Apple back, she said. Apple is known for liking more control over product development and branding. "They're already in control of their B2B relationship, and I can't see them changing strategies at this time, when everything they're doing now is working so well," Bjarin said.

This year, Jobs held much of the media limelight. "He dramatically upstaged CES, at least" Tues., Bjarin said. IDG's McCormack said some journalists told her Jobs' star turn had been the talk of the CES newsroom, prompting them to leave Las Vegas to cover the CEO's Macworld keynote. Chupka was too busy with her show to know how the publicity played out, she said: "I don't even know what goes on at Macworld." She didn't have a feel for how many reporters left CES for San Francisco, she said: "It did seem like we had a very, very strong press presence."

A Fri. search of English-language print media for items citing Jobs' Tues. presentation showed he got more attention that day than CES. Total references to CES, not restricted to Tues., did beat those to Macworld at least 2-1, depending on the breadth of the base searched. But total references to Jobs, Apple and Apple TV substantially outnumbered those to Gates, Microsoft and Windows Home Server, announced by Gates in his CES keynote as a competitor to Apple TV.

Today in **Washington Internet Daily**

- **ELECTRONIC FILING BILL** reintroduced in Senate. Campaign finance measure called uncontroversial. But effort to add to lobbying bill faces leadership opposition.
- **COURTS:** Movie sites ordered to inform consumers of pop-ups.
- **INTERNATIONAL:** The Pirate Bay hopes to buy manmade island as haven from prosecution for file-sharing.
- **INDUSTRY NOTES:** P2P won't solve industry's limited bandwidth problems, Cuban says.

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In his keynote, Jobs jabbed at Microsoft and other rivals, but selectively. He said Microsoft's Zune should have had a strong Nov., its launch month, then quoted NPD figures showing the company had only a 2% U.S. share in digital media players, to Apple's 62%. Jobs said Apple boosted its share in Dec., for which NPD data weren't yet available. "No matter how you spin this, what can you say?" Jobs said as, on the Moscone Center's giant screens, the word "Zune," burst into animated flames. But Jobs didn't take on the Windows Home Server.

Macworld Expo "caters to the Mac faithful," luring them by the thousands, professionals and consumers, Bjarin said. The show is "a very powerful environment to showcase products to consumers," he said: "CES is still a B2B show... Apple has never had B2B as their focus. It's always been Apple directly to the consumer." Jobs indicated that the packed house for his keynote numbered about 4,000. The event has been held in San Francisco since 1985, and Jobs has been its centerpiece since 1998. His first Macworld keynote after a long exile from Apple was at a counterpart conference in Boston in 1997. -- *Louis Trager*

Shares to be Bought Out

Canon, Toshiba to Parts Ways on Troubled SED Inc. Joint Venture

Canon and Toshiba will part ways on their troubled SED Inc. joint venture this month, apparently derailing plans to bring 55W panels to the U.S. market by the 2nd half (CED May 22 p1). Faced with a breach of contract suit filed against the venture by Nano-Proprietary, Canon will buy out Toshiba's shares in SED Inc. and make it a Canon subsidiary Jan. 29, the companies said Fri.

Canon and Toshiba expect to ship SED-based TVs in Japan by 4th quarter. Toshiba executives at CES said their SED plans for the U.S. market hadn't changed (CED Jan 8 p3). Under the agreement, Toshiba will buy panels from the new subsidiary, a Toshiba spokeswoman in Japan said. Canon and Nano-Proprietary officials weren't available to comment at our deadline.

Creating a new subsidiary strikes at a central point of Nano-Proprietary's suit. A 1998 licensing agreement with Nano-Proprietary barred Canon from sub-licensing the company's field-emission display (FED) technology, but let it share it with a subsidiary. Nano-Proprietary sued Canon in April 2005, alleging it improperly transferred rights to the SED technology to Toshiba. Canon's efforts to have the suit dismissed suffered a blow in Nov., when a federal judge rejected its request, branding as "corporate fiction" claims that the Toshiba joint venture was a subsidiary (CED Nov 17 p5). A trial is scheduled for spring.

Canon's new strategy appears to scale back its plans to commercialize SED. Canon will begin pilot production by mid-year with capacity for 1,000 units a month at its Hiratsuka, Japan, plant, but will "reassess" plans for mass production, the company said. SED Inc., formed in 2004, evolved from a joint development agreement Canon signed with Toshiba 7 years earlier. It originally proposed investing \$1.7 billion to start mass production this year at Toshiba's former CRT plant in Himeji, Japan, with monthly capacity growing to 75,000 units by year-end (CED Oct 5/05 p1). Joint development of SED panels has been plagued by delays as the companies sought to improve yields. A prototype 36W panel, which debuted at CES in 2005, was expected to be replaced by a 55W version at CEATEC that fall. But the 55W panel didn't appear at CEATEC for another year.

Though the decision to dissolve the joint venture was prompted by discussions between Canon and Toshiba over the suit, Canon also appeared to be seeking a settlement. A status conference on a possible settlement was held in late Dec. but apparently adjourned without resolution. Canon also made a request Jan. 10 to have its motion for partial summary judgement regarding damages filed under seal, according to court records. U.S. Dist. Judge

Samuel Sparks, Austin, Tex., scheduled a Feb. 23 hearing that could set the stage for a trial before 7 jurors in March or April (CED Dec 27 p5).

"Restructuring of Canon's ownership position" in SED Inc. won't "resolve the pending litigation, which goes to trial in a few weeks," Nano-Proprietary CEO Tom Bijou said late Fri. in a statement. "We have terminated Canon's license as a result of breach of contract. Moreover, our complaint against Canon includes other counts, including fraud unrelated to the ownership of SED. We are, however, willing to enter into a new license agreement with Canon on reasonable terms."

Toshiba not only will be a key SED Inc. customer, it also will have executive representation. Toshiba executive Kazun Fukuma will be SED Inc.'s pres. Toshiba engineers working at the joint venture will stay on under a new contract, the companies said. -- *Mark Seavy*

It's Martin's Call

FCC Commissioners Seen as Sympathetic to CableCARD Appeal

Cable operators that are denied CableCARD waivers will find a sympathetic FCC, said Commission officials. Commissioners seem aware that not waiving the looming set-top box navigation and security ban could raise cable operators' costs, said communications lawyers. Wed., Comcast became the first cable operator to appeal a Media Bureau waiver denial (CED Jan 11 p1). The FCC must vote on such appeals.

Other aggrieved operators probably will follow Comcast's lead, said a regulatory lawyer. CE officials said cable isn't worried about cost, just trying to stall now that deadline extensions are expiring. The CableCARD deadline is July 1. Verizon is expected to get a waiver, as may some small cable operators, said agency and industry officials. Last week Bend Cable, with about 30,000 cable subscribers, got a waiver.

Comcast's appeal likely won't see action before the Media Bureau acts on a slew of pending waiver requests by Charter, Cox, RCN, NCTA, Verizon, a municipal cable operator and others, an FCC official said. Chmn. Martin decides when an appeal gets a hearing, industry and agency sources said. "The chairman's priority is to complete the review of current waivers rather than reconsider what has been released," said an FCC staffer. The Commission hasn't provided a schedule for Media Bureau action, an FCC spokesman said.

Don't expect most pending requests to be approved, an industry source and an agency official said. A Wed. speech by Martin at CES, and Media Bureau documents released afterward, indicate large cable operators won't get exemptions. Martin seems cold to cable's pleadings because the industry is bucking his goals, such as letting customers avoid racy content by offering channels individually or in multiple programming tiers, said an agency staffer. In denying Comcast's waiver, the Media Bureau order said the request could have gone the other way if the company had said it would use a waiver to provide low cost set-tops to sell family tiers.

"We do not anticipate granting waivers for set-top boxes to be used to access family and ethnic tiers or other offerings where the subscriber must first buy through tiers other than the basic tier," the Media Bureau said: "Comcast has not provided us with a description of the procedures that it would implement to ensure that the set-top boxes which would be the subject of such a waiver are used only by subscribers who access the family and ethnic tiers of programming."

Other waivers probably be handled "consistently" with the Comcast action, said a communications lawyer. But the Bureau may not deny the bulk of pending waivers, he added: "Other MSOs do have different circumstances, however, so what happens with them cannot be prejudged." Operators may skip the appeals

process, since there's no guarantee Martin will act on appeals before the integration ban takes effect, the lawyer said: "An application for review is difficult to get through the FCC... It's therefore uncertain the other MSOs would apply for broad review."

Among pending requests, Verizon's seems likeliest to be approved, said agency and industry officials. Martin seems to believe that granting the Bell a waiver would get the Bell going on efforts to sell video, competing with cable, another Martin cause, they said. "Verizon will probably get a waiver, based on remarks by Martin," said a communications lawyer. Its bid for exemption touted its status as a video upstart, a Verizon official noted. "We've really focused on our status as a new entrant bringing a new and improved video service to market," said Paul Brigner, Verizon exec. dir.-federal regulatory.

The Media Bureau also is likely to grant a waiver to a Cal. municipal cable operator. San Bruno Cable TV Dir. Tenzin Gyaltzen said his request is narrower than Bend's. At CES Wed., Martin said he's "sympathetic" to specialized requests from small outfits such as Bend that may have trouble getting needed gear and those moving toward all-digital TV. "We think we have a better case than Bend's request," Gyaltzen said, noting that San Bruno wants to be "all-digital" before the Feb. 2009 DTV deadline and will give every customer 2 free stripped-down Motorola DCT-700 boxes, once they arrive, Feb.-April. The FCC denial of Comcast's request still marked a "setback" for cable, Gyaltzen said: "It's going to increase costs tremendously across the board. But if they're going [give exemptions to] smaller companies like us who are trying to move faster, that could be good."

Set-top box makers promised to help cable operators meet integration ban rules. "We are ready to support the cable operators through the transition," said Jason Friedrich, Motorola asst. dir.-telecom regulation. "We stand ready to provide products to our customers in July in compliance to the FCC's rules on separable security," a Scientific-Atlanta spokeswoman said, noting that S-A is "disappointed" in the Media Bureau. At CES, the company demonstrated CableCARD-enabled boxes that cable operators are testing, she said. Motorola has finished testing and is almost ready to put CableCARD boxes into mass production, a spokesman said: "They're ready for production." Shipments will start about mid-Feb., he said.

Sony Electronics is glad the FCC denied Comcast a CableCARD waiver, Exec. Vp Michael Williams said in a statement Fri. That puts CE makers "one step closer to competing on a level playing field with cable operators," he said: "The American consumer will be the ultimate winner." FCC Chmn. Martin and the Commission "have shown they are serious about removing barriers to competition, thus implementing Congress's fundamental desire as expressed in the Telecommunications Act of 1996," Williams said: "And as the Commission's decision makes clear, when the CE industry is allowed to compete, innovation increases, prices decrease, and consumers benefit." — *Jonathan Make, Josh Wein, Paul Gluckman*

All-in-One Kenwood System Debuts

Alpine Claims Superior In-Dash/Portable Nav Combo Device

LAS VEGAS — Alpine unveiled its 2nd-generation Blackbird portable navigation device at CES here, saying the PMD-B200 can be docked inside its new IVA-W205 in-dash AV head unit to provide "the ease of use of a fixed navigation system, the car-to-car flexibility of a portable navigation device and a clean, clutterless dash without any cables."

The device is a "similar concept, for sure" to the all-in-one AVN2210p car entertainment system unveiled at the show by Eclipse that features a detachable navigation system from TomTom (CED Special CES Supplement Jan 8 p7), Alpine Mktg. Vp Stephen Witt conceded to *Consumer Electronics Daily*. But Alpine provides a "more

elegant solution” that leaves no “hole” in the front of the head unit when the navigation system is removed. The new Blackbird fits entirely inside the double-DIN DVD/CD/MP3/WMA head unit. The head unit’s faceplate slides down to a 90-degree angle, revealing a CD/DVD slot and a separate slot for the Blackbird.

The 2nd-generation Blackbird also features new and upgraded features from the first version, including a built-in Bluetooth module that enables users to answer phone calls, dial-out using an on-screen 12-key phone dial and access call data when the product is connected to a Bluetooth-enabled mobile device. Also included is an SD card slot allowing playback of up to 4 GB of stored MP3 and WMA music files. In keeping with a trend among mobile electronics manufacturers at CES, Alpine said the new head unit is enabled for the iPod, satellite radio, HD Radio, Bluetooth and USB MP3/WMA. In addition to CDs and DVDs, the head unit can play DVD-Audio discs, though only in a 2-channel mix. The first Blackbird was marketed as a bridge product between in-dash navigation systems and portable navigation devices; it could be installed in a car and removed for portable use but there was no docking functionality within Alpine head units.

But consumers who want the “more elegant” navigation solution must pay a premium. The Eclipse/ TomTom product will ship this spring at \$899.99, but Alpine’s offering will cost considerably more. The Alpine head unit alone will cost \$1,000 when it ships in May and the company hasn’t announced pricing for the 2nd-generation Blackbird, also shipping in May. Alpine’s first Blackbird shipped last year and costs \$499.95. “The portable market is volatile, so we’re not going to announce pricing for a little bit yet,” Witt told us. The prices of portable GPS/navigation systems tumbled last year, especially during the holiday season.

Other new Alpine products unveiled at CES included the iDA-X001 (April at \$450), which the company called “the first aftermarket head unit designed for a fully integrated iPod experience in the car.” The unit features an AM/FM tuner but no CD/DVD slot, instead offering a dedicated USB input to directly connect an iPod. A “Made for iPod” program member, Alpine said it designed the unit “to allow users to naturally and quickly navigate through all of the digital content on their iPod via the head unit.” The unit was built on Alpine’s proprietary Ai-NET BUS platform, allowing it to connect to Sirius and XM satellite radio, HD Radio and USB-based MP3 players. It’s also Bluetooth-ready.

Rival Kenwood remained on the portable navigation sidelines at CES but unveiled the DNX7100 “all-in-one,” double-DIN in-dash DVD receiver with embedded navigation module inside its chassis. The unit will ship in Feb. at \$1,600. It features SD card slots for software and map updates. Also new from Kenwood are the KVT-719DVD single-DIN and DDX7019 double-DIN video receivers with USB Direct Control input, allowing control of any USB mass storage device or iPod from the receiver’s front panel or remote control when connected. A GPS navigation system, as well as satellite radio or HD Radio tuners, can be added to the units and both are Bluetooth ready for the addition of hands-free cellphone operation. Each will ship in Feb. at \$999. Kenwood also said it will ship a rear-view video camera to enhance nighttime viewing of objects outside a car. The new model, shipping in May at \$200, is smaller than previous ones and offers a wider viewing angle, Kenwood said. — *Jeff Berman*

Console Sales Up 39% Overall

Wii Sales Surpassed a Million in Dec., Trailed Badly By PS3, NPD Says

Wii U.S. sales surpassed the million mark in Dec., as another 604,000 units sold through, for a total of 1.1 million to date, NPD data show. PS3 trailed significantly behind at under 700,000 units, according to the data, which was provided to *Consumer Electronics Daily* by industry sources.

The data cast new doubt on the accuracy of Sony Computer Entertainment America (SCEA) claims at CES that it shipped a million PS3s to retail through Dec. 31 (CED Jan 9 p5). Total U.S. videogame home console sales

climbed 39% to 2.7 million units in Dec. from a year ago, driven by sales of the 3 next-generation consoles as well as continued strong demand for PS2, the best-selling console of the month. PS3 and Wii continued to be hard-to-find at retail during each console's 2nd month of availability.

About 491,000 PS3s were sold through during Dec. after about 197,000 units were sold during Nov., according to NPD's data. That left more than 300,000 units unaccounted for if NPD's data were accurate because nearly all PS3s that retailers received were quickly sold. NPD data don't include Canada, and SCEA has said sales in that market are typically about 10% of those in the U.S. With Canada factored in, that would still leave about 200,000 PS3s unaccounted for. The rest could possibly be explained by a combination of a flaw in NPD's data or units shipped by SCEA to retailers that still didn't reach retailers or their store shelves. NPD doesn't receive point-of-sale data from Wal-Mart and only estimates how many units are sold there. However, SCEA and other game companies rarely publicly question NPD's accuracy and, in fact, regularly cite NPD data when the results benefit them.

SCEA Fri. attributed the shortfall in PS3 numbers cited by NPD to a combination of Canadian sales and units shipped by SCEA that did not reach store shelves yet. Canadian PS3 sales during Nov. and Dec. accounted for about 90,000 units, while about 170,000 units were shipped by SCEA in the last week of the month and at least some of those were possibly not reflected in sellthrough yet, an SCEA spokeswoman said. The remainder were likely units at retail "that are in transit or on their way... from the warehouse to the store — [an] average of 5 units per store/100,000 units divided by 20,000 stores," she said.

Despite finishing behind its rivals in the next-generation console battle so far, SCEA boasted PS3 "sold through more units in the U.S. than the original PlayStation" or PS2 did in the same launch time period.

Also upbeat by NPD's numbers was Nintendo of America (NOA), which boasted "consumers purchased every Wii console available at retail — more than a million in just the 44 days between U.S. launch and year-end." More than 1.5 million extra Wii controllers were also sold as it "recorded the most successful across-the-board holiday performance in U.S. videogame history," NOA claimed. Nintendo "accounted for more than half of all videogame hardware systems sold in America" during Nov.-Dec., it also claimed. Eighty-six percent of Wii buyers bought the Nintendo game *The Legend of Zelda: Twilight Princess*, accounting for more than 900,000 software units sold during the season, NOA also boasted. Wii consumers bought an average of 3 games for the console on top of *Wii Sports*, which is included with the system, NOA said.

But Xbox 360 was "the best-selling next-generation console of the 2006 holiday season" in the U.S., "outselling" PS3 and Wii "combined in December and outselling all next-generation consoles in November and December," Microsoft claimed. The 360 had a 51% market share on next-generation consoles during the month, Microsoft said, citing NPD's data. Another 1.13 million 360s were sold through in Dec., boosting that console's U.S. installed base to 4.6 million, according to NPD. Xbox 360 sales were far better than a year ago, when only about 280,000 units were sold during the console's 2nd month of availability (CED Jan 18/06 p4). There were supply constraints on 360 for months. Despite the gains, Lazard Capital Markets analyst Colin Sebastian said 360 sales were "sluggish" in Dec., adding the 3.9 million units sold in the U.S. during 2006 fell below his 4.5 million estimate for the market.

That left PS2 as the best-selling home console during Dec. as 1.4 million units sold through, raising its U.S. installed base to 37.2 million. Despite the arrival of new consoles, the more than 6-year-old PS2's sales were down only 5% from a year ago, SCEA said. The company also boasted it achieved the "highest first-party sales month in company history" during Dec., with total sales of \$1.61 billion after selling more than 2.8 billion units of hardware, 22.4 million units of software and 6.9 million peripherals across all its platforms.

However, the best-selling game system overall in Dec. was the Nintendo DS dual-screen handheld system. Another 1.6 million DS systems were sold, up from 1.1 million last year, as its U.S. installed base jumped to 9.1

million. NOA boasted DS was “the best-selling videogame device of any type for both the holidays and all of 2006,” adding 5.3 million units were sold through during 2006 overall. Nintendo’s DS games *New Super Mario Bros.* and *Brain Age: Train Your Brain in Minutes a Day* were top 10-selling games for the year, NOA said.

DS continued to widen its lead over PSP, which sold about 953,000 units in Dec., down slightly from 1.1 million a year ago. PSP’s U.S. installed base increased to 6.7 million. But SCEA said PSP sales “showed very strong gains in December” and were up 130% over the previous month.

Nintendo’s Game Boy Advance (GBA) continued to enjoy healthy sales as well. Another nearly 851,000 GBA units sold through in Dec., off only slightly from 1.2 million a year ago despite the strength of the more expensive DS. GBA’s U.S. installed base widened to 33.8 million. Nintendo GameCube sales tumbled to under 203,000 from 606,000 last year but another 600,000 units of the new *Zelda* game were sold for that console, NOA said.

Videogame software sales increased 5% to \$1.7 billion in Dec., falling below the estimates of certain analysts who expected better PS2 and next-generation game sales. The software results were significantly helped by DS. But the month’s best-selling DS title was *New Super Mario Bros.* at #7 in units. The best-selling game in units was Microsoft’s *Gears of War* for 360. It was followed by *Madden NFL 07* for PS2 from Electronic Arts, Activision’s *Guitar Hero 2* for PS2, *Zelda* for GameCube, *Zelda* for Wii, THQ’s *WWE SmackDown Vs. Raw 2007*, Activision’s *Call of Duty* for 360, Nintendo’s *Yoshi’s Island 2* for DS and the PS3 SKU of *Call of Duty 3*. The best-selling game in dollars, however, was Activision’s *Guitar Hero 2* for PS2, which comes with an interactive guitar accessory for \$79.99 — \$20 more than *Gears of War*. A SKU without the guitar sells for \$49.99.

NPD also said 2006 U.S. videogame sales jumped 19% to \$12.5 billion — a record for the industry. — *Jeff Berman*

Digital TV

Top NTIA officials briefed House and Senate Commerce Committee aides Jan. 4-5 on the status of the agency’s DTV converter box coupon rulemaking, according to an ex parte posted on NTIA’s website. NTIA Dir. John Kneuer and Gen. Counsel Kathy Smith were among the NTIA officials taking part, the ex parte said. Little was disclosed about what was discussed in the briefings, but the coupon program is expected to generate keen interest in the new Congress, Hill sources told us. NTIA is expected soon to release final program rules, and a request for proposals seeking a vendor to run the program is due Jan. 26 (CED Jan 9 p 6).

LodgeNet Entertainment’s “SigNETure” HDTV entertainment system has been contracted for in over 80,000 hotel rooms and was deployed in over 17,000 as of Dec. 31, the company said Fri. LodgeNet also boasted it “leads the hospitality industry by delivering the most available Hollywood theatrical HD content to hotel guests with approximately 20% of video on demand movies available in high definition each month.” David Bankers, LodgeNet senior vp-product and technology development, called 2006 “the year the hotel industry committed to HDTV.”

Copyright

CEA is “disappointed” the Perform Act was reintroduced last week by Sen. Feinstein (D-Cal.) and others (CED Jan 12 p10), the group said Fri. “The bill has absolutely nothing to do with piracy, the Internet, or peer-to-peer redistribution,” said CEA Senior Vp-Govt. Affairs Michael Petricone. Instead the bill would “assault” consumers’ freedom to listen to content they have “lawfully acquired for private and noncommercial purposes in the privacy of their homes and vehicles,” Petricone said. CEA will continue to fight the bill in the 110th Congress, he

said. Public Knowledge Pres. Gigi Sohn made similar remarks Fri. Noting new products on display at CES, both groups said consumers are demanding the ability to do more with digital media they have acquired legally. “The consumer electronics industry has responded, and even some leaders in the content community are starting to see the light,” Sohn said, calling the bill an “attack” on satellite radio and terrestrial digital radio. The bill confuses a radio service with a download service, she said.

Industry Notes

It's CEA's “long-term strategy” to hold a CES event on every continent, and it wants to know “whether there's room for a CES in Europe,” CEA Pres. Gary Shapiro told foreign journalists at CES. “We haven't got an answer yet.” Holding a CES in Europe would seem to put it on a collision course with IFA, with which CEA shares a friendly rivalry. But enough differences abound between CES and IFA not to make them head-to-head competitors, Shapiro said. “IFA has done well, but it's a very heavily German event -- not an international event” like CES, Shapiro said. “We don't allow the public in. IFA does. It's very different in Germany. CES is held at a good time, after the whole holiday season. People have seen too much of each other and they're sick of the holiday season. They're happy to go off to Vegas.” IFA representatives couldn't be reached for comment. CES “is more of an event than a trade show,” Shapiro said. “We invest more in signage, computer services, carpets, than any other. “When we do something small in places where they are not adequately served locally we want to give people a feeling -- a taste, an hors d'oeuvre -- so that they feel drawn not to go to Mecca but Las Vegas.” He cited CES shows in China and Dubai as examples. Were CEA to stake a CES presence in Europe, it already has ruled out partnering with CeBIT. Hanover, where CeBIT is held every spring, has only 10,000 hotel beds vs. 135,000 in Las Vegas, Shapiro said: “People have to commute for hours to visit the Hanover show.” -- **BF, PG**

Formats

A \$299-\$399 HD DVD player “is not out of the question” in 2007, Microsoft HD DVD Evangelist Kevin Collins told *Consumer Electronics Daily* at CES. The \$100-\$200 reduction from prices on current entry-level models would be possible thanks to a hardware/software reference design coming from Microsoft and chip maker Broadcom, Collins said (CED Jan 9 p3). Broadcom's BCM7440 system-on-chip with Windows CE 6.0 would replace several discrete components now used in DVD hardware, Collins told us. “It replaces multiple processors in the set top, and is a very inexpensive and small package,” he said. Companies planning to use the SOC in HD DVD hardware include Taiwan's Lite-On IT and China's Zhenjiang Jiangkui Group/ED Digital, Microsoft said. LiteOn, a veteran systems integrator, OEMs for CE and PC brands, including its own. Jiangkui is one of China's highest volume DVD makers. They're among 8 new HD DVD supporters announced at CES. Others are China's Alco/Venture, Shinco and TCL. Japan's Onkyo and Alpine also are on board, with home and vehicle systems, respectively. At the high end, U.K.'s Meridian will offer HD DVD home hardware. They join Toshiba, NEC, Hewlett-Packard, Gateway, Asus, Samsung, Buffalo and Niveus in offering home or PC hardware for the format. LG plans to ship a combo Blu-ray/HD DVD player next month. RCA sells an HD DVD player, but won't add new models, since it expects to sell off its AV business (CED Jan 5 p1). “One of the critical steps in bringing HD DVD to the mass market is driving down the price of the units while maintaining flawless quality,” Peter Besen, Broadcom vp-CE, said: “Our BCM7440 chipset brings multiple processors, dual decoders and dedicated graphics engines to the table. Combined with the power of Windows CE 6.0, we're able to offer a complete reference design that dramatically reduces development time for our manufacturing partners.” Microsoft called its role in the joint venture critical to ensuring “a high level of compliance with the HD DVD specification and compatibility with other HD DVD platforms, including the Xbox 360 platform.” The reference platform will deliver all facets of HD DVD's HDi interactivity and navigation software, and support mandatory HD DVD codecs, the company said. The first players using the new platform are expected in Q2. Sell-through for

HD DVD hardware was 175,000 in all configurations in N. America last year, its backers said. About 60,000 were home set-tops from Toshiba, with Microsoft's \$199 add-on drive for the Xbox 360 game console accounting for most of the rest. The HD DVD Promotion Group forecasts a year-end N. American installed base of 2.5 million. Home set-tops from the new Asian OEMs are expected to abet that. On the PC front, HP is shipping desktop and notebook models plus an external HD DVD. Gateway at CES showed a desktop model, and Taiwan's Asus and Korea's Samsung showed notebooks with HD DVD. After-market supplier Buffalo will ship an internal add-on drive. For PCs, several application vendors offer software players, and Microsoft will support HD DVD in its coming Vista OS. That won't offer native support for Blu-ray, so PC customers for the rival format will have to depend on 3rd party applications. -- **SAB**

HD DVD disc replication will expand this year, as the format adds low-cost hardware producers (see report, this issue). Memory-Tech will add a 3rd facility in China to make HD DVDs, the Japanese replicator said. That was prompted by the fast-growing installed base of HDTVs in China, in the run-up to the Beijing 2008 Olympic Games. It's also driven by the DVD Forum's initiative to establish a China-only format for HD DVD, which would implement all basic HD DVD specs but use a domestically-developed compression codec to reduce royalty costs for Chinese hardware makers. China already is a burgeoning DVD market, and Memory-Tech last year established 2 joint ventures with replicators there to produce DVDs and HD DVDs. Those are China Record and Video Publishing, a govt.-owned facility, and China Record, a leading independent. Memory-Tech's latest gambit is a \$3.2 million investment in Shanghai United Optical Disc, the Tokyo-based company said. The investment will upgrade Shanghai United's lines to produce HD DVDs, Memory-Tech said. That's expected to increase the replicator's monthly capacity to 3.5 million DVDs and 2 million HD DVDs.

Companies

Seeking to expand its distribution, Norcent will introduce a Xias sub-brand for digital cameras, audio and video players, Sales Vp Rick Stans said. The 7-megapixel Xias DCS-760 digital camera (\$200) will feature a 2.5" LCD, 3x optical zoom and movie mode that captures video in 3 resolutions: 640x480, 320x240, 160x120. A second Xias model, DCS-860, is tentatively scheduled to ship in May with image stabilization, Stans said. Norcent is weighing introducing Xias personal video players with 4 GB and 1-2 GB capacities and 2.2" LCDs, Stans said.

Retail

Investor Craig Hall's firm, Hall Phoenix/Inwood, nearly halved its stake in RadioShack by selling 3.1 million shares, according to a filing at the SEC. In Aug. the firm, boosted RadioShack holdings to 6.04%, buying 8.2 million shares; now it owns 4.44 million shares, or 3.27%, the filing said. Hall Phoenix began liquidating its holdings Sept. 28. It sold 2.24 million shares Jan. 8, and the next day 900,000 more.

Components & Devices

The microSD card became nearly all cellphone makers' memory format of choice in 2006, mostly at the expense of the MMC formats, Strategy Analytics said. Use of microSD reached 65% of slotted phones last year from 21% in 2005, the group said in a report. "Between them, Samsung and LG introduced 65 new handsets with removable memory card slots in the last nine months, all of them using the microSD slot format," said Stuart Robinson, Strategy Analytics dir.-handset component technology. "MMC formats had an appalling year in the cellphone industry in 2006 and have lost support from nearly all handset vendors," said Stephen En-

twistle, SA vp-strategic technologies. “The Nokia N72 and the BenQ-Siemens M81 were the only two phones introduced recently that use one of the MMC formats.” The report covers sales of all formats of removable memory used in phones between 2003 and 2010.

Sanyo is readying a more powerful blue laser diode for use in future optical disc recorders. The device generates light at 200 mw, about 50% more than blue lasers for Blu-ray and HD DVD recorders now sold in Japan, Nikkei reported. The greater power enables faster data recording to blank discs, as much as 6x speed for double-layer media compared with today’s 2x. That puts write time for 60 min. of data to 10 min., not 30 min. Lasers with the new diode also be able to write to 4-layer blanks when those are available for Blu-ray, as TDK and others say they will. Sanyo will ship the 200 mw diode later this year.

Displays

Sharp will devote more than half its \$2.4 billion in capital spending in the next fiscal year to increasing large-screen LCD TV production, company officials said Fri. “We are focused on profits over number of units,” Sharp Pres. Katsuhiko Machida said at a news conference in Japan. Monthly production capacity at the No. 2 plant in Kameyama, Japan will double by July to 60,000 substrates, jumping to 90,000 in 2008. The plant will target 40-60W sizes, company officials said. The global demand for LCD TVs will be about \$57.3 billion by 2008, company officials said. Sharp is increasingly dedicating its own factories to making 40W and up panels and sourcing smaller sizes from Taiwanese suppliers. It opened an 8th-generation LCD plant in Kameyama last fall and is expected to add a 2nd production line this year.

Regent USA will ship a Maxtent brand 65W plasma TV by 4th quarter, expanding a line that currently tops out at 58W, Mktg. Mgr. Susan Mak said. Maxtent was originally expected to field the 65W in late 2006 (CED Jan 9/06 p3). The 58W tops a line that starts with a 32W LCD TV/ DVD player, and features 1,366x768 resolution, 10,000:1 contrast ratio and 1,200 lumens. It also has 2 HDMI connectors and two 5-w speakers. The line also includes 42W plasma and LCD TVs. The ML-42ULT51 LCD TV contains 1,920x1,080 resolution, 800:1 contrast ratio and 550 lumens, while the ML-42HPT51 has 1,024x768 resolution, 8,000:1 contrast and 1,300 lumens. Gone from Maxtent’s line is a 42W HD “Thunderpanel” plasma TV (\$2,499) that featured a 60-w bottom speaker system that included two 15-w speakers and a 30-w subwoofer, Mak said. It also scrapped a prototype 42W plasma “Server TV” that was shown at CES last year, Mak said. The set contained 802.11a technology and was paired with a 10" LCD TV monitor.

Syntax-Brilliant will expand assembly capacity for LCD and LCoS-based TVs at Solar Link’s Ontario, Cal., factory, adding a 2nd production line and taking over additional space within the plant, CEO Vinny Sollitto told us. The facility, which opened in Oct., is assembling 32W, 37W and 42W LCD TVs and added another shift this month, Sollitto said. Expansion will take place by March, he said. The plant currently has month annual capacity for 200,000, 32W LCD TVs. Meanwhile, Syntax took the wraps off a high-end version of its 65W LCoS rear projection TV at CES priced at \$5,999 that will target custom installers. The 7 Series model includes a Silicon Optix processor, which replaces the Pixelworks chip used in the lower priced (\$3,999) model introduced last fall, company officials said. Syntax-Brilliant has targeted introducing a LCoS-based rear projection TV at \$1,999 this year, which much depending on the start up of light engine production at the Sino-Brilliant Display Corp. joint venture in China later this year. Construction on the 300,000-sq-ft. plant has begun and is expected to be complete within 6-9 months, Sollitto said. Meanwhile, Syntax-Brilliant will ship Vivitar branded PAL-based LCD TVs in Europe starting in March, Sollitto said at the Needham & Co. Growth Stock conference in N.Y.C. Fri. Details, including screen sizes and prices, weren’t available at our deadline. The move represents the first major expansion of the Vivitar brand since Syntax-Brilliant bought the company from Great Step Holding Co. last fall for \$26 million in stock (CED Oct 31 p3). Syntax-Brilliant also plans to use Vivitar’s sourcing ties to Premier Imaging for production of LCoS-based products including front projectors. Premier makes digital cameras for Vivitar. Syntax-Brilliant also

has secured a purchase order from head-mounted display developer Head Play for 400,000 units of its 0.43" LCoS microdisplay, Sollitto said. The order, which runs through year-end, is less the 500,000 units forecast last year, but more than the 45,000 units that shipped last fall (CED Sept 6 p4). -- **MS**

Digital Imaging

Kodak introduced 3 innovations for digital imaging at CES -- one in hardware, the others in online services. The company showed a 10" LCD picture frame that displays digital snapshots. Whereas conventional LCD picture frames require the owner to transfer pictures from a PC or digital camera to the internal memory of the frame, Kodak's new frames have built-in Wi-Fi, which lets them connect to the Internet by broadband. The frame connects online to the Kodak Gallery, the cost-free online archive where Kodak lets photographers safely archive their pictures in case a PC or digicam is lost or stolen or crashes. So the new Wi-Fi frames can display a slide show of pictures without the need to switch on a PC -- everything is sucked direct from the Internet Gallery. Access and slideshow options are set with a remote control. The Wi-Fi frames cost \$229 for an 8" LCD, \$279 for a 10" model. As for online digital-imaging services, by midyear Kodak will launch 2 technologies that automate transferring photos from cellphone cameras to the user's PC -- and from there to the "virtual vault" at the company's online Gallery. As soon as consumers get home or reach the office, they can upload photo-files and thereby release the phone's memory for more pictures, Kodak said. Its new software allows one-time pairing between a Bluetooth phone and PC with Bluetooth dongle. When the phone then comes within Bluetooth's 30-ft. range of the registered PC, the PC automatically retrieves all snapshots from the phone's memory, stores them on the PC hard drive and then sends a "safety" copy to the Kodak Gallery. In a further development, Kodak has figured out that with so many digital pictures stored on PCs, it's hard for users to find and index them. So, "Father Yellow" has devised new software that provides what it called "facial indexing." For example: Kodak's application allows the user to select Uncle Jim's face for indexing. The software then analyses and stores his facial characteristics as a search reference. Ideally, a couple of shots are used to make the reference more accurate. From then on, the software can search through all pictures stored on the PC to find any with faces that match Jim's. The order of pictures is then rearranged so that all those with the subject's face are at the top of the list. Indexing several hundred pictures takes a couple seconds. The software is cost-free, as part of the EasyShare software that Kodak already bundles with its digicams to encourage camera customers to use its online Gallery -- which costs \$25 a year to use. -- **BF**

Consumer Electronics Daily

(ISSN 1537-3088)

PUBLISHED BY WARREN COMMUNICATIONS NEWS, INC.

Warren Communications News, Inc. is publisher of Communications Daily, Warren's Washington Internet Daily, Consumer Electronics Daily, Washington Telecom Newswire, Telecom A.M., Television A.M., Television & Cable Factbook, Cable & Station Coverage Atlas, Public Broadcasting Report, Satellite Week and other special publications.

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