Bill Gates

From: bradsi[SMTP:bradsi@OXYGEN.ITG.microsoft.com]
Sent: Friday, June 23, 1995 8:20 AM
To: billg
Subject: FW: Netscape meeting: reality

not sure i should forward this to you, but i am because I want you to see another perspective of the meeting with netscape so you can be fully informed. to be honest i worry that sometimes you get a distorted picture/account of things for the guy at the top, that can be dangerous, as you need the best info possible so you can make the best decisions. i know you work hard to have good contacts at many levels in the org so you get good data, which is very wise. so here's more data...

From: thomasre
To: bens; johnlu; paulma; bradsi; chrisjo
Subject: Netscape meeting: reality
Date: Friday, June 23, 1995 5:00AM

I think I should add some perspective, I suspect chrisjo will concur.

1) Netscape is preempting O'Hare. We sent them a list of about thirty talking points. They sent back ten, nearly all revolving around shipping their Win95 browser.
2) Despite four hours of talks, they really only wanted to know about two things: O'Hare and MSN. They were very very confused about MSN, and in particular Blackbird. My take is that Blackbird is seen as our killer browser, akin to their v2 browser (java+acrobat+director), they did not know if they could work around it or against it. They know now, as we did divulge quite a bit on this.
3) they only thought three months ahead. they were obsessed with hearing about ohare packaging and ship plans, like down to the day. we did not supply this info.
4) anthony bay engaged them on how they might play with MSN as uber-site. they had not understood that the MSN architecture could open up this way, to include netscape servers. this is an intriguing idea that has a better longshot chance than any of the ideas of getting them to reuse o'hare or catapult pieces.
5) The comments below of "we discussed "sucking most of the functionality of the current Netscape browser (but not the toolbar, cool places or advertising) into the platform; they seemed OK with this concept" is bunk. there was a noticeable increase in the level of tension whenever this sort of language came up. one clearly telling quote from barksdale: "all we want is our god given 95% market share for the browser". he said this with a wink, but i don't know what could be more clear.
6) barksdale made some very scary comments regarding our signup wizard. he suggested that we hold o'hare from the channel until the RNA api's are widely available for other isv's. this is not the comment of someone who wants to mitigate his investment against msft's browser.
7) the discussion about 'pulling most of netscape's commerce server into nt' was actually about the communications server, the low-end box that netscape sells. the commerce server starts at $5k and up.

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8) nobody in the room was at barksdale's level. he is very very impressive, i suspect he could have sent us home thinking netscape buying msft was an appropriate deal.

imo, the best we can do now is to avoid turning netscape into novell. we will compete on just about every technology. they will do so with partnerships (sun/java, adobe/acrobat, etc). we will do so with our platforms. the two areas where we can cooperate and both win today are STT and DocObject. they have started their own ecommerce development, if we don't close a deal on just that piece within, say, 6 more weeks, its dead.

with DocObject, we can lock them deeply into OLE for some time, while forcing them to ship a richer browser on windows than on the mac. o'hare has already done this to them, judging from the browser they shipped tues; each time they decide to ship something on windows (better yet, windows 95) and not on mac, we lessen their cross-platform stregths.

maybe i am being a dick, but there is no deal here. if we are smart and deft and engaged at the right levels, we have a chance to cooperate on a few of these smaller things, and can keep them from sabotaging our efforts thru the end of this year.

-thomas

ps: andreesen and i both had thinkpad butterfly's, he was running win3.1 and got very excited about win95 on mine, loved internet shortcuts and the infrared stuff. he is a gadget guy, i think he's blinded by win95 for the time being.

From: Dan Rosen
Sent: Thursday, June 22, 1995 4:28 PM
To: billg; nathanm; paulma; peteh
Cc: abay; bens; bfox; bobmu; bradsi; chrisjo; jallard; jimall; johnlu; petem; ppathe; russs; rwolf; stevesi; thomasre; warrend
Subject: Netscape meeting

SUMMARY
Seven of us met with Jim Barksdale (CEO), Mike Homer (VP Marketing), Mark Andreisen (CTO), and Ram Shiram (VP Business Dev) of Netscape for four hours yesterday. The purpose of the meeting was to scope out specific areas that a relationship between the two companies might take and to set in place a process to either conclude a strategic relationship or go our separate ways.

Our goals going into the meeting were (in priority order):
1. Establish Microsoft ownership of the Internet client platform for Win95.
2. Have Netscape add value to the NT server and Back Office platform (above our stuff), making it the preferred Internet solution.
3. Have Netscape preferentially support Microsoft authoring tools/solutions and support our viewers
4. Send a message to the marketplace that Netscape and Microsoft were cooperating on Internet issues.

In general, it was a sounding out of each others' positions. They

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were unwilling to share their three year business direction in any specificity (we weren't sure that they had one). They asked a lot of the right questions of us. I believe that we understand each other better.

ChrisJo summed up the purpose nicely: "We need to understand if you will adopt our platform and build on top of it or if you are going to compete with us on the platform level." All of the Netscape players were clear -- they want to build on our platform as a first preference. They understand that we are going to incorporate into the platform (independent of any relationship with Netscape) technology that they provide today; they want to know what is in the platform and understand that we won't arbitrarily pull their most profitable stuff into the platform. Much of the conversation centered on a discussion of how the lines would be drawn between the platform and their value added. On the client end, we discussed "sucking most of the functionality of the current Netscape browser (but not the toolbar, cool places or advertising) into the platform; they seemed OK with this concept. On the server, JAllard asked about pulling most of the functionality of their commerce server into the platform, and again they indicated a willingness to follow our direction. Joint marketing programs were discussed as a potential "carrot". ChrisJo and JAllard took the action to get back to them with follow up on what is in the platform, and internal Microsoft proposals of terms and conditions required.

They shipped a beta of their Win95 client this week, and have announced their NT server product. They positioned this with us as "being closely tied to Microsoft direction". Members of the MS team have also interpreted this as Netscape's attempt to keep ahead of our efforts. We need to quickly outline the terms that would give us rapid indication of their intentions. Each of the team members will take the actions outlined in this memo and feed them back to me for a consolidated agreement with Netscape, hopefully within three weeks.

They also were concerned about MSN. They believed that MSN was a closed environment and that they couldn't add any value on MSN. ABay explained our openness and took the item to (a) look at the feasibility of the Netscape client being an MSN client; (b) look at the Netscape server being able to server MSN customers on MSN; and (c) look at allowing the Netscape browser sign-up mechanism work with MSN for IP service.

RWolf demonstrated DocObject and talked about authoring. They are interested in continuing their support of OLE and using DocObj. They seemed to believe that DocObj solves many of the problems that had them considering OpenDoc. We should quickly propose a deal that gives Netscape DocObj containment in exchange for them agreeing that DocObj is the only way to plug in viewers and editors on the Netscape browsers. They would also like to become an Office Compatible app. RWolf owns the follow up.

BFox discussed current status of STT discussions. They acknowledged that they have been slow, but want to move faster. They are concerned about licensing terms and pricing. They have a near term decision, so we must act quickly. Bfox has the follow-up with WarrenD.

Jim Barksdale and I had a discussion on a potential MS investment in

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Netscape. They don't need the money and fear (a) a disruptive MS presence on their board; (b) the effect of dilution at a time when they are contemplating the timing of an IPO; and (c) the message a MS investment would send to others. He wanted to know if the above deals were conditional on equity; I said "loosely conditional". We will talk again in a couple of days as we consider the options.

CONCLUSIONS

The critical question is: Do they want to align strategically with us or not? Are they willing to bet that we will be successful, and will they make the commitment and changes necessary in their strategy to align with us?

The test of this alignment will be Netscape's agreement to use Microsoft's client code on Win 95, and use our BackOffice and NT API's, and promote these as their preferred solutions. If we can achieve this alignment, we have a deal. One clear challenge will be definition of how they add value on top of our client platform in particular.

In the meeting, they seemed to embrace this strategy, both for Windows95 and NT. However, they also tried as much as possible to preserve their right to be open - in technology, cross-platform, and relationships with others. We did not have specific proposals to test their intentions. We must quickly generate specific proposals assess their direction.

If we discover that they do not agree to do align with us, then we should simply treat them as an ISV. They are an ISV today, with a majority of the Internet browser business today. It was clear that there are ISV arrangements that benefit both companies, regardless of any larger deal. These include Netscape licensing STT, becoming Office compatible, adopting DocObject, supporting our formats, etc.

Whether we succeed in forming a strategic relationship with Netscape or not, it is essential that we commit resources to developing and delivering our Internet strategy. Netscape will have to follow if we set a strategy and execute quickly on it. This means staffing and supporting:

- Platforms - both client and server.
- Tools/Solutions - both bundling and developing code that leverages our platforms.
- Services - billing, IP access to MSN, etc.
- Marketing/Relationships/PR - a team who owns MS Internet message and understands what customers want in a Microsoft offer.
- Recruiting - targeted campaign to staff these positions with the most talented people

ACKNOWLEDGMENT

Thanks to Anthony Bay, J Allard, Barb Fox, Chris Jones, Thomas Reardon, and Richard Wolf for their participation and good ideas. I suspect that I will not adequately represent their clear thinking here.

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