Patti Solomon

From: Pat Ferrel
To: billg; craigmu; nathanm; paulma; peteh; russs
Cc: brianf
Subject: RE: Internet as a business tool
Date: Thursday, April 06, 1995 6:45PM

Looking out from inside the current MSN strategy some things that concern me about the Internet and the Web are:

1) The Internet is about as open as it gets. This means that an ISV can go and buy a C compiler and a server, rent a wire and create a new service or create and extension to an existing one. The tools are still a little crude but there are very few bottlenecks in this process.

2) The Internet defines formats and architectures that MS has no control over and very little say in. MIME and the WWW Helper architectures crude but quite extensible. These architectures have gained a great amount of momentum and Netscape is opening new proprietary ones.

Some things in our favor

1) We can create an open environment very quickly around our own extensibility standards. WWW Helpers are becoming popular but OLE has great momentum already. We still have many more ISVs and interesting applications of OLE than there are around WWW Helpers.

2) The Viewer is key. We can and should support existing servers by delivering good clients/viewers. On the other hand the Web community quickly reacts to a better viewer as it becomes freely available. Witness how quickly Netscape took over from Mosaic. The key point here is that as long as the underlying protocol and formats are standard people will change viewers on a whim. Imagine a super viewer, one that supports all of the Office applications, views WWW and Blackbird. If we gave the viewer away there would be a lot of people that would want it (assuming the existence of servers that support these interesting new data types). The momentum would begin to shift to MS formats and architecture.

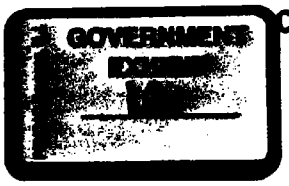
When the Web viewer came out it was a viewer for existing servers (FTP, Gopher, Telnet, Net News) as well as the new different HTTP server. I could defend the claim that you can do far better cooler things in Blackbird than in the Web but why bother with the argument. Why not say, "sure we do web and view existing servers but we do so much more you'll want to stick with us"?

3) We have a wealth of authoring tools and services that we can leverage. Imagine an Internet Super Server with an integrated authoring environment including BB and the Office apps. The viewers for all of these would be freely available through MSN, FTP, and Web sites. The server would support MS-ECommerce, BB, Web, FTP, SQL, maybe the rest of Back Office. This could be used to entice people from supporting non-MS architectures like URLs, WWW Helpers, Acrobat into using an OLE centric architecture based on Viewers wrapped in OLE Controls and OLE Links. Then MSN could rent out prime advertising cyber real estate to point to these cousin services and maybe handle billing and integrated search and directory services for them (all for a fee).

This may not be the perfect solution but if we don't do something like this Netscape will end up in the position of defining a major new platform.

MS98 0107183
CONFIDENTIAL

M 1019282
CONFIDENTIAL



GOVERNMENT EXHIBIT

Siegelman

From: Russell Siegelman
To: Bill Gates; Craig Mundie; Nathan Myhrvold; Paul Maritz; Pete Higgins
Cc: Brian Fleming; Pat Ferrel
Subject: RE: Internet as a business tool
Date: Thursday, April 06, 1995 4:40PM

Pat Ferrel and I have been thinking about this problem a lot and watching Netscape very closely. I too am very worried. I agree with most of your problem statement, but I think you underestimate the publisher/ISV threat. Netscape is already opening up API hooks in their viewer and many ISVs are hopping aboard. THey recently announced a raft of server side products (and one assumes client side API enhancements where appropriate): in addition to the billing and security, a merchant server with tracking for advertising, chat and bbs server, a transaction server, a catapult-like server, etc. They are being tricky by positioning them as a number of component parts: you don't have to buy all, just what you want. But it amounts to a new client - server platform. BTW I added info on the server products below.

That is the bad news. The good news is that they are trying to replicate all the stuff we are doing with MSN and Blackbird and we know that is hard and a lot of work. So I wonder how much of this stuff will ship and scale and when, esp from a new 150 person company. We should NOT underestimate them, that would be a mistake, but my point is that if we take action soon we may be able to head them off from a pure resource and execution point of view.

We have been on a "win with MSN + Internet connected" strategy, but I have lately begun to think that we need to expand this thinking. We should stick with that strategy as one component, and but the danger of letting Netscape create a new platform and get ISV/merchant/content provider support would be a mistake. I don't think that the way to fight back is simply with a "better Web browser" either. We need to have the toolkits+servers to fight on the publishing, ecommerce, etc part as well. And there are some interesting questions about the viewer/client side, integration with Ohare, Office and Blackbird that need to be worked out.

I agree we should meet. I do think this needs to be addressed.

NETSCAPE SERVER PRODUCTS

Netscape Server products allow corporations, publishers, information providers, service providers, and retailers to easily set up and maintain servers for distributing information and conducting commercial operations on networks. Netscape Server products offer increased performance over other HTTP-based servers by reducing response times and making efficient use of available processor power and communications bandwidth. They feature the Netscape Server Application Programming Interface (NSAPI), so servers can be easily extended or integrated with commercial or custom

MS98 0107184
CONFIDENTIAL

M 1019283
CONFIDENTIAL

applications.

NETSCAPE COMMERCE SERVER

Netscape Commerce Server enables secure commerce to be conducted over global networks through the Secure Sockets Layer (SSL) open protocol for Internet security and incorporationof RSA Data Security encryption and authentication technology. Version 1.1 delivers Microsoft Windows NT and Unix support, the Netscape Server Application Programming Interface (NSAPI), an enhanced user interface, and increased performance.

NETSCAPE COMMUNICATIONS SERVER

Available for Unix and Windows NT platforms, Netscape Communications Server is designed for organizations that want to provide multimedia content to various audiences. The server can be scaled to handle heavy loads or extended to incorporate new features and functionality. Like all Netscape Server products, Netscape Communications Server provides an intuitive, self-documenting configuration and management user inferface for easy set-up and maintenance.

NETSCAPE NEWS SERVER

Netscape News Server is a new member of the Netscape Server family that enables companies to create their own public and private discussion groups for information exchange between employees, customers, or any other audience. Incorporating the Secure Sockets Layer security protocol, Netscape News Server lets users for the first time create secure forums for confidential or proprietary information.

NETSCAPE PROXY SERVER

MS98 0107185
CONFIDENTIAL

M 1019284
CONFIDENTIAL

Netscape Proxy Server, another addition to the Netscape Server family, provides secure Internet access and increased performance for corporate users behind a firewall. It provides high-speed caching of information to reduce overall network load and increased response times for corporate users requesting previously accessed data from the Internet.

NETSCAPE INTERNET APPLICATIONS

Netscape Internet Applications, a new family of turnkey software applications that enables companies to conduct full-scale electronic commerce on the Internet, are the first applications to integrate high-volume transaction processing, real-time data management, easy-to-use interfaces, and secure communications for creating sophisticated on-line services and large-scale businesses on the Net. All of the applications feature a tightly integrated relational database-management system and are based on industry-standard protocols and interfaces.

NETSCAPE MERCHANT SYSTEM

Netscape Merchant System enables large retailers or merchants to create and manage virtual shopping malls. The system provides shoppers with a user-friendly interface that lets them browse or make multilevel queries and an electronic shopping cart, allowing customers to hold items from various merchants and purchase them at one time. It also allows the merchant to select multiple billing options and provides order processing with options for payment, shipping, and delivery.

NETSCAPE PUBLISHING SYSTEM

Netscape Publishing System is designed for publishers who want to create

MS98 0107186
CONFIDENTIAL

M 1019285
CONFIDENTIAL

subscription-based on-line publications. The system provides sophisticated billing and management tools, tracking critical data such as content, files, pricing information, access authorization, user demographics, and advertising response rates. It can display context-sensitive advertising to subscribers based upon specified criteria, archive past issues, link related stories, and create HTML pages dynamically in response to user queries by subject or keyword.

NETSCAPE COMMUNITY SYSTEM

Netscape Community System gives organizations the ability to create virtual communities based on shared interests. Electronic publishers or merchants can communicate directly with their customers, while users can enjoy such popular communications activities as electronic mail, on-line chat services, and private discussion groups. The system includes advanced search capabilities, multiple billing options, and usage metering.

NETSCAPE ISTORE

Netscape IStore provides the integrated data management, on-line credit-card authorization, billing, and order-processing capabilities required to build and manage a virtual storefront. It features an embedded relational database for easy information tracking and management, preconfigured reports for easy information retrieval and analysis, and easy forms-based set-up and administration.

From: paulma
To: billg; craigmu; nathanm; peteh; russs
Cc: brianf
Subject: RE: Internet as a business tool
Date: Thursday, April 06, 1995 3:55PM

I have just spent past hour writing up the attached (not embedded!!) note when I saw your mail - unfortunately my note just asks more questions. I do think we need to come to a concensus on the issues though. I will be meeting with Russs over next week/so (to figure out how we get PSD, DAD, MSN to re-inforce rather duplicate), but we probably need to get a meeting together to get concensus on our basic approach to the Internet. I will start to look for a 1/2 <<File

MS98 0107187
CONFIDENTIAL

M 1019286
CONFIDENTIAL

Attachment: NETSCAPE.DOC> >ay. (?)

From: billg
Sent: Thursday, April 06, 1995 2:55 PM
To: craigmu; nathanm; paulma; peteh; russs
Cc: brianf
Subject: Internet as a business tool

I know I am a broken record on this but I think our plans continue to underestimate the importance of an OPEN unified tools approach for the internet.

The demo I saw today when Windows 95 was showing its Internet capability was someone calling up the Fedex page on the Internet and typing in a package number and getting the status.

Imagine how much work it would have been for fedex to call us up and get that running on MSN and negotiate with us. Instead they just set it up. A very simple way to reach out to their customers.

The continued enhancement of the browser standards is amazing to me. Now its security and 3d and tables - what will it be within the next several years? Intelligent controls, directory -- everything we are trying to define as standards.

MS98 0107188
CONFIDENTIAL

M 1019287
CONFIDENTIAL