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Chase: "We didn't strong-arm..."

By Jai Singh
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Q&A *The following is an interview with Brad Chase, vice president of Microsoft's application and Internet client group, regarding the Justice Department's charges against the software giant. Key questions involved the integration of Internet Explorer 4.0 with Windows and PC makers' pressure to include the browser in their products.*

Brad Chase

NEWS.COM: The DOJ hasn't addressed the issue about Windows 98, where the browser is totally integrated, as Microsoft puts it. Justice is calling it a work in progress. How do you see it?

Chase: Well, I don't know how to comment on what the DOJ is doing, so I won't do that. I will point out that the integration you get with IE 4.0 and Windows 95 is the integration you also get with Windows 98.

Now, Windows 98 gives you a lot of other great stuff as well, but that integration you get now with IE 4.0 in Windows 95.

So what is the backup plan if Justice prevails? You mentioned that the integration is going to be so tight there's going to be a lot of code-sharing. But if it is so tightly integrated, what does that do in terms of disabling or unbundling [IE]?

Well, we certainly haven't figured that out. We think we are going to prevail, but we haven't figured all that out for sure. There is no build of Windows 95 for PC manufacturers that doesn't have IE in it. They all have IE in it, so it would be a lot of work. We would have to go retest everything, figure out what apps break, etc., etc. It's not something we have drilled down into yet.

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So as far you are concerned, it's business as usual as regards to Windows 98? It is in some beta tester's hands, right?

Definitely on Windows, definitely overall business as usual. This case doesn't impact anyone's use of IE; it doesn't impact anyone's use of Windows. The case isn't even about Windows 98. The case is, as you indicated, very specifically about Windows 95.

When you say IE is fully integrated because of code-sharing, can you clarify this? Is it akin to Word for Mac and Word for Windows, where there's 80 percent common code?

I have mentioned many times that Internet Explorer is integrated to Windows. Internet Explorer is Windows in many ways, or at least a part of it. There are all sorts of elements that the products share.

For example, in IE 4.0 there's one Explorer, right? There's one unified Explorer; there's one shell. Internet Explorer 4.0 and then again Windows 98 upgrades things like OLE. It upgrades multimedia stuff like DirectX. It has a whole bunch of platform-level features that provide services to application vendors.

So, for example, Lotus uses Internet Explorer to integrate IE into Lotus Notes, as does Merrill Lynch, as does AOL. People take advantage of features like Internet shortcuts. So the list goes on and on and on of the platform elements of Internet Explorer and how it provides these services for Windows customers.

Is that going to be at the heart of the debate with Justice, what is the definition of integration, what is considered part of an OS, and what is not part of an OS?

Yes, I think the debate is about the integration of Internet Explorer into Windows and our ability to innovate and improve Windows.

Can you give me another example where this kind of integration, where there's common code-sharing? Is that basically how you are going to forth your case that, "There is commonality of code-sharing here; that's why we call it integrated?"

I could give you multitudes of examples. It's not just a technical issue either; it's not just a code-sharing issue, although that's certainly a very compelling way to explain the case. It's the benefits we need to provide to grow the success of Windows and customer satisfaction with Windows and be competitive, even at that broad level.

For example, MS-DOS and Windows themselves used to be separate products, and we integrated them with Windows 95 to provide a benefit for customers. So I mean, that is one great example in and of itself of how we took operating system technologies and integrated them, even when they were also marketed separately, to provide a benefit for customers.

But can you give me another example currently with Windows where besides the file management and all that, what other application-like stuff is tightly integrated from a code-sharing base?

Well, look at something like Mail, where the new version uses the HTML engine that's in Internet Explorer and Windows, right? There's just another yet example of that kind of integration.

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It's funny if you think back about operating systems over time. In some sense that probably even gives you a better view of this. The original version of MS-DOS, you know, gave people access to information and files on a floppy disk. Then this thing called the hard disk came around, and so we improved MS-DOS so it could give you access to files and information on a hard disk as well as a floppy disk.

Then this thing called the local area network came along, and we improved MS-DOS and Windows so we could give you access to information and files on the floppy disk, the hard disk, and the LAN. And then this thing called the Internet came along, and we have done all these things to integrate with that. So now you have one Explorer to give you a view of all your information.

So the consent decree allows you to pretty much integrate anything you want to that extent? Say you wanted to integrate Office into Windows. Does the decree allow you to do that?

Whether it allows it is...I mean, yes, I guess it would allow it, but we would never do that because we have a $5 billion business to look out for, so that would be a silly thing for us to do. You know, we would never want to do that.

I've heard that explanation before. So the decree does not preclude you from going to nth level...basically to provide the end user the kitchen sink with Windows?

Again, you are getting into sort of a lawyer's interpretation. My interpretation is that I could improve Windows for my customers to be competitive and integrate what I need to do that. This case is really about IE. It's not about Office; it's not about anything else.

Have you broken down how many copies of IE were sent out on CDs? You were offering it for $4.95, I believe?

No, we haven't made that number public. We did say at launch that we had over 200,000 that had already been ordered at launch.

Then the other part of this whole equation is Windows NT. The consent decree precludes all these stipulations being applied to Windows NT, am I correct?

Yes. The consent decree very specifically says it's not about Windows NT; it's only about Windows 95 and its successors.

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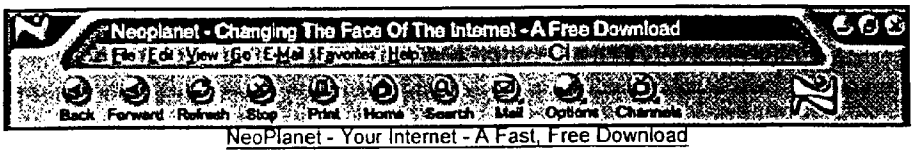

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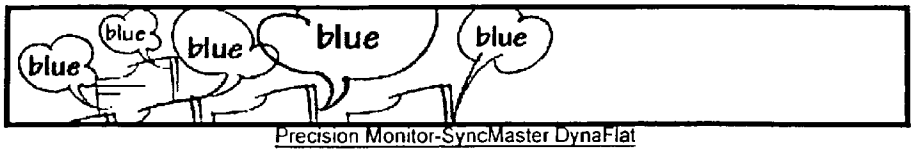

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Chase: "We didn't strong-arm..."

(continued)

What does that mean, though? Since Microsoft has already stated that the Win9*x* line may be coming to an end anyway, is that a moot argument from Justice because you guys have Windows NT?

I can't speak for the Justice Department. But don't be confused: We are not going to stop having versions--Windows 95, Windows 98, that line will continue. We never said we are going to stop that line. We may move that line over sometime to have an underlying kernel that might be an NT kernel, but we never said we are going to stop improving that family of Windows products.

Maybe I'm mistaken. But I think when we interviewed [Microsoft CEO] Bill Gates weeks ago, that was what was said, that NT would become the core kernel.

Right, but that's an underlying technology issue. The package will still say Windows 9-whatever or Windows whatever we call it, and then there will still be this Windows NT thing.

From a technical perspective, though, can you say, "This is NT, not Windows 9*x*," or does it even mean anything because the case specifically applies to Windows 95?

Well, yes. The case only applies to Windows 95. And by the time all that happens, it's so far out anyway. Who knows? This DOJ case is very specifically about Windows 95 and IE, so all that's really not relevant. I just wanted to make sure that you understood that we will continue to have multiple versions of Windows.

Another big question has been the OEM strong-arm tactics that have come forth.

Whoa, whoa, whoa. Don't use that terminology. That's a predisposition there.

What do you mean?

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We didn't strong-arm anybody.

That's how it reads and that's the deposition.

Then let me say for you that we did not strong-arm anybody. We have a strong commitment to make Windows easier and more consistent with lower cost and higher value for customers, right? We want to be able to provide Windows in a consistent way to our customers. That's a good thing. We feel good about that.

That's no different than the Mac OS being the same on every Mac. Or for that matter, CNET (publisher of NEWS.COM) wouldn't be too happy if a bunch of ISPs took a bunch of the CNET site and blocked that from their customers, because you are trying to craft the CNET experience for people. So we want to work with OEMs to make sure they are shipping Windows in a consistent way.

At the same time, we also allow them to add value to Windows, so they could add their own content, their own applications, whatever they want. It's a pretty good balance, I think. In the case of the OEMs, those who wanted to kept shipping Navigator as long as they wanted to. So it's wrong to characterize it as strong-arming.

We are trying to protect the Windows experience and respond to customer feedback about making our product consistent and at lower cost, and that's the right thing to do.

I understand you wanting to protect your real estate. But these were depositions where you basically had a quid pro quo with a couple of the OEMs, where you said, "Either you do this or we take away your Windows 95 license."

We want Windows to be shipped by everybody the same way. It's our product, and we want customers to have their product be the same. That's OK; that's the right thing to do.

At that point, you had explained to the OEMs that browser was an integral part of Windows?

Well, sure. In relationships like these, sometimes it takes time to explain things and to make sure they understand and grasp all the issues. It took us some time with Compaq, for example, to do that. But in the end, they understood.

Compaq as well as all the other top OEMs are shipping IE 4.0 now by choice, because the way our Windows updates work, they don't have to take the next Windows update with IE 4.0 until like February. But they are choosing actually to include it, or include a CD of IE 4.0, with their PCs because it's such a good product. I think Michael Dell was quoted as saying, "Hey, our customers are asking for it." So it's actually a good thing.

Sometimes, in any kind of relationship, you've got to find the mutual business objectives and work with people. But the PC manufacturers have come out and been very supportive. I think 50 of the top overall PC manufacturers are shipping IE 4.0 now. It will be in their machines or in a CD on their machines in November by choice.

You say that OEMs were not required by the licensing agreement to bundle IE 4.0 until February, but they...

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Right. The way we do this is because of the way PC manufacturers build machines. They have certain time schedules, right? They have to get a lot of machines built for the fall, selling season, for example, right? So with any Windows update, because of that reason and because of their constraints we give them some time, depending upon the time of season--I don't know all the details--in order to take that update.

So they don't have to include [the IE 4.0 update] as a Windows update until like February. We give them time to do that kind of stuff. Yet they've chosen to ship it on their own fruition today.

You're telling me that all that we are reading today, that was just misunderstanding on part of the OEMs?

All I'm saying is that in terms of the characterization that we strong-armed everyone, I want you to understand our view: We want Windows to be a uniform experience for our customers. We are trying to make sure we respond to customers' feedback that we need to make it at a lower cost, and consistency is part of that. So that's part of what's going on here.

So when Micron's CEO issues a statement, for example--"What's the big deal about all this?"--where people are saying that the reason he came out with the statement is because you haven't renewed his Windows 95 license...

Now, what do you think? You are sort of characterizing the Micron people as not being very smart. It seems to me they are pretty successful people. They'll say what they believe. They are smart people. I mean, that's silly. That kind of characterization is just silly.

Well, what is going on with their license?

I have no idea. I am not close to that at all.

My point is that from outside looking in, it does appear that these guys seem to be saying they were caught between a rock and hard place.

Remember that we want to ship Windows in a consistent way. Remember, too, that PC manufacturers are trying to differentiate their PCs and do things to sell their PCs. There is a natural sort of difficulty that we have to work through sometimes with OEMs. That's not surprising. It's no different than a lot of businesses.

How do you mean they are trying to sell it a little differently?

Micron wants to differentiate their PCs from Compaq, and Compaq from IBM, and IBM from Dell, etc. They also are trying to shape their experience for their PCs. That's something that they want to do.

Where does the software part come in, though? I'm not sure that including Navigator over IE differentiates them. Is that what your point is?

Yes, they may believe that, for example, or may have believed that. They don't seem to believe it now. But, for example, one of

the things we did with IE 4.0 is we worked with a lot of PC manufacturers so they could build their own channels. It's a pretty cool way where they could differentiate their machines and build on top of the technology. They are pretty excited about that.

Your contention is that the license that you have allows you to ask OEM partners to do what you think is right, which is to include an icon on their desktops with IE.

Yes. Windows is our product to define how it looks and the Windows experience and what the code is, definitely. We allow any PC manufacturer to add anything they want. They can put whatever links they want on the desktop in addition to the ones we have. They can do that if they want to. If they want to have a new shell and have a user click on that and run that, that's fine for them to do.

So we are striking a balance of having Windows be the way we want it to be for our customers, at the same time allowing customers--in this case PC manufacturers--to integrate and innovate. ■

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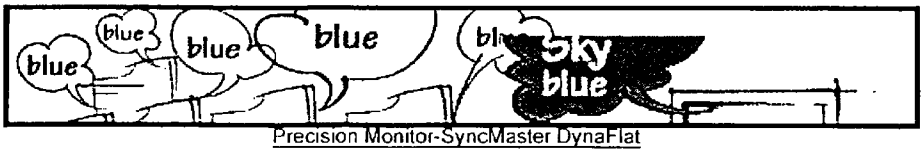

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