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From: roberta@netscape.com (Roberta Katz)
Subject: NCR
Cc: jimb@netscape.com, pmarca@netscape.com, pcurrie@netscape.com

Eric Alexander and I had an interesting call today with a VP-level employee at NCR. He wanted to tell us "in generalities due to confidentiality restrictions," about some Microsoft tactics that have deeply offended him. Most of this is not new to us, but I thought you might have an interest in at least some of what he had to say.

1. Msft provided NCR with a "market development agreement" which ties royalty reductions to the company's performance of certain "marketing" activities. These include putting the Msft logo on NCR's homepage, using IE, and hotlinking to the Msft homepage. Under the agreement, NCR is not allowed to modify Windows screens in any way, including deletion of the IE logo, or to change the "bring-up" process (e.g., to execute directly into the NN). It is unclear from this agreement (he is checking for a clarification) as to whether it will technically preclude him from bundling NN with Windows.

2. Msft is increasing the price of Win3.1 up to the price of Win95 b/c it wants no further purchases of 3.1. Msft's explanation for the price increase: it wants to reduce the # of platforms to reduce support costs.

3. Msft has inserted a clause in the agreement that would terminate NCR's right to sell NT3.5 (both Workstation and Server) after 12/31/96. Its distribution rights after that date would be limited to NT4.0 products.

4. Pricing on NT4.0 is "60 to 100%" higher than pricing on NT3.5. As our informant stated: "the notion of free software is absurd, and this is all hidden from the end user who doesn't know that the price to the OEM is going up."

5. NCR put the IE logo on its homepage, as required by the agreement, and also put the Netscape logo up "to be fair." Msft called and said "Msft mangement looks very negatively at your putting the Netscape logo there. If you want to partner with us, you shouldn't do that." So far, NCR is not acceding to the demand to remove our logo.

6. After the NCR/Netscape press release last week, our informant received an e-mail from Msft saying (and this is probably not a direct quote) "we have some serious issues to discuss. Don't you understand Netscape is our #1 competitor? Our management is asking all sorts of questions about our relationship. Our licensing relationship is going to get alot harder." He said he has been told by a Msft sales person that Msft has a "revenue maximize" list that includes companies that are less than fully cooperative, and justifies price differences by saying that Robinson Patman restrictions don't apply to software.

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7. Our informant's view is that Msft's behavior has gotten much worse since the consent decree, b/c now they are "required by the decree" to renegotiate their contracts every year. This annual renegotiation leaves everything in Microsoft's hands b/c NCR has no real alternative when it comes to an operating system. Microsoft in essence can annually set new rules for how everyone will operate.

8. Our informant has personally visited the DOJ in the past and is frustrated with DOJ's inaction. He says an action has to be initiated by the DOJ if for no other reason than that everything Msft has done is subject to confidentiality restrictions that can be gotten around only if the DOJ or a court asks for the information.

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