Summary of Meeting with NetScape on 6/2/95

On Friday, 6/2, Nathan Myhrvold, Paul Maritz, and the author (Dan Rosen) met with Jim Barksdale, the NetScape CEO. The purpose of the meeting was to understand if there was an opportunity for a broad collaboration between Microsoft and NetScape. This is a somewhat abbreviated summary of that meeting. For clarity, I have tried to arrange this by topic order; the discussion was not this way.

General

- The meeting was a cordial, open discussion of issues and direction.
- NetScape seems open to working with Microsoft.

NetScape Direction

- NetScape like being private, so that they don't have to explain their strategy to analysts or shareholders.
- They will focus on "enterprise" applications as the "first big wave". Jim said that NetScape is "a pure software play for enterprise networking, then interenterprise, and then consumer."
- They are pleased so far with their ability to sell servers and browsers to enterprises. They are selling a lot of site licenses for browsers. They will continue to waive license fees for students and non-profit organizations, but will begin to charge for others.
- NetScape sees Lotus Notes as their most direct competitor.
- Their strategy must be rather fluid. "We are going where it takes us."
- They will launch a retail browser product next week. It will include a sign up choice for one of four providers (Netcom, PSI, plus 2 others).
- Windows95 and Win 3.1 are their primary browser development platforms. However, they have a proportionately larger share (compared to the market share of platforms) of Apple browsers today.
- See their future in software only. Don't want to enter services. Will do turnkey solutions with VARs and OEMs.
- Will continue to focus on the Internet as its own delivery and marketing system, so that they don't have to develop channel.
- When asked about cooperation with Microsoft, Jim replied "yes. We would be foolish to start a fight with Microsoft." Their current strategy is to "dodge when we can't agree". But they must be free to support other technologies, protocols, etc. when they have to.

Key Issues with Microsoft

- NetScape believed that MSN was a closed network and that their browser couldn't work on MSN and that MSN content was available *only* to those that used MSN software and access. (We corrected this misconception.)

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NetScape had believed that this would prohibit them from working with Microsoft.

- NetScape feels that they must be free to support any protocol, API, etc. that becomes popular, without restriction. "Openness" was mentioned several times.
- NetScape will focus on Windows95 (and Windows NT), but won't abandon their announced relationship with Adobe for Acrobat or Sun for Java.

What NetScape wants from Microsoft

- NetScape wants Microsoft to bundle their server products (presumably their Commerce Server and Communications Server) with Windows NT. They would give our customers a royalty free 30-90 day license; when it expires, the customer would call NetScape for a permanent license.
- They would like to "work together" on an NT version of their Internet Server.
- An STT license that allows them to continue to be cross-platform.
- A close relationship on future clients.
- On browser cooperation, Jim said that he would like Microsoft to "distribute his browser". Short of that, he would like to explore ways to cooperate, but he wants to continue to add value in browser code.
- NetScape would like to consider using Blackbird. They would like to get information and an evaluation copy.

What Microsoft wants from NetScape

- Support of STT. (He noted that the process is in place, but they needed to understand what they were getting into; e.g. was it locking them to a specific standard that could only come from Microsoft?)
- Incorporation of our viewers (Word, Powerpoint), etc. in both their browsers and servers. (Looks promising?)
- Cooperation to ensure that their firewall products don't block our formats. (He agreed.)
- Becoming a Microsoft solution provider for Back Office.
- Strong support of Win95 and its evolution path. (Stronger support than for other products like Acrobat or Java.) This might include using Microsoft's underlying code for its browser, adding their value-added components on top.

Using the MSN Internet capability as one (if not the primary) access mechanism for their products.

Next Steps

- Dan Rosen will contact Mike Homer (NetScape VP Marketing) to arrange a joint brainstorming session.

- Each side will prepare a list of the things they want from and are willing to give to form a relationship. **(Need input from groups around Microsoft on this.)**
- We will try to focus on a manageable list of concrete things that can be accomplished, to get the relationship going.

Conclusion

NetScape is open to a broad strategic relationship with Microsoft. They are concerned that we want them to become "less open", restricting their market opportunities. I believe that if we can show them that there are broad enough opportunities working with us, we can both achieve our strategic objectives.

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CONFIDENTIAL

From: Dan Rosen [drosen]
Sent: Thursday, June 08, 1995 3:02 PM
To: 'Jim Barksdale at Netscape'
Subject: Meeting Notes

Microsoft Confidential
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