GOVERNMENT EXHIBIT 2519
PENGAD-Bayonne, N.J.

From: John Ludwig
Sent: Wednesday, September 11, 1996 4:43 PM
To: Paul Maritz; Steve Madigan; Bob Muglia; Brad Silverberg; Brad Chase; Jim Allchin (Exchange)
Cc: Nathan Myhrvold
Subject: RE: eric schmidt @ sun

i will be happy to meet with them. but i am under no illusions about the meeting. the only thing that will bring them to the table is our continued success at growing ie share, and growing our vm share thru ie and windows dist, and leveraging that to create a successful position in java class libs. but we should meet to hear their pitch.

i don't know the vp dev at javasoft -- bob do you

-----Original Message-----
From: Paul Maritz
Sent: Wednesday, September 11, 1996 2:50 PM
To: Steve Madigan; John Ludwig; Bob Muglia; Brad Silverberg; Brad Chase; Jim Allchin (Exchange)
Cc: Nathan Myhrvold
Subject: eric schmidt @ sun

Input for our meetings this week and next week.

I shared a bran muffin this morning with Eric "Schmoozemeister" Schmidt of Sun (he had had dinner with Nathan last night at Rovers which I guess accounted for the peckish appetite this am).

Eric is both very smart and very smooth, so all of this has to treated carefully. Eric bascially gave me an official request to have Johnlu meet with the VP of Development at Javasoft to discuss ways that MS & Javasoft could cooperate on COM support in the Java environment, 2D & 3D libraries, and network management libraries. He said that he wanted this to be a technical meeting, and they would approach constructively. I said we would reciprocate and attend the meeting (see why below).

Now that being said, here is the background:

- The good news/bad news: Eric said that they have realized that their current AWT effort is going to be unsuccessful - too big, too slow, and AWT apps look "funny" on all platforms, instead of looking compatible on the native platform. He says that some in Sun still don't realize that this is a big problem, and dream of replacing PC's with JavaOS - but he says that he has beaten into heads that best case of JavaOS-based NC's is to get some small percentage of overall market over next few years. So if AWT has to succeed it has to first and foremost be competitive and look good on the volume platform - ie. Windows, and best way to do this is to have much close working relationship with each of the platform owners, and to be more flexible in making things a little more platform specific. Hence the overture to us. The good news is that they recognize that AWT as it stands is not competitive, the bad news is that they know know it.

- What is Sun's strategy, how do they benefit from Java? Schmidt's strategy for Sun is (which he says Scott intellectually agrees with, but has hard emotional time with): (a) make the Java VM & Class libs as ubquitous as possible, and in parallel develope a set of "networks services" that target the Java VM/classlibs as the client, (b) milk hardware business for as long as possible, moving up market as NT moves in, and taking as much of the smaller competitor's (SGI, SNI, etc) UNIX businesses, and (c) in 3-5 years time be well positioned to become a major middleware/network integration company (with IBM has their prime competitor). So he (Schmidt) is now pushing Sun to develop network middleware that targets Java VM/AWT as the client, and NT/UNIX as the server environment. He personally has $50M budget to develop new network services/apps, and he says that his direct group is doing it all x-platform, UNIX and NT.

- He asked me what we wanted out of a relationship with them. I said that at minimum we wanted to support Java, but in such a way that: it supported our core technologies (eg. COM), that we could support multilpe languages both thru the VM and thru the class libs (he said that he was in favor of this, since it helped the basic goal of ubiquity), and that the implementation of the class libs favor'd the use of Windows. He acted as though this was all perfectably reasonable, but we were both trying to be "reasonable" and find oiut as much as possible from each other, and we did

not push deeper as to what "favoring Windows would mean".

So, why should we meet with them. Firstly, we will find out more where they are going, but beyond that we should at least seek to work with them to get COM well integrated into Java VM/Javabeans, and convince them that they could use it as standard mechanism. Whether we should work with them on class libs is much deeper question. If we could do this in a way that we could get real input and control, I might be tempted. But right now I am more tempted to put our foot to the floor with our trident/grinder efforts.

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