From: David Morrison (OEM)
Sent: Saturday, June 06, 1998 11:40 AM
To: Carl Gulledge
Cc: Tom Henningsgard; Mark Kuenster; Don Hardwick; Bengt Akerlind
Subject: RE: URGENT: FW: Pixel calls today

Tom and I met with Mal Ransom yesterday. Mal caught off guard or so he said about the press release. He gave us draft of next press release that was going to be released on Monday June 8. Pixel technology designed to use "pixel" area of display not taken by our desktop by writing to video drivers or directly to hardware. I don't remember the pixel range but it's small and is and is (according to Mal) located under our task bar. We didn't get a chance to take a look at what implementations were in the offing but initial W98 preinstalls do not include. Target for release in September/October.

Tom has a copy of the press release for your review.

—Original Message—
From: Carl Gulledge
Sent: Saturday, June 06, 1998 9:38 AM
To: David Morrison (OEM); Tom Henningsgard
Cc: Mark Kuenster; Don Hardwick; Bengt Akerlind
Subject: URGENT: FW: Pixel calls today
Importance: High

What do we know about this product/concept?
Have any of you seen it?

—Original Message—
From: Pam Kahl (Waggener Edstrom)
Sent: Friday, June 05, 1998 8:55 PM
To: Brad Chase; Robert Bennett; Ken Glass; Yusuf Mehdi; Mich Mathews; Greg Shaw (Corp. PR); Mark Murray; Adam Sohn; Carl Gulledge
Cc: Colleen Lacter (Waggener Edstrom); Claudia Husemann (Waggener Edstrom); MS CORPORATE; Nancy Malm
Subject: Pixel calls today
Importance: High

guys-- wanted to give everyone a sense of where we are with the Pixel situation that arose today and proposal for more effectively managing these OEM-originated firedrills.

Situation
The Pixel Company made an announcement today that they have developed an app, called "My Space" that provides an alternative quick launch/channel bar that resides in the overscan area (border around windows UI). They have a patent pending on this technology-- their patent lawyer is Bob Steinberg, same patent attorney in the Stac patent case. Until a month ago, The Pixel Company was a wholly-owned subsidiary of PB/NEC. Now they are independent-- their developers are the same guys that developed the "navigator" shell PB/NEC used to ship.

Pixel is clearly leveraging the current climate facing Microsoft. They are positioning this as an alternative to Microsoft and Windows and has outrightly speculated that Microsoft is likely to respond one of three ways-- all of which they perceive to be beneficial for them:
-- embrace
-- condem
-- trivialize

Apparently Pixel has briefed a number of press including national business press and seattle local press. They have also briefed analysts, most notably Rob Enderle who is expected to be quoted in all key news stories outlined below. Rob's take on the situation is that this is an example of innovation at work and that it will be up to the marketplace and customers to decide the future of this technology.

Packard Bell/NEC has stated that they will begin to ship this technology within the next month on their "Ready" consumer PC line.

As you might imagine this sparked press interest for the following reasons:
-- yet another example of and OEM offering something **new/additive** to Windows. As we saw with the Gateway and IBM announces, every change breeds speculation that OEMs are leveraging the current climate wrt Microsoft to exercise greater choice/options they may not have had earlier.
-- lack of clarity on whether or not this violates the first screen guidelines as enforced by Microsoft
-- Pixel agressive positioning of "an alternative to Microsoft and Windows"

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Response
Early in the process there was confusion as to whether PB/NEC was indeed planning to ship this technology. Initial discussions between Microsoft and the Director of Engineering at PB/NEC indicated there was no committment from PB/NEC. However, after Steve Lohr confirmed that Mal Ransom was on the record stating that they were indeed planning to ship with "My Space", OEM group went back and determined that Mal was accurate.

Microsoft apparently has not been briefed on the technology (although David Bank says PB/NEC says otherwise). So, given the lack of clarity surrounding the impact on First Screen guidelines, we no-commented for today's stories. Ken Glass/Rob Bennett have calls/emails into Davehe and Carlg to determine legality of use of overscreen area, so that we can formulate better response Monday.

However, off the record I did note to all reporters that the timing and tone for Pixel announcement seemed like an easy way to breed controversy to drive greater coverage/visibility. They all admitted that timing was fortuituous, but that it did raise some interesting questions and was worth covering.

Coverage Expectations
We can expect to see stories in the following publications:
– NYT. News story by Steve Lohr to appear Monday. Overall will focus on Pixel's announcement and speculate about implications for Microsoft. Steve believes this is an attempt at an 'end-run' around the Windows UI and could intiate a broader debate on what real-estate is Microsoft entitled to own, and what is free reign for other companies to leverage. Steve is expected to include quote from Rob Enderle (as represented above) and comment from Microsoft, saying too early to tell.
– WSJ. News story by David Bank to appear Monday. It is expected that David will play up the controversy and allude to other perceived inconsistencies between Microsoft and OEMs that have cropped up over the last week. David was intrigued by the BusinessWeek story yesterday on disperate comments between OEMs and Microsoft on Windows 98 pricing, but chose not to proceed with a standalone story. He will include quote from Rob Enderle.
– LA Times. Leslie Helm. Unclear whether or not he is planning to do a story. I returned his call, but did not hear back.
– Seattle Times. Tom Haines piece to appear Saturday. Will cover primarily as a Pixel product announcement, but will mention potential controversy Microsoft. Rob Enderle quote expected.
– Seattle PI. Warren Wilson. Story expected to be similar to that in the Seattle Times. However, Warren understood Pixel to be positioning their technology as a competing mini-OS. I assured him that since it required Windows to run, it couldn't be a true OS. Also asked him what the system requirements were for "My Space" and questioned why a user would want to *add* another less functional OS to their system. He agreed this was questionable.

Action moving forward
This is the fourth OEM-related firedrill in a week. Given the current climate and Microsoft's unwillingness to provide greater detail to support the company position, there is concern that we are simply reacting to one-off news announcements instead of proactively managing the perceptions concerning Microsoft relationships with OEMs. Right now we are working from a position of weakness and come across as either defensive, uninformed or untruthful. Additionally, these announcements are clouding perception that OEMs are excited about Win98. **We are doing nothing to change the dialogue to work in our favor.**

We need to determine a strategy such that we effectively change the MS/OEM dialogue in the press. I propose that Marketing/PR/OEM to meet next week to discuss situation and come up with a plan to change perceptions. Ideally it would be good to have this meeting happen next Tuesday, but it's more important that all key representatives from the groups are able to attend such that decisions can be made to build an effective plan.

We will work with Nancymal to schedule.
thx
–Pam

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