X-Sender: roberta@corpmail
Mime-Version: 1.0
Date: Wed, 14 Aug 1996 21:38:06 -0800
To: ram@netscape.com, nickz@netscape.com
From: roberta@netscape.com (Roberta Katz)
Subject: Earthlink
Cc: jimb@netscape.com, todd@netscape.com, pmarca@netscape.com, pcurrie@netscape.com

HIGHLY CONFIDENTIAL

I had a call today with Lee Thoburn and Brinton Young from Earthlink. Brinton is now Lee's boss and is the VP of Strategic Planning. They called to let me know that Earthlink has signed a contract with Microsoft. In addition, they said the following:

1. They were subject to tremendous pressure from Microsoft over the past 3 months. Most of the pressure related to their giving Microsoft preferential treatment, specifically with reference to taking us out of the picture. Lee and Brinton say they believe they have preserved some equality of distribution for us, though they say that might not be obvious to us "on the surface" as we read about events in the next few months. They said they could not tell me more about the terms of their contract with Microsoft because it included confidentiality provisions.

2. They described dealing with Microsoft as "medieval," meaning that "the King (i.e., Microsoft) tells you what he wants and you are expected to comply." When I asked them why they then went ahead and signed an agreement with Microsoft, they said (i) Microsoft "controls a huge distribution channel (i.e., the desktop)" and, in the interests of their shareholders, they couldn't be the only ISP who wouldn't have access to that channel, and (ii) Microsoft is "an elemental force" in the marketplace and they don't want to be on Microsoft's "wrong side" because they could be harmed. Brinton said he is a lawyer and was sure what Microsoft is doing is violative of the antitrust laws.

3. When I asked whether they viewed MSN as a competitor to their business, they said "Microsoft is not in the access business" (i.e., it's an online service v. an ISP) and that Microsoft had assured them "with sincerity" that its goals did not include being in that business. They also said that Microsoft isn't a "real network yet," and that if it becomes one in the next year, Earthlink will still benefit from the customers it adds this year from the Windows 95 distribution channel.

4. Ironically, they said Earthlink's "more substantial risk" was that Microsoft would be "successful in its quest for world dominance" in the browser market and that Microsoft "wipes out Netscape." They said Microsoft was very explicit about its "plan to kill Netscape." They fear that in that case Earthlink (and the industry) will indeed become captive to Microsoft. Again, when I questioned why they had entered into the agreement with Microsoft, with its apparent preferential treatment of Microsoft and with the knowledge that Microsoft wants to "kill Netscape," their response was plaintive in tone: "We alone aren't enough to stop the tide. We had to think of our shareholders." Brinton then said, very

PENGAD-Bayonne, N.J.
GOVERNMENT EXHIBIT
88

NSMS 57009

directly, "I encourage you all to do something [about the antitrust problem]. As an industry, we need your help."

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cc (via fax): Gary Reback

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PLEASE NOTE NEW PHONE NUMBER:

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Date: Thu, 15 Aug 1996 07:45:31 -0600
From: Nick Zaharias <nickz@netscape.com>
Reply-To: nickz@netscape.com
Organization: Netscape.com
MIME-Version: 1.0
To: Roberta Katz <roberta@netscape.com>
CC: ram@netscape.com, jimb@netscape.com, todd@netscape.com,
pmarca@netscape.com, pcurrie@netscape.com
Subject: Re: Earthlink

Roberta- I spoke with Lee Thoburn about this issue yesterday before he spoke with you and he asked me to hold off on talking to you because he felt that it was important for you to get the news directly from him. He expressed all of the same sentiments to me as well.

He also gave me the following info that we need to use to help stem the tide of ISPs going with MSFT on their Reg Server:

1) MSFT assured Earthlink that there would never be more than 10 to 12 ISPs available through the "ISP Folder" on Win 95.

2) For two months Earthlink pushed to have this guarantee added to the language of the contract. MSFT would not agree to that.

We know from our talks with other ISPs that point #1 is a lie. The value of being on their Reg Server will quickly be diluted to the point that individual ISPs will accrue very little benefit from being there.

Nick Z

Roberta Katz wrote:
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