EDGAR

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I, Cringely
"I think, therefore, I think."

Volume

Sure, Microsoft is guilty (there, I said it!), but that's not the problem: the software industry is sick

by Robert X. Cringely

There's a media frenzy! The U.S. Department of Justice says Microsoft is violating a 1995 consent decree and is trying to kill competition!! The Feds threaten Microsoft with a $1 million-per-day fine!!! Film at 11!!!!

Boring.

Of course Microsoft is violating the 1995 consent decree. Of course they are anti-competitive. Like any hyperactive child or good lawyer, Bill Gates skates along the edges of what is proper. Half the time he is on one side of the line, and half the time he is on the other. Microsoft EXPECTS to be called on this kind of behavior and counts itself lucky for the many times it has not been caught.

The fact that they are guilty is clear, at least to me. I saw it two weeks ago when I interviewed Gates, Steve Ballmer (Gates's second in command) and Jim Allchin, head of Microsoft's Windows NT juggernaut. Each man explained the positioning of Microsoft Internet Explorer in exactly the same terms, chanting a carefully learned mantra of political correctness. Internet Explorer isn't a product, they all said, and was never intended to be a product. It is a logical extension of Windows and simply distributed in another fashion. Microsoft might ship a bug fix or a new OS feature by releasing it first on the Net, they all went on to say, so what's surprising about choosing that technique for distributing the browser? It's an inexpensive method and has the great advantage of reaching precisely the customers -- Internet users -- who are in the position to use the upgrade. What could be simpler? I can just imagine the brainstorming session that yielded this load of blarney. And good blarney it is. It's

an argument that almost works.

But then there is Microsoft Internet Explorer for Macintosh. If Internet Explorer isn't a product but an extension of Windows, exactly what part of Windows is extended by Internet Explorer for Macintosh?

Well, er, Internet Explorer for Macintosh isn't a part of Windows, Microsoft explains. It's a separate product.

But it has the same features as the Windows version, the same menus, the same command structure, the same user interface, THE SAME CODE BASE. Microsoft is proud of all this, yet one chunk of code is a product and one isn't.

But wait, if Internet Explorer for Macintosh is a product, and if it is given away for free, isn't that unfair competition with Netscape's Macintosh browser? Here's where Microsoft gets a little flustered and starts mumbling about how Internet Explorer for Macintosh might be an extension to Microsoft Office for Macintosh in the same way that Internet Explorer is an extension to Windows 95 and Windows NT.

So we've got almost identical products derived from the same base of code and one is a product while the other isn't. Or maybe one is an operating system while the other is an application. But wait again! Hasn't Microsoft maintained for years that in Redmond an application is an application and an operating system is an operating system and never the twain shall meet, except perhaps inadvertently in the cafeteria over a double decaf latte?

So much for the old Chinese wall. The truth is that what we are talking about here is just marketspeak. It's product positioning and not the result of any technical development effort. Microsoft is skirting the line and trying to talk Dad out of a licking. And it will work.

Microsoft learned from 10 years of working with IBM that all it takes to avoid a $1 million-per-day fine is a $1 million-per-month legal bill. A few years down the road, after Microsoft has pushed through another $50 or $100 billion in sales, there will be another consent decree and this behavior, too, shall stop. For awhile.

This is boring . . . and discouraging. It reveals a far deeper malaise in Microsoft and the software industry in general than most people even realize. It's the beginning of the end for Microsoft.

Here's the deal. To be successful, a company must sell products that provide a valued service. For each successful product or service a company will probably shelve nine mistakes. To win in the long run, you have to take risks and cut your losses when something doesn't

work. Bill Gates has excelled in both, hence Microsoft's great success. But where are Microsoft's new products? I don't see them.

With no new products, Microsoft can make enormous products for years to come. But to flourish, Microsoft must continue to grow, to introduce new products and services. Microsoft needs the computer industry to continue to change. Change is the whole foundation of the computer industry. But Microsoft, while giving lip-service to change, is no longer really interested in it. Microsoft is interested, instead, in its stock price. And Microsoft is interested in killing competitors. These are both bad trends.

Microsoft is now the bluest of blue chips and that new identity is turning the company into something more like the old IBM every day. The old IBM thought only of competition and market share and pounding the competition. OS/2, for example, wasn't invented to solve customer problems. It was invented to kill MS-DOS and bring IBM back into full control of the desktop standard. And that is exactly why OS/2 failed, because for at least the first $2 billion of its development, OS/2 had nothing at all to do with customers.

Now we see much the same thing with Internet Explorer and, in fact, with Windows itself. We see this phenomenon in Java, too, and not only from Microsoft's side. Sun Microsystems has been focused on using Java to compete with Microsoft more than using Java to help people use their computers. The entire Java license agreement, for example, was written with Microsoft in mind.

It's time for a return to old values, to making products that do neat stuff, that changes people's lives. The last time that happened it was Tim Berners-Lee inventing the World Wide Web, which had nothing to do with making money. It had nothing to do with Microsoft or Sun or IBM or Apple or any other company, either. It had to do only with one man's need to do something insanely great.

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This PC Week

It might be time for Microsoft to cry uncle

By John Dodge
10.27.97

Microsoft is probably loath to settle with the government at this juncture, but doing so might be advisable. An all-out war with the government wouldn't be a healthy turn of events for the software industry.

Even so, PC companies should be allowed to unplug Internet Explorer 4.0 as they wish, and they should not be forced to carry it. And Microsoft should also stop taking everyone for fools, telling us IE 4.0 is a feature of the operating system. Microsoft lists the two as different, listing them on its Web site as distinct "products," under different categories.

Since earlier versions of IE have been included in Windows, why didn't the government act sooner? Only the government can answer that, but those early versions were crude and basic, and only with 3.0 did Microsoft have a browser that could compete with Netscape's.

Even if the government doesn't understand the design and development of software, as Microsoft charges, it doesn't matter. My reading of the 1995 consent decree shows Microsoft, at minimum, in violation of the law's spirit. The key language is as follows:

"'Operating System Software' means any set of instructions, codes, and ancillary information that controls the operation of a Personal Computer System and manages the interaction between the computer's memory and attached devices such as keyboards, display screens, disk drives, and printers.

"Microsoft shall not enter into any License Agreement that by its terms prohibits or restricts the OEM's licensing, sale, or distribution of any non-Microsoft Operating System Software product."

IE is not vital to memory interacting with peripheral devices--but, granted, the government's definition of operating systems is weak. As government evidence shows, Microsoft clearly made IE a condition of a Windows 95 license, which affects--if not restricts--a PC company's ability to carry a rival's product. The choice does not boil down to Navigator vs. IE 4.0. It's Navigator vs. the Windows monopoly.

Ironically, PC companies are reluctant participants in this drama. Many carry Navigator anyway, and there's a few that feel strong-armed by Microsoft--at least that's what they say. Are they scared to complain publicly, or do they genuinely write off Microsoft's hard-nosed negotiating stance as a business fact of life? Yes and yes.

None of the companies I have spoken with seriously resents the nondisclosures Microsoft forces them to sign. Those, they say, are standard industry agreements.

But PC companies greatly fear Microsoft. One made the mistake of referring to Microsoft as "our supplier" during negotiations. "We are not your supplier," a Microsoft negotiator tersely shot back. That's where the exchange ended, so exactly what Microsoft meant was not revealed.

They fear the government, too. An executive of one hardware company felt the government made the company give its statement. "They made us do it," the exec said.

If the government prevails, PC companies could get substantially more negotiating leverage with Microsoft. But the clear winners will be Netscape and Microsoft's other software rivals.

Would a DOJ victory benefit consumers and businesses? It's unclear. They lose the advantage of IE 4.0 integrated with Windows and possibly its status as a free product, but separating IE from the monopolistic franchise should help level the playing field.

I expressed the same views the day the government filed its suit. Of the responses, 35 favored the government's case; 23 said leave Microsoft alone. I'm with the majority.

Turkey of the week: Delta Airlines, for adversarial desk agents and stuffing too many people into its planes. Write me at john_dodge@zd.com.

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What Redmond Integrated, and When

by Chris Oakes

4:50am 10.Nov.97.PST

When Microsoft lawyers go to court in Washington, DC, today to tell US District Court Judge Thomas Penfield Jackson all the reasons Justice Department antitrust charges are flat-out wrong, history will be a big part of their case.

The Feds' case turns on the company's strategy in pushing its Internet Explorer and whether it tried to strong-arm PC-makers to bundle the browser onto their machines as a tactic to cut into rival Netscape's market share. The arm-twisting would violate a 1995 federal consent decree that forbade the company from engaging in unfair business practices. The government wants heavy sanctions, including a US$1 million a day fine.

The software superpower today can confidently point to the latest version of its browser, IE 4.0, and argue that the bundling point is moot since the software is tightly integrated with the Windows 95 operating system. The company's integration claims go back in time, though, with Microsoft officials insisting that its strategy since 1994 has been to weave the browser into the operating system. Although the company can be counted on to put together an impressive paper trail for its court presentation, the company's behavior over the past several years is far from conclusive in supporting the integration claim.

The million-dollar-a-day question is, then, just when exactly did Microsoft first plan the integration of Internet Explorer and Windows?

Piecing together the history

Internet Explorer 1.0 had a somewhat nebulous debut alongside Windows 95 as part of a little-noticed package of add-ons.

"Chicago [as Windows was codenamed] was commercially released in August 1995 as Windows 95," says a Microsoft memo to Judge Jackson, "and the very first version of the new operating system made available to computer manufacturers in July 1995 contained a variety of Internet-related technologies, including the technologies referred to as IE."

Whether including this package amounted to integration is hard to say. Although the company's intent was clearer in December 1995 with the beta release of IE 2.0, Microsoft makes a much more aggressive claim for the birth of the integration idea: early 1994 - the very early days of the World Wide Web, and in fact significantly earlier than the

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existence of Netscape. The claim might be accurate, depending on what one means by integration.

"We planned to integrate Internet functionality into the operating system since at least early 1994 and before," Microsoft corporate public-relations manager Mark Murray said.

As evidence, he cites contemporary news reports describing demos of integrated Internet connectivity in the beta release of Windows 95 at the Chicago Reviewers Workshop in early 1994. But connectivity by itself is not the same as sewing Explorer functionality into Windows 95. Whether integrated browsing features were shown off at the workshop is unclear.

Interpreting the record

Jerry Michalski, managing editor of industry newsletter Release 1.0, dates his estimate some time after the release of the browser's first version.

"I'd be hard-pressed to say that it happened [with the release of Explorer 1.0], but it probably happened not too long after that," he said.

But attributing any kind of coherent OS/browser-integration strategy to the company before 1996 doesn't sit well with John Robb, principal of the Boston consulting firm Gomez Advisors. He followed Microsoft for Forrester Research around the time of the Windows 95 launch.

"Microsoft didn't have an Internet strategy until about late 1995," he said, "when Bill Gates finally realized [the Internet] was there."

Even at that late date, Robb argues, the strategy wasn't coherent. Rather, it represented the company's late attempt to play catch-up as the Internet exploded and Netscape emerged as a browser power.

"They articulated a broad strategy at that point, but they hadn't exactly indicated how they would carry it out," Robb said.

Microsoft's late '95 enlightenment prompted trade press reports that IE 2.0 and Windows 95 would be complementary.

"Windows 95 users will be able to replace the Explorer interface with Internet Explorer," *PC Week* said in December 1995. "Internet Explorer integration will allow any folder on a user's system to be a Web page, and allow for files and folders to be organized in a Web view paradigm. The toolbar will include buttons that integrate and simplify navigation of both the Internet and users' systems."

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The stage for the December '95 news was set seven months earlier in a now-famous Gates memo to the Microsoft troops.

"I have gone through several stages of increasing my views of [the Internet's] importance," Gates wrote. "Now I assign the Internet the highest level of importance. In this memo I want to make clear that our focus on the Internet is critical to every part of our business."

The memo wasn't specific about browser functionality in Windows, but it did assert that the Internet was important in the development of the company's core products. Acting on that principle would "protect and grow our Windows asset. The work that was done in the Advanced Technology group will be extremely important as it is integrated in with our products," Gates wrote.

Analyst Robb says that Microsoft's concern for its core products prompted a flurry of inconsistent public pronouncements that could muddy its efforts to show a clearly outlined and early integration strategy.

Back in 1994, Robb recounts, Microsoft was unsure how to react to the sudden big shift in attention away from PC applications like Word and Excel and operating systems like Windows to "the next big thing" - the Internet. That led to too many contradictory statements to demonstrate a committed strategy, Robb says.

"They were saying anything and everything," Robb said. "You could produce documents [proving] both sides" of the current legal dispute.

As evidence that the company's strategy is still only an ambiguous plan to preserve Windows hegemony over the paradigm shift of the Internet, Robb points to the company's response to a report in which he asserted IE 4.0 was an OS upgrade, not a browser upgrade.

"I got so much flak from Microsoft," Robb said.

The company was loathe to attach an OS role to IE 4.0, he says, for fear of conservative corporate IT managers who would be cautious to install software

that actually changed the OS. Simultaneously, the company was trumpeting the product's "true web integration" of browser and desktop interface. But "if IE 4 was billed as an OS upgrade," Robb said, "that would have stopped it cold in its tracks."

"They're trying to play both sides" of the integration question, Robb says. "This is part of the OS, but it's not an OS'- so they're caught."

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