

PLAINTIFF'S  
EXHIBIT  
tabbies  
2714  
Comes v. Microsoft

**IBM-MICROSOFT JOINT DEVELOPMENT**

1. Dearborn - the Ultimate NT notebook
2. WolfPack / Scaleability
3. Broadcast PC
4. System Management
5. Inter-networking products
6. NetPC
7. Mobile Windows CE Devices
8. Home Networking
9. Windows Terminals

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DEFENDANT'S  
EXHIBIT  
Numbering No. 0114  
2653

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## JOINT MARKETING

1. Public visibility of joint development activities
2. Dearborn with NT 4.0 as a leading NT notebook
3. Joint Promotions for IE 4.0
4. Small Business Solutions

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## WHAT WE NEED FROM MICROSOFT

1. Authorize IBM as a worldwide services and support provider:
  - Microsoft Solution Provider (MSP)
  - Authorized Support Center (ASC)
  - Authorized Technical Education Center (ATEC)
2. Competitive business terms
3. Include IBM in commercial events
4. Use IBM PC's as development platforms
5. Joint sales calls for IBM PC hardware sales
6. Provide IBM with source code for level 3 support

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## Dearborn - the Ultimate NT Notebook

### Description:

Dearborn, a new high-end ThinkPad being introduced in Sept'97, will deliver functionality with NT 4.0 that will not be available in other notebooks until NT 5.0, including power management, Plug&Play UltraBay, DVD, Hot Plug PC Card, MPEG-2 playback, 3D graphics, and video capture. We want Microsoft to endorse the Dearborn as a leading NT notebook and work with IBM to ensure seamless upgradeability to NT 5.0. The benefit to Microsoft is earlier market penetration of NT into the notebook market.

### Status:

Microsoft's initial reactions to this have been very positive.

### Next Steps:

1. Deliver written proposal to Microsoft by May 31st.
2. Arrange visit to Microsoft by Steve Ward in early June.

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## WolfPack / Scaleability

### Description:

IBM is one of seven OEM's who are early adopters of Microsoft's "WolfPack" clustering solution. WolfPack Phase 1, being introduced in Summer '97, provides a two-node failover capability. IBM is working with Microsoft to determine whether there is an opportunity to contribute PHOENIX components into WolfPack Phase 2. There may also be opportunities to work with Microsoft to use SP2 switch technologies with WolfPack.

### Status:

Discussions are underway with Microsoft regarding PHOENIX components.

### Next Steps:

1. Finalize discussions regarding PHOENIX components.
2. Continue to explore technical collaboration.

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## Broadcast PC

### Description:

Broadcast PC is a new class of home PC that includes a TV tuner and MPEG-2 decoder. Selected models will also include a Direct TV DSS tuner card for satellite broadcasts. The TV/DSS tuners will allow users to view normal TV broadcasts via antenna, cable, or satellite and also to receive digital information (web pages, MPEG movies, ads, etc.) being transmitted in the vertical blanking interval of the broadcast. The MPEG-2 decoder will allow users to view MPEG-2 video broadcasts. We want to be Microsoft's partner for this initiative in order to reinforce our market leadership image and achieve a time-to-market advantage for this new class of products. Microsoft plans to offer the operating system functionality needed for Broadcast PC in Memphis, a replacement for Windows'95 which integrates IE 4.0 and is scheduled for release in late'97 or early'98.

### Status:

IBM is currently Microsoft's "first chair" partner for Broadcast PC. IBM is contributing hardware, integration, and a retail channel for the complete product.

### Next Steps:

1. Continue development work with Microsoft.
2. Announce IBM's development relationship with Microsoft.
3. Announce IBM's Broadcast PC product when Memphis is launched.

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## System Management

### Description:

PC Co. is working to establish a PC system management framework which includes Tivoli, NetFinity, Intel LANDesk, and IBM's LAN Client Control Manger (LCCM). We would also like to bring Microsoft's System Management Server (SMS) into this framework. In addition, we may be able to work with Microsoft to incorporate LCCM capabilities into their Zero Administration Windows (ZAW) initiative. This would give IBM public visibility as a partner involved with Microsoft's total cost-of-ownership initiatives.

### Status:

The Client Systems brand team reviewed LCCM with Microsoft during the week of May 19th and Microsoft was very impressed. We are also working to understand how SMS could fit into PC Co. system management framework.

### Next Steps:

1. Continue discussions regarding LCCM.
2. Develop a proposal relating to SMS.

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## Inter-Networking Products

### Description:

Work with Microsoft to establish and promote new architectures, standards, and products in the low-to-medium inter-networking market, including remote access servers and routers. This could include integrating "Steelhead" into IBM's PC Server family, integrating Window NT on a card in IBM's mid-range routers, next generation switching products including PRIZMA and ISR, and establishing Microsoft's Point-to-Point Tunneling Protocol (PPTP) as the standard for virtual private networks in the Internet.

### Status:

\* Rajiv to provide \*

### Next Steps:

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## NetPC

### Description:

NetPC is a new class of desktop PC which includes a disk drive and LAN connection, but does not generally include any removable storage devices (floppy, CD, etc.). The goal is to provide a smaller, lower cost, centrally managed PC client which significantly reduces total cost of ownership. The operating system (Windows'95 or NT) will reside on the local disk and execute locally, but most applications and data will reside on the server. Microsoft is also offering a Zero Administration Kit (ZAK) which will allow customers to easily implement "TaskStation" and "AppStation" modes, which are more restricted (simpler) user environments. Microsoft plans to add automated system updates, backup, and server-based user configuration files in 1998 as part of their Zero Administration Windows (ZAW) initiative. This will allow users to access their environment and data from anywhere on the network. We need to become better integrated into these Microsoft initiatives, as they will be important to our corporate customers and are consistent with PC Co.'s promise of value.

### Status:

Compaq, HP, Dell, Intel, and Microsoft are driving the NetPC specification. IBM is working closely with Intel on our NetPC implementation. The first NetPC's are expected to be introduced in 2H'97. Microsoft has invited IBM to demonstrate our NetPC in their partner's pavilion at PC Expo in New York, June 16-19.

### Next Steps:

1. Launch IBM's NetPC in Fall'97.
2. Work on being included in Microsoft's marketing campaign for NetPC's.
3. Discuss diskless implementations of "NetPC's" with Microsoft.

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## Mobile Windows CE Devices

### Description:

Windows CE is a lightweight operating system with a similar look & feel and programming interface as Windows'95. It was introduced last year as the operating system for handheld companions, but will soon also have versions suitable for more restricted function devices (such as the Pilot) and subnotebooks. One network computing scenario is new class of small, lightweight subnotebooks that connect via wired or wireless connections and display Windows applications running on a remote Windows NT 5.0 server. We want to work with Microsoft on Windows CE-based mobile devices in the handheld (eg. Pilot-type) and subnotebooks categories.

### Status:

Microsoft has indicated interest in working with PC Co. in the Windows CE area, but there have been no concrete discussions.

### Next Steps:

1. Formulate specific product concepts to work on with Microsoft.
2. Complete concept phase for Windows CE devices.

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## Home Networking

### Description:

IBM is working with Intel on AC power line networking that would allow a variety of computing devices in the home to communicate with an Aptiva home PC as a home server - or "information fuse box". We would like to work with Microsoft on the operating systems for the various computing devices (perhaps Windows CE) and on other software required for total solutions.

### Status:

Microsoft has indicated that they are not ready to meet with us on this. It is not clear whether they are truly not ready, or just reluctant to work with IBM due to the status of the overall relationship. HP is also expected to become a strong contender in this emerging market.

### Next Steps:

1. Continue to pursue a meeting.

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## Windows Terminals

### Description:

Windows Terminals are a new class of products just announced by Microsoft in April 1997. While detailed information is not yet available to IBM, these are, conceptually, very low cost clients that will not have a local operating system, but will instead view Windows applications running on an NT 5.0 server. Long term, these devices may become the preferred network computer implementation for environments which require Windows application access.

Microsoft has announced a deal with CITRIX to use CITRIX's lightweight ICA3 communications protocol, but may add adaptive audio and video streaming extensions. We need to work with Microsoft to understand whether we should be investing in this class of product, or planning to OEM it from a company like Wyse.

### Status:

So far, we only know what Microsoft has publically announced.

### Next Steps:

1. Communicate an active interest in this product area and arrange the appropriate meetings with Microsoft.

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## Public Visibility of Joint Development Activities

### Description:

While IBM is participating in some joint development activities with Microsoft, such as WolfPack and Broadcast PC, Microsoft refrains from publically recognizing IBM's involvement and contribution.

### Status:

Microsoft has been consistent in limiting IBM's public visibility. Recent examples include Bill Gates' failure to recognize IBM when presenting Broadcast PC at WinHEC'97 and Microsoft's refusal to include IBM in Scaleability Days, despite our participation in the WolfPack program.

### Next Steps:

1. Gain agreement from Microsoft (Steve Balmer) to have public visibility with IBM.

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## Dearborn with NT 4.0 as a Leading NT Notebook

### Description:

Dearborn, when introduced in Fall'97, will offer a number of features that other notebook vendors will not be able to offer until NT 5.0 is released in 1998. This gives IBM a window of opportunity to establish ThinkPad as the market leader for NT notebooks. We are asking Microsoft to participate in joint marketing activities for the Dearborn. The benefit to Microsoft would be increasing NT 4.0 sales on notebooks and, more importantly, creating early demand for NT 5.0 on notebooks.

### Status:

Microsoft marketing people are enthusiastic about the product and have expressed interest in joint marketing activities. However, there is currently no commitment.

### Next Steps:

1. Deliver a written proposal to Microsoft by May 30st.
2. Arrange visit to Microsoft by Steve Ward in June.

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## Joint Promotion of IE 4.0

### Description:

The launch of IE 4.0 in Fall'97 is expected to be Microsoft's major marketing event in 1997. Microsoft has invited IBM (and other key OEM's) to participate in joint promotions, with Microsoft providing some funding for the activities. IBM's participation will help to ensure that we are one of the first OEM's to offer IE 4.0 (including content designed for IE 4.0) and will contribute to changing customer perceptions regarding the IBM-Microsoft relationship.

### Status:

- \* A memorandum of understanding for the joint promotions is expected from Microsoft by May 31st.
- \* Microsoft is currently planning to exclude OEM's who are shipping Netscape from the public launch activities. We have, however, been able to get Client Systems invited since this brand doesn't ship Netscape.

### Next Steps:

1. Review, negotiate, and sign the IE 4.0 license agreement.
2. Finalize agreement regarding joint promotions.
3. Continue to push for full IBM involvement in launch activities

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## Small Business Solutions

### Description:

The small business customer segment is an area of major focus for the PC Co. and an area in which Microsoft is strong. IBM and Microsoft should work together to offer integrated business productivity and communications solutions to this market segment which incorporate IBM PC hardware, Microsoft software, IBM software, and IBM services. One specific example is the "Agile" solution being led by the General Business organization.

### Status:

We have not yet begun discussions with Microsoft in this area.

### Next Steps:

1. Gain Microsoft's agreement to the licensing terms required for the diskless PC's planned as part of the Agile solution.
2. Gain Microsoft's agreement to supply the Microsoft applications planned to be included in the Agile solution at competitive royalty rates.

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## Authorize IBM as a Worldwide Service and Support Provider

### Description:

Microsoft has a number of programs that authorize other companies to provide services and support for their products. These include:

- \* *Microsoft Solution Provider (MSP)* - authorizes companies to provide consulting, installation, configuration, and migration services.
- \* *Authorized Technical Education Program (ATEC)* - authorizes companies to purchase and teach Microsoft's user and technical support curriculum for Microsoft operating systems and applications.
- \* *Authorized Support Center (ASC)* - authorizes companies to provide MSP services, plus both help center and on-site support.

While IBM can deliver services and support on Microsoft products without participation in these programs, customers often look for these authorizations as evidence of credibility and a close working relationship with Microsoft. And, some customers specifically ask for companies that have these authorizations. We need to get authorized for these programs on a worldwide basis.

IBM Global Services is a participant in a more focused Microsoft program, called the Service Advantage Program. This is a program focused on providing services to large enterprises.

### Status:

While IBM qualifies for these programs, Microsoft has not authorized IBM as an ATEC or ASC and has refused to renew MSP authorizations for IBM entities who previously had these authorizations. The reason is that Microsoft does not trust IBM to support Microsoft's products, rather than try to switch customers to IBM products. Steve Balmer is reputed to be the person who has decided not to allow IBM into these programs. Ian Rogoff, the manager of the ASC program, agrees that we should be an ASC and has said that he will review this with Steve Balmer.

### Next Steps:

1. Support Ian Rogoff's efforts to get IBM authorized as an ASC.
2. Support the Retail and Distribution ISU's efforts to become an MSP.
3. Gain agreement from Steve Balmer to allow IBM into these programs.

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## Competitive Business Terms

### Description:

IBM currently pays a higher royalty for Microsoft operating systems than our leading competitors. This is estimated at \$5-\$15 per copy for Windows'95 and from \$25-\$40 per copy for Windows NT. These higher costs put IBM at a competitive disadvantage. In addition, IBM has less flexible terms and conditions. We need to have the same business term as HP and Dell - and Compaq after their front line partnership ends.

### Status:

We currently have very little negotiating power with regard to royalty rates and have had mixed success in negotiating more flexible terms. We were able to negotiate the terms required for PC Co.'s Authorized Assembler Program (AAP).

### Next Steps:

1. Continue to pressure Microsoft for a level playing field

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## Include IBM in Commercial Events

### Description:

Microsoft is currently excluding IBM from public visibility at any commercial events, leading customers to question IBM's relationship with Microsoft and credibility as a supplier of PC solutions. The reason for this is that Microsoft does not want to encourage customers to work with IBM - due to a lack of trust. We need this public visibility as one ingredient in establishing a level playing field with PC competitors such as Compaq, HP, and Dell.

### Status:

Microsoft has stated that they will not invite IBM to commercial events. There is more openness for products targeted at the consumer market. Recently, we have been excluded from exhibiting a TechEd (an event for Microsoft's technical support community) and have been excluded from purchasing space in Microsoft's Partner's Pavilion at PC Expo. However, we have been invited to show our NetPC in Microsoft's Partners Pavilion at PC Expo.

### Next Steps:

1. Gain agreement from Microsoft (Steve Balmer) to include IBM in commercial events.

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## Use IBM PC's as Development Platforms

### Description:

Increased use of IBM PC's as development platforms would contribute to IBM's working relationship with Microsoft engineers and would also facilitate optimal performance of Microsoft software on IBM hardware.

### Status:

IBM is not currently a primary development platform.

### Next Steps:

1. Offer hardware for Microsoft to use in development and in marketing events.
2. Have IBM place on Microsoft's approved vendor list for PC purchases.

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## Joint Sales Calls for IBM PC Hardware Sales

### Description:

With rare exception, Microsoft will not make joint sales calls with IBM for the sale of PC hardware, while they freely make joint sales calls with Compaq, HP, and other competitors. This gives competitors an opportunity to create and/or reinforce customer concerns about IBM's relationship with Microsoft and IBM's credibility as a PC supplier. We need to convince Microsoft that joint sales calls with IBM sales people focused on selling PC hardware will provide better customer satisfaction and will not have a negative impact on Microsoft.

### Status:

Limited success on a case-by-case basis, oftentimes at a customer's insistence.

### Next Steps:

1. Continue to push Microsoft on a local level, as requested by customers.
2. Gain agreement from Microsoft (Steve Balmer) for more open joint sales calls with IBM's PC hardware sales people.

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## Provide IBM with Source Code for Level 3 Support

### Description:

The Kirkland Programming Center (KPC) currently has access to NT source code and is providing worldwide level 3 support to IBM customers. We need to ensure that we will continue to have access to NT source code and obtain access to the source code for other Microsoft products supported by IBM.

### Status:

We are currently focused on keeping the NT source code, which was originally obtained for the NT port to Power PC, as Microsoft has begun to question why IBM still needs it. Microsoft doesn't seem interested in giving IBM access to source code for other products.

### Next Steps:

1. Respond to Microsoft regarding the NT source, as required.

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