
From: Sacha Droz
Sent: Thursday, July 12, 2001 8:19 AM
To: Dennis Flanagan
Cc: Harish Naidu; Peter Biddle; Stephen Heil; Marcus Peinado; Scott Fierstein; Brad Brunell; Keith Laepple
Subject: RE: eHome - SONY points for BillG meeting with Mr Idei

DRM and SVP are definitely our TOP Priority if we want to be successful in any Digital Media scenario where copyrighted content is being used, regardless of its format and usage. eHome is the most interesting customer case as they need DRM, CA (CA to DRM Transcription - to get access to current premium content) and "Local" (Same Box) and "Distributed" Secure Video Path (I see DMR as a part of this). DTCP, 5C etc are technologies we may and/or have to consider from a copy protection standpoint. I do believe that DTCP will play a major role, may be sooner than expected because of the STB, but I also agree on the fact we may not necessarily have to sign a license. If you ask me, I can see a more general adoption of 1394 in the next generation PC. I also believe in the industry to come out with a real alternative, free of license.

We will NOT achieve a broad acceptance of our solution if one of these 3 components (DRM, CA, SVP) is missing or broken. Content Providers will not release their content, Conditional Access Vendors will not be interested in enabling any of our platforms to really collaborate with their solution and finally, Network Operators will not agree to spend Millions of Dollars to Extend/Upgrade their broadcasting infrastructure. Also, understanding the business models of each of these players is very important. CA Vendors have to fully understand and trust our implementation and believe in the fact we are not competing with them but enabling them to sell more licenses and more smart cards to the NetOps community. On the other hand, NetOps will ask for to get the same level on stability and redundancy support across multiple sites etc. And of course, Content Provider must tell the other guys they are OK with our solution and start deliver content.

We have a great challenge here and we have to clearly identify all the scenarios, finalize the overall architecture and more precisely define each component's ownership between the different Groups/Divisions involved. We also urgently need to align our BizDev and Technical speech across these teams. I understand that we all have different requirements but, I do believe in have ONE and only ONE Implementation working for everybody.

Sacha R.

----- Original Message -----

From: Dennis Flanagan
Sent: Wednesday, July 11, 2001 7:34 AM
To: Brad Brunell; Keith Laepple
Cc: Harish Naidu; Peter Biddle; Stephen Heil; Marcus Peinado; Scott Fierstein; Sacha Droz
Subject: RE: eHome - SONY points for BillG meeting with Mr Idei

----- Original Message -----

From: Brad Brunell
Sent: Wednesday, July 11, 2001 12:08 AM
To: Keith Laepple
Cc: Harish Naidu; Dennis Flanagan; Peter Biddle; Stephen Heil; Marcus Peinado; Scott Fierstein; Sacha Droz (sachad@microsoft.com)
Subject: RE: eHome - SONY points for BillG meeting with Mr Idei

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I do not think that DRM is direct correlation to DTCP. We need to accelerate our efforts on Secure Video Path. We stalemate or beat DTCP over time via Secure Audio Path, Secure Video Path and DRM combined. The challenge with the Studios is that they prefer to exercise monolithic control mechanisms and partner with the CE industry who will do monolithic efforts and take the contractual restraints (threat of lawsuit) that the Studios like. MS is too much of a gorilla in the Studios mind and they do not want to empower us any further. We will have to execute to win.

[Dennis Flanagan] We only stalemate or beat DTCP if we get interesting content delivered in our format to PCs. We only get that to happen if our DRM extends to secure the video rendering path. We have to interoperate with DTCP if that is the way all televisions connect in the future and if our platforms must connect digitally to televisions. I think there is some time before digital connections to televisions and DTCP is a market imperative. According to WebTV and others, for STBs that time is now because TV manufacturers are compelling this. Even if it becomes a market imperative, this does not necessarily mean that Microsoft has to provide the DTCP implementation or sign the license. Further, a model we appear to like better than 1394 connection to the monitor/TV. I think SVP with DVI/HDCP support is a much higher priority for us right now. I also think we should continue to push the Digital Media Receiver (DMR) concept in which the PC is the server, the DMR is co-located with the TV, the DMR pulls content off the PC server via an IP connection, and the DMR renders the content on the TV. In this case the DMR can support 1394 and 5c if it likes or analog if it doesn't.

I think eHome will have to consider supporting DTCP in order to get access to the content (probably by passing burden to OEMs like we are doing with MPEG2), probably side by side with Secure Video Path. The problem is that if DTCP gets to broad of an installed base on PCs, then we may have the technology jam occur and have another per-unit royalty dilemma (similar to MPEG2).

[Dennis Flanagan] It's unclear that DTCP will gain broad platform adoption on PCs. It is clear that link chip companies want to build DTCP into 1394 links, but it's also clear that companies who build systems that include such chips will have to take the appropriate licenses and comply with the appropriate robustness rules. It is unlikely that the PC industry is going to accept those liabilities. Even moreso, without SVP it is unlikely that content owners would grant such licenses to PCs. Further, if there is going to be mass integration of 1394 in PCs that support will likely end up in system-integrated controllers and not have DTCP support.

I have a 1394 call with Scott Fierstein to give input to this meeting scheduled on Thursday.

I've added a reasonable representation of the 5c thinking "brain-trust" on the cc: line. I will ask TaneCede to set up a strategy/consideration meeting. Please feel free to forward that invite to other stakeholders.

Brad Brunell
Director - Business Development
Digital Rights Management and Core A/V Technologies
Microsoft Corporation
(425) 703-3750

--- Original Message ---

From: Keith Laepple
Sent: Tuesday, July 10, 2001 2:06 PM
To: Brad Brunell
Subject: RE: eHome - SONY points for BillG meeting with Mr Idei

Brad, this is interesting stuff. I've been trying to figure out what eHome needs to do re: 5C, as we intend to support 1394 AV devices, incl. protected video content. Does DMD think that eHome can/should rely on DRM as an alternative to 5C on 1394? A concern I have is that CE mfgs won't adopt DRM as a 5C alternative if it requires Windows in one of the 1394 devices, and requires an Internet connection. Do we want to have BillG suggest to Idei that we will promote DRM on 1394 if we cannot resolve technical and business problems we have identified with 5C?

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Note, there is a 7/23 JimAll review on 1394 strategy where this is likely to be discussed.

-----Original Message-----

From: Brad Brunell

Sent: Tuesday, July 10, 2001 1:44 PM

To: Will Poole

Cc: Hank Vigil; Jeff Camp; Kurt Buecheler; John Manferdelli; Fran Dougherty; Keith Laepple; Hank Vigil; Jeremy Hinman; Dick Brass; Kevin Eagan

Subject: RE: eHome - SONY points for BillG meeting with Mr Idei

Sony is a DRM (security) competitor

- All Sony devices supporting Memory Stick with OpenMG decrypt capability, they view security and physical media as a strategic control point
 - Trying to license to other CE mfg with little success
 - Sony still selling Memory Stick media at a loss
- Ship their own software Jukebox to manage content (Including transcript from v1.3 Windows Media DRM into OpenMG)
- With 5C (Hitachi, Intel, MEI, Sony and Toshiba) **Digital Transmission Content Protection (DTCP) specification** on the transfer (1394) and display of video, attempting to legislate and mandate (through media company distribution contracts) the DTCP code on top of Windows and into CE devices (DVD, digital TV) for a per unit royalty (similar to MPEG2 strategy); several studios are on board to support (AOLTV, Paramount)

Microsoft goals:

- 2 way transcription
 - So far Sony is insisting on 1 way transcription from Microsoft DRM into OpenMG
 - Interoperability for consumers is necessary for digital media to work
 - We want them into ContentGuard with the promise of 2 way transcription (interoperability)
 - Memory Stick as "standard" media vs. proprietary implementation
 - Sony continues with their own proprietary interfaces for Memory stick; we would like the media exposed as standard storage to Windows OSes
 - If Sony exposes as standard storage, then their security bundling is weakened and they would like
 - Optical media wins on cost versus flash media
 - Sony has embraced 3" CD format (156MB) in some of their digital camcorders and cameras; what is their strategy with optical media, is there a new small-form factor, multi-GB of storage optical media (that exposes itself as standard storage) that we can collaborate on?

Brad Brunell
Director - Business Development
Digital Rights Management and Core A/V Technologies
Microsoft Corporation
(425) 703-3750

--- Original Message ---

From: Kevin Eagan

Sent: Tuesday, July 10, 2001 1:27 PM

To: Will Poole

Cc: Hank Vigil; Jeff Camp; Kurt Buecheler; John Manferdelli; Fran Dougherty; Keith Laepple; Hank Vigil; Brad Brunell; Jeremy Hinman; Dick Brass

Subject: eHome - SONY points for BillG meeting with Mr Idei

Will,

Here are the top eHome discussion points for BillG's upcoming meeting with Mr. Idei.

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- eHome wants to close Sony's Vaio Desktop Division as a tier one OEM partner for Windows XP Home Server. We're early stage discussions of Home Server PC with Sony.

- On June 19th Mike Toutonghi, Kevin Eagan and Fran Dougherty, met at Sony HQ in Tokyo with Yoshihisa (Bob) Ishida, President VAIO Desktop Computer Company. This was the first Sony-eHome meeting. Sony seemed very receptive to eHome's Home Server direction. We agreed to technical and business follow-up meetings in the next 30 days. Sony Desktop Vaio Division is one of eHome's top prospective OEM partners. Sony just released their Digital Studio PC line in the US with their own "Giga Pocket" PC-based PVR features. eHome's home server version of Windows XP will provide MS and Sony a great opportunity to create innovative Home Server PC products for next Christmas with a much improved customer experience over their first generation Digital PC line.

- Issues Sony has several competing media technologies and software apps bundled with their Digital PC line. Notably their own Media Player software with their own DRM technology. We also have an unconfirmed suspicion that the the Vaio Desktop Division has a Linux-based home server project underway.

- eHome is also in separate discussion with Sony's Display Networking Company regarding home server product and networked display opportunities.

- On the evening of June 19th Mike Toutonghi, Kevin Eagan, and Fran Dougherty had dinner meeting with Makoto (Mark) Kogure, President Projector & Display Systems Company.

- DNC is interested in MIRA as a tool to sell more displays. They can see a home server PC as a media hub for their LCD and plasma display products.

- Most concerned feature of Home Server is Windows Terminal Services and performance.

- Their focus up to time has been office environment. They plan to start penetration to home environment in 2003

- Interest in XML Control of devices, DRM, Identifying a list of things to work on together, pursue a LOI, and get alignment in technology areas.

-kevin

-----Original Message-----

From: Will Poole

Sent: Monday, July 09, 2001 11:25 AM

To: Brad Brunell; Jeremy Hinman; Dick Brass; Kevin Eagan

Cc: Hank Vigil; Jeff Camp; Kurt Buecheler; John Manfredelli

Subject: FW: SONY

Importance: High

Brad and Jeremy, could you each pls give me 3-5 bullets to brief billg on point #1 below.

Kevin, can you provide 3-5 bullets on discussion w/ Sony re eHome PC server as it relates to #2.

Dick, we should brief Bill on the CG discussions separately – assume you can drive that?

Send by EOD tomorrow please.

-----Original Message-----

From: Bill Gates

Sent: Sunday, July 08, 2001 12:27 PM

To: Shinichi Ata; Sam Furukawa; Richard Fade; Will Poole; Jim Allchin; Michael Rawding; Pieter Knook; Ben Waldman; Jon DeVaan; Alan Yates; Alex Loeb

Cc: Hank Vigil; Eric Rudder; Steve Ballmer; Robert (Robbie) Bach; Christine Turner; Bob Muglia; Craig Mundie

Subject: SONY

I am meeting with Mr. Idei of SONY in Sun Valley on Sunday. There is no particular agenda.

Anything people want me to bring up with SONY let me know

Possible topics:

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1. Music/DRM/Media formats. I assume this topic will come up and that Will will make sure I am fully briefed. I don't know where we stand with SONY and DRM. Do we want them in the Xerox deal? Is SONY treating us reasonably in this area? Does SONY have a plan to make HDTV popular by getting 480p transmitted on cable systems?
2. PCs We want SONY to continue to make innovative PCs. They have done a lot of design leadership. Are we working with them on XP the right way? Do we want them do something different relative to the tablet? Richard should make sure the right OEM person tells me anything I need to know. Jim should make sure I know what the Windows groups thinks and what we are pushing. Alex should remind me any tablet thing I need to know Is there a message relative to 1394 or Upnp where we should work more with SONY?
3. Pocket PC. Sony makes Palm devices and is in a JV with Ericsson. Ben/Juha is there any message relative to this that I should be giving to SONY? Do we want SONY to do PocetPCs just in the phone space or more broadly?
4. SONY and Cablevision. What is the latest on this Jon/Alan? Is there any message I should taking to SONY? SONY has always wanted their settop box people to work with us. Is there any UltimateTV message I should be taking to SONY?
5. Platform stuff. Is there any plan/hope to get SONY excited about our URT stuff versus Java byte codes?

I am open to other topics people think would make sense.

I doubt gaming will come up since we are primarily competitors there. I doubt SONY as a customer will come up unless someone tells me it needs to.

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