

From: Brad Chase
Sent: Friday, May 15, 1998 3:57 PM
To: Walt Mossberg (E-mail); Bill Gates
Cc: Brad Chase
Subject: Windows 98

lets keep this discussion going a bit. we support choice and agree with your fundamental point there on how oems present windows. i understand your view that says the best product should win and that we should let oems do their own shells. we do let oems ship their own shells today but they can't boot up into them directly - the user has to select them say by clicking on a link the oem can add to the desktop or somewhere else. we also let the oems do significant customization of windows that they can boot up into. finally oems can add anything they want to on the windows desktop they can add navigator and they can even make it the default browser.

however, if oems can boot up into an alternative shell then what is Windows? we market and invest significant R&D into Windows and if anyone can change its initial UI then that impacts people's understanding of windows. in addition, it sets up a situation where our competitors can try to replace Windows with their own UI and apps. again an oem could ship these UIs and APIs today but it is alot to ask us to have the users first boot and experience with Windows be, not Windows, but a competitive shell or OS.

take the wsj for example. you ship via delivery people. they are your oems. you have dominant share of the daily business news market. what if the delivery people could substitute someone's else's front page for your own and furthermore what if it was not even clear that it wasn't the wsj? it is the content and design that makes the wsj. now you support choice and competition to but the wsj would not allow that. for that matter they would not even allow the delivery boy to add the NY times business section to the inside of the WSJ. we, in essence, allow the equivalent, by allowing oems to add any icon to the desktop and even allowing navigator to be the default.

you might argue that people know the Windows UI so they can tell but many people don't and besides we want to improve the UI over time and that will mean changes so it will look differently.

walt we have become a leader but to innovate in windows includes the UI and while i understand your point of view on this i would contend that we are being asked to hold to a radically different standard then anyone else would ever be asked to be held to.

-----Original Message-----
From: Walt Mossberg [mailto:mossberg@wsj.com]
Sent: Friday, May 15, 1998 7:38 AM
To: Bill Gates
Cc: Brad Chase
Subject: Re: Windows98
Importance: High

Bill,

I was glad to have a dialog with you and Brad before I wrote my Win98 column, and I'm glad to have your views on how it came out. As you know, from the very first time we met back in 1991, I have invited you to let me know what you like and dislike about what I write, and have extended the same invitation to others in the industry. I believe we in the media sometimes are too closed off from outside views, and I feel a responsibility to open myself to them, especially because the Journal is a very influential platform and, as a columnist rather than a reporter, I have great license to express opinions. Our exchanges did in fact have an impact on what I finally wrote.

On your conflict with the government, I appreciate your sharing your views on it. As I've explained, I'm not up on all the details of the situation because it hasn't been my responsibility to cover it.

But I would observe, just as a personal view, that there's a distinction between your retaining full ability to integrate innovative features into Windows - like the browser or, eventually, speech recognition - and the wall of formal and informal business arrangements you typically have built around Windows to restrict how OEMs can present it to users. It seems to me there'd be nothing wrong with agreeing to let Compaq do its own shell or opening screen, just like they once did in the Win 3.1 days, even though

MS98 0121118
CONFIDENTIAL

GOVERNMENT
EXHIBIT
363

they did it badly. I might criticize these screens if they were too marketing-oriented, just as I have criticized your own desktop channel bar for plastering ads on the user's desktop. But in principle, I see nothing wrong with it. Hell, somebody might even hit upon a simpler or better metaphor using HTML for a shell, just like HP and then Compaq did a good thing for users by adding a hard-wired keyboard "Internet button," which launches a browser and dialer.

I also really do think users benefit from choice, so a pre-load of Navigator would be fine, assuming Netscape can cut the deals. This is no different from the common bundling of AOL, MSN and CompuServe on new machines, or from some OEM packages which include both Quicken and Money.

I think IE, in both standalone form and in the form of the ActiveX control, should be able to stand on its own quite well in the competition with Navigator, even if both were available on some new PCs. And I think Outlook Express is more than a match for Netscape Mail, or Eudora, as a POP3/IMAP4 client.

These are just my random thoughts, and I have no idea whether they are relevant to your current talks. I hope you can gain a settlement.

Walt Mossberg

=====
Walt Mossberg
Personal Technology Columnist
The Wall Street Journal

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

From: Bill Gates <billg@MICROSOFT.com>
To: Walt Mossberg <mossberg@wsj.dowjones.com>
Date: Thursday, May 14, 1998 7:29 PM
Subject: RE: Windows98

>Thanks for engaging with us on a discussion of Windows98 before your column
>came out. Brad and I were discussing just now that although we feel the
>article is not really as positive as we might have hoped for you followed
>your admirable approach of calling it exactly like you see it. Windows98's
>biggest impact will be problems that don't occur for the millions of people
>who get it on new machines or choose to upgrade but you are right that it
>is
>not a vital upgrade. The peripheral makers and retail channel are enthused
>about the product. I hope the "Update" feature can change how we distribute
>fixes and driver improvements. As always you were thoughtful and fair in
>your analysis even if we don't see it exactly the same way.
>
>Our biggest problem with the government is their principle that us adding
>new features like the browser is a bad thing. So far they just aren't
>showing any willingness to accept the fact that the browser is not there
>just because it makes Netscape's life hard. This is the principle we can't
>give in on and they still haven't budged on it. It seems a crime to have a
>lawsuit because of this when the law and the consumer benefits are so
>clear.
>The use the word "consumer choice" to talk about letting OEMs hide the
>browser from the user. We got started down this path because they decided
>that most features of the OS could be seperated out like the device
>drivers.
>Wordpad, the file viewers, the network stacks and that maybe we shouldn't
>be
>able to package them into a single product. We always told them the browser
>was a bad place to start because the deletion breaks things but they were
>confused on that point. They thought the remove function actually deleted
>the browser which of course it did not - only the invoker and some tiny ICW
>files. When the browser goes so do the browser APIs.
>
>Having all the government resources against a company like this is
>mindblowing. I hope I get a chance to get back to software before I see you
>next.

MS98 0121119
CONFIDENTIAL

MS-PCA1541609