



1 (DEPOSITION EXCERPTS OF YUSUF MEHDI.)

2 Q. HAVE YOUR GOALS CHANGED SINCE 1996 FOR  
3 THE INTERNET EXPLORER, YOUR MARKETING GOALS?

4 A. YES.

5 Q. HOW HAVE THEY CHANGED?

6 A. AGAIN, WE INCREASINGLY WANTED TO MAKE  
7 THE PRODUCT BETTER, AND I THINK WITH TIME WE GOT  
8 MORE IDEAS ABOUT HOW TO MAKE THAT BETTER, HOW TO,  
9 YOU KNOW, HOW TO HELP CUSTOMERS. SO THERE WAS,  
10 YOU KNOW, I GUESS, SORT OF MORE FOCUSED GOALS  
11 ABOUT HOW WE MIGHT IMPROVE THAT.

12 WE ALSO--ALSO, I THINK, BETTER  
13 UNDERSTOOD HOW PEOPLE USED THE PRODUCT. AND SO  
14 WE WANTED TO HELP--WANTED TO HELP GET BROADER  
15 USAGE OF INTERNET EXPLORER. SO WE LEARNED A  
16 LITTLE BIT ABOUT THAT.

17 Q. DID YOU HAVE ANY OTHER GOALS BESIDES  
18 MAKING THE PRODUCT BETTER AND BROADER USAGE?

19 A. NO. THOSE ARE THE TWO MAIN GOALS.

20 Q. HAVE YOU EVER CONSIDERED WHAT REVENUE  
21 GOALS YOU SHOULD HAVE, IF ANY, FOR INTERNET  
22 EXPLORER?

23 A. WE DIDN'T--WE WOULDN'T THINK ABOUT IT  
24 IN THE ABSTRACT. INTERNET EXPLORER IS A FEATURE  
25 OF WINDOWS. WE THINK ABOUT THE ENTIRE END OF

1           WINDOWS. WE THINK ABOUT HOW WE DERIVE REVENUE  
2           FOR THAT. AND SO, INTERNET EXPLORER IS SORT OF  
3           ONE FEATURE OF MANY FEATURES OF THE OPERATING  
4           SYSTEM.

5           Q.    OKAY. LEAVING ASIDE WINDOWS AS PART OF  
6           A WINDOWS 95, DID YOU THINK ABOUT WHETHER YOU  
7           COULD GET SOME REVENUE FROM THE PRODUCT IN THE  
8           RETAIL CHANNEL?

9           A.    WE--ESSENTIALLY, WE WERE TRYING TO  
10          DETERMINE HOW WE WOULD MAKE--PROVIDE EASY ACCESS  
11          TO ACQUIRING THE EXPLORER, AND ONE OF THOSE  
12          OPTIONS WAS TO PROVIDE IT THROUGH THE RETAIL  
13          CHANNEL. AND THE DYNAMICS IN THE RETAIL CHANNEL  
14          ARE THAT RESELLERS NEED TO SELL A PRODUCT FOR  
15          MONEY, AND SO WE NEED TO--WE LOOKED AT HOW WE  
16          MIGHT ADD SOME VALUE TO THE FEATURE OF INTERNET  
17          EXPLORER BY ADDING OTHER THINGS THERE AND  
18          CHARGING MONEY FOR THAT.

19          Q.    WHAT ELSE DID YOU ADD TO IT?

20                MR. AESCHBACHER: WHAT TIME FRAME?

21                MR. COVE: STARTING FROM THE BEGINNING.

22                THE WITNESS: IN THE FIRST--THE FIRST,  
23                YOU KNOW, VERSION OF THE RETAIL PRODUCT CALLED  
24                THE "INTERNET EXPLORER STARTER KIT," WE ADDED  
25                SOME, I THINK, ESSENTIALLY SOME VERY BASIC

1           ACTIVEX CONTROLS AND PROBABLY A COUPLE OF OTHER  
2           THINGS I CAN'T REMEMBER.

3                       BY MR. COVE:

4                       Q.    ARE YOU REFERRING TO THE FIRST INTERNET  
5                       EXPLORER--WHAT'S CALLED "FIRST INTERNET EXPLORER  
6                       STARTER KIT"?

7                       A.    THAT'S CORRECT.

8                       Q.    AND THAT WAS VERSION--

9                       A.    WELL, THE FIRST VERSION THAT WE PUT OUT  
10                      OF THAT.

11                     Q.    OKAY.  AND WHICH VERSION OF IE WAS  
12                     THAT?

13                     A.    I BELIEVE THAT WAS VERSION 2.0.

14                     Q.    WAS THERE ANY VALUE ADDED IN THERE  
15                     BESIDES THE ACTIVEX CONTROLS?

16                     A.    THERE MAY HAVE BEEN, BUT I DON'T  
17                     REMEMBER.

18                     Q.    WHAT DID YOU CHARGE FOR THAT?

19                     A.    I BELIEVE WE CHARGED \$19.95, BUT I'D  
20                     WANT TO DOUBLECHECK.

21                     Q.    AND MOVING ON INTO THE RETAIL CHANNEL,  
22                     DID YOU COME OUT WITH ANOTHER VERSION AFTER THAT?

23                     A.    YES, WE DID.

24                     Q.    WHAT WAS THAT CALLED?

25                     A.    WE CAME OUT WITH--I BELIEVE THE NEXT

1           VERSION WE MIGHT HAVE COME OUT WITH AN INTERIM  
2           VERSION AGAIN CALLED "INTERNET EXPLORER STARTER  
3           KIT," OR I'M NOT SURE WHETHER WE CAME OUT WITH A  
4           SECOND VERSION OR NOT.  AGAIN, I WOULD HAVE TO  
5           CHECK, AND THEN AFTER THAT WE CAME OUT WITH  
6           "INTERNET EXPLORER PLUS."

7           Q.    WAS THAT STILL 2.0?

8           A.    NO.

9           Q.    3.0?

10          A.    3.0.

11          Q.    DID THAT HAVE ANY VALUE ADDED  
12          BESIDES--WHAT VALUE ADDED DID THAT HAVE BEYOND  
13          INTERNET EXPLORER?

14          A.    WE--I THINK WE GOT SOME TRIAL VERSIONS  
15          OF SOFTWARE UTILITIES FROM THIRD-PARTY COMPANIES.

16          Q.    ANYTHING ELSE?

17          A.    I KNOW WE HAD SOME OTHER THINGS I DON'T  
18          REMEMBER--I DON'T REMEMBER WHAT OTHER THINGS WE  
19          HAD.

20          Q.    OKAY.  YOU JUST MENTIONED IE--I GUESS  
21          IE 3.0 PLUS.

22                    WAS THERE AN IE 3.0 STARTER KIT?

23          A.    NO.

24                    AS I SAID, I'M UNCLEAR IF WE HAD AN  
25          INTERNET EXPLORER STARTER KIT THAT INCLUDED 3.0

1 THAT WAS DIFFERENT THAN THE ONE WE JUST TALKED  
2 ABOUT. BUT AFTER THAT CAME INTERNET  
3 EXPLORER--SORRY. YEAH--CAME INTERNET EXPLORER  
4 PLUS THAT INCLUDED 4.0.

5 Q. AND WHAT DO YOU CHARGE FOR THAT?

6 A. WE CHARGE \$49.95, AND THERE IS A REBATE  
7 COUPON FOR, I THINK, \$20.

8 Q. NOW, JUST SO I'M CLEAR ON THESE PRICES,  
9 THESE ARE SUGGESTED RETAIL PRICES?

10 A. THAT'S CORRECT.

11 Q. SO, DO YOU CHARGE THE RETAILERS  
12 SOMETHING LESS THAN THAT?

13 A. THAT'S CORRECT.

14 Q. WHAT IS THE RANGE OF WHAT YOU CHARGE  
15 THEM FOR THAT?

16 A. AGAIN, I DON'T KNOW. IT'S SOME  
17 DISCOUNT FROM THAT. IT'S HARD TO SAY.  
18 PROBABLY--I CAN'T GIVE YOU AN EXACT NUMBER.

19 Q. LEAVING ASIDE THE--YOU'VE ALREADY  
20 MENTIONED THAT PUTTING INTERNET EXPLORER IN  
21 WINDOWS 95 ADDS VALUE TO THAT PRODUCT, AND YOU'VE  
22 EXPLAINED THE RETAIL CHANNEL.

23 ARE THERE OTHER WAYS THAT MICROSOFT  
24 GETS--WELL, LET ME BACK UP AND SAY: WHAT OTHER  
25 WAYS DO YOU USE TO DISTRIBUTE IE?

1           A.    WE PROVIDE INTERNET EXPLORER FOR  
2            DOWNLOAD FROM THE WEB SITE.  WE MAKE IT--WE  
3            LICENSE IT FOR DISTRIBUTION TO INTERNET SERVICE  
4            PROVIDERS, AND THIRD-PARTY SOFTWARE VENDORS CAN  
5            ALSO LICENSE TO USE IT AS PART OF THEIR  
6            APPLICATION.

7            Q.    DO YOU RECEIVE REVENUES FROM ANY OF  
8            THOSE SOURCES FOR THOSE LICENSES?

9            A.    NO.

10           (EXCERPT.)

11           Q.    WELL, YOU SAID EARLIER THAT IT WAS FOR  
12            CORPORATIONS TO CUSTOMIZE THEIR INTERNET EXPLORER  
13            FOR THEIR OWN NEEDS.

14            IF YOU COULD EXPLAIN WHAT THAT ENTAILS  
15            OR WHAT ELSE IS INCLUDED IN THAT KIT THAT WOULD  
16            ALLOW THEM TO ACCOMPLISH THAT.

17            A.    OKAY.  THE INTERNET EXPLORER  
18            ADMINISTRATION KIT IS A SET OF SOFTWARE THAT  
19            ALLOWS CORPORATIONS TO CUSTOMIZE THE SETTINGS FOR  
20            INTERNET EXPLORER, LIKE CONFIGURATIONS OPTIONS,  
21            IF YOU WILL; INSTALLATION OPTIONS; YOU KNOW,  
22            SECURITY SETTINGS.  AND SO, ESSENTIALLY, THAT'S  
23            WHAT THAT SOFTWARE DOES.  IT LETS YOU SET THOSE  
24            SETTINGS FOR THE INTERNET EXPLORER SOFTWARE.

25            Q.    DOES IT ENABLE THE CORPORATIONS TO

1           ENABLE ALL OR PART OF INTERNET EXPLORER IN ORDER  
2           TO LIMIT WHAT THEIR EMPLOYEES CAN DO ON THE  
3           INTERNET?

4           A.     YES, IT DOES.

5           Q.     WHY DID YOU PUT THAT CAPABILITY IN  
6           THERE?

7           A.     ESSENTIALLY BECAUSE CORPORATE I-T  
8           MANAGERS ASKED US FOR CUSTOMIZATION OPTIONS.

9           Q.     AND DOES THAT REDUCE THE FUNCTIONALITY  
10          OF THE INTERNET EXPLORER THAT'S INSTALLED THERE?

11          A.     IT CAN, YES.

12          (EXCERPT.)

13          Q.     DO YOU AGREE THAT LICENSING TO INTERNET  
14          ACCESS PROVIDERS IS THE BEST AND FASTEST WAY TO  
15          BUILD IE SHARE?

16          A.     SHARE--IF YOU DEFINE SHARE AS USAGE OF  
17          THE BROWSER, I CAN'T SAY THAT I KNOW IF THAT'S A  
18          TRUE STATEMENT OR NOT.

19          Q.     DO YOU BELIEVE--

20          A.     AND JUST--I SAY THAT, JUST AS I STATED  
21          BEFORE, TRYING TO BE HELPFUL THERE.

22                    ESSENTIALLY, USAGE, I THINK--AND THIS  
23          IS SOMETHING THAT WE HAVE LEARNED, YOU KNOW, OVER  
24          TIME BECAUSE WE DIDN'T UNDERSTAND THE MARKET  
25          WELL. WE'VE LEARNED OVER TIME THAT USAGE OF



1 PEOPLE USING THE SOFTWARE IS THE MORE RELEVANT  
2 METRIC ABOUT THINGS THAT WE WANT TO MEASURE. AND  
3 SO, BACK IN THIS TIME FRAME, I'M NOT QUITE SURE  
4 IF AT THE TIME WE KNEW WHAT, QUOTE-UNQUOTE, SHARE  
5 MEANT. WE MIGHT HAVE BEEN CONFUSED MORE WITH  
6 SOMETHING ELSE LIKE DISTRIBUTION.

7 Q. WELL, DOES DISTRIBUTION HAVE ANY  
8 RELATIONSHIP TO USAGE?

9 A. I MEAN, I WOULD ASSUME IT DOES, BUT I  
10 DON'T KNOW. BECAUSE WE HAVE--I MEAN, WE'VE BEEN  
11 DISTRIBUTING INTERNET EXPLORER WITH, YOU KNOW,  
12 NEW PC'S SINCE WINDOWS 95. AND FOR ABOUT A YEAR  
13 AND A HALF, NO ONE USED OUR PRODUCT BECAUSE IT  
14 WASN'T A BETTER PRODUCT THAN NETSCAPE PRODUCT.  
15 AND SO THERE YOU HAD A LOT OF DISTRIBUTED COPIES,  
16 AND YET NO ONE USED THE PRODUCT. SO, IT'S HARD  
17 TO SAY BECAUSE WE DISTRIBUTED A LOT OF COPIES,  
18 AND YET YOU MIGHT ACTUALLY ARGUE THAT WE GOT MORE  
19 USAGE FROM DOWNLOADS.

20 SO, DO YOU SEE SORT OF THE  
21 DISCONNECTION BETWEEN DISTRIBUTION AND USAGE?

22 Q. ARE YOU REFERRING TO WHEN THE IE  
23 VERSIONS 1.0, 2.0--

24 A. YES, I'M REFERRING TO THE--RIGHT. I'M  
25 REFERRING TO THE VERSION OF INTERNET EXPLORER

1 THAT COMES WITH WINDOWS THAT SHIPS ON PC  
2 MANUFACTURER SYSTEMS.

3 Q. DO YOU BELIEVE THAT IT--WELL, IN YOUR  
4 OPINION, IS GETTING DEALS WITH INTERNET ACCESS  
5 PROVIDERS A MORE EFFECTIVE WAY OF GENERATING IE  
6 USAGE THAN, FOR EXAMPLE, DOWNLOADING?

7 A. AGAIN, LIKE I SAID BEFORE, I CAN'T--I  
8 DON'T HAVE ANY DATA THAT CORRELATES DISTRIBUTION  
9 WITH USAGE, SO I CAN'T COMMENT ON WHAT  
10 DISTRIBUTION VEHICLE IS MORE LIKELY TO GIVE YOU A  
11 GREATER NUMBER OF PEOPLE WHO WOULD USE YOUR  
12 PRODUCT.

13 (EXCERPT.)

14 Q. LET ME TO HAVE UP IN THIS DOCUMENT TO  
15 UNDER 2.2.1. I'LL READ IT FOR THE RECORD.

16 "WHY SHOULD YOU CARE?" THE SECOND  
17 BULLET POINT--WELL, LET ME READ THE WHOLE THING.

18 IT SAYS 2.2.1, "GO FOR MAXIMUM BROWSER  
19 SHARE. WHY SHOULD YOU CARE?" I'LL JUST READ THE  
20 WHOLE THING FOR THE RECORD.

21 "THIS IS NO REVENUE PRODUCT, BUT YOU  
22 SHOULD WORRY ABOUT YOUR BROWSER SHARE, AS MUCH AS  
23 BILLG BECAUSE: WE WILL LOSE," BULLET POINT 1.1,  
24 "WE WILL LOSE THE INTERNET PLATFORM BATTLE IF WE  
25 DO NOT HAVE A SIGNIFICANT USER INSTALLED BASE.

1 THE INDUSTRY WOULD SIMPLY IGNORE OUR STANDARDS.  
2 FEW WOULD WRITE WINDOWS APPS WITHOUT THE WINDOWS  
3 USER BASE."

4 SECOND BULLET POINT, "AT YOUR LEVEL, IF  
5 YOU LET YOUR CUSTOMERS DEPLOY NETSCAPE NAVIGATOR,  
6 YOU LOSE THE LEADERSHIP ON THE DESKTOP. THIS IS  
7 SIMILAR TO LETTING YOUR CUSTOMER ADOPT LOTUS  
8 NOTES."

9 IS THAT AN ACCURATE--DO YOU AGREE WITH  
10 WHAT MR. CHASE HAS WRITTEN THERE?

11 A. I'M NOT SURE I WOULD AGREE WITH  
12 NECESSARILY THE WORDING HE HAS, BUT I THINK I  
13 AGREE WITH THE GENERAL SPIRIT OF THE MOTION THAT  
14 HAVING USERS USE OUR SOFTWARE IS AN IMPORTANT--IS  
15 AN IMPORTANT GOAL FOR US TO DEFEND THE WINDOWS  
16 MARKET SHARE AND PROVIDE A PLATFORM FOR THOSE  
17 DEVELOPERS TO WRITE TO.

18 AND TO THE EXTENT AT (SIC) THAT  
19 NETSCAPE WOULD HAVE A MORE POPULAR PLATFORM THAT  
20 PEOPLE WROTE TO AND USED INSTEAD, THAT WOULD BE A  
21 THREAT TO THE BUSINESS FOR THE WINDOWS BUSINESS  
22 FOR MICROSOFT.

23 Q. DID YOU EVER DO ANY STUDIES AS TO THE  
24 DEGREE TO WHICH ISP'S WERE WRITING TO THE  
25 NETSCAPE PLATFORM, AS YOU DESCRIBED?

1           A.    WE DIDN'T DO ANY FORMAL STUDIES, PER  
2 SE.   WE SPECIFICALLY--I WOULD LOOK AT NETSCAPE  
3 WEB SITES AND SEE THE LIST OF SOFTWARE PLUG-INS  
4 THAT NETSCAPE WAS OFFERING AND TELLING US HAVING  
5 BEEN WRITTEN TO THEIR PLATFORM.   SO I WOULD GO  
6 AND LOOK AT THAT.

7           Q.    WHY IS ADOPTING NETSCAPE SIMILAR TO  
8 ADOPTING LOTUS NOTES?

9           A.    AGAIN, SORT OF FROM THE THING WE TALKED  
10 ABOUT BEFORE, THE NETSCAPE SOFTWARE PROVIDES A  
11 COUPLE OF THINGS, PROVIDES A USER INTERFACE IN  
12 WHICH USERS CAN ACCESS THE WEB AND, YOU KNOW,  
13 OTHER DATA WITH INFORMATION.

14                   SO, IT BECOMES THE ENVIRONMENT IN WHICH  
15 THEY SPEND THE BULK OF THEIR TIME, AND AT THE  
16 SAME TIME IT OFFERS A SET OF API'S FOR PEOPLE TO  
17 WRITE ADDITIONAL SOFTWARE ONTO THAT PLATFORM.   SO  
18 THEY'RE SIMILAR FROM THAT PERSPECTIVE.

19           Q.    LET ME GO BACK TO THE POINT WE WERE  
20 DISCUSSING EARLIER ABOUT WHETHER OR NOT INTERNET  
21 ACCESS PROVIDERS--DEALS WITH INTERNET ACCESS  
22 PROVIDERS ARE THE FASTEST AND BEST WAY TO BUILD  
23 SHARES.

24                   AFTER THE SENTENCE I HAD READ EARLIER,  
25 MR. CHASE GOES, "THIS GIVES US THOUSANDS OF NEW

1           USERS AT ONCE."

2                         DID YOU BELIEVE THAT BECAUSE IF A USER  
3                         SIGNS UP WITH AN INTERNET ACCESS PROVIDER, HE OR  
4                         SHE IS MORE LIKELY TO USE THE INTERNET THAN  
5                         SOMEONE WHO JUST MIGHT HAPPEN TO GET IT BUNDLED  
6                         WITH THE PC? DO YOU UNDERSTAND MY QUESTION?

7                         A. I UNDERSTAND YOUR QUESTION. I THINK I  
8                         UNDERSTAND YOUR QUESTION. AND--BUT I THINK I  
9                         SORT OF--I'VE GIVEN YOU THE SAME ANSWER AGAIN.

10                        ESSENTIALLY, AT THIS POINT IN TIME, I  
11                        DON'T THINK WE HAD A CLEAR UNDERSTANDING OF ANY  
12                        CORRELATION BETWEEN DISTRIBUTION AND USAGE. AND  
13                        SO I THINK--I THINK THAT ESSENTIALLY HERE BRAD IS  
14                        ESSENTIALLY SAYING WE WILL GET DISTRIBUTION. I  
15                        DON'T THINK HE KNEW OR ANY OF US REALLY KNEW THAT  
16                        THAT WOULD CORRELATE TO USAGE, PER SE. AND AT  
17                        SOME POINT IN THIS TIME FRAME, WE BEGAN TO  
18                        REALIZE THAT THE PROPER WAY TO MEASURE USAGE WAS  
19                        BY ASKING PEOPLE THAT WHAT THEY USE, AND THAT  
20                        DISTRIBUTION WAS NOT, IN FACT, A VALUABLE TOOL IN  
21                        AND OF ITSELF TO DRIVE USAGE AND, THEREFORE,  
22                        BROWSER SHARE. IT WAS OTHER THINGS LIKE QUALITY  
23                        OF PRODUCT.

24                        Q. WELL, DID YOU HAVE MORE CONFIDENCE THAT  
25                        INTERNET EXPLORER WOULD BE USED IF IT WERE

1 BUNDLED WITH THE ACCESS PROVIDER SOFTWARE BECAUSE  
2 OF SOMEONE WHO SIGNS UP WITH AN ACCESS PROVIDER  
3 HAS SOME INTENTION TO USE THE INTERNET?

4 A. I THINK IT'S FAIR TO SAY THAT YOU'RE  
5 MORE LIKELY TO GET SOMEONE TO TRY IT. BUT  
6 WHETHER THEY ACTUALLY USE IT IS DEPENDENT UPON  
7 WHETHER THE PRODUCT'S ANY GOOD.

8 (EXCERPT.)

9 Q. LET'S TALK ABOUT DOWNLOAD AS A METHOD  
10 OF DISTRIBUTION.

11 A. OKAY.

12 Q. DO YOU MAINTAIN STATISTICS ON HOW MANY  
13 INTERNET EXPLORERS ARE DOWNLOADED?

14 A. YEAH. WE TRY TO DO THAT.

15 Q. DO YOUR STATISTICS DISTINGUISH BETWEEN  
16 ATTEMPTED DOWNLOADS AND COMPLETED DOWNLOADS?

17 A. YES. WE TRY AND DO THAT.

18 Q. WITH INTERNET EXPLORER 4, HAS THERE  
19 BEEN A CONCERN ABOUT THE SIZE OF THE PRODUCT IN  
20 TERMS OF HOW LONG IT'S GOING TO TAKE TO DOWNLOAD?

21 A. YES, THERE HAS.

22 Q. WHAT IS THAT CONCERN?

23 A. THAT ESSENTIALLY IT TAKES A LONG TIME  
24 TO DOWNLOAD AND THAT PEOPLE WOULD--PEOPLE WOULD  
25 LIKE TO BE ABLE TO DOWNLOAD IT FASTER.

1 Q. HAVE YOU TAKEN ANY STEPS TO MAKE--WELL,  
2 LET ME ASK YOU, DO YOU HAVE AN ESTIMATE AS TO HOW  
3 LONG IT TAKES TO DOWNLOAD ON VARIOUS MODEM SIZES?

4 A. I KNOW WE HAVE THE NUMBERS. I DON'T  
5 HAVE THEM OFF THE TOP OF MY HEAD, BUT CERTAINLY  
6 I'M SURE, AT LEAST, AN HOUR, IF NOT LONGER,  
7 DEPENDING ON WHAT VERSION AND ON WHAT MODEM  
8 YOU'RE TRYING TO DOWNLOAD.

9 Q. OKAY. HAVE YOU TAKEN ANY STEPS TO  
10 REDUCE THE DOWNLOAD SIZE?

11 A. TO REDUCE THE DOWNLOAD SIZE?

12 Q. OR TO REDUCE THE DOWNLOAD TIME, I  
13 GUESS.

14 A. WE HAVE--WELL, ESSENTIALLY BY--THERE  
15 ARE A NUMBER OF THINGS. IT'S A QUESTION OF WHEN.  
16 WHAT TIME FRAME ARE YOU ASKING FOR?

17 Q. WE'RE TALKING ABOUT THE IE 4 FOR RIGHT  
18 NOW.

19 A. OKAY. SO, WE HAVEN'T REALLY BEEN ABLE  
20 TO DO MUCH TO IE 4 TO CHANGE IT. THERE'S  
21 OBVIOUSLY THE--WHAT WE DID PRIOR TO PROVIDING IT  
22 ON THE WEB SITE, WE OFFER VARIOUS SIZES FOR  
23 DOWNLOADS SO YOU CAN DOWNLOAD, YOU KNOW, A BASIC  
24 STANDARD AND A FULL INSTALLATION, IF YOU WILL.  
25 SO WE'VE TRIED TO DO THAT.

1 AND WE OFFER A--WE OFFER IT ON CD, SO  
2 IF SOMEONE WANTS TO GET IT VIA, YOU KNOW, A CD,  
3 THEY CAN ORDER ONE FROM THE WEB SITE.

4 Q. HAD YOU HAD CD'S AVAILABLE IN THE PAST  
5 VIA THE WEB SITE?

6 A. I THINK WE HAD IT DURING THE BETA  
7 PROCESS FOR INTERNET EXPLORER 4.0. I'M NOT SURE  
8 IF WE HAD ONE FOR INTERNET EXPLORER 3.0.

9 Q. SO, MAKING IT AVAILABLE VIA CD WAS A  
10 REACTION TO THE TIME IT TOOK, THE INCREASING SIZE  
11 OF THE BROWSER, AND THE INCREASING TIME IT TOOK  
12 TO DOWNLOAD DUE TO SIZE?

13 A. YEAH. PART OF IT WAS DUE TO SIZE, PART  
14 OF IT WAS DUE--YOU COULD JUST PROVIDE JUST A  
15 FASTER INSTALL AND HAVE THE CODE READY IF THEY  
16 WANTED IT.

17 (EXCERPT.)

18 Q. LET ME SHOW YOU A DOCUMENT THAT'S BEEN  
19 PREVIOUSLY MARKED AS GOVERNMENT'S EXHIBIT 26, MS7  
20 004273. TAKE A SECOND TO REVIEW IT.

21 A. OKAY.

22 Q. WHO IS MR. MEHTA?

23 A. HE RUNS THE RESEARCH FOR THE--OR HE RAN  
24 THE RESEARCH FOR THE DIVISION AT THE TIME IN  
25 WHICH I WORKED THERE.



1 Q. AND DID HE REPORT TO MR. CHASE?

2 A. HE WORKED FOR ME.

3 Q. DOES HE STILL WORK FOR YOU?

4 A. UNCLEAR. IT'S PART OF THE NEW  
5 REORGANIZATION.

6 Q. BUT HE'S STILL IN THE SAME BASIC GROUP?

7 A. YEAH.

8 Q. OKAY. DID YOU RECEIVE THIS E-MAIL FROM  
9 HIM ON OR AROUND MARCH 27, 1997?

10 A. IT LOOKS LIKE I DID, YEAH.

11 Q. OKAY. LET ME READ THE TOP OF IT FOR  
12 THE RECORD.

13 "BOBFOU"--F-O-U, WHO IS THAT?

14 A. BOB FOULON.

15 Q. OKAY.

16 "--"IS GATHERING DATA FOR A  
17 JONRO"--J-O-N-R-O, WHO'S THAT?

18 A. JONATHAN ROBERTS.

19 Q. "MEETING WITH BILLG TOMORROW."

20 I GUESS I SHOULD ASK YOU, WHO'S THAT?

21 A. BILL GATES.

22 Q. "APPARENTLY THEY ARE GOING TO DISCUSS  
23 WHETHER IE AND MEMPHIS SHOULD BE BUNDLED  
24 TOGETHER."

25 DID YOU ATTEND THAT MEETING?

1 A. NO.

2 Q. DO YOU KNOW WHO ATTENDED THAT BESIDES  
3 JOHN ROBERTS?

4 A. NO.

5 Q. DID MR. CHASE ATTEND? DO YOU KNOW?

6 A. I DON'T KNOW.

7 Q. WAS MR. GATES ULTIMATELY CALLED UPON TO  
8 DECIDE WHETHER IE AND MEMPHIS SHOULD BE BUNDLED  
9 TOGETHER?

10 MR. AESCHBACHER: ASSUMES FACTS.

11 THE WITNESS: I DON'T KNOW.

12 BY MR. COVE:

13 Q. DID THIS RELATE TO THE EARLIER  
14 DISCUSSION THAT WE TALKED ABOUT BEFORE ABOUT THE  
15 MEMPHIS BETA AND THE IE BETA AND DISCUSSIONS  
16 ABOUT WHEN EACH SHOULD BE RELEASED?

17 MR. AESCHBACHER: CALLS FOR  
18 SPECULATION.

19 GO AHEAD.

20 THE WITNESS: I CAN'T BE SURE. IT'S  
21 PROBABLY RELATED, BUT I CAN'T BE SURE.

22 BY MR. COVE:

23 Q. DID YOU EVER HEAR ANYTHING ABOUT THE  
24 RESULTS OF THIS MEETING FROM ANY SOURCE?

25 A. I DON'T RECALL IF I DID.

1 Q. EVEN IF YOU DIDN'T HEAR ABOUT THE  
2 MEETING, I MEAN THE RESULTS IN PARTICULAR, DO YOU  
3 KNOW WHETHER A DECISION HAS BEEN MADE AS TO  
4 WHETHER IE AND MEMPHIS SHOULD BE BUNDLED  
5 TOGETHER?

6 A. THE PART HERE--I GUESS THAT I'M UNCLEAR  
7 ON WHAT KUMAR MEANS, AND SO IT'S HARD FOR ME TO  
8 SORT OF SAY WHAT HE IS SPENDING THERE AND FROM  
9 ONE FACT YOU'RE ASKING, SO--

10 Q. DID YOU EVER HAVE ANY DISCUSSIONS WITH  
11 MR. MEHTA ABOUT THIS MESSAGE?

12 A. NO.

13 Q. LET ME MOVE ON TO THE SECOND PART OF  
14 THE MESSAGE WHERE--FROM MR. MEHTA TO MR. FOULON.

15 DID HE ATTACH THIS MESSAGE IN HIS  
16 ORIGINAL MESSAGE TO YOU?

17 A. I THINK IF I GOT A MESSAGE, I PROBABLY  
18 GOT THIS MESSAGE. THEY INCLUDED THIS COPY AS  
19 PART OF THAT MESSAGE.

20 Q. YOU'RE INDICATING THIS WHOLE PAGE HERE?

21 A. YES.

22 Q. OKAY. AND WAS PART OF MR. MEHTA'S JOB  
23 TO DO RESEARCH ON WHAT CONSUMERS OR USERS WERE  
24 DOING AND REPORT THAT TO YOU AND MR. CHASE?

25 A. YES.

1 Q. NOW, EARLIER YOU TALKED ABOUT THE  
2 DISTINCTION BETWEEN USE AND DISTRIBUTION. LET ME  
3 READ THE FIRST BULLET POINT FOR THE RECORD.

4 "IE USERS ARE MORE LIKELY THAN OTHER  
5 BROWSER USERS TO GET IT WITH THEIR COMPUTERS.  
6 OVERALL, 20 PERCENT OF PEOPLE WHO USE IE AT HOME  
7 OBTAINED IT WITH THEIR COMPUTER, AND 24 PERCENT  
8 OF THOSE USING IE AT WORK GOT IT WITH THEIR  
9 COMPUTER. EFFECTIVELY, WE WOULD BE TAKING AWAY  
10 THE DISTRIBUTION CHANNEL OF ALMOST A QUARTER OF  
11 ALL IE USERS."

12 LET ME ASK YOU ABOUT THE SECOND  
13 SENTENCE.

14 IS THAT INFORMATION GENERALLY  
15 CONSISTENT WITH YOUR UNDERSTANDING?

16 MR. AESCHBACHER: AS OF THE FACTS BACK  
17 IN MARCH OF '97, YOU MEAN?

18 MR. COVE: YES. THAT'S MY FIRST  
19 QUESTION.

20 THE WITNESS: SO, OVERALL 20 PERCENT OF  
21 THE PEOPLE WHO USE IE--

22 BY MR. COVE:

23 Q. UH-HUH.

24 A. YEAH. I THINK THAT SOUNDS ABOUT RIGHT.

25 Q. HAS THAT CHANGED SINCE THAT TIME, BASED

1 ON THE INFORMATION YOU RECEIVED IN YOUR JOB?

2 A. NO, I DON'T THINK IT HAS.

3 Q. WHAT DID MR. MEHTA MEAN BY

4 "EFFECTIVELY, WE WOULD BE TAKING AWAY THE  
5 DISTRIBUTION CHANNEL OF ALMOST A QUARTER OF ALL  
6 IE USERS"?

7 MR. AESCHBACHER: CALLS FOR  
8 SPECULATION.

9 THE WITNESS: I HAVE NO IDEA.

10 BY MR. COVE:

11 Q. WAS IT A CONCERN TO YOU THAT IF IE WAS  
12 RELEASED WITHOUT--I MEAN, IF MEMPHIS WAS RELEASED  
13 WITHOUT IE, THAT YOU WOULD BE TAKING AWAY A  
14 SIGNIFICANT DISTRIBUTION CHANNEL FOR IE?

15 A. I'M A LITTLE BIT CONFUSED ABOUT WHAT  
16 HE'S GOT THERE. WE'VE ALWAYS HAD IE AS PART OF  
17 WINDOWS SINCE WE SHIPPED THE ORIGINAL VERSION TO  
18 PC MANUFACTURERS, AND WE'VE DONE THAT THROUGHOUT.  
19 SO THAT WAS--I MEAN, I DON'T THINK THAT'S EVER  
20 COME UP AS A CONSIDERATION. SO, I THINK HE MUST  
21 BE TALKING ABOUT SOMETHING ELSE IN THIS MAIL.

22 Q. DO YOU KNOW WHAT IT IS HE'S TALKING  
23 ABOUT?

24 A. I CAN'T SAY FOR SURE. HE MAY BE  
25 TALKING ABOUT A PARTICULAR VERSION NUMBER OR, YOU

1 KNOW, PARTICULAR VERSION OR SET OF FEATURES. BUT  
2 IE ITSELF AS A GENERIC ENTITY, HAS ALWAYS  
3 BEEN--WE'VE ALWAYS KEPT IT AS PART OF THE  
4 OPERATING SYSTEM.

5 Q. WAS THERE EVER ANY CONSIDERATION BY  
6 ANYBODY WITHIN MICROSOFT ABOUT TAKING IT OFF OR  
7 RELEASING MEMPHIS WITHOUT IT?

8 A. NO, NOT THAT I KNOW OF.

9 Q. MOVING TO THE SECOND BULLET POINT, I'LL  
10 READ IT FOR THE RECORD.

11 "OVERALL, 34 PERCENT OF ALL SURFERS  
12 (NOT JUST IE USERS) HAVE EVER DOWNLOADED A  
13 BROWSER. THAT MEANS 66 PERCENT OF EVERYBODY ON  
14 THE WEB HAS NEVER DOWNLOADED A BROWSER."

15 DO YOU VIEW THE RELUCTANCE TO DOWNLOAD  
16 AS A SIGNIFICANT DETRIMENT TO DOWNLOADING AS A  
17 DISTRIBUTION METHOD?

18 A. METHOD? WELL, I MEAN, AT THE TIME,  
19 WHICH WAS A LITTLE BIT OVER A YEAR AGO, 34  
20 PERCENT HAD DOWNLOADED A BROWSER. I ACTUALLY  
21 THINK THAT'S A PRETTY AMAZING NUMBER, FRANKLY,  
22 AND I THINK THAT NUMBER IS PROBABLY GOING UP  
23 SO--SO I--THAT'S HOW I THINK OF IT.

24 I MEAN, IF YOU THINK ABOUT THE MARKET  
25 GROWING TO SOME VERY LARGE PERCENTAGE OF THE

1 POPULATION AND YOU SAY THAT OVER A THIRD OF THAT  
2 BASE WILL ACTUALLY GET SOMETHING FROM THE WEB, I  
3 KIND OF BELIEVE THAT THAT'S GOING TO BE THE BEST  
4 DISTRIBUTION CHANNEL THERE IS, BETTER THAN  
5 ANYTHING YOU WOULD EVER HOPE TO GET FROM RETAIL  
6 OR PC MANUFACTURERS OR ANY OTHER DISTRIBUTION  
7 SYSTEM.

8 Q. DOES THAT TRANSLATE INTO GREATER USE  
9 FOR THE PRODUCT THAT IS DOWNLOADED?

10 A. AS I TOLD YOU BEFORE, THERE'S NO  
11 CORRELATION DATA THAT I HAVE THAT TALKS ABOUT  
12 USAGE AND DISTRIBUTION.

13 Q. DO YOU BELIEVE THAT THE FIGURE OF USERS  
14 THAT GOT THEIR BROWSERS DOWNLOADING IS ANYWHERE  
15 CLOSE TO 34 PERCENT?

16 A. COULD YOU ASK THAT AGAIN?

17 Q. DO YOU BELIEVE THAT THE FIGURE OF IE  
18 USERS WHO GOT THEIR BROWSER FROM A DOWNLOAD IS  
19 ANYWHERE CLOSE TO 30 PERCENT?

20 MR. AESCHBACHER: CURRENTLY?

21 MR. COVE: CURRENTLY.

22 THE WITNESS: I THINK THAT'S ABOUT  
23 RIGHT.

24 (EXCERPT.)

25 Q. LET ME READ THE NEXT BULLET POINT.

1 "CHANGE THE E ICON IN THE BROWSER  
2 AND/OR ON THE DESKTOP TO THE WINDOWS FLAG."

3 WAS THAT YOUR SUMMARY OF WHAT SOMEBODY  
4 ELSE HAD PROPOSED?

5 A. YES.

6 Q. AND WHAT DID THAT MEAN?

7 A. ESSENTIALLY, ON THE DESKTOP--ON THE  
8 DESKTOP THERE IS AN ICON THAT WILL LAUNCH YOU  
9 INTO THE PROGRAM. AND THEN WHEN YOU HAVE THE  
10 BROWSER UP AND RUNNING, IN THE UPPER RIGHT-HAND  
11 CORNER, THERE'S AN ICON THAT INDICATES IF YOU'RE,  
12 YOU KNOW, TRYING TO DOWNLOAD SOME CONTENT AND  
13 BROWSER'S WORKING OR IT'S NOT. AND SO THIS WAS  
14 REFERRING TO THOSE TWO LOCATIONS.

15 Q. WHAT DID YOU--LET ME READ THE NEXT  
16 SENTENCE AGAIN. "AGAIN, WE ARE INVESTING A LOT  
17 OF MARKETING EFFORT TO DRIVE E BRAND AWARENESS  
18 AND LESS SHARE IN THE UPCOMING FY TO THE TUNE OF  
19 30 MILLION PLUS, OR "30M PLUS," "THAT WE WOULD BE  
20 DOING OURSELVES A BIG DISSERVICE TO START PULLING  
21 THE PLUG ON THE MOST VALUABLE REAL ESTATE WE  
22 HAVE."

23 WHAT DID YOU MEAN BY "THE MOST VALUABLE  
24 REAL ESTATE WE HAVE"?

25 A. ESSENTIALLY, THAT IF YOU WANT TO



1 PROMOTE THE E--THE E LOGO, IF YOU WILL, THAT'S IN  
2 THE BROWSER WINDOW, THAT IS A PLACE THAT PEOPLE  
3 CAN SEE THE E QUITE A BIT. SO IT'S VALUABLE,  
4 VALUABLE REAL ESTATE.

5 Q. BY THE MOST VALUABLE REAL ESTATE THAT  
6 YOU HAVE, DID YOU MEAN THE WINDOWS DESKTOP?

7 A. ACTUALLY, I WAS TALKING MORE ABOUT THE  
8 BROWSER APPLICATION, THE UPPER RIGHT CORNER ON  
9 THE E.

10 Q. THE UPPER RIGHT CORNER OF THE WINDOWS  
11 DESKTOP?

12 A. NO, OF THE BROWSER WINDOWS. YOU KNOW,  
13 WHEN YOU BOOT UP A BROWSER, NETSCAPE OR IE, THERE  
14 IS THE WINDOW OF THAT PROGRAM, AND UP IN THE  
15 UPPER RIGHT-HAND CORNER THERE'S AN ICON.

16 Q. OKAY. I UNDERSTAND. WHY IS E BRANDING  
17 IMPORTANT?

18 A. WE WERE JUST TRYING TO BUILD AWARENESS  
19 FOR THE FUNCTIONALITY OF THE SOFTWARE.

20 Q. AND WHY DIDN'T--

21 A. PART OF THAT IS AWARENESS.

22 Q. I'M SORRY, AND WHY DIDN'T YOU WANT TO  
23 PUT THE WINDOWS FLAG THERE?

24 A. I WANTED TO HAVE THE E ICON THERE JUST  
25 TO LET USERS KNOW AND TO BUILD AWARENESS OF THE

1 INTERNET EXPLORER SOFTWARE.

2 Q. LET ME READ THE LAST PARAGRAPH OF THE  
3 MESSAGE FOR THE RECORD.

4 "NET, WE ARE FAR FROM DONE ON THE  
5 BROWSER FRONT. WE ARE JUST 30 PERCENT, BUT  
6 NETSCAPE HAS SHIPPED A GOOD PRODUCT FAR AHEAD OF  
7 US AND IS STILL VERY SAVVY AND VERY INTERESTED IN  
8 KEEPING THEIR STOCK PRICE UP. WE NEED TO EXECUTE  
9 ON IE 4, SURPASS 50 PERCENT SHARE, AND BE SET UP  
10 TO CONTINUE TO SHARE GAIN VIA GREAT DISTRIBUTION  
11 AND PRODUCT BEFORE WE PULL THE PLUG."

12 WHAT DID YOU MEAN BY "CONTINUE THE  
13 SHARE AGAIN VIA GREAT DISTRIBUTION"?

14 A. HONESTLY, I DON'T QUITE REMEMBER WHY I  
15 ACTUALLY SAID THAT THE WAY I SAID IT.

16 Q. WHAT DO YOU MEAN BY "BEFORE WE PULL THE  
17 PLUG"?

18 A. I MEANT BEFORE WE ESSENTIALLY STOP  
19 CALLING OUT THAT PARTICULAR FEATURE CALLED  
20 "INTERNET EXPLORER."

21 Q. WHAT DO YOU MEAN BY "CALLING OUT"?

22 A. MARKETING.

23 Q. DO YOU HAVE SOME PLANS AT SOME POINT TO  
24 PULL THE PLUG, AS YOU'VE DESCRIBED IT?

25 A. WELL, ESSENTIALLY THERE'S ALWAYS THE

1           SITUATION OF DO YOU HAVE ALL THOSE FEATURES  
2           WITHIN WINDOWS.   HOW MANY FEATURES CAN YOU REALLY  
3           TALK ABOUT AT ONE TIME?   ESSENTIALLY, CUSTOMERS,  
4           THEY CAN ONLY GET A FEW KEY THINGS, AND SO I WAS  
5           ESSENTIALLY SAYING BEFORE WE DE-EMPHASIZE IT IN  
6           PRODUCT OR IN MARKETING, WE NEED TO CONTINUE TO  
7           BUILD GOOD SOFTWARE AND PROMOTE IT.

8           Q.    OKAY.   HAS THERE BEEN ANY MORE  
9           CONSIDERATION, SINCE THIS MEMO WAS WRITTEN, OF  
10          DE-EMPHASIZING IE IN FAVOR OF SOMETHING ELSE?

11          A.    I THINK WE'VE--I THINK WE'VE TALKED A  
12          LITTLE BIT ABOUT HOW MUCH WE CONTINUE TO, YOU  
13          KNOW, PROMOTE THE FEATURE INTERNET EXPLORER AND  
14          HOW MUCH WE, YOU KNOW, NOT DO THAT AND PROMOTE  
15          OTHER FEATURES.

16          Q.    WHAT'S BEEN THE NATURE OF THOSE--I  
17          MEAN, HAS THERE BEEN ANY CONCLUSION TO THOSE  
18          DISCUSSIONS?

19          A.    NO.

20          (EXCERPT.)

21          Q.    LET'S TALK ABOUT THE MARKETING  
22          RESOURCES.

23                   DO YOU HAVE ANY RESPONSIBILITY FOR  
24          BUDGETING AND FOR THE MARKETING BUDGET?

25          A.    I DON'T SET THE BUDGET, BUT--

1 Q. DO YOU KNOW WHAT IT IS? I MEAN, DO YOU  
2 HAVE ACCESS TO IT?

3 A. YEAH.

4 Q. WHAT IS THE--LET ME ASK FOR FISCAL OF  
5 '97, WHAT WAS THE MARKETING BUDGET FOR IE?

6 A. FOR FISCAL 97?

7 Q. FISCAL 97.

8 A. SO, OVER A YEAR AGO.

9 Q. YES.

10 DO YOU RECALL?

11 A. NOT OFF THE TOP OF MY HEAD, NO.

12 Q. DO YOU--WAS IT GREATER THAN \$30  
13 MILLION?

14 A. I DON'T KNOW.

15 Q. DO YOU KNOW WHAT IT WAS FOR FISCAL 98?

16 A. FOR FISCAL 98, I BELIEVE IT'S ROUGHLY  
17 ABOUT \$30 MILLION.

18 Q. DO YOU RECALL WHETHER IT HAS INCREASED  
19 OR DECREASED SINCE '97?

20 A. I THINK IT'S BEEN ABOUT THE SAME.

21 (EXCERPT.)

22 Q. I BELIEVE YOU TESTIFIED EARLIER THAT  
23 MICROSOFT IS CURRENTLY WORKING ON A VERSION OF  
24 INTERNET EXPLORER FOR THE HP, OR HEWLETT-PACKARD,  
25 BRAND OF UNIX; IS THAT CORRECT?

1 A. YES.

2 Q. AND I BELIEVE YOU TESTIFIED THAT THAT  
3 PRODUCT, WHEN IT IS RELEASED, WILL BE CALLED  
4 "INTERNET EXPLORER 4.0"; IS THAT CORRECT?

5 A. I BELIEVE SO, YES.

6 Q. WHY WILL THAT BE REFERRED TO AS  
7 INTERNET EXPLORER--WELL, FIRST OF ALL, THAT  
8 INTERNET EXPLORER WILL BE THE FIRST INTERNET  
9 EXPLORER MADE AVAILABLE FOR THE HP UNIX; IS THAT  
10 CORRECT?

11 A. YES.

12 Q. WHY WILL THAT BE KNOWN AS "INTERNET  
13 EXPLORER 4.0"?

14 A. ESSENTIALLY, THAT'S THE SAME FOR  
15 THAT--THE PRODUCT THAT WE HAVE ON THERE, IT  
16 MATCHES THE FEATURES SET THAT WE ARE ROUGHLY  
17 STRIVING TO HAVE FOR THAT PRODUCT.

18 Q. BY THAT PRODUCT, YOU MEAN INTERNET  
19 EXPLORER 4.0 GENERALLY?

20 A. RIGHT.

21

22

23

24

25