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From: Dan Rosen <drosen@microsoft.com>
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Summary of Meeting with NetScape on 6/2/95

On Friday, 6/2, Nathan Myhrvold, Paul Maritz, and the author (Dan =
Rosen) met with Jim Barksdale, the NetScape CEO. The purpose of the =
meeting was to understand if there was an opportunity for a broad =
collaboration between Microsoft and NetScape. This is a somewhat =
abbreviated summary of that meeting. For clarity, I have tried to =
arrange this by topic order; the discussion was not this way.

GENERAL

=B7 The meeting was a cordial, open discussion of issues and direction.
=B7 NetScape seems open to working with Microsoft.

NETSCAPE DIRECTION

=B7 NetScape like being private, so that they don't have to explain their =
=

strategy to analysts or shareholders.

=B7 They will focus on enterprise applications as the first big wave. =

Jim said that NetScape is a pure software play for enterprise =

networking, then interenterprise, and then consumer.

=B7 They are pleased so far with their ability to sell servers and =

browsers to enterprises. They are selling a lot of site licenses for =

browsers. They will continue to waive license fees for students and =

non-profit organizations, but will begin to charge for others.

=B7 NetScape sees Lotus Notes as their most direct competitor.

=B7 Their strategy must be rather fluid. "We are going where it takes us."

=B7 They will launch a retail browser product next week. It will include =



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a sign up choice for one of four providers (Netcom, PSI, plus 2 others).
=B7 Windows95 and Win 3.1 are their primary browser development =
platforms. However, they have a proportionately larger share (compared =
to the market share of platforms) of Apple browsers today.
=B7 See their future in software only. Don=92t want to enter services. =

Will do turnkey solutions with VARs and OEMs.
=B7 Will continue to focus on the Internet as its own delivery and =
marketing system, so that they don=92t have to develop channel.
=B7 When asked about cooperation with Microsoft, Jim replied "yes. We =
would be foolish to start a fight with Microsoft." Their current =
strategy is to "dodge when we can=92t agree". But they must be free to =
support other technologies, protocols, etc. when they have to.

KEY ISSUES FOR NETSCAPE WITH MICROSOFT

=B7 NetScape believed that MSN was a closed network and that their =
browser couldn=92t work on MSN and that MSN content was available only to =
those that used MSN software and access. (We corrected this =
misconception.) NetScape had believed that this would prohibit them =
from working with Microsoft.
=B7 NetScape feels that they must be free to support any protocol, API, =
etc. that becomes popular, without restriction. "Openness" was =
mentioned several times.

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=B7 NetScape will focus on Windows95 (and Windows NT), but won=92t abandon =
their announced relationship with Adobe for Acrobat or Sun for Java.

WHAT NETSCAPE WANTS FROM MICROSOFT

=B7 NetScape wants Microsoft to bundle their server products (presumably =
their Commerce Server and Communications Server) with Windows NT. They =
would give our customers a royalty free 30-90 day license; when it =

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expires, the customer would call NetScape for a permanent license.
=B7 They would like to "work together" on an NT version of their Internet S=
erver.
=B7 An STT license that allows them to continue to be cross-platform.

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=B7 A close relationship on future clients.

=B7 On browser cooperation, Jim said that he would like Microsoft to =

"distribute his browser". Short of that, he would like to explore ways =

to cooperate, but he wants to continue to add value in browser code.

=B7 NetScape would like to consider using Blackbird. They would like to =

get information and an evaluation copy.

WHAT MICROSOFT WANTS FROM NETSCAPE

=B7 Support of STT. (He noted that the process is in place, but they =

needed to understand what they were getting into; e.g. was it locking =

them to a specific standard that could only come from Microsoft?)

=B7 Incorporation of our viewers (Word, Powerpoint), etc. in both their =

browsers and servers. (Looks promising?)

=B7 Cooperation to ensure that their firewall products don't block our =

formats. (He agreed.)

=B7 Becoming a Microsoft solution provider for Back Office.

=B7 Strong support of Win95 and its evolution path. (Stronger support =

than for other products like Acrobat or Java.) This might include =

using Microsoft's underlying code for its browser, adding their =

value-added components on top.

Using the MSN Internet capability as one (if not the primary) access =

mechanism for their products.

NEXT STEPS

=B7 Dan Rosen will contact Mike Homer (NetScape VP Marketing) to arrange =

a joint brainstorming session.

=B7 Each side will prepare a list of the things they want from and are =

willing to give to form a relationship. (Need input from groups around =

Microsoft on this.)

=B7 We will try to focus on a manageable list of concrete things that can =

be accomplished, to get the relationship going. **CONFIDENTIAL**

CONCLUSION

NetScape is open to a broad strategic relationship with Microsoft. =

They are concerned that we want them to become "less open", restricting =

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their market opportunities. I believe that if we can show them that =
there are broad enough opportunities working with us, we can both =
achieve our strategic objectives.

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