

**From:** Jim Alchin (Exchange)  
**Sent:** Friday, September 17, 1999 7:53 AM  
**To:** Anthony Bay (Exchange)  
**Subject:** RE: Update on streaming media for ATT

You have made your point. Bill needs to respond. I propose you stop with this email -- make it the final one. It is best to not fight a battle like this in email. You should go see bill and discuss with him.

If nothing changes, then I will release you guys to make deals with other STB vendors.

jim

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

**From:** Anthony Bay (Exchange)  
**Sent:** Thursday, September 16, 1999 6:13 PM  
**To:** Anthony Bay (Exchange); Bill Gates; Jon DeVaan; Rick Belluzzo; Steve Botmer  
**Cc:** Jim Alchin (Exchange); Will Poole  
**Subject:** RE: Update on streaming media for ATT

it has been pointed out to me that perhaps in my passion about this issue i could have done a better job of articulation. sorry if i came across inappropriately. here is another try.

RealNetworks is one of microsoft's top competitors. For the first time today at company meeting we made this very clear. Steve said there should be no confusion about this.

Microsoft helped Real get established on the PC. we shipped their player from IE2 thru IE4 and included them in Windows 98. We left the market confused as to whether they were a partner or a competitor. They built a big lead which we are working hard to reverse, as we left ourselves a very big mountain to climb.

Windows Media is now at parity run rate for players on PC and is included in all major operating system releases. We have approx 40M players distributed ramping to over 100M by mid 00. Windows Media is available on WinCE handhelds, starting with Casio and continuing with the upcoming new release of CE handheld OS. Media player for Mac is in beta and will ship this year. Unix a bit later. We are doing super well with the coming generation of portable music players (aka MP3 players). We are on track to have all major processors used in these devices support our format by end of the year, and most devices shipping starting late this year will include support for both MP3 and wma (windows media audio.. formerly msaudio). NONE will support Real G2. this is a category Real doesn't have the quality to compete in. we have a great story. we even make money!! even the MPEG car devices that runs on Linux will support wma.

The next battleground is TV STB and servers. There is TVPAK and WebTV service and competitors (Liberate, AOL, etc). Windows Media isn't yet available on any TV STB. We need to be... getting breadth coverage is a key success criteria. We are working closely with TedK's team and have Windows Media working on the DCT-5000 based system MSFT will deliver to ATT. Eventually we will end up in TV PAK via work done in Ted's team that Phil Goldman will pick up. That leaves existing WebTV devices and service. We can't do the work ourselves to get there due to architecture of WebTV current devices.

WebTV helped Real get established on STB before they were acquired by microsoft via its inclusion of Real 3 decode. We are at a juncture in evolution where we have an opportunity to end our support for Real on WebTV service (altho some argue that isn't the right approach), or at least end the preference for Real on WebTV service. My concern is not so much that WebTV supports Real G2, although I certainly think its a mistake to continue support for Real given that they are a strategic competitor for microsoft and we have alternative means to satisfy customers on this issue. My concern is that WebTV is upgrading all its devices to support Real G2 and its most optimistic proposal for Windows Media support is that some subset - approx 50% - of WebTV devices would have Windows Media support. Sometime next year. So to be clear, what WebTV is proposing is to have Real G2 as the standard media technology for its service and windows media as an option for those devices capable of supporting both. What ICP wanting to stream to WebTV users would use windows media in that scenario??

I think it is completely off strategy to favor a key competitors technology over our own on an emerging platform, especially when our own has demonstrated higher quality and end user experience. The directive to WebTV was

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clear, the default media technology on WebTV service should be Windows Media, and Real G2 should be available as an option for those platforms that were capable of supporting both. What WebTV has done is the opposite.

Can someone please help me understand why this makes sense? why do we want to help Real establish themselves even more firmly in the TV space when we are trying to win a platform battle? would we include support for a Java runtime in WebTV service if customers asked for it? Or Quicktime support?

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

From: Anthony Bay (Exchange)  
Sent: Wednesday, September 15, 1999 4:46 PM  
To: Bill Gates; Jon DeVaan; Rick Belluzzo; Steve Ballmer  
Cc: Jim Allchin (Exchange); Will Poole  
Subject: FW: Update on streaming media for ATT

per my earlier mail, the WebTV decision to make Real G2 the standard media format for their service has broader ripple effects.

the ATT deal is a key thing for us to win.. if we lose this, along with WebTV's plan to support only Real across their service, we are in big trouble on TV platform. (in case it wasn't clear from my long winded mail, even next year's WebTV update that includes windows media would only go on a subset of WebTV devices... approx 1/2 of the current user population. meaning content providers who want to target all WebTV can only do so via Real.)

it would be terrible if Real became the de facto standard for TV platform.. requiring Real's runtime and servers and protocols & encryption puts Microsoft in a tough situation to execute against and ceding a serious platform component like this is very dangerous. Real will also have Liberate making them the only complete solution.

i find it awfully hard to believe that ATT makes this decision based on the short term availability of RTSP support when they acknowledge that we have better quality, are already running on their platform and have the clear schedule edge!!! as TedK points out, we should have all the advantages in our favor given we have shown we can deliver and are the acknowledged better solution. ATT's rationale makes no sense, RTSP by itself provides no interoperability.. Real is an end to end proprietary solution regardless of the wire protocol. Either ATT doesn't understand this, or this is a red herring and something else is behind this. If i were Rob Glaser I would play my WebTV card for all it was worth.. Microsoft's own TV service has standardized on Real G2.. why should ATT go a different direction?

as you know, i think the WebTV strategy to standardize on Real is a disaster in the making. I get nowhere with bruce other than lip service. if he continues on current path we should all be clear about the likely impact on Microsoft's TV platform overall.

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

From: Ted Kummert  
Sent: Wednesday, September 15, 1999 4:23 PM  
To: Carl Hu (CPD); Tom Firman; Angus Gray; Rod Deyo; John Parchem; Jun Liu; Bob Fries; Will Friedman; Mike Beckerman (Exchange); Bob Hildreth (Exchange); Gary Schare; Anthony Bay (Exchange)  
Cc: Steve Timm (SYS); David Blachman (LCA); Sarah Frankum  
Subject: RE: Update on streaming media for ATT

This is not a great development, but I'm hopeful we can turn it around via our real code (running on the platform), technology and integration. All hands on deck--lets go get this one!

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

From: Carl Hu (CPD)  
Sent: Wednesday, September 15, 1999 4:10 PM  
To: Ted Kummert; Tom Firman; Angus Gray; Rod Deyo; John Parchem; Jun Liu; Bob Fries; Will Friedman; Mike Beckerman (Exchange); Bob Hildreth (Exchange); Gary Schare; Anthony Bay (Exchange)  
Cc: Carl Hu (CPD); Steve Timm (SYS); David Blachman (LCA); Sarah Frankum  
Subject: Update on streaming media for ATT

Stevetim informed me that in today's 1:1 monthly program review session with ATT, they told us the preliminary recommendation for streaming media provider was Real Networks. Although they said that WMT had superior quality, they felt that RN could improve their quality sufficiently and more importantly, could deliver RTSP support in their initial offering, whereas WMT would have to wait until version 5. It appears this information was based on the work that Jamie Durkee has been doing the past few months since the reorg that moved George Backer out of the picture. This doesn't mean that they've made a final decision - Steve was able to get PMO to agree to do a technical and schedule analysis of both RN and WMT early next week to determine where they really stand on the decision. Steve was also clear on the fact that we have the clear

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schedule edge (RN hasn't even approached us on licensing our SDK yet) and that we have an early version of our player running on Altoona and DCT5000.

Although this is clearly a troublesome development, we still have a great opportunity to recover. I talked to Shelby Beattie today and invited them to come up here next week to meet with us, get a demo, and go over the schedule. I also encouraged them to do this before they talked to RN so that we could educate them on the intricate issues involved with porting the client to run on the DCT5000. I should know by Friday whether they agree to this. In the meanwhile, we have a number of areas that we need to focus on:

1. RTSP - this appears to be the main obstacle to WMT acceptance. We know from prior experience that ATT is very opposed to proprietary protocols. What is our schedule for supporting RTSP and is there any way we can pull this into the FCS client (6/2000)? We will need to present ATT with a schedule for integrating this support.
2. Demo - Angus' team has made great progress on this. We have a dazzling looking Altoona demo and can now show a streaming video sample on a DCT5000. The quality of the latter is still not where we'd like it to be for a customer demo (slow frame rate, bad audio). Angus' team will continue to work on improving the quality for next week's demo - any help the Alameda team can offer on improving platform performance will be greatly appreciated.
3. Memory footprint - now that we have a real working D5K client, we should update the memory footprint numbers and give them to ATT next week.
4. Schedule - Stetim and Angus will need to work up a detailed schedule to prove to ATT that we can meet our M4 integration goal. We also need to talk to the WMT team about how we would add RTSP support and whether this could be done for FCS - this very well could be the deciding factor.

I'll keep you advised if I hear anything more.

-Carl