

PLAINTIFF'S  
EXHIBIT  
638A  
Comes v. Microsoft

Depo. Ex. 33

Depo. Ex. 607

Microsoft Corporation  
One Microsoft Way  
Redmond, WA 98052-6399

Telephone 206 882 8000  
Telex 160520  
Fax 206 883 8101

## Microsoft Memo

To: Jeremy Butler  
From: Joachim Kempin  
Date: March 26, 1991  
Subject: Europe Trip Report  
cc: Bill Gates, Mike Hallman, Bernard Vergnes, Chris Smith, Richard Fade, Ron Hosogl, Jeff Lum, Tim Beard

### ADI Software (Windows ISV) - Karlsruhe, Germany

Received a very positive update on the German Win and Win apps market. ADI is the exclusive distributor for the Asymmetric Toolbox and is localizing it. In addition, they used it to write multimedia apps and combined it with their own database technology. It's amazing how this improved speed. Paul Allen should look at this. On a side note - my old friend Mark Ursino, now Asymmetric Marketing Manager, seems to be as unpopular as ever according to ADI and internal Asymmetric feedback.

### CeBIT - Hanover, Germany

The show now consists of 20 halls and next year will be expanded to 24 halls. They had a new record this year with 570,000 visitors in attendance. MS had four well-organized booths. Most impressive was the ISV booth. The main booth, MAC and LAN Man booths were well attended. Business climate was upbeat: 12-16% unit growth to be expected, but a lot of disappointment in Eastern European business opportunities. It will take 5-6 years to see the fruits of any investments. The USSR might not be in for good business for another 10 years. East Germany will be healthy in 2-3 years. (It takes one day to make a scheduled phone call into the Eastern part of Germany, meaning no communication infrastructure). At the same time, skilled and motivated labor does not exist. Fifty years of communist government took the desire to perform out of the country. Do we need to revisit our localization strategy?

Most impressive: TFT color laptops from Sharp, Toshiba, Amstrad (7.5K\$), and Aquarius.

Ultra-thin Notebook as well as Amstrad's "Mac-killer".

HIGHLY  
CONFIDENTIAL

### KEY CUSTOMER VISITS

I missed Schneider and Compass due to a delay in Frankfurt. Manfred needs to follow up with Koester (ex Schneider now part of Compass), a dealer chain association which is planning to build their own PCs.

### Tandon

Tandon is still growing 20% per year, very professional and healthy. Doing 30% of all Tandon sales. The bad news: they signed up to distribute Solbom SPARC stations in Germany and if successful, they will do so in other European countries. We need to change their thinking after the MIPS announcement. They would switch if told by their US headquarters.

X03310070

Microsoft

MS-PCA 1177233  
CONFIDENTIAL

PLAINTIFF'S  
EXHIBIT  
291  
Case No. 2:96CV645E

Zenith

Zenith has completely reorganized and changed all sales & marketing management in Germany. They are fighting to come back, and still being profitable, the local VP was able to survive. More important was the message that they are happy with the management changes at HQ and that they now have more input on product directions. 70% of Zenith's total business is now done in Europe.

DRI

Germany is their best country worldwide. Lots of Taiwanese clone manufacturers and Vobls are present with DRI bundles. We will have to target them one by one. Interviewed a DRI person who wants to switch sides, will follow up with Joachenh.

Interview with Balnerk

CWedell asked for my opinion of whether he could do the German PSS manager job. I supported his recommendation after talking to him. From the interview and some discussion with the OEM managers, it was obvious that we need a unified European PSS concept. This is particularly true for large account customers when supporting mission-critical apps. These guys shop for the best prices and have started laughing at our European inconsistencies.

WORKS

in  
Schneider's case, I asked GmbH to buy packages without hardware to give us some proof. We should terminate their WORKS license if true - being the second offense. Joachenh told me that all these OEM bundles in Germany are generally helping his WORKS sales.

Aquarius

Aquarius sold 40K units in their first year of existence. Confirmed that 386SX is the best selling PC type in Germany. They upped their commit to 60K and shook hands over a new 2.5M/per year deal giving us \$40+ per system. I committed to pay for 20K of advertisements in local catalogs for making DOS 5.0 popular and fighting DRI. Because they had bought FG DOS and WIN before they started shipping royalty based products we forgave them 150K of min commits. Their ultra-thin notebooks is interesting. It contains DRI ROM-DOS from Taiwan, but they will force their vendor to change to MS-DOS.

Ronh please make sure that Taiwan OEM follows up.

Pretty bad if true:

... We denied that such a contract existed and asked for a copy. I will follow up with Dalech.

HIGHLY  
CONFIDENTIAL

Peacock

The usual "you do not love us" complaint. I promised to visit them in Paderborn in May. They are interested in partnering with us on some integration projects. Key point: IBM is hurting us. Novell is being positioned by the IBM sales force as being "it". (This was confirmed by 3-4 other OEMs). OS/2 is an IBM proprietary system etc., etc. They and others asked us to do a better PR job in the US and locally to make our story more believable.

REDACTED BY AGREEMENT  
Comus v. Microsoft

REDACTED BY AGREEMENT  
Comus v. Microsoft

REDACTED BY AGREEMENT  
Comus v. Microsoft

CONFIDENTIAL X0590071

MS-PCA 1177234  
CONFIDENTIAL

### Vobis

This is a company owned 20% by Kauhof which in turn is owned by METRO. There was talk in Hanover that an additional 20% might be sold to Kauhof by Theo Liefen, their founder. We met him twice to discuss the new contract. It contains a WIN and WORKS license for all their systems to be expected to exceed 200K units this CY making them number 2 after IBM. And it includes a DOS 5.0 "trigger" license which makes them pay for MS DOS three months after they receive the OAK. Liefen denied that he ever agreed to this. (From my DRI contact, I knew that he had extended his current deal by 50K units- thus putting him under pressure). With Manfred not being present because of his leg surgery, we agreed to meet again the next day to resolve the issue.

Interesting enough, Amstrad and other German companies have been noticing Vobis' success and its' DRI bundling.

After talking to Manfred, it was obvious that Liefen was reneging on the deal. Round two: I took the opportunity to negotiate in German, sign our offer as is - this is an agreed upon package deal or if you change any component, we will too. Second option: scratch the DOS clause, pay \$35 for Windows instead of \$15. You have until 04/01/91 to consider. If no contract is signed, seize shipping Windows by 05/01/91. They are shipping without a license (!) - submit royalty reports for WIN and WORKS and pay up. (They have a valid WORKS license at \$25). The proposal showed impact. They threatened with GeoWorks, Lotus, etc. We asked if the DOS price was an issue - he answered no. We parted as friends - believe it or not, Manfred will follow up with a letter and a phone call and I have a bet with Jeff that they will sign as is. In my judgement they will hurt if they do not ship WIN and paying \$35 for it is out of the question.

### IPC

Very amiable meeting regarding marketing plans. They are departing from ESSEX their parent company. Told us that IPC Spain is in financial trouble, I informed Ignacio.

### Compag Gmbh

Got to know two new GMs and confirmed the European MIPS announcement. Great response so far to their Ballpoint promo. Healthy business outlook based on top management meetings with large accounts at Hanover.

### Schneider and Koch

A true disaster meeting. They are one of the leading network software sellers in Germany with a 30% market share. They still are without a 2.0 German LAN Man OAK. One reason was the delaying of the 2.0 amendment by them and second the amendment being held up in legal because of sloppy preparation by Gmbh. They did praise K.H. Breitenbach and his support, but Gmbh management - having closed an exclusive distribution agreement for LAN Man (would not have happened at my time) - refused to authorize their dealers for 6 months. Meanwhile, they are selling Novell - how stupid and arrogant can we get? I promised them help by sending an OAK asap and told the German guys to allow them to ship product from their warehouse included in their box in the interim. I hope they can work this out. They asked for a distribution agreement and I told them to work with Gmbh. This might not be possible locally until the exclusive deals runs out by year end.

### Amstrad

We took them out for a nice lunch in a truly nice place.

Again, not enough resources to serve and nurture them, let them believe we do not care. They are seriously thinking of shipping DR DOS 5.0 for their German 8086 PCs starting in October - because Vobis does it. They are designing a new low-end and high-end product line and are asking for our help. This time they will get it. We exchanged some market info and they were impressed by how well informed we were. We succeeded in interesting them in Pen-WIN

HIGHLY  
CONFIDENTIAL

REDACTED BY AGREEMENT  
Comes v. Microsoft

REDACTED BY AGREEMENT  
Comes v. Microsoft

MS-PCA 1177235  
CONFIDENTIAL

based PC design and recommended doing this before they start a MM PC. They agreed - Malcolm was actually really excited about it.

I believe the DRI issue can be put to rest if they see a true effort. Malcolm and myself established a good rapport. I am going to make them my European "pet" account.

#### CBM

Met with their new GM. This was the third time he has worked for CBM. Lots of energy and drive. He is turning things around. 35% of total CBM sales is in Germany. They are still selling 300K 64's and more than 200K Amigas. Their CD-ROM video is catching on. It is based on an Amiga 500 chip residing in a remote control - a great player as most customers believe and very easy to operate. Tandy, you might get killed! GmbH will follow up with some educational sales opportunities.

#### Siemens

Feldman and Dewald asked a lot of questions regarding OS/2, WIN positioning, why MIPS, and how real is LAN Man? I confirmed our MIPS plans and answered their questions. Again they raised the issue of a completely confused market and IBM going around trashing us. We invited them to the planned May briefing. Their first R3000 based MIPS machine will be a WS followed by a MP machine - incompatible for us. They will do a R4000 machine asap. Interesting enough they feel pretty sure that MIPS will ship "error free" CPUs in Q1 CY92 at the earliest. One year too late - by then SPARC 3, a better PA chip, and the next RS 6000 will be out. This means no free lunch for the MIPS consortium. We might have to fight harder than expected. They are developing banking apps by using the PM interface. I confirmed that OS/2 3.0 will conserve the PM interface but I think they understood clearly to move to WIN 32-bit asap to have their investment secured in the future.

They were disappointed about our dying mailserver cooperation but want to do development project with us. I said pick a small one and we can start, build trust and get it done. I will make this somebody's project. All in all a very amiable and constructive meeting.

#### EUROPEAN OEM REVIEWS

HIGHLY  
CONFIDENTIAL

#### General Issues

European OEM sales are complaining about our LAN sales force taking the business direct. Some countries seem to have a hit list to replace OEM sales and not Novell sales, Schneider & Koch in Germany is miffed, so is Siemens. Looks like the sales force is not always following the rules of engagement - no surprise to me! Time to reinforce?

#### Sweden

No surprises. Victor wants to extend contract locally to secure support. Tandy will have to make a decision. Nokia had a bad quarter and the outlook is flat. Nokia is another miffed LAN Man OEM who has expressed shipping FG instead of OEM product. This could be complicated if European distribution agreements are not welcome and subs do not cooperate when small units are being purchased.

We need a cheaper 400 BPI OEM Mouse to stop Logitech gaining market share (and reduce retail pricing).

#### UK

Seeing more Notebooks designed/imported with DRI ROM-DOS. DRI's main thrust in the UK is to sell Flex-DOS and CPM to imbedded system vendors. Business outlook is solid, only UPB problem with Torus and Apricot - both are being addressed. Biggest issues - resources: we

need dedicated administrative support for SandyD's group and should add at least one additional AM for FG & DOS. We are missing opportunities. Ideally we hire a Pakistani or Indian person.

#### France

Rumor has it that ailing Goupil is being bought by Siemens/Nixdorf and Fujitsu is interested in Siemens/Nixdorf who is hurting financially. Expect Goupil to ask for min commit relief. ChrisA is leaving the group to work for PascalM. He's frustrated with running a shrinking business. More about this later.

#### Spain

Ignacio asked for resources to service Investronica who is getting PCs through Chi Leng. I would not recommend this. 30 OEM people are enough for his royalty business.

#### Holland

Tulip did not do a LAN Man deal because of our retail distribution. They are considering dropping OS/2 as well. (Want to buy FG instead). This would mean they can buy LAN Man for direct sales only according to our local policy. But Tulip sells through resellers. Bernard, make sure we do not cut a local deal which violates your policy.

#### Italy

Business is within expectations. Olivetti needs more attention as you can see from their recent letter. Maub is going to get a fulltime AM in July - finally! He should quit dealing in MSU issues as well and I am unsure why he spends so much time with BSA activities. Their FG-DOS volume is extremely low and time spent here might increase sales. We should move Lorip into the Redmond OEM group. 95% of her time is spent on Olivetti support.

#### Germany

Worse than Japan is my only comment:

In talking to CWedell and JoachenH, it is clear that they want to replace Manfred, but this is not enough. They just do not and cannot take on the number of customers they need to serve. The group's admin sells FG-DOS over the phone and does not give sufficient admin support to the rest of the group which delays contracts by 3-6 months (no kidding!) and/or delivers sloppy work. With 20M\$ business, they need one fulltime manager, four people plus a dedicated admin. They have 1/2 manager for OEM royalty business, 2 AMs and .25 of an Admin at the most. During mid-year review and additional HC was rejected - why? The same resource shortage exists in the FG-DOS sales team. They cannot serve 250 (going to 350) customers with 2-3 people. It takes at least 5-6 to serve and nurture them. This is a 20M\$ business on its own, why can't anybody else see this? The result is a demoralized sales force being swamped with customer request who are unable to respond timely and as a result only in Germany does DRI has a stronghold! Bernard please take note and decisive action!

#### OEM in Europe

HIGHLY  
CONFIDENTIAL

- A. Communication with customers needs to be improved by direct mail and an installation of a FAX server service. At the same time, I see a need for a semi-annual OEM briefing. We will start 05/31/91 - 12 months between the US meeting and a stretched sales force just does not get the job done.
- B. OEM is seen as being a non-attractive group. Stock options are not used properly to attract talent and keep it. Some people complained that their increases and options were decided by local management who does not understand or appreciate what the OEM sales people are doing. Great input. I will insist for the next review not only to send you my evaluation but close the loop to review what local management proposes. Some people even thought that

reporting directly to Jeff would be the best solution. I tend to agree, why not follow the ITIS/MSU model?

- C. Because of our resource shortage we don't stand a chance to support customers in special/key project situations. I will dedicate some HQ marketing headcount immediately to work on some key project with European customer and the product groups.

HIGHLY  
CONFIDENTIAL

CONFIDENTIAL  
X0590075

MS-PCA 1177238  
CONFIDENTIAL