

Exhibit C

Microsoft's Anticompetitive Behavior in the Mobile Operating System Market

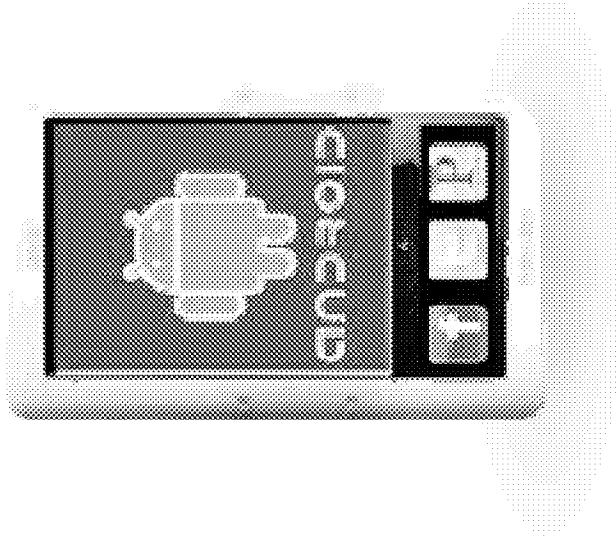
Presentation to the U.S. Department of Justice
Antitrust Division
July 12, 2011

Overview of Microsoft's Anticompetitive Behavior

- Publicly Claiming Control of Android and Other Open Source Operating Systems
- Requiring Potential Licensees to Enter into Overly Restrictive Non-Disclosure Agreements
- Demanding Royalties Commensurate with Owning the Entire Android Operating System (and Similar to Royalties for a Windows Phone License) Even Though Microsoft Only Owns Trivial Patents
- Imposing Licensing Provisions Unrelated to Microsoft's Patents and Designed to Prevent Competitor Innovation
- Filing Frivolous Patent Infringement Actions Against Companies That Refuse to Enter Into Anticompetitive Licensing Agreements
- Deal with Nokia Includes an Agreement to Engage in a Coordinated Offensive Use of Patents Against Open Source Software
- Purchasing Patent Portfolios that Threaten Open Source Software

Microsoft's Recent Dealings with Barnes & Noble

- Microsoft asserts that Barnes & Noble's use of the open source Android platform infringes certain Microsoft patents that cover trivial features of the Nook products
- Microsoft requires an overly restrictive non-disclosure agreement to engage in discussions regarding Barnes & Noble's purported infringement
- Microsoft demands licensing fees for the entire Android operating system that it does not own (and similar to its licensing fees for Windows Phone) or threatens litigation
- Proposed licensing provisions would prevent Barnes & Noble from improving its Nook products, thereby stifling innovation and harming customers



Microsoft's Assertion of Trivial Patents

Patents Identified by Microsoft During Discussions with Barnes & Noble Prior to Litigation	Patents Asserted in Litigation Against Barnes & Noble
No. 6,339,780: placing a loading status icon in the content viewing area of a browser	No. 6,339,780: placing a loading status icon in the content viewing area of a browser
No. 5,579,517: compatibility of file names employed by current and outmoded operating systems	No. 5,778,372: browser that recognizes background images in an electronic document and displays the background images after text – i.e., duplicative display
No. 5,652,913: storing input/output access factors in a shared data structure	No. 5,889,522: putting known tab controls into an operating system for use by all applications, rather than providing tabs on an application-by-application basis
No. 5,758,352: compatibility of file names employed by current and outmoded operating systems	No. 6,891,551: using handles to change the size of selection areas for selected text
No. 6,791,536: simulating mouse inputs using non-mouse devices	No. 6,957,233: storing and displaying of annotations of text which is not modifiable
No. 6,897,853: simulating mouse inputs using non-mouse devices	

Microsoft's Own Statement About Its Patents

Microsoft's has described the asserted patents as only embracing (1) the "display of a webpage's content before the background image is received, allowing users to interact with the page faster"; (2) the "superimpos[ing] of download status on top of the downloading content"; (3) "easy ways to navigate through information provided by their device apps via a separate control window with tabs"; (4) [p]rovid[ing] users the ability to annotate text without changing the underlying document"; and (5) [p]ermit[ing] users to easily select text in a document and adjust that selection".

- Microsoft's Corporate Vice President and Deputy General Counsel, Horacio Gutierrez, "Android Patent Infringement: Licensing is the Solution".

Microsoft's Campaign Against Open Source Software

Microsoft's Behavior Toward Barnes & Noble Is Part of Its Larger Campaign Against Open Source Software, Including Android.

"The reality is that these patent trolls are unfortunately just part of doing business and technology these days. They're basically the alley thugs. . . . Personally, I'm just disappointed to see this from [Microsoft,] a former leader of our industry. . . ."

— Marc Benioff, Salesforce.com CEO

Microsoft's Public Statements About Android

Microsoft Asserts that it Controls Android

"Android has a patent fee. It's not like Android's free. You do have to license patents."

—Stephen Ballmer, Microsoft CEO

"The Android platform infringes a number of Microsoft's patents, and companies manufacturing and shipping Android devices must respect our intellectual property rights. To facilitate that we have established an industry-wide patent licensing program for Android device manufacturers."

—Horacio Gutierrez,

Microsoft Corporate Vice President
and Deputy General Counsel

"We are pleased that [the licensee] is taking advantage of our industry-wide licensing program, established to help companies address Android's IP issues."

—Horacio Gutierrez, Microsoft Corporate
Vice President and Deputy General Counsel



Android is the Biggest Threat to Microsoft's Mobile Business

"More than anything else, this Windows phone ecosystem must compete effectively with Android. . . . [The] number one priority is to compete with Android."

—Stephen Elop, Nokia CEO

Microsoft Infringement Suits Against Open Source Software

SCO Lawsuits (2003-2004)

Microsoft provided financial support to SCO, enabling it to file and litigate several infringement suits targeting open source software

Microsoft Corp. v. TomTom (2009)

Patent infringement action directed at TomTom's use of Linux-based software in its navigation products

Microsoft v. Salesforce.com (2010)

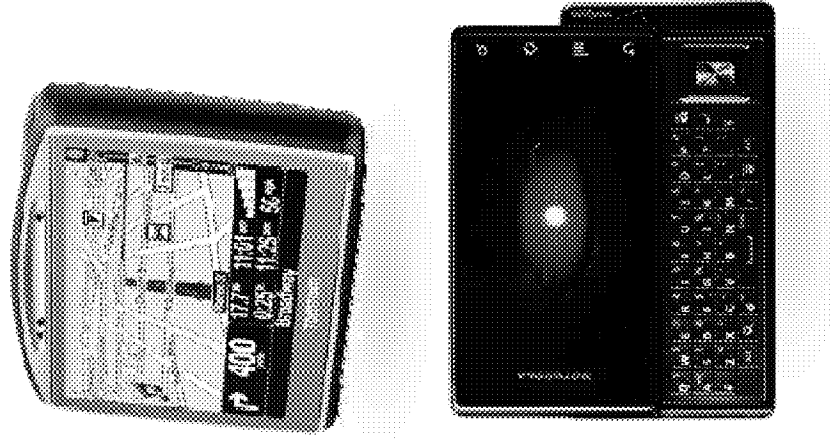
Patent infringement action directed at Salesforce's Linux-based customer relations technology

Microsoft v. Motorola (2010)

Patent infringement action directed at Motorola's use of the Android operating system for its smartphone products

Microsoft v. Barnes & Noble (2011)

Patent infringement action directed at Barnes & Noble's use of the Android operating system for its Nook eReader products



Microsoft's Anticompetitive Licensing Practices Seek to Make Android Prohibitively Expensive

- Microsoft is making it more difficult for manufacturers to use Android.
- As in the past, Microsoft is charging mobile and tablet device manufacturers for a Windows Phone license even if a manufacturer chooses to use Android. That is, Microsoft is demanding per device royalties for Android that are equivalent to the per device royalties it charges for Windows Phone.
- July 6, 2011 news reports indicate that Microsoft has apparently asked Samsung to pay up to \$15 for every Android-based handset it produces.
- A Citibank securities report indicates that HTC pays Microsoft \$5 per Android-based unit based on a licensing agreement signed in April 2010. (May 27, 2011 Citi Report on Microsoft Corp.) The report further indicates that Microsoft is seeking a \$7.50 to \$12.50 per Android-based unit to settle alleged infringement claims.

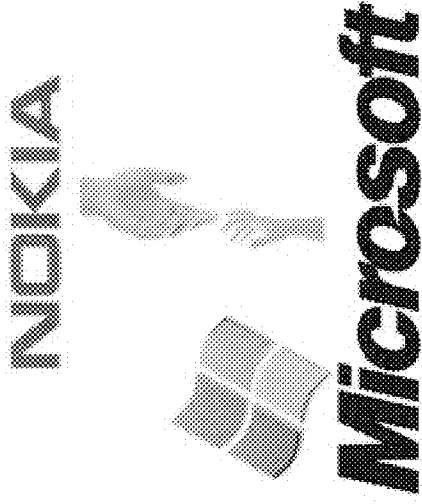
Microsoft Anticompetitive Patent Agreement & Deals

- Microsoft-Nokia Agreement
- CPTN-Novell Patent Deal
- Nortel Patent Deal

Microsoft-Nokia Horizontal Offensive Patent Agreement

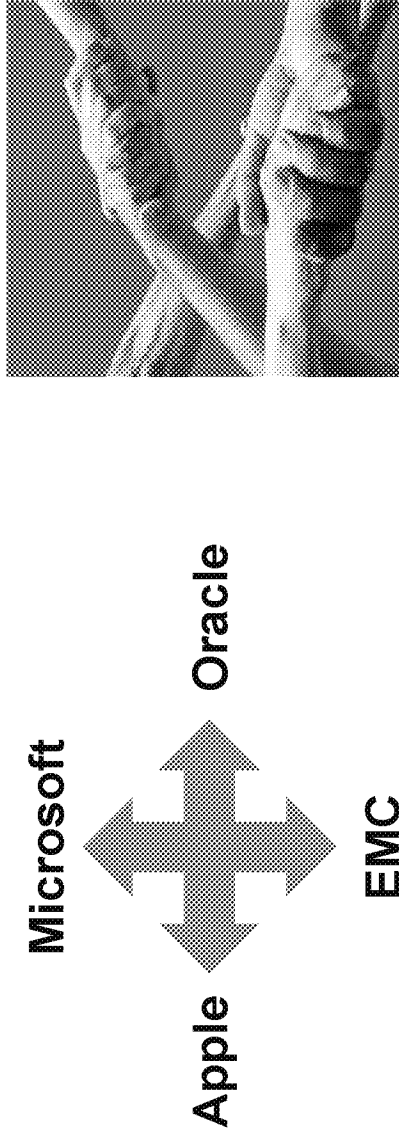
“It is the case, and it was absolutely a topic of discussion with Microsoft, that Microsoft plus Nokia has a remarkably strong intellectual property portfolio. That is something that we will use appropriately within the context of our ecosystem, which means both defending the ecosystem from outside attacks as well as appropriately ensuring that the value that we have created through our patents are properly collected from other people who may choose to take advantage of that technology.”

—Stephen Elop, Nokia CEO



CPTN-Novell Patent Deal

"[T]he deal [as originally proposed] would jeopardize the ability of open source software, such as Linux, to continue to innovate and compete in the development and distribution of server desktop and mobile operating systems, middleware and virtualization products. Although the department will allow the transaction to proceed, it will continue investigating the distribution of the Novell patents to the CPTN owners" – DOJ Press Release (Apr. 20, 2011)



"In the first phase [of the transaction], CPTN would acquire the patents and applications. In the second phase, the patents would be allocated and distributed to each of the four owners. In light of the department's competition concerns, CPTN and its owners made revisions to their formation agreements to acquire approximately 882 patents and patent applications from Novell. The department said that these changes were necessary to protect competition and innovation in the open source software community." – DOJ Press Release (Apr. 20, 2011)

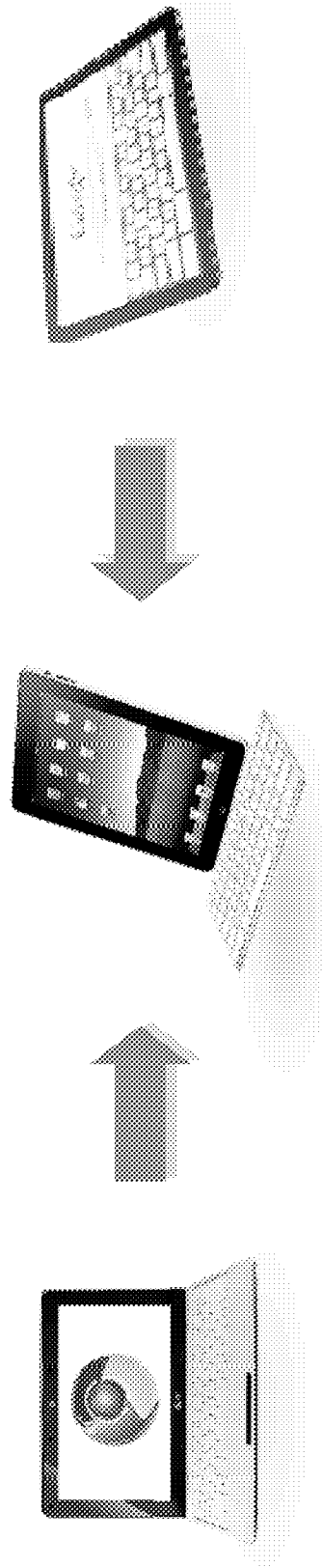
Nortel Patent Deal

- \$4.5 billion purchase of Nortel's patents and patent applications by a group consisting of Microsoft, Apple, Research in Motion, Sony, Ericsson and EMC, far outbidding Google's \$900 million offer.
- Microsoft already had "a worldwide, perpetual, royalty-free license to all of Nortel's patents that covers all Microsoft products and services, resulting from the patent cross-license signed with Nortel in 2006" and "Microsoft's licensed rights to the patents continue, even when ownership of the patents change hands".
- "This outcome is disappointing for anyone who believes that open innovation benefits users and promotes creativity and competition. We will keep working to reduce the current flood of patent litigation that hurts both innovators and consumers." -Kent Walker, Google's Senior Vice President and General Counsel.

Rationale for Microsoft's Anticompetitive Behavior

- Microsoft's Technology Lags Behind Other Companies in the Mobile and Tablet Markets
 - "Microsoft is often the late entrant in many of the new markets it enters. . . . [W]e expect the company will be coming from behind, attempting to catch up with Apple's iPad for sure and potentially devices from Google's Android tablet partners such as Motorola, HTC and Acer." (May 27, 2011 Citi Report on Microsoft Corp.)
- Mobile Operating Systems Are Threatening Microsoft's PC Operating System Monopoly
 - Increased Functionality of Mobile Devices
 - Convergence of PC and Mobile Operating Systems

Increased Functionality of Mobile Devices



"iPads will start looking like PCs and PCs will start looking like iPads, the race is on. . . . iPad is a new fashionable PC. . . . Apple can build and they will sell some. Can the PC get flat? Yes. iPad is not a different category."

- Steve Ballmer, Microsoft CEO (June 2010)

"A lot of folks in this tablet market are rushing in and they're looking at this as the next PC. . . . Our experience and every bone in our body says that is not the right approach to this. These are post-PC devices that need to be even easier to use than a PC . . . where the software and the hardware and the applications need to intertwine in a more seamless way than they do on a PC."

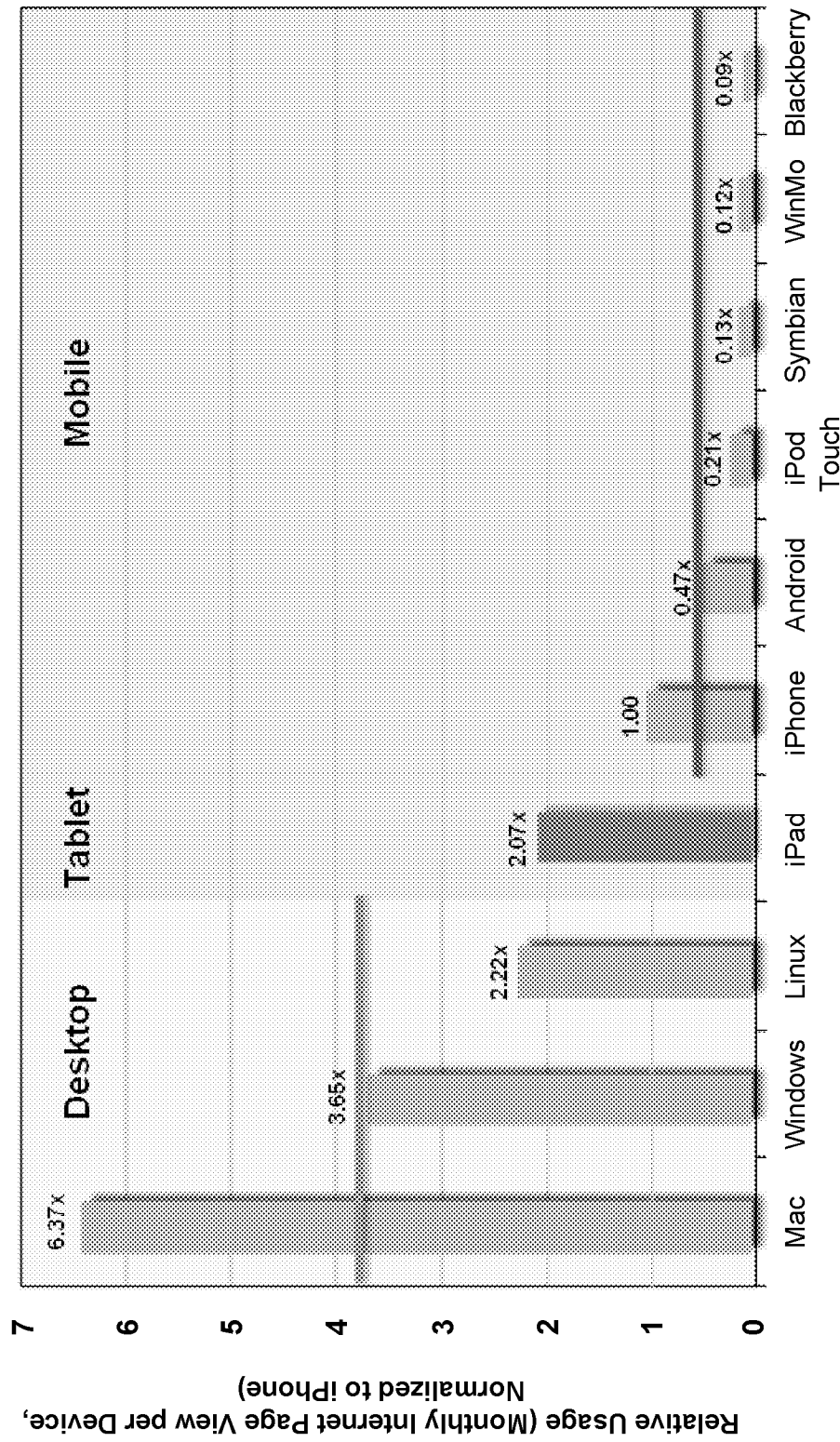
- Steve Jobs,
Apple CEO (March 2011)

"The battle of devices has now become a war of ecosystems, where ecosystems include not only the hardware and software of the device, but developers applications, ecommerce, advertising, search, social applications, location-based services, unified communications and many other things."

- Internal Memo from Stephen Elop, Nokia CEO, to Employees

Increased Functionality of Mobile Devices

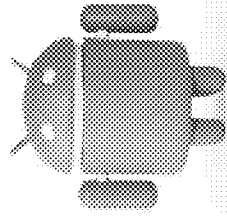
Monthly Internet Page Views per Device, Normalized to iPhone*, 5/10



Source: June 7, 2010 "Internet Trends" Presentation by Morgan Stanley (at page 15).

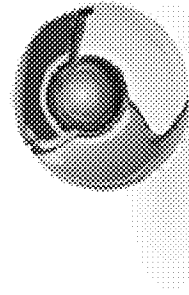
Competition by Google

Android: Google's Mobile Operating System



- "Android and Chrome will likely converge over time."
– Sergey Brin,
Google Co-Founder (2009)

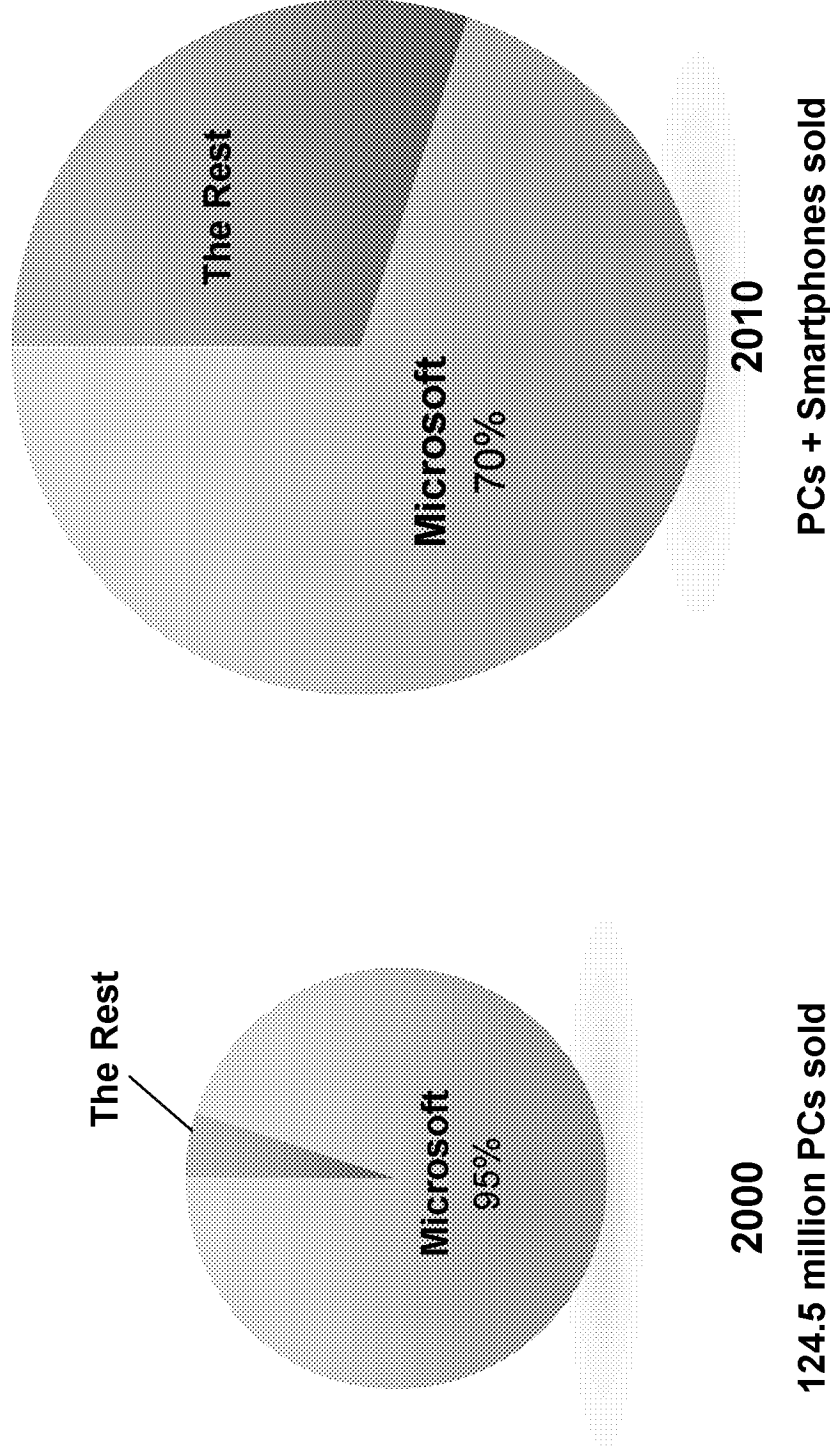
Chrome: Google's PC Operating System



- "We're working overtime to get those technologies merged in the right way. I learned a long time ago, don't force technology to merge when it's not ready, wait for the technology to mature to the point when it can be merged."
– Eric Schmidt,
Google Chairman (2011)

Microsoft's PC Operating System Market Share Is Threatened by Mobile Operating Systems

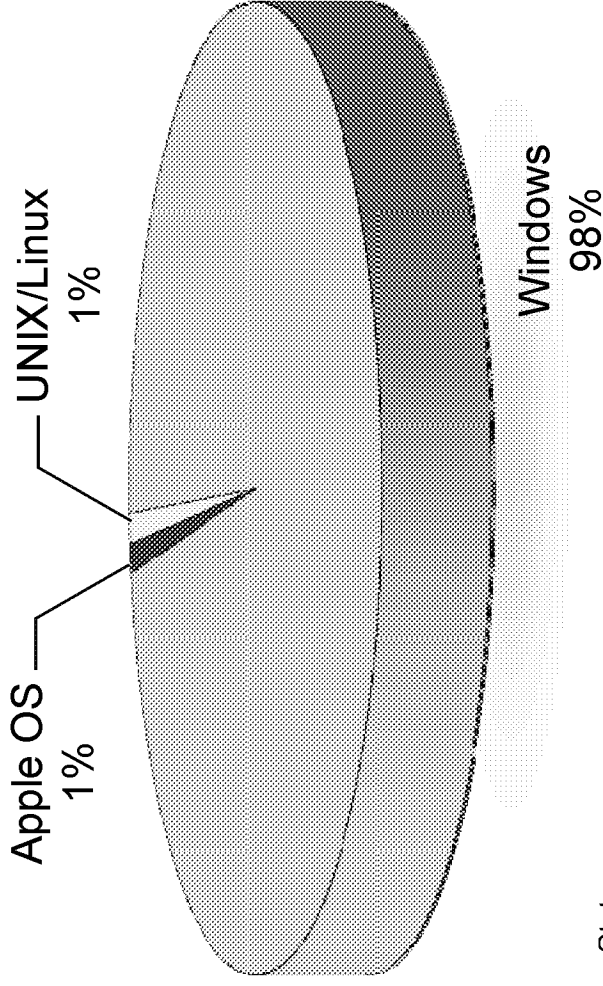
PC + Smartphone Market Share Estimates:
Microsoft vs. The Rest



Data: Estimates by Business Insider, Gartner, RBS

Microsoft Previously Controlled Almost 100% of the PC Operating System Market

Global Desktop OS Market Share in Unit Terms (2002)



Source: OneStat

Barriers to Entry (Network Effect)

“That barrier-the ‘applications barrier to entry’-stems from two characteristics of the software market: (1) most consumers prefer operating systems for which a large number of applications have already been written; and (2) most developers prefer to write for operating systems that already have a substantial consumer base. This ‘chicken-and-egg’ situation ensures that applications will continue to be written for the already dominant Windows, which in turn ensures that consumers will continue to prefer it over other operating systems.” *U.S. v. Microsoft*, 253 F.3d 34, 55 (D.C. Cir. 2001).

Microsoft's Anticompetitive Behavior in the PC Operating System Market & Government Taken Action

- July 15, 1995 Consent Decree: Microsoft agrees (1) rewrite its contracts so that PC makers would pay only for each copy of MS-DOS that was installed on the PCs shipped (as opposed to Microsoft's central processing unit, or per-processor license under which an OEM paid a royalty for each PC its shipped); and (2) Microsoft's agreements with application software developers would no longer preclude them from working with other operating system producers.
- In May 1995, Microsoft executives attempt to persuade an internet browser software competitor—Netscape Communications Corporation—not to compete with Microsoft and to divide the browser market, with Microsoft becoming the sole supplier of browsers for use with Windows 95 operating systems and with Netscape becoming the sole supplier of browsers for non-Windows 95 operating systems. Netscape refused to participate.
- October 27, 1997: Department files a complaint against Microsoft relating to the bundling of Internet Explorer with Microsoft's hardware products in order to obtain a Windows 95 license.
- May 18, 1998: Department and 20 state attorneys sue Microsoft alleging that it has abused its market power to thwart competition. Microsoft required PC manufacturers to agree to license and install its browser, Internet Explorer, as a condition of obtaining licenses for the Windows 95 operating system. Microsoft also sought to tie its IE Internet browser software to its new Windows 98 operating system.

Government Enforcement Taken Against Microsoft

“Microsoft is unlawfully taking advantage of its Windows monopoly to protect and extend that monopoly and undermine consumer choice.”

– Janet Reno, Attorney General (Oct. 1997)

“The truth is that Microsoft has been a monopolist found by a federal judge to have undercut innovation and hence competition and consumer welfare.”

– Eliot Spitzer, New York State Attorney General (Apr. 2000)

“Just as Microsoft crushed competitive threats from the browser and from Java as part of its monopoly maintenance scheme, additional injury to competition may be predicted. To the extent that harm materializes customers will suffer until a court remedy is in place.”

– States’ Brief Opposing Microsoft’s Cert Petition (Sept. 2001)

Microsoft's Expansive View of Intellectual Property Rights Is Nothing New

"Microsoft's primary copyright argument borders upon the frivolous. The company claims an absolute and unfettered right to use its intellectual property as it wishes. . . . That is no more correct than the proposition that use of one's personal property, such as a baseball bat, cannot give rise to tort liability. As the Federal Circuit succinctly stated: 'Intellectual property rights do not confer a privilege to violate the antitrust laws.'"

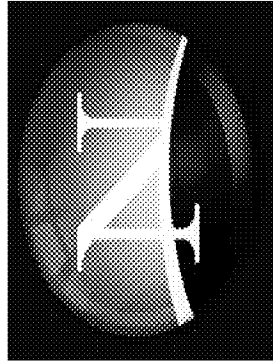
U.S. v. Microsoft, 253 F.3d 34, 63 (D.C. Cir. 2001).

Monopoly Maintenance

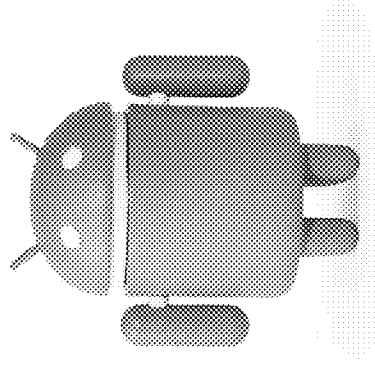
“The core allegation in the original lawsuit, upheld by the U.S. Court of Appeals in June 2001, was that Microsoft had unlawfully maintained its monopoly in PC operating systems by excluding competing middleware that posed a nascent threat to the Windows operating system.”

– DOJ Press Release (May 12, 2011)

Yesterday's Threats

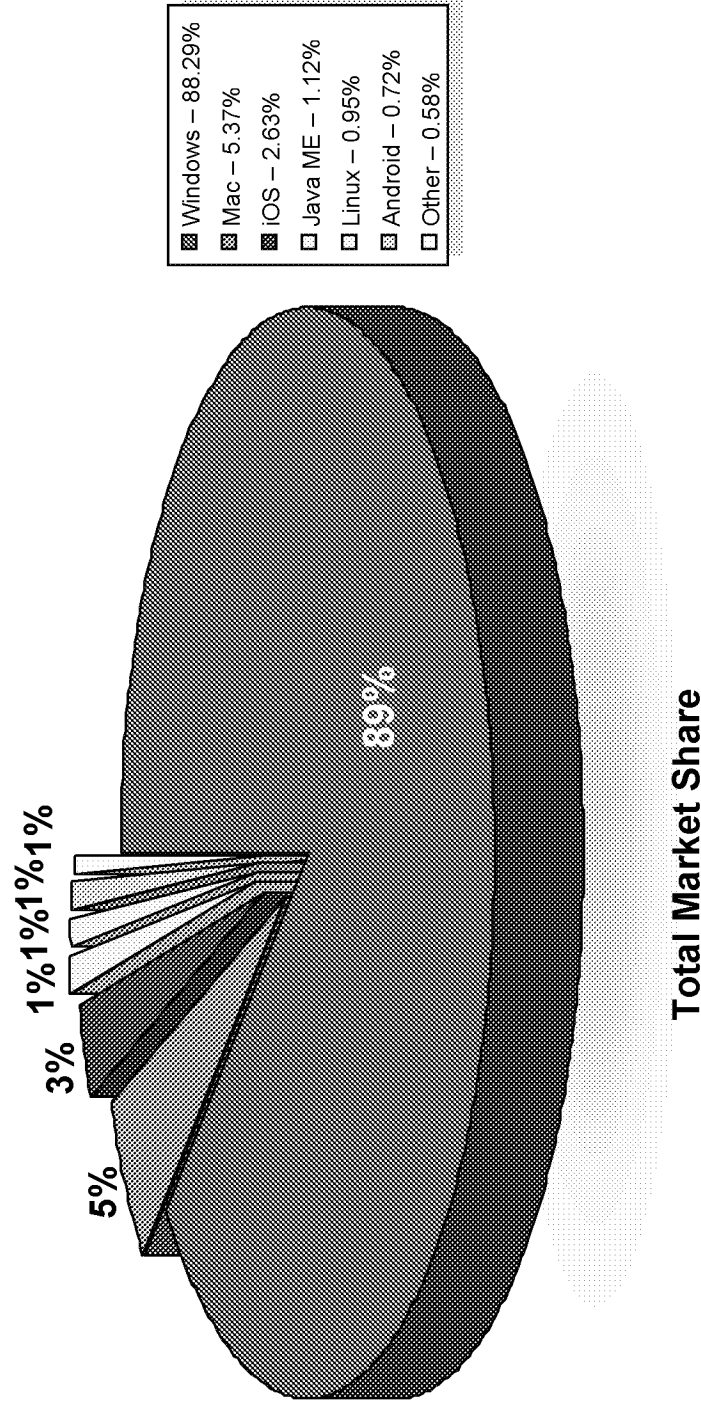


Today's Threat



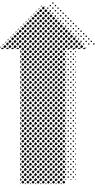
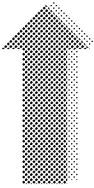
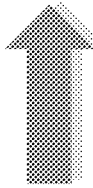
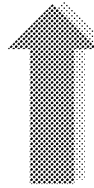
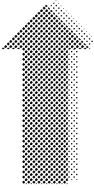
Monopoly Maintenance

Microsoft still has almost a 90% market share of PC operating systems



Source: NetMarketShare.

Microsoft's Exclusionary Conduct Parallels Its Prior Conduct

Microsoft's Past Conduct		Microsoft's Current Conduct
Microsoft forced PC users of Windows operating system to purchase Internet Explorer software even if users preferred a competing browser and forced PC manufacturers to pay a per-processor fee for MS-DOS		Microsoft is charging Windows Phone-type royalties for an Android license on a per device basis.
Overly restrictive nondisclosure agreements restricting the ability of independent software vendors to work with competing operating systems and to develop competing products for an unreasonably long period of time		Overly restrictive non-disclosure agreements with licensees and potential licensees designed to conceal anticompetitive behavior
Prohibitions in license agreement with computer manufacturers designed to make competitors' internet browsers less accessible and desirable		Prohibitions in license agreement preventing device makers from including innovations that would make competitor's mobile operating systems more desirable
Bullying independent software vendors and Apple to favor Internet Explorer		Fear, uncertainty, doubt ("FUD") campaign against device makers not using a Microsoft mobile operating system
Exclusive Contracts with Internet Access Providers to offer Internet Explorer as their default or only browser		Deal with Nokia to make Microsoft its primary mobile operating system

Expiration of Consent Decree: May 12, 2011

“[The Consent Decree] seeks to resolve a complex and historic government antitrust action by imposing wide-ranging conduct relief on Microsoft, which is designed to redress the harm to competition that Microsoft’s anti-competitive actions inflicted, and so to vindicate the public interest in protecting competition in the software industry.”

— New York Attorney General Press Release

“Nearly every desktop middleware market, from web browsers to media players to instant messaging software, is more competitive today than it was when the final judgment was entered. In addition, the final judgment helped create competitive conditions that enabled new kinds of products, such as cloud computing services and mobile devices, to develop as potential platform threats to the Windows desktop operating system.”

— DOJ Press Release (May 12, 2011)

Results of Microsoft's Anticompetitive Behavior

1. Lessens Competition
2. Raises Barriers to Entry for Small Players
3. Entrenches Dominant Players
4. Microsoft's Licensing Practices Are Aimed At Pushing Manufacturers from Android to Windows Phone
5. Restrictive Licensing Provisions Stifle Innovation
6. Consumers Ultimately Harmed by Microsoft's Anticompetitive Practices

Renewed Danger of Anticompetitive Behavior

- Microsoft Continues to Pursue an Aggressive Litigation Strategy Based on an Expansive Understanding of Its Intellectual Property Rights.
- Microsoft Continues to Seek to Exclude Competitors and Potential Competitors That Pose a Threat to Its Monopoly While Stifling Innovation.
- Unlike for the Past Decade, Microsoft's Current Anticompetitive Behavior Is Unchecked by Any Government Agency.