Anatomy of an Interop Deal

Marshall Phelps
Executive VP, IP Policy and Strategy
Microsoft
Customer Needs

1. Maintain Heterogeneous Software Systems
2. Innovate to Gain Linux-Windows Interoperability
3. Gain IP Assurance
Top-Secret “Project Summer”

Get Customer Feedback

Enlist Customer Support for MS-OSS
Détente

Confidentiality Critical to Success
Heading Off an IP War

Customers Worried About SCO Linux Suits

RIM-NTP Suit Threatens Business Continuity

Rumors of MS Legal Action
Project “Bridge Builder” Begins

Complex Philosophical, Business, Legal and Technical Barriers to OSS-MS détente

GPL Licensing Problematic

Flexibility, Good Faith and Trust Essential
Elements of a (Near) Deal

Red Hat Pays Per-Copy Royalty Under GPL

MS Pays Technical and Marketing Support

CEOs of Both Firms Establish Trust
Why the Deal Failed

Red Hat Board Approval Not Enough

Open Source Radicals Oppose Any Peace

Red Hat CEO Feared Community Reaction
“Project Blue” Launched

Novell Initiates Secret Talks

Overcoming Past Legal Conflicts

Focus on Customer Benefits Yields Results
Elements of a Successful Deal

- Indemnified Customers, Not Vendors
- Revenue Neutral to Novell
- Technical Collaboration Highest Priority
- Bonds of Trust Built Through Time & Hard Work
Benefits of Novell-MS Deal

- Novell Revenue & Market Share Soars
- Novell Gains Highest Subscription Growth Rate
- Advanced Interoperability Movement in Industry
- Collaboration Solved Customer Problems
What Customers Say About It

“We wanted interoperability and IP assurance. MS and Novell delivered it.”

-- Nancy Stewart
CTO, WalMart

“MS and Novell put customers and innovation before ideology – an achievement!”

-- Jonathan Zuck
ACT
Lessons From the Deal

“Voice of the Customer” Key Innovation Driver

Corporations Don’t Make Deals – People Do!

IP Negotiations Need Non-Lawyers to Succeed

IP Can Turn Enemies Into Friends