

Microsoft Makes Strategic Changes in Technology and Business Practices to Expand Interoperability
Frequently Asked Questions
March 2008

Q: What are you announcing today?

A: Microsoft Corp. is announcing a set of broad-reaching changes to its technology and business practices that will increase the openness of its products and drive greater interoperability and opportunity across the IT community of developers, partners, customers and competitors.

Specifically, Microsoft is implementing four new interoperability principles and corresponding actions across its high-volume products: Windows Vista (including the Microsoft .NET Framework), Windows Server 2008, SQL Server 2008, Office 2007, Exchange Server 2007 and Office SharePoint Server 2007 (as well as future versions). These are the principles:

- Ensuring open connections
- Promoting data portability
- Enhancing support for industry standards
- Fostering more open engagement with the industry, including open source communities, around interoperability and standards issues

Q: Specifically, what is included in these interoperability principles and sets of action?

A: There are four components to the principles:

(1) Ensuring open connections to Microsoft products

Microsoft is ensuring open connections to its high-volume products so that software developers, business partners and competitors can better interact with those products and extend existing products or invent new solutions for customers.

Specifically, on its Web site Microsoft will publish documentation for all the application programming interfaces (APIs) and protocols in its high-volume products that are used by any other Microsoft product. Microsoft will provide these APIs and protocols in three important ways.

- **Open access.** Microsoft will provide developers with access to the information about these APIs and protocols without requiring developers to obtain a license or to pay a royalty or other fee.
- **RAND patents.** Some of Microsoft's Open Protocols may be covered by patents. Microsoft will indicate on its Web site which protocols are covered by Microsoft patents and license all these patents on reasonable and nondiscriminatory (RAND) terms with low royalty rates. To assist those interested in considering a patent license, Microsoft will make available a list of the specific Microsoft patents and patent applications that cover each protocol. Microsoft will make this list available once for each release of a high-

volume product that includes Open Protocols. As is typical for APIs, third-party developers will not need any Microsoft patent licenses to call these open APIs with their applications.

- **Open source compatibility.** Microsoft will promise not to sue open source developers (whether they are individuals, nonprofit organizations or commercial entities, such as companies and their employees, working in an open source development project) for development and noncommercial distribution of implementations of these Open Protocols. Those who want to engage in commercial distribution of these protocol implementations will be able to obtain a patent license from Microsoft, as will enterprises that obtain these implementations from a distributor that does not have such a patent license.

(2) Promoting data portability

Microsoft will design its high-volume products and provide documentation to enable customers to access their stored data and use their data easily in other software products. Microsoft will do this through various methods.

- **Open formats.** To enable developer implementations of data formats critical to portability, Microsoft will ensure that such data formats will either be standardized or published. Access to these specifications will be available on the Web, royalty-free and with no need to obtain a license. Patents, if any apply, will be made available on RAND terms. Specifically, Microsoft will update its documentation for the binary file formats (.doc, .xls and .ppt) used by Microsoft's core Office applications and in the upcoming months publish under the Open Specification Promise (OSP) documentation for the Extensible Application Markup Language (XAML) format used by Web applications to create rich graphical user experiences.
- **Flexibility in document format defaults.** To promote user choice among document formats, Microsoft will design new APIs for the core applications in Office 2007 (Word, PowerPoint and Excel) to enable developers to plug in additional document formats. Users will be able to set these formats as their default for saving documents.
- **Open import/export of user data.** To promote data portability, Microsoft products may also provide import and export functions that enable users to extract and transfer data from one application to another.

(3) Enhancing support for industry standards

Microsoft will support relevant standards in its high-volume products and do so in new ways that promote even greater levels of interoperability than before. This will allow other developers who implement standards to understand how a standard is used in a Microsoft product, resulting in more interoperable products for customers.

- **Broad compatibility.** To enhance interoperability of its high-volume products, Microsoft will determine which standards to implement, based on customer feedback, and work with other major implementers of those standards toward achieving robust, consistent and interoperable implementations across a broad range of widely deployed products.

- **Open documentation.** To increase transparency and promote interoperability, Microsoft will document how it supports those standards, including documentation of any extensions relevant to interoperability.
- **Open access.** As with its protocols and APIs, Microsoft will publish all information about its support for standards on its Web site, including the specifics of standards extensions, without requiring developers to obtain a license, or to pay a royalty or other fee to access it. Microsoft will also make available a list of any of its patents that cover any of these extensions, and will make available patent licenses on RAND terms.

(4) Fostering more open engagement

Microsoft will increase its communications with the customer, IT and open source communities to drive a collaborative approach to addressing interoperability challenges.

- **Interoperability forum.** Microsoft will create a Web-based forum for open discussions about interoperability issues of importance to customers around the world.
- **Document interoperability.** Microsoft will launch a Document Interoperability Initiative to bring together industry members to address issues of interoperability and effective data exchange between widely deployed document format implementations.
- **Open Source Interoperability Initiative.** Microsoft will launch an Open Source Interoperability Initiative to promote engagement between Microsoft and open source communities. It will encompass a broad range of facilities, events, and resources supporting interoperability, including labs, plug fests, technical content and opportunities for ongoing cooperative development.

Q: Microsoft has made several interoperability announcements before. How is this different?

A: Today we are announcing principles that span all of our high-volume products, with concrete deliverables linked to each of them. We have already begun to execute on these principles, with our published protocol documentation today. There will be much more in the coming months.

People should judge us by our actions, and the facts clearly show that this is a major expansion of our openness and interoperability efforts. Today, we published 30,000 pages on our Web site, and we will publish thousands more by the end of June, including all the protocols in Office 2007 used to connect to any other Microsoft product, including Exchange Server 2007 and SharePoint Server 2007.

Q: What are the specifics on what is different than before?

A: These changes represent a significant expansion of Microsoft's interoperability-sharing practices. Previously, the company has provided all the API documentation for its Windows client operating system via its Microsoft Developer Network (MSDN) Web site, as well as a

substantial number of APIs for other high-volume products through its Software Developer Kits (SDKs) and on MSDN as well.

- Under this announcement, Microsoft is committing to make available all the APIs in all its high-volume products that are used by other Microsoft products, and to make them available for free on the Web through MSDN.
- This means that developers will be assured that they have the same APIs available to them that Microsoft's other products use. Microsoft will follow this principle on an ongoing basis by incorporating this requirement into its product release cycles.

Microsoft currently provides documentation of communications protocols for Windows client and Windows server through its Work Group Server Protocol Program and Microsoft Communications Protocol Program (WSPP and MCPP) to companies that enter into a licensing agreement and pay a fee for such access.

- Under this announcement, Microsoft not only will openly publish documentation for these protocols, but also will publish documentation for the communications protocols in a much wider range of products. All of this documentation will be available on the Web and accessible without a license or payment of a fee.

Q: If interoperability has always been important, why is Microsoft just taking these steps now?

A: As individuals put more and more records online and share more documents, interoperability is increasingly important for end users. We've also heard from our enterprise customers that interoperability is extremely important to them because the modern datacenter is a very heterogeneous environment, and having our systems designed from the outset to be easily interoperable with other products and systems is key for them. This is a very important strategic shift in terms of how all the engineers at the company view their mission. They have to consider what the customer environment is and how the software they are creating will be deployed at every step.

Q: What is the impact on developers?

A: Today's announcement presents significant new opportunities for the vast majority of software developers. As a result of the principles and actions announced today, all types of developers — including independent software vendors (ISVs), open source developers, and developers in customer IT departments — will have consistent, open access to the following:

- The interfaces (APIs) that are used to run their products on Microsoft's high-volume products in the same way that other Microsoft products do
- The protocols that define how Microsoft's high-volume products communicate with other Microsoft products so that their products can communicate in the same way
- The ways Microsoft high-volume products will enable portability of data that users input into those products
- How Microsoft is implementing and extending standards important to interoperability in its high-volume products

Q: What does today's news mean for consumers? How will they benefit?

A: Today's announcement is a response to what our customers have told us they want, and a recognition of fundamental shifts in the computing landscape.

The computing world we grew up in was primarily a world of individual machines with engineers writing programs to maximize the value of each machine. But thanks to the ubiquity of the Internet, virtually every system and technology product has become interconnected in some way, and interoperability between systems has become expected. The actions we've announced today will enable customers to save their data in a variety of formats and to interact with it when and how they want. We are also making it easier than ever for developers to build new products that will expand and enhance the benefits of Microsoft software for our customers.

Q: Will this announcement apply to prior versions of the high-volume business products covered by this announcement?

A: The announcement today applies to the listed and future versions of these products.

Q: The Interoperability Customer Executive Council (ICEC) seems to play a major role here. Is it independent?

A: Yes. The ICEC is a 41-member organization created in 2006 that brings together chief information officers, chief technology officers and technology architects from governments and leading corporations around the world. Council members — who meet frequently throughout the year — represent a range of governmental bodies and the insurance, banking, financial services, transportation, travel, consulting, consumer products, retail and manufacturing industries. Eighteen members are public-sector entities, and 23 are in the private sector.

Q: What is the timing of the changes you have announced today?

A: Over the coming months, we will establish policies and processes to implement this for APIs in all our high-volume products. More than 30,000 pages of protocol documentation in WSPP and MCPP will be openly published on MSDN immediately, without requiring a license or fee for access. These will be available under the open access, RAND patent and open source compatibility principle described later. We will continue to update those documents over time, with our next regular release scheduled for March.

We are currently working on documentation for the Open Protocols for the other high-volume products. Our beta releases of the first of those protocols are scheduled for April, with initial releases of all the following protocols available by the end of June:

- Protocols between Office 2007 and all other Microsoft products (including Exchange Server 2007)
- Protocols between SharePoint Server 2007 and all other Microsoft products

- Protocols related to the .NET Framework (e.g., Web services)

We will also be providing additional open format documentation in the next few months, such as additional documentation for the Office binary file formats (.doc, .xls and .ppt), as well as the XAML mapping rules and vocabulary used by Web applications to create rich graphical user experiences.

Additional documentation and disclosure schedules will be announced in the future.

Q: Where and how will this new information be available?

A: Microsoft will use its developer portal, MSDN, to publish the open APIs and Open Protocols, and to host forums specific to the documentation. Developers will not be required to obtain a license or pay a royalty or other fee to have full access to the documentation. The Open Protocol Specifications forums can be accessed at <http://go.microsoft.com/fwlink/?LinkId=111125>.

Microsoft has already documented its protocols in Windows client and Windows server in connection with its MCPP and WSPP licensing programs launched pursuant to the U.S. consent decree and the European Commission's 2004 decision — a project that involved over 600 people and resulted in over 30,000 pages of documentation. This Windows protocol documentation can be accessed at <http://msdn.microsoft.com/openprotocols>.

The Open Protocols include the documentation available under those programs, all of which may now be accessed as of today on MSDN without needing to obtain a license or pay a fee for such access.

Q: When will Microsoft make available the list of patents that apply to each protocol? Also, where will this be posted?

A: Patent lists are posted already for the documents that are available today on MSDN. For the time being, they are contained in two separate lists with some overlap. The main pages can be accessed at <http://www.microsoft.com/about/legal/intellectualproperty/protocols/mcpp.msp> and at <http://www.microsoft.com/about/legal/intellectualproperty/protocols/wspp/wspp.msp> (you will find the patent maps partway down the page).

As we progress with this initiative, when we publish each set of documents (including the beta documents coming out in April), we will also publish lists of protocols in that set that are covered by patents, a patent map that shows the specific patents on the protocols, and the licensing and pricing information for those patents.

Q: What IP assurances is Microsoft providing open source developers and distributors with respect to their development and distribution of implementations of the Open Protocols?

A: As part of this announcement, Microsoft has issued a Patent Pledge for Open Source Developers, which clearly states that Microsoft will not sue any open source developer who makes, uses, imports or distributes an innovation for noncommercial purposes. The Patent

Pledge covers all developers contributing to an open source project, whether they are individuals, nonprofit organizations or commercial legal entities, such as companies and their employees. For those wanting to pursue a commercial distribution, patent licenses are available on RAND terms and at low royalty rates.

The following table describes the IP aspects of the Interoperability Principles applicable to Open Protocols:

	Free Access to Specifications for Open Protocols	Covered by Covenant-Not-to-Sue (CNS) for Development and Noncommercial Distribution of Implementations of Open Protocols	Access to List of Patents Covering Open Protocols	Availability of RAND License at Low Royalty Rates for Patents Covering Open Protocols
All * Developers Working on Open Source Software Projects	Yes, all have access.	Yes, all are covered.	Yes, all have access.	Does not apply because this group is already covered by the CNS.
All Other Developers	Yes, all have access.	Not covered.	Yes, all have access.	Yes, this applies.
Non-commercial Distributors	Yes, all have access.	Yes, all are covered.	Yes, all have access.	Does not apply because this group is already covered by the CNS.
Commercial Distributors	Yes, all have access.	Not covered.	Yes, all have access.	Yes, this applies.

*Including individuals, nonprofit organizations or commercial entities, such as companies and their employees.

For more information, please visit

<http://www.microsoft.com/interop/principles/ossipatentpledge.mspx>.

Q: How is Microsoft defining “commercial distribution”?

A: As stated in the Patent Pledge to Open Source Developers, software is deemed to be commercially distributed within the meaning of this promise when the distributor derives revenues in connection with the distribution, such as from subscriptions, updates, or user-based connection fees, or from services that are contractually required for a customer to

obtain the current version and/or updates of the software product in question. If you have any questions or concerns, please consult the following link:

<http://www.microsoft.com/interop/principles/osspatentpledge.mspx>.

Q: What are the RAND terms under which Microsoft is licensing its protocols? What are the royalty rates associated with these licenses?

A: Reasonable and nondiscriminatory terms will apply to anyone who wants to license Microsoft's patents related to these technologies. The currently available protocol patents are priced at 0.4 percent of relevant licensee revenues. Although other protocol patent pricing will not be fixed until release, we expect similarly low royalties for those patents.

Q: What is the impact of this announcement on the many patent cross-license agreements Microsoft has signed?

A: This announcement does not impact any of our past patent cross-licensing agreements.

Q: Does this announcement indicate that Microsoft will no longer pursue either patent cross-licensing agreements or other IP deals similar to ones entered into with Novell Inc., Xandros Inc., Turbolinux and others?

A: No. We view patent cross-licensing and other similar IP-related agreements as a collaborative, cost-effective way for companies to enhance innovation. These agreements also enable distributors to deliver an enhanced value proposition to their customers who are more frequently operating in mixed-source environments. These agreements are part of our multifaceted approach to managing our IP as a business asset, and we will continue to work with companies that value and respect IP and want to work collaboratively to enhance the overall IT ecosystem.

Q: I'm already an MCPP or WSPP licensee. Do I have to migrate to a new program? If so, how do I do this?

A: Existing MCPP and WSPP licensees can now have access to all protocols available on the MSDN Web site, <http://msdn.microsoft.com/openprotocols>. The MCPP or WSPP agreement you already signed covers you on the protocols to develop and distribute implementations of the protocols licensed that interoperate with Windows. In the coming days, you will be contacted by your account executive to discuss the various options and work with your team to select the program that meets your needs.

Q: Will MCPP or WSPP licensees receive a refund?

A: Existing MCPP and WSPP licensees will be offered the option to migrate to the new program by signing new agreements. Companies that have previously signed a WSPP agreement and paid royalties will receive a refund if these paid royalties were at a higher rate under their existing agreement than they would pay under their new agreement. No additional refunds for MCPP licensees are planned at this time.

Q: When will the Interoperability Forum be launched?

A: It will be launched no later than March 20. Those who are interested in the range of Microsoft's activities related to interoperability should go to <http://www.microsoft.com/interop>. Once launched, the Interoperability Forum will be reached through this site.

Q: You say this builds on interop initiatives already under way at Microsoft, but Microsoft is notoriously behind in this area. What sort of things are you talking about?

A: In February 2005 Microsoft began working to deliver interoperability by design based on a broad commitment to the Extensible Markup Language (XML). Since that time, the company has announced more than 30 interoperability deliverables that include the movement of dozens of specifications to the OSP, landmark technology interoperability projects such as the Linux and Windows virtualization, and interoperability agreements between Microsoft and open source distributors Novell, Xandros, Linspire Inc. and Turbolinux.

These projects have included the establishment of the ICEC and the Interop Vendor Alliance (IVA) to identify and address, directly and through collaboration, the interoperability issues that matter most to customers. Through technical labs and dialogue with CIOs, technology architects and business leaders, both groups have produced tangible results in their first year.

In addition, since September 2005, Microsoft has been involved in technical collaborations with the open source industry including JBoss, SugarCRM Inc., XenSource Inc., Zend Technologies Ltd. and SpikeSource Inc. These projects are designed to help our mutual customers take advantage of the Windows platform while demonstrating the choice available to partners and customers when considering both Microsoft and open source software in the same IT environment.

Also, there have been significant recent developments in our work with open source communities.

- **Samba.** In December 2007, the Protocol Freedom Information Foundation (PFIF), a nonprofit organization created by the Software Freedom Law Center, signed an agreement with Microsoft to receive the protocol documentation used to interoperate with the Windows workgroup server products and to make them available to Free Software projects such as Samba.
- **OSI.** In October 2007, the Open Source Initiative (OSI) approved two of Microsoft's Shared Source licenses: the Microsoft Public License (MPL) and the Microsoft Reciprocal License (MRL). OSI approval is an endorsement of each license's compliance with the Open Source Definition (OSD).

Q: How does this announcement differ from the agreement reached in December with the Protocol Freedom Information Foundation (Samba)?

A: Although PFIF signed a trade secret license that provided it with access to the WSPP protocols for a fee, today all its members could access this documentation on the Web

without the need for a trade secret agreement or any fee. In addition, we are extending this approach not only to communication protocols but also to APIs, data formats and industry standard extensions. Finally, these principles also apply to a much broader set of high-volume products as opposed to workgroup server operating systems.

Q: Does this announcement undermine Novell's agreement to work with Microsoft?

A: No. John Dragoon, Novell's chief marketing officer, praised Microsoft's actions in a blog post (<http://www.novell.com/company/blogs/cmo/?p=83>) following the Feb. 21 announcement and asserted that Novell will continue to reap important advantages from its close collaboration with Microsoft.

Q: What specifically are you going to do to achieve interoperability of standards implementations across products?

A: Most important, we will rely on feedback from our customers to guide how we support standards in our products to best meet their real-world interoperability needs. We will also publicly share information about our standards support, and work toward achieving interoperability with other widely deployed implementations of those standards in a variety of ways, such as through plug fests, labs and other industry events. We will also actively participate in standards bodies by contributing to the development of new standards and improvement of existing standards. And we are launching an Interoperability Forum to promote discussion in the community about interoperability, including standards support.

Q: Exactly what information are you going to document about how you support standards in your current and future high-volume products?

A: We'll publish a list of those standards that are most important to achieving interoperability between our high-volume products and other products. For each of these, we will identify the information that matters for enabling interoperability between Microsoft's implementation and other widely deployed implementations of that standard, such as aspects of the standard that we support and documentation of extensions.

Q: Given that you have several months to implement these changes, what is the financial impact of this announcement in the current fiscal year? Beyond?

A: This agreement does not change our long-term vision for our products. We do not expect the impact of these changes to have a material impact on our fiscal 2008 financial performance. We have not currently provided any financial projections beyond our current fiscal year.

Q: How will this change the way I procure software from Microsoft?

A: This will not change the way software is procured from Microsoft and our partners.

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For more information, press only:

Rapid Response Team, Waggener Edstrom Worldwide, (503) 443-7070,
rrt@waggeneredstrom.com