Market Roundup

July 1, 2005

AMD Takes On Intel: Does Anybody Win?

HP and IBM: SOAs for the Masses

EMC Enhances Dantz Retrospect

Supreme Court Unanimously Points Finger of Blame

IBM and Sun: Together Again

AMD Takes On Intel: Does Anybody Win?

By Joyce Tompsett Becknell

AMD has filed a federal antitrust lawsuit in the U.S. against Intel, alleging that Intel has a monopoly hold on the PC industry and has harmed or curtailed competition in the chip industry, resulting in higher PC prices, fewer choices, and a decline in innovation. In the suit, AMD claims that Intel imposed alleged scare tactics and coercion on thirty-eight companies, ranging from computer makers and system builders to retailers and wholesale distributors. For the case, AMD is referencing recent results from a Japanese suit where the Japanese Fair Trade Commission ruled that Intel's Japan unit stifled competition by offering rebates to five Japanese PC makers (Fujitsu, Hitachi, NEC, Sony, and Toshiba) when they agreed not to buy or to limit purchases of AMD and Transmeta chips. AMD also launched a marketing campaign outlining the reasons they are bringing suit against Intel, running it in consumer newspapers as well as government publications such as Capitol Hill's Roll Call. Apparently AMD wants to reach the broadest spectrum of public opinion, from consumer to federal decision-makers. Intel has announced that it disagrees with the Japanese ruling although the company will abide by it, and has also stated that it believes it has done nothing wrong in this case.

Legal squabbles between Intel and AMD have become something of a competitive pastime for the two, with lawsuits dating back to the 1980s. In 1991 AMD first sued Intel for antitrust violations. This was settled along with all other suits in 1995. In 2001 AMD filed a complaint against Intel with the EC which is ongoing. The most that Intel has suffered has been the occasional slap on the wrist followed by a firm "bad boy." Things haven't changed much. Intel continues to pursue aggressive marketing, and AMD continues to remain a distant second. It may turn out differently this time, but then again it may not. Proving antitrust cases is neither easy nor quickly done.

At the same time, the chip wars have been heating up on several fronts. There are dual cores, there is virtualization technology, and there is 64-bit extension technology. Currently the x86-based space is the lion's share of the processor market and will remain so for the foreseeable future. However, as the range of devices proliferates, processor technology is diverging into more spaces than the PC space. It will be difficult for one company to be king of the mountain in the future. In order to maintain market leadership, it used to be enough to have market share and volumes, but now innovation and the ability to work with multiple partners and platforms is becoming more important. To that end, IBM and several partners have started Power.org in order to create a base for innovation in the electronics industry. Power.org is still in its infancy and likely to suffer through several bumps and bruises before it gets the model right. On the other hand, the electronics industry has been evolving toward a partnership model for the last five to six years as the complexity and costs of research, design, and production have escalated and specialized. Power.org is a logical progression from two-way partnerships to a thriving ecosystem. On the one hand, we have Intel and AMD battling through legal channels, keeping antitrust lawyers actively employed and wealthy. On the other hand, we have the twenty-eight (and we suspect more to come) members of Power.org working to build a collaborative model for future technology. We suspect the market more likely to find innovation and benefits from the actions of the latter rather than the former. Time will tell.

The Sageza Group, Inc.
32108 Alvarado Blvd #354
Union City, CA 94587
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Milan +39 02·9544·1646

HP and IBM: SOAs for the Masses

By Jim Balderston

IBM and HP both made announcements this week about their latest initiatives to foster and promote the deployment of Service Oriented Architecture (SOA) IT environments. IBM announced it was targeting ISVs, business partners, and systems integrators to help them provide SOA to their client base, using IBM resources, knowledge, and go-to-market materials. IBM will offer its partners and ISVs partner workshops and information hotlines. HP announced it has opened a series of SOA competency centers around the world in which customers and business partners can learn more about SOA deployments and architecture. The services HP offers include SOA Envisioning, Assessment, Governance and Architecture, Enablement Services Development, Software Development, and Management Services. HP said a number of vendors, including BEA Systems, Oracle, JBoss, SAP, and Microsoft are working with HP to promote SOAs.

SOAs are getting a fair bit of attention these days, as demand-driven computing continues to make its way throughout the food chain of the marketplace. Regardless of a company's size, or its business niche, the lag time between internal or external demands and the response to them shrinks with each passing week. In such an environment, it is no wonder that IT vendors are talking about agility and nimbleness in conjunction with SOAs.

While both companies made their SOA announcements on the same day, this is for the most part where the similarities seem to end. HP is targeting its SOA initiative at large enterprises, especially its envisioning and assessment services. IBM, on the other hand, is targeting its ISV, business partner, and SI ecosystems, which certainly can touch large enterprises but also can reach down the food chain into the SMB market. These partners own relationships and market niche expertise with the end customer, many of which rely on the business partner to implement IT strategy. In this one regard, it would appear that IBM is targeting a larger market. Additionally, IBM makes no mention of physical centers for development training; we assume that the company will use its Virtual Innovation Center for a broader global reach. That said, we see HP begin to move with more strategic direction, with this announcement following the decision to split the personal computing division from printing, a move that somewhat mirrors IBM's unloading its PC business altogether. HP may indeed be copying IBM to large degree, in our mind a much more sensible idea than having little or no apparent strategy at all.

EMC Enhances Dantz Retrospect

By Clay Ryder

EMC has announced the availability of an EMC Dantz Retrospect 7 update for Windows that furthers protection offerings for SMBs as well as home and SOHO users. New features include AES 256-bit encryption, support for Microsoft Windows x64, and scheduled grooming of Disk Backup Sets. Disk grooming helps increase disk utilization by automatically deleting unneeded older backup data to ensure maximum disk capacity availability on a fixed schedule without manual intervention. The update, which is available to current Retrospect 7 customers, also extends push-button backup for users of third-party external hard drives. Retrospect has received FIPS 197 certification from the NIST for its 128-bit and 256-bit AES encryption. Built-in backup button support, which is already supported by many third-party external drives, has been extended to Retrospect Multi Server, Single Server, Small Business Server, Disk-to-Disk, and Professional editions. Users can now protect additional networked computers with these Retrospect editions, while continuing to use the convenient backup button on their external hard drive to perform on demand or scheduled backups. The Retrospect 7 update is available immediately. Pricing information was not released.

Until recently, EMC's unwavering high-performance enterprise focus probably caused to the average SMB to think the moniker stood for an Extremely Menacing Company that was far outside the small and mid-tier customer's reach as opposed to a storage solutions company that scaled the market spectrum. Happily, a few million (or more) dollars later EMC has made it clear that it was not just a supplier of big iron to the stars, but rather a vendor focused on delivering leading-edge information solutions to all enterprises, be they big or small. The Retrospect product is a great example of a solution that is scaled with the needs of the mid-sized (or much smaller) organization in mind, yet delivers a considerable amount of added value beyond that of simply backing up disks.

The Sageza Group, Inc.
32108 Alvarado Blvd #354
Union City, CA 94587
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Milan +39 02·9544·1646

With this latest update, we see the product bringing high-end security down market to a new class of users. In addition, extending the one-button backup metaphor to other devices and solutions is further empowering the average SMB who likely was simply not protecting these resources with a systematic or even haphazard backup policy. The automated disk grooming is a plus as well, given its independent and unattended nature of operation. Grooming in and of itself is a very handy tool, but the automation of its operation is quite likely of even more value to overburdened IT departments. Another example of set it and forget it: a desired motto for many things SMB. Overall we see Retrospect as an important and reflective part of EMC's software and market scaling initiatives. While storage management can remain a daunting task for the little guy, products like this are examples of how market leading value can be successfully delivered down market without watering down the value, or drowning the recipient.

Supreme Court Unanimously Points Finger of Blame

By Susan Dietz

According to a recent Supreme Court ruling, vendors may now be held accountable for how their software is used by their customers. In Tuesday's landmark decision against Grokster, the Supreme Court unanimously decided that vendors who had developed file-sharing software could be held responsible for any copyright infringement perpetrated by their customers. This is a departure from rulings of the past two years, in which peer-to-peer software was ruled legal due to the precedent set by Sony Betamax winning a lawsuit brought against them by MGM two decades ago.

The language of the decision seems to imply that if a company doesn't specifically warn consumers against copyright infringement, or even encourages illegal acts, then it could be argued that said company is actively inciting criminal behavior and may be held liable. On Tuesday, both Grokster and Morpheus 5.0 (another file-sharing software company) both had disclaimers on their front pages telling people to not infringe on copyrights. However, this may be a case of "too little, too late" as the court held the position that since these vendors originally had the intent and disseminated the intent of infringement they cannot now warn users to ignore their earlier appeals. Does this mean that Sears is now going to be liable because they don't package their screwdrivers with the warning, "Do not use for breaking and entering?" No. The difference is that Craftsman tools were never advertised as the tool of choice of burglars worldwide. However, the law of unintended consequences still remains in force: "risky" software may run afoul of the courts, based not upon what it can do, but rather how it is promoted and to what end.

Some file-sharing vendors, perhaps anticipating these events, have already started adding filtering programs to their file-sharing capabilities. Their software, they claim, was developed to allow amateur musicians and filmographers to share their creations among their peers and was never intended to promote copyright violations. Their filters will, presumably, still allow the amateur file sharing but check against established databases of copyrighted materials prior to allowing transfer. The decision by the Supreme Court could mean that companies may have to think seriously about any future "mis"applications of software they may develop, and perhaps leave out some of the edgier capabilities for fear the criminal element might hijack their product. However, although this ruling may bring much rejoicing to the RIAA and MPAA, it is unenforceable outside the long arm of American law. Therefore, we suspect that while it may now be more difficult for U.S.-based developers to ply this illegal trade, the world is full of rogue states that do not have the same standards we do with regard to intellectual property. Just as Hitler once counterfeited £5 notes in an attempt to destroy the British economy, the proliferation of counterfeit CD, DVD, and black market file sharing will continue to challenge the industry's revenue. Until such time as the WTO or other world body gets truly serious about copyright enforcement, this court ruling will have great moral legitimacy, but limited effectiveness in the quest to squelch copyright infringement.

The Sageza Group, Inc.
32108 Alvarado Blvd #354
Union City, CA 94587
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Milan +39 02·9544·1646

IBM and Sun: Together Again

By Jim Balderston

IBM and Sun Microsystems announced that the two companies have signed several agreements concerning technology licensing and product support this week at the JavaOne conference in San Francisco. In the first deal, IBM renewed its license to use Java technology from Sun for another decade. This includes the rights to use Java Enterprise Edition, Standard Edition, Micro Edition, and Java Card technologies. IBM also agreed to become a channel partner of Sun in delivering Java-compatible products for the embedded market to Sun's Java technology licensees. IBM also agreed to support Sun's Solaris 10 operating systems by delivering middleware support for it on SPARC, x86 and x64 systems. This agreement reverses an earlier decision by IBM to not offer its WebSphere middleware for those operating environments.

IBM originally decided against spending the money to offer WebSphere on Solaris because they thought the market opportunity would not justify the costs of doing so. The company also probably had some strategic notions in mind when making that earlier decision, as by cutting off support for Sun's platform, they would potentially be making it harder for Sun to keep customers while losing market share to Linux, which IBM has supported very strongly. If one looks at it that way, perhaps this is a meaningful win for Sun. We also wonder if the two deals are co-joined at the hip. Given's Sun's angry response to IBM's original decision not support Solaris, perhaps the company upped the ante by warning the Java licensing deal would be much more difficult to complete if the original decision stood.

We will probably never know all the internal machinations surrounding these agreements, but it is clear that Sun distinctly wanted to have IBM offer its middleware to Solaris environments. In the end, IBM probably shrugged and decided that it would not be particularly painful to acquiesce to Sun's demands. But whether this is a big win for Sun is up in the air, in our mind. Yes, they probably will be able to retain more customers than if there were no support for WebSphere, but we believe that that plus may be offset by IBM gaining access to Solaris accounts. In doing so, the company will have yet another opportunity to talk up its offerings and alternative operating systems and hardware, most notably Linux. For Sun customers looking around as they refresh their technology, the opportunity to go with a lower cost, more widely used IT platform may be drawn to and IBM Linux offering regardless of Sun's incentives to stay true. We'll keep an eye on Sun's eroding market share to see if this deal actually stems some of the bleeding. We suspect it will not.

The Sageza Group, Inc.
32108 Alvarado Blvd #354
Union City, CA 94587
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Milan +39 02·9544·1646