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Market Roundup
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IBM Opens Wall Street Linux Center

By Charles King

IBM has announced the opening of a new Linux Center of Competence (COC) at the company's building at 590 Madison Avenue in New York's financial district. The Linux COC represents an initial investment of more than $1 million from IBM, and will provide financial services customers access to a full range of Linux products and support from IBM and vendors including SunGard, JD Edwards, Veritas, and Sybase. The Center will allow customers to test Linux solutions on IBM's full eServer product line, including the company's Intel-based xSeries systems, Linux clusters, and virtual Linux servers deployed on IBM zSeries mainframes. The company will also provide financial services solutions from its middleware portfolio including WebSphere, DB2, Lotus Domino, and Tivoli products. The Eclipse open source developer platform will be supported at the Center, and IBM will make its Eclipse-based WebSphere Studio tools available. Linux training classes will be available through the COC, and the Center will regularly host speakers and events of interest to the Linux community. Additionally, the COC will be used by key Linux-focused industry groups, and will become the base of operations for the New York Linux Users Group.

In considering IBM's new Linux Center, we are struck by both its practical and philosophical implications. From a practical standpoint, the Center is simply a tool the company can use in its continuing efforts to drive Linux usage (on IBM products, of course) into mainstream business. The Center's location is a bit audacious, since it stands near the heart of both the U.S. financial industry and one of IBM rival Sun Microsystems' chief markets. In fact, IBM's continuing embrace and delivery of Linux solutions for essential business processes is essentially contradictory to Sun's insistence that while open source may be fine for the network edge, it belongs nowhere near the data center. IBM's promotion of mainframe-powered Linux virtual servers as an effective means of consolidating the workloads of scores or hundreds or even thousands of freestanding or rack-mounted servers onto single machines has long been pooh-poohed by Sun as a pricey smoke-and-mirrors exercise. The new Linux COC, it seems safe to say, will give myriad potential customers in the Wall Street community a chance to judge that cavil for themselves.

We are also interested to note the philosophical nature of IBM's Wall Street effort. Far from merely setting up a simple storefront, the company is making an effort to turn the Linux COC into a central point of interest for New York Linux professionals and enthusiasts. Since Linux began its curious journey from near-religious dogma into conventional business processes, any number of vendors have tried to decipher the best way to tap the commercial potential of what has been a decidedly non-commercial populace. To our way of thinking, making the COC friendly to the New York Linux community suggests that IBM recognizes that being a good

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Linux citizen is not exclusive from doing good Linux business, and that, in fact, the two can be complementary. If the company's Wall Street Linux effort succeeds in its aims, it may also mark the point where open source crossed clearly and successfully into the business mainstream.

Intel Announces Xeon-Based Server "Building Block" Products

By Charles King

Intel has announced server "building block" products based on the Intel Xeon processor and E7500 chipset, including server boards, server chassis, RAID controllers, and management software, designed for OEM system builders and product integrators. The new products include the SC7500CW2, developed for the value server segment and aimed at SMB applications; and the SE7500WV2, optimized for high-density rack-mounted environments and designed for high-performance clusters, firewalls, streaming media and email applications. The SHG2 along with the server chassis SC5200 can be used for high-performance, general service server processes such as application databases. Also included in the announcement was the SRSH4, a four-way Xeon-based server platform, and the SPSH4, a 7U pedestal system, both of which are targeted at high-performance uses such as large departmental data centers to mid-tier and back-end application servers. The announced products also include an optional upgrade to Intel RAID controllers and new versions of Intel Server Management software, which allows full-featured server management installing a remote management card. The SC7500CW2 is immediately available, and the SE7500WV2 and SHG2 will be shipping by the end of June. The four-way SRSH4 server platform is expected to ship in August. No pricing information was included in the press release.

To gain a better understanding of this announcement, it helps to remember December 2001, when Intel introduced its first carrier-grade server building blocks for the telecom industry. Intel's overall strategy rests on streamlining the development process and reducing costs for its OEM partners, while applying pressure on vendors that rely on non-Intel processors, i.e., Sun. (In fact, those first building blocks were designed to strike Sun in one of its biggest, traditional markets.) Are product streamlining and cost reduction achievable aims? In many ways, yes. The fact is that over time the server market has fragmented in response to customer demands for hardware tailored for increasingly specialized business functions. That, in turn, has increased pressure on vendors to broaden their product offerings, even as the continuing soft economy has led to drastic server price reductions. In general, we see Intel's new products as offering OEM partners like IBM, HP, Fujitsu, and Unisys the means of more easily entering new markets or upgrading older server products/lines. We also believe Microsoft's Enterprise/Advanced Server and Datacenter products should also see some related benefits. Sun, again, is a natural target here, though the company's Intel-based Cobalt line might realize some irony-laced profits from the new building blocks, too. Additionally, we believe Intel's new building blocks provide a concrete demonstration of how the effects of IT product commoditization move across a given market and its myriad players, in a model similar to the one Intel sparked (and drove) in the PC space. Are similar scenarios possible in the increasingly fragmented server market? From where we stand, Intel looks like it is playing a game it has won before, and no matter how much IT end users yammer on about the superiority of one product/platform over another, most end up voting with their wallets. You do the math.

Shoe on the Other Foot?

By Jim Balderston

The law firm of Milberg Weiss Bershad Hynes & Lerach filed a class action lawsuit in Los Angeles late last week against Universal Music Group, EMI Music Publishing, BMG Entertainment, Sony Music Entertainment, and Warner Music Group alleging that copy-protected CDs are in fact defective products. This suit, filed against the biggest names in the music industry, was instigated by two California consumers who found that certain copy-protected CDs either did not operate in their computers or caused them to malfunction. The suit alleges that the recording industry failed to properly label the CDs in a manner that would protect consumers from these malfunctions. The suit seeks to either block the discs' sales or to require

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that they be properly labeled as to what types of devices and operating systems they are compatible with.

The music industry has been quick to unleash its squadrons of attorneys on those the industry claims are stealing its content. Now we see action coming forth from the consumer side of things. Milberg Weiss is not a lightweight law firm; its class action expertise and aggressiveness puts many a Wall Street type or CEO in a cold sweat. These are big boys going after other big boys in an industry that still hasn't figured out how to manage its digital assets in a world where consumers have a host of ever-increasing options. We suspect more such lawsuits will be forthcoming.

The industry's response to this action was to dismiss it as frivolous and to further claim the industry has every right to protect its assets. But what exactly is it protecting here? These assets were worth a certain sum when distributed through traditional sales channels, but the entertainment industry does not yet appear to grasp that traditional channels are being severely disrupted by new technologies that add a different — and perhaps higher — value to their content as it is played on a variety of devices throughout the home. These new devices are not going to go away; their presence is just beginning to be felt. CD copy protection is an attempt to hold the fort against this new technology, not an embrace of new models that will require a re-thinking of pricing, distribution, and the like. At the same time, the industry wants (and believes it deserves) global reach. While the industry complains about intellectual property theft in developed countries, it will have to come to grips with the realities of offering its wares in countries whose citizens survive on much smaller personal incomes than their U.S. counterparts, like China, for instance, where per capita income is about one-fortieth that of the US. Is it really reasonable to assume that a person will spend a week's income for a CD? The incentive to copy and distribute (or disable security technology) is overwhelming in such circumstances. If the industry wants to extend its reach globally, it will have to either find a way to price its goods reasonably or see potential profits lost to an ever-increasing grey market that will become, in many countries, institutionalized and untouchable.

Security Issues Are Just Like the Weather…

By Jim Balderston

Federal figures indicate that reports of attacks on government networks and Web sites are increasing at an alarming rate. In 1999, the Federal Computer Response Center logged 580 attack reports. In 2000 that annual number stayed largely the same at 586, but in2001, the number mushroomed to 6,683. At the same time, the Federal government has been rapidly increasing its security spending, with the year 2002 IT security budget set at $2.7 billion, compared to the $1 billion budgeted for 2001. According to other industry reports, the number of attacks on government and business computers has doubled each year since 2000. In the first quarter of this year CERT's Coordination Center logged 26,829 incidents, all of them voluntarily submitted, indicating the number could be substantially higher. Meanwhile, numerous sources are predicting that game consoles, especially those used for online gaming — will become the next target of hackers.

Security has been a topic of discussion for years in the computer industry. Meanwhile, not only are the numbers of attacks growing, but the value of what is being damaged, destroyed, or stolen is rising exponentially. The Computer Security Institute's latest findings indicate that financial losses from security breaches have grown for the third year in succession, with 90% of its survey respondents saying they had experienced breaches and 80% claiming to have incurred financial losses as a result. Security issues are still a hot topic, but much like the weather, little seems to be advancing on this front to slow down said attacks or breaches.

We think there needs to be a refreshed set of agreed-upon points within the IT security industry and amongst its customers. First of all, the IT security industry needs to take a bold but risky move and begin to accept the commoditization of its products. While this will be good news for some companies, it will be time for others to shuffle off mortal coils. Whether necessary change comes in the form of continued industry consolidation by market forces or as the result of the growing clamor of increasingly irate customers, the security industry is going to have to accept the idea that various vendor technologies must interoperate, that APIs must be

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consistent and standards agreed upon if enterprises are to make any headway against the rising tide of computer attacks. Customers should raise their voices as well, demanding that vendors offer products that allow them deploy effective security solutions from the broadest range of vendors available. Finally, we wonder if the issue of network security is becoming so great that it is time for the federal government — as it did with automobile safety issues in the past four decades — to step in and begin mandating common security APIs and interoperability in an attempt to bring the defense against attacks more on a level with those on the offense. Given the current administration's insistence that industries can and must police themselves, we doubt such an action will be forthcoming. But if the number of online attacks and related financial losses continues to spiral upward, it may suggest that some problems in some industries can only be solved with aggressive and comprehensive federal intervention.

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