Market Roundup

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Cisco and EMC

By Joyce Becknell

Cisco and EMC have announced that they have an end-to-end storage consolidation solution for remote offices. The solution will combine Cisco's Wide Area File Services (WAFS) technology with EMC's NAS technology to allow branch-office files to be stored, managed, protected, and accessed from a central location. As part of the agreement, Cisco will become an OEM and be able to sell and support EMC's NS Series/Integrated NAS solutions. Cisco's WAFS technology allows LAN-like access of remote connections to central files. The EMC technology includes a Celerra network server combined with either fibre-channel or ATA disk-integrated networked storage. Cisco and EMC believe that centralizing remote files will aid backup and restore capabilities, as well as simplifying administration and improving availability.

For EMC the deal is clearly a win. Networked storage continues to be a useful and profitable but highly murky area of storage. Religious battles can be fought over the difference between NAS and SAN (storage area networks), whether they can co-exist, and which should be used where and when. The idea of using NAS to give remote users access to centralized files is clear and the benefits are straightforward. EMC gets another solution ready-made for NAS and exposure to new customers through Cisco. For Cisco, this is also a win, because it gives the company yet another solution in its small but growing storage business. Cisco has been making the transition of redefining networking to include a broader spectrum of products and services, and to have credibility in storage, it must do more than sell switches. This combination gives the company entry to new customers, and potentially a greater piece of the customers' business.

At the same time, nothing in the wild world of storage is ever easy or finished. The opportunities for increased confusion in this deal are multiple. Some of them are avoidable if Cisco and EMC execute thoughtfully, and some of them are unavoidable functions of doing business in this marketplace. Most customers have more storage than they know what to do with, it is mostly underutilized but who knows by how much, customers may not know which data sits where, and they are not even certain that they would be able to restore it if something happened to the original. Because data is stored in many diverse ways depending on the underlying architecture, it is not possible to offer one solution that fits all needs. Vendors have done a good job of figuring out how to match what they have to customer needs, and they've even done a fairly good job of designing useful, appropriate products. At the same time, it is easy for a new solution to get lost in the overwhelming wave of solutions available to a market that has limited bandwidth to absorb and distribute that information. Cisco and EMC must make sure that these solutions fit clearly with their other offerings, are positioned not only against like products from competitors but also against other possible solution types, and that their messaging is consistent and uniform. In addition to myriad available products there are also the questions of from whom customers should purchase. Originally, Cisco did not sell storage products directly; its products had to be purchased through OEM partners such as EMC. Now Cisco is choosing to be the OEM for this solution, and could reasonably decide to sell other products such as switches as well. This is additional opportunity for confusion for OEM partners, customers, and the channel as well. Finally, both Cisco and EMC are companies who have been on a purchasing spree lately. They are clearly expanding their view of what a networking or storage company might be and what customers should come to expect from them. They will both need to make sure that as they continue to expand and reshape they do not lose

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the essential essence of who they are. They must also make certain that the new appendages graft well and do not look like artificial attachments. If Cisco and EMC can accomplish this, then indeed they will remain forces to be reckoned with by their competitors.

A Deep Insecurity

By Jim Balderston

A high-ranking Department of Homeland Security official in charge of protecting the nation's physical and computing infrastructure resigned this past week, the latest in a string of departures from the agency's computer security wing. A recent internal audit indicated that the agency was suffering from poor communication, a lack of priorities, and a lack of coordination with other agencies. Also in the past week, it was reported that a hacker had gained access to a database of names and Social Security numbers for some 32,000 students and teachers at George Mason University. In an unrelated event, it was revealed this week that a 21-year old spent over a year accessing servers at wireless giant T-Mobile's servers, during which he was able to monitor Secret Service email, gather customer passwords and Social Security numbers, and download photographs taken by T-Mobile subscribers. The 21-year was captured after offering to sell much of the information he accessed.

The news from the DHS and its cyber-security efforts has been less than inspiring. For the most part, the federal government has done little of note in hardening the nation's IT infrastructure and probably even less in convincing the private sector to do the same. The numerous departures at the agency suggest that those knowledgeable about the necessary steps to make this key infrastructure more secure have run into an incessant wall of bureaucratic inertia that humbles and eventually defeats anyone seeking to do more than simply survive within the bureaucracy. The fact that the Secret Service had its email routinely intercepted by a 21-year old would indicate that the dissemination of proper use of the Internet and its inherent insecurities has not made it very far through official Washington. Clearly, a lot of folks don't get it.

And we suppose that the most important thing that folks don't get is that the Internet remains a largely unsecured environment with numerous weak points. Despite this reality, the electronic communications channel is used with increasing reliance and frequency; its assimilation into all parts of our lives occurs despite its many flaws. When one considers that it took decades to make the U.S. mail a secure chain-of-custody operation that earned and maintained the trust of both the private and public sector in this country, the challenges of securing the vast network of electronic communications begins to loom in a more accurate fashion. Throwing in the fact that chain of custody is no longer limited to physical objects but extends to ephemeral electrons, the task of creating a secure communication system grows even larger. The additional factor that we are now dealing with an international, global system of communications makes the task of actually securing its contents and protecting its assets quite significant indeed. For the time being, we are going to have to remember that the convenience of instantaneous communication does come with hidden costs, and those costs include a lack of security and assurances that our communiqués will be read by only those to whom they are addressed. At present, the recognition of this reality is the best we can do to manage the situation.

IBM Pledges 500 U.S. Patents to Open Source

By Rob Kidd

IBM has announced that it is pledging to forgo patent royalty payments and will not assert any of 500 specific patent counterparts issued by the U.S. or other countries against their use in the development, use, or distribution of open source software. The pledge is applicable to any individual, community, organization, or company working on an Open Source Initiative (OSI) defined open source project that meets OSI's ten open source software project criteria. In conjunction with the pledge, IBM highlighted its ongoing record of innovation and invention, stating that it has earned more U.S. patents than any other company for twelve consecutive years. In 2004 IBM was granted 3,248 patents (1,314 more than any other company), and currently has ~40,000 patents worldwide. Collectively these patents earn IBM about $1 billion in annual royalties. The company indicated that it intends to pledge additional intellectual property to open source and would encourage other companies to adopt a similar approach. IBM's vision is that the initial pledge will form the basis of an industry-wide "patent commons" in

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which patents and technology from vendors and industry participants are contributed, serving as the foundation for additional technology innovations by developers and users of open source and standards.

This patent pledge represents a new direction in IBM intellectual property management that could benefit the open source movement, partners, developers, IT consumers, and IBM. At the same time, it may also instigate competitors to take a position on "patent commons" either by joining the effort or creating their own. While IP ownership is an essential innovation driver and critical success factor for technology companies, technological advances often depend on shared knowledge, standards, and collaborative innovation between different companies and industry constituents. In general this is good for the industry and open source innovators. IBM's new strategy provides a framework to support open source and standards that can accelerate interoperability and global infrastructure expansion while still protecting IBM and other vendors' critical technologies and innovations. IBM, by pledging not to assert patents, rather than making them full free public domain with no strings attached, retains some control over technology use, development, and deployment. This way, if future market conditions dictate, IBM has a means to pull back from this IP strategy. Nevertheless, IBM, by opening patents up to open source developers, should help foster continued collaborative innovation. IBM's portfolio of technology in light of open source market momentum could portend many new open source projects that could ultimately benefit IT consumers and the open source movement.

The patent system that was designed to promote and protect innovation today in our view is threatening that very innovation it was designed to protect. Junk patents, those with little or no merit, have flooded the system and some have tried to use patents to stifle competition or extort revenue (e.g., SCO). We see IBM's approach to IP as refreshing, and if successful, could possibly stimulate innovation if not outright reform of the patent system. Nevertheless, for patent commons to be successful, they will need to attract wide-ranging industry support. Hence contributions should represent innovations in an area that will advance open technology that is also quickly becoming industry standard. While IBM appears to be taking this approach, the decisive test will be if key industry vendors such as HP, Sun, Microsoft, and others follow suit.

Outsourcing Redux?

By Jim Balderston

IBM announced this week that it has signed a seven-year, $157 million deal with Fireman's Fund Insurance to provide outsourced IT services in the form of an automated data center as well as providing 5,200 personal computers. Fireman's Fund said it would be running its datacenter out of IBM's Boulder, Colorado facility, which is also used by other IBM clients. IBM said the Fireman's Fund would pay for computing power as it needed it and expected that the company would save nearly $90 million in computing costs over the life of the contract. Fireman's Fund representatives indicated that the new IT arrangement would give them more flexibility in managing IT resources.

Has outsourcing finally turned the corner and moved past the psychological barriers that have prevented more companies from outsourcing IT functions to experts? Is server-hugging a thing of the increasingly distant past? It would seem reasonable to at least consider these possibilities given the fact that IBM has signed this deal with Fireman's Fund, an insurance company. The insurance industry is by habit risk adverse, and by practice slow to take up new-fangled gadgetry until it has been thoroughly road-tested and found not wanting. So does this deal mean that major infrastructure outsourcing is going to become a larger factor in large scale IT planning in the coming months and years?

Well, we believe that the future for outsourcing remains unclear and discernable only on a case-by case basis. Certainly time has had a chance to erode some of the general resistance against outsourcing, and we believe more time will further erode that resistance and make outsourcing a more realistic and acceptable option for individual companies. On its face, one would expect that many companies would benefit from allowing the "experts" like IBM to bring their skills to bear on IT problems and reduce costs while doing so. Yet, for all of that apparent logic, outsourcing has not taken the market by storm. While psychological resistance has declined, costs have apparently gone up (and savings down) enough to negate any advantage time's erosion may have realized. We suspect that

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individual market segments will have relatively higher or lower success with outsourcing; perhaps those in the financial services market have a significant opportunity to save money, as they move little besides data around the world. But for now, we will see how well this deal works for both partners, and look for signs that will help sort out the innumerable variables that will make or break the success of outsourcing deals of all types.

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