SEATTLE -- In a bold strategic overhaul, Microsoft on Thursday confirmed that it will launch Zune and Zune Marketplace this fall in hopes of playing catch-up to Apple in the fast-emerging digital entertainment market.

Tech industry analysts say the software giant had to do something drastic to keep Apple's iconic iPod and popular iTunes Store from running away with paid digital downloads of music, TV shows and movies.

"Zune is a big risk," says Ted Schadler, digital entertainment analyst at Forrester. "But the bigger risk is losing a place at the table when digital media decisions are made."

Microsoft this holiday season will begin selling Zune portable music players. The price was not disclosed. It will feature a 30-gigabyte hard drive, a 3-inch screen and limited Wi-Fi capability. Users sitting near each other can share files. And, in a mirror image of Apple's iPod strategy, Zune will require paid music downloads -- and later TV programs and movies -- to be acquired exclusively from the Zune Marketplace.

That's a huge departure from Microsoft's 4-year-old strategy that relies on a phalanx of partners; some sell digital content from online stores, others supply a dizzying array of playback devices. The common thread: All services and devices use the Windows Media Player format -- the filing and playback system that comes with all new Windows PCs.

The Windows Media strategy left consumers so confused that Microsoft had to imprint PlaysForSure logos on services and devices intended to work together.

Meanwhile, Apple's simple, elegant iPod, took off like a rocket in late 2001. It defined, then dominated, the paid music download market. Last year, Apple added video capability to the iPod and iTunes began selling downloads of TV programs. On Tuesday, iTunes began selling movies.

Microsoft hasn't been standing pat. It has poured millions into Zune and earlier this year bought in J Allard, a key executive from Xbox and Xbox Live, its successful video game console and online gaming service, to head Zune's development.

Allard says it may take years for Zune Marketplace to approach iTunes' audience of 50 million users. "I think we were going to bring a healthy alternative and great competition between us and Apple that will move digital entertainment forward faster," he says.

Microsoft may also find itself dealing with backlash from longtime PlaysForSure partners such as Napster, RealNetworks and Urge, which operate digital download stores, and Samsung, iRiver and Creative Labs, which supply playback devices.

And last week, Amazon launched its new Unbox movie download service as part of the PlaysForSure system.

Microsoft has said it will continue supporting PlaysForSure. However, only paid digital content purchased from Zune Marketplace will play back on the Zune, says JupiterResearch analyst Michael Gartenberg.

Some Microsoft partners may be rooting for Zune to flop, says Piper Jaffray analyst Gene Munster: "If Zune is not successful, then it's a non-event."

GRAPHIC: PHOTO, B/W, Douglas Evans, Microsoft, via AP
LOAD-DATE: September 15, 2006
In a nondescript office park, hard by a freeway and other markers of suburbia like Circuit City and Trader Joe's, a band of creative souls is working on another staple of the American experience: new forms of entertainment for people to fill the few remaining gaps in their media-oversaturated days. Digital Chocolate is this company's name, and the business focuses solely on developing games and applications for mobile phones. Although it has some trappings of a Silicon Valley start-up, circa 1999 -- one recent morning a 20-something employee rolled up for work here on a skateboard -- Digital Chocolate differs in one significant way. Its founder and chief executive, Trip Hawkins, is not a typical bootstrapping young entrepreneur.

Mr. Hawkins, 52, was employee No. 68 at Apple Computer before he left that company in 1982 to start Electronic Arts, now the pre-eminent video game maker. Never shy about expressing his opinions, Mr. Hawkins, not surprisingly, brands a theory about programming for the mobile phone.

"Content is just a means to an end, so there's something to talk about," he said. In other words, social connection trumps all. Accordingly, Digital Chocolate's creations appear decidedly low-tech, the easiest-to-use games possible without fancy graphics or elaborate storytelling. And its newest games and entertainments are designed to foster conversation, flirting and in the case of M.L.S.N. Sports Picks (for Mobile League Sports Network), a little friendly trash talking.

In this interactive sports game show, which costs $2.99 a month, people can compete against friends by predicting outcomes of sporting events, like how many points Tim Duncan of the San Antonio Spurs will score in his next game. The system keeps track of the standings for bragging rights.

That resulting connection, that social interaction, can be more much more lucrative than costly, classic content, in Mr. Hawkins's estimation. The first big mobile hit will be a completely original creation, he contends. "If you're going to really establish something as a new medium, you can't do that with content that is derivative and a second-class version of another medium," Mr. Hawkins said.

Needless to say, plenty of entertainment and media companies do not share that pointed opinion. From Hollywood to the Bristol, Conn., campus of ESPN, companies are spending hundreds of millions of dollars to adapt their current brands in television, movies, games and news and information to the tiny screens of mobile phones, and creating new programming.

The creative team behind "Lost" on ABC plans to produce video diary segments, two to three minutes long, for cellphones. CBS is pushing ahead with a made-for-mobile soap opera. Last week, HBO's "Entourage" began shooting mini mobile episodes focusing on the exploits of two of its characters, Turtle and Johnny Drama. And NBC is creating casual games based on the fractured, deadpan humor of "The Office"; they will be available this summer.

Ultimately, whoever guesses correctly the kind of bite-sized, time-wasting distractions people want to snack on over their phones could be showered with a bonanza of profits, at a time when technology is squeezing the traditional businesses of media and entertainment companies.

Still unclear, however, is how eager Americans will be for all this mobile phone content and how much they will want to spend on top of already-hefty monthly cellphone bills. "Consumers right now are not really looking at the phone as more than a way to communicate," said Linda Barrabee, an analyst at the Yankee Group, a research firm based in Boston.

In the United States, analysts estimate that only about five million people own third-generation, or 3G, phones, the ones designed to play decent-quality video and music. Only about two million have signed up for data and video packages, which cost anywhere from $10 to $25 a month.

The Yankee Group estimates that pure mobile entertainment -- games, music and video -- accounted for about $500 million last year, less than 5 percent the wireless carriers' data revenue. And the data revenue represented a small fraction of voice revenue. While people are watching video on their phones in increasing numbers, another researcher, eMarketer, predicts that even by 2009, fewer than 10 million subscribers will be willing to pay for premium services.

STUDYING such numbers convinced Mr. Hawkins to tailor his games to a more lucrative piece of the mobile phone business. (He started Digital Chocolate in 2003 with an investment of $8.3 million from two venture capital firms as well as Robert W. Pitman, the former chief operating officer of AOL Time Warner; an additional $13 million, from other investors, came in 2004.)
Last spring, an eclectic mix of designers thrilled an auditorium full of their peers at a conference called Radical Craft, put on by the Art Center College of Design in Pasadena, Calif. Fashion designer Isaac Mizrahi told inspiring stories of his rise to fame. Artificial intelligence pioneer Danny Hillis showed off a topographical computer display that could render anything, even the Himalayas, in three dimensions. Dutch inventor Theo Jansen brought one of his VW-size “beach creatures” made of plastic PVC tubes that “walk” across the stage like some George Lucas-inspired interstellar crab.

But the headliner of the show made a decidedly less showy impression. Stumbling onto the stage with a nearly shaved head and dark T-shirt, Apple Computer Senior Vice-President for Industrial Design Jonathan Ive looked like grad student who had gotten lost on the way to Starbucks. The 39-year-old Brit slouched unambitiously in his seat and quietly answered questions from conference host and award-winning editor, Chee Pearlman. Despite countless invitations, he refused to trumpet his own design prowess or to dish on what it’s like to work with his perfectionist boss, Steve Jobs.

“The man who, after Jobs, is most responsible for Apple’s amazing ability to dazzle and delight with its famous products, chose instead to talk about process -- what he called “the craft of design.” He spoke passionately about his small team and how they work together. He talked about focusing on only what is important and limiting the number of projects. He spoke about having a deep understanding of how a product is made: its materials, its tooling, its purpose. Mostly, he focused on the need to care deeply about the work.

None of this was very glamorous, especially for a famous designer. There was nothing newsworthy, few concrete details of anything. No doubt, that’s in part because Ive is a reluctant celebrity, and also because of the secrecy that Jobs imposes on all things Apple. In fact, Ive wouldn’t talk for this story. Neither would others, fearing Apple’s ire, including the Royal Society of the Arts in England, which helped give Ive his start 20 years ago. Apple talks to the outside world on its own terms -- typically at new product launches, such as the well-hyped press event on Sept. 12.

Yet Ive’s interview onstage revealed what many people close to the company say is indisputable -- that he is Apple’s Man Behind the Curtain. While Jobs sets the direction and provides the inspiration, Ive melds Apple’s unique creativity with the nuts-and-bolts required to make beautiful things. Apple’s innovation success is due greatly to this alchemy between chief designer and powerful boss. “I think Steve Jobs has found somebody in Jony who knows how to complete or even exceed his vision, and do it time and time again,” says Pearlman.

Since it began nine years ago, the “Steve & Jonny Show” has cranked out a stream of iconic products, from the candy-colored iMac that changed the world’s conception of a home PC in the late 1990s to the diminutive iPod Nano. In that time, Apple has created and maintained a choke hold on the digital music market, and analysts say it is poised for its biggest share gains in the PC market in years. The lessons from the 232% rise in Apple shares over the past 10 years transcend any particular tech market. Apple has put the design of great customer experiences on the map, not just as a means to win creative kudos but as a way to earn billions of dollars and revolutionize industries. “Apple’s big contribution is showing that you can become a billionaire by selling emotions, that design can be a valid business model,” says Gadi Amit, founder of NewDealDesign, a product design boutique in San Francisco.

There is no doubt that Jobs himself is Apple’s most unique weapon when it comes to innovation. While he comes off like a rock star, laying down power chords for Apple’s adoring fans at those dramatic product intros, he’s as committed to perfection as any Swiss watchmaker. This is a guy who once insisted that a shipment of fine Italian marble for Apple’s first Manhattan retail store be sent to Cupertino, Calif., so he could inspect the veining in the stone. And while designers elsewhere must fight off the cost-cutters, at Apple everyone knows their employment depends on living up to Jobs’s high standards. According to one story, possibly apocryphal, Jobs once demanded that a designer of a new Mac not allow a single visible screw. When the designer built a prototype that had one screw, tucked out of sight under a handle, Jobs fired him. “Apple is the most design-savvy company in the world, and it’s because of Steve Jobs,” says Ray Riley, a former Apple designer who now runs Nike’s Advanced Innovation Div.

Ive says he and his boss speak at least once a day. In fact, their lives are very much part of the same
improving their products. In particular, these companies hope to introduce schemes by which one’s searching success would be enhanced by previous behavior.

As you would expect, search companies like Google and Yahoo say that protecting the information on those search logs is assigned highest priority. (Though I bet if you asked folks at AOL about this before the semipublic release of its users’ most intimate data, they would have said the same thing.) Yahoo even has a security group referred to informally as “the paranoids,” whose motto is “We worry about these things so you won’t have to.”

But even if the companies are flawless in protecting that information, there’s still reason to worry. The federal government has already expressed interest in such records, and if the data is subpoenaed, the companies must turn it over. It’s also not much of a stretch to envision a scenario (i.e., another terrorist attack) that would pressure the companies to submit to a sweeping request for search logs, just to see if there’s a sleeper cell or two out there. (In the process, why not investigate those people looking for nude pictures, or swapping Madonna tunes?)

It is possible to search without a trail. So-called anonymizing services can mask your identity when you surf. And some smaller search engines do not keep session logs. The big players, though, are betting that you’ll stick around—because, they say, access to your dreams makes their searches great.

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U.S. Edition
SECTION: THE TECHNOLOGIST; Pg. 19
LENGTH: 593 words
HEADLINE: Make Room on the Couch for Steve;
Our computers have become great media devices for songs, pictures and now TV and movies.
BYLINE: By Steven Levy
BODY:

Steve Jobs’s talk last week was nearing an end and coming dangerously close to a letdown. The stuff he introduced—a freshening-up of the iPod line and the ability to download movies on iTunes—had been largely expected. And he’d already used his famous fanfare—"One more thing ..."—that usually precedes the introduction of a mind-blowing new product. But Jobs, with something still up his sleeve, this time announced "one last thing," and, in a break from tradition, unveiled a product that will not ship until next year. It’s code-named iTV, a small box (the size of a sushi tray) intended to bridge the gap between the way we entertain ourselves on our computers and the way we distract ourselves in the living room.

The early notice was necessary because, as Jobs realizes, the whole idea of downloading movies on your computer leads one to wonder why we can’t easily watch the flicks where we usually do—on our TVs. "It would have been the first question out of everyone’s mouth," Jobs says. "We thought, Let’s complete the puzzle." The sneak peek was particularly welcome because I’m not terribly excited about downloading movies, either the 75 offerings from Disney on the iTunes store or the several hundred movies from other studios on the Unbox system launched by Amazon just before the Apple event. Though I agree with Jobs that downloads are the wave of future, for now I’m pretty happy with my current regimen of buying DVDs or renting them from Blockbuster or Netflix. Also, the price isn’t right. Downloading a movie costs up to $15 for new films, and 10 bucks for the backlist, even though similarly priced DVDs are more portable, can be wrapped as gifts and often come with cool bonus features.

On the other hand, Apple’s iTV promises to be a classic Apple shot at a previously elusive sweet spot. Our computers have become fantastic media devices, holding our songs, our pictures and now our TV shows and movies—but there’s no easy, elegant way to get hold of that stuff while sprawled out in potato-land. iTV wants to be The Way. Instead of trying to be a digital workhorse with DVD drives, a hard disk and a tuner, it’s simply a Wi-Fi-enabled connection machine that cracks open all the stuff in your computer (and potentially, stuff on the Internet) and zips it to the TV set.

"The breakthrough came when we realized that we didn’t have to replace the set-top box," says Jobs. "It’s OK if we adopt the DVD player as our model. Then you can hook up to anything. Just be like a DVD player that happens to play Internet videos."

From YouTube to boob tube? Could be. In addition to the photos, movies, TV shows and tunes on your hard drive, iTV, with the ridiculously minimal six-button Apple remote, lets you go to the Net to get stuff. Last week Jobs showed only a menu item that pulls in movie trailers, but when you open up your iTunes library, you can also listen to bits of new music recommended by the iTunes store. Is it possible that when iTV ships next year, you may also be able to choose a menu item called Google Video, and then zip through the best of the thousands of user-submitted videos on the search giant’s service? Google’s consumer product chief, Marissa Mayer, tells me that indeed, the two companies are engaged in talks.

It’s inevitable that one day the boundaries between television and the computer will dissolve, but there are endless technicalities to hurdle. Could a simple $299 box really break the logjam? It seems like a stretch—but that’s what people said when Apple set out to change digital music.

LOAD-DATE: September 19, 2006
HP probe dug deep on CNET reporter, family

By Ina Fried
Staff Writer, CNET News.com
Published: September 21, 2006, 6:20 PM PDT

Hewlett-Packard thoroughly investigated a third CNET News.com reporter and his family as part of its controversial probe into unauthorized media leaks, News.com has learned.

According to a government investigator, the company pursued the home and cellular telephone records of reporter Stephen Shankland as well as those of his father and wife, a former News.com reporter and current Associated Press correspondent. The company also obtained a year-old photograph of Shankland’s mother, a high school teacher, and attempted to find ties between board member George Keyworth and Shankland’s father, a semi-retired geophysicist.

Shankland’s father, Thomas Shankland, and George Keyworth both worked for some years at New Mexico’s Los Alamos National Laboratory.

Although HP has said that investigators targeted the records of Stephen Shankland, the latest revelations indicate the aggressive tactics and the lengths to which investigators went in their effort to tie Keyworth to media reports. Keyworth, who stepped down from the board last week, said in a press release that he was a source for a January News.com story.

The investigator did not give a specific date for the inquiry into Stephen Shankland, but said it stretched from late January through March and possibly into April. Shankland said it is not clear which records HP investigators obtained; however, the company has said it did not obtain records for Stephen Shankland.

Apology to reporter

The company declined to offer specific details on what reporters’ records were obtained, but has said it is cooperating with the various government probes.

"The company has been working with an investigative team to discover the full extent of how the nine reporters' information was obtained," an HP representative said. "Until that investigation is complete, it will be premature for HP to comment."

Chairman Patricia Dunn, who ordered the launch of the investigation and subsequently agreed to step down in January, apologized in an e-mail earlier this month. CEO Mark Hurd is slated to become chairman.

"I want to write to you directly to offer my deepest, unsreserved, personal apology that your phone records were obtained without your knowledge as part of HP’s investigation into breaches of board confidentiality," Dunn said in a Sept. 12 e-mail to Stephen Shankland.

In a March document, HP investigators noted that they had located Stephen Shankland's home number but had not yet gotten specific cell records, the government investigator said. Also in March, another notation said, "We are in the process of locating (Stephen Shankland’s wife’s phone number and obtaining calls from Stephen’s home and cell for January 2006," according to documents read to Shankland by the investigator.

Meanwhile, according to T-Mobile records, on Feb. 28, there were three attempts within 11 minutes to access balance information for Stephen Shankland’s cell phone account. In the first and third instances, the phone identified itself as Stephen Shankland, while the second time the person claimed to be "Rachel Shankland," Stephen Shankland’s wife is named Rachel but goes by the name Rachel Kornack. Neither called T-Mobile that day, Stephen Shankland said.

In an effort to tie Thomas Shankland to Keyworth, HP traced their activities, including organizations to which they belonged. In an interview, Thomas Shankland said he was a rank-and-file staff member while worth was a department head in another part of the laboratory.

"I have no memory of ever having met him," Thomas Shankland said.

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Apple Introduces the New iPod nano
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SAN FRANCISCO—September 12, 2006—Apple® today introduced the all-new iPod®
nano with a new aluminum body, an incredible 24
hours of battery life and more than twice the music
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generation. The new iPod nano features Apple’s
innovative Click Wheel and an even smaller, thinner
and lighter design available in silver, pink, green,
blue and black.

“iPod nano is the world’s most popular digital
music player, and we’ve completely redesigned it to
make it even better,” said Steve Jobs, Apple’s CEO.
“The all-new iPod nano gives music fans more of
what they love in their iPods—twice the storage
capacity at the same price, an incredible 24 hour
battery life and a gorgeous aluminum design in five
brilliant colors.”

With a stunning aluminum enclosure available in
colored, there’s an iPod nano to match
everyone’s individual style. The second generation
iPod nano is even more compact than the original and
has a brighter, more vibrant display perfect for
viewing album art and up to 25,000 photos. Intuitive
new features such as Search and Quick Scroll make it
easier for music fans to find exactly what they
are looking for and enjoy their music on the go, and
with seamless integration with iTunes® 7 and the
iTunes Store (www.itunes.com), the new iPod nano
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from the world’s most popular digital music store.

The new iPod nano supports gapless playback for
enjoying albums the way they were intended. iPod
nano also includes Apple’s patent pending Auto-Sync
technology that automatically downloads a user’s
digital music collection, photos or podcasts onto iPod
nano and keeps it up-to-date whenever iPod nano is
plugged into a Mac® or Windows computer using
USB 2.0. The second generation iPod nano features
up to 24 hours of battery life and completely skip-
free playback.*

Apple is also unveiling new accessories designed
for the second generation iPod nano, including
lanyard headphones, an armband, a dock, and a new
incredibly compact USB power adapter which at
almost half the size of the previous USB power
adapter is perfect for charging your iPod while
traveling. The new iPod nano features the 30-pin
iPod dock connector allowing it to work effortlessly
with an incredible range of third-party products, from
home stereo speakers to cars featuring iPod
integration. There are now more than 3,000
accessories available for the iPod. The second
generation iPod nano also works seamlessly
with the Nike + iPod Sport Kit, and provides
support for voice recording accessories.

Pricing & Availability _The new iPod nano
models are now available worldwide through the
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stores and Apple Authorized Resellers. The new
2GB iPod nano model in silver is available for
$149 (US), the new 4GB models in silver, pink,
green and blue are available for $199 (US), and
the new 8GB model in black is available for
$249 (US). All iPod nano models include
redesigned earbud headphones providing
superior comfort, fit and sound quality, and a
USB 2.0 cable.

New optional accessories designed for the
second generation iPod nano with the following
suggested retail prices include: lanyard
headphones for $39 (US), armband for $29
(US), iPod nano Dock for $29 (US), and an iPod
USB power adapter for $29 (US).

iPod nano requires a Mac with a USB 2.0
port and Mac OS® X version 10.3.9 or later and
iTunes 7.0 or later; or a Windows PC with a
USB 2.0 port and Windows 2000 (Service Pack
4), Windows XP Home or Professional (Service
Pack 2) and iTunes 7.0 or later. Internet access is
required and a broadband connection is
recommended.

* Battery life and number of charge cycles
vary by use and settings. See
www.apple.com/batteries for more information.
Music capacity is based on four minutes per
song and 128-Kbps AAC encoding; actual
capacity varies by content. Photo capacity is
based on iPod-viewable photos transferred from
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digital music revolution with its iPod portable
music players and iTunes online music store.

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Student technology trends: going online, going mobile

Jason Clerk

With new technology options at hand, students are using the Internet more and communicating on the move, according to the university's 11th annual survey of student computing use.

Internet use by students jumped 40 percent to an average of 22 hours per week, compared to 16 hours last year. The survey found that students access the Internet in different ways. Fewer use telephone modems (down to 28 percent from 60 percent two years ago), while access via cable modem and DSL has become more frequent. General access computer labs and computer kiosks also proved popular.

Student ownership and use of laptops, personal digital assistants and cell phones are at an all-time high. About 38 percent of students own a laptop, for example, up from 25 percent last year. PDA ownership grew from 10 percent two years ago to 18 percent this year. Cell phone ownership rose from 22 percent in 2000 to 64 percent in 2003.

Nearly 80 percent of students have more than one e-mail address. That keeps them busy checking their accounts; 83 percent of students check for e-mail at least twice a day, with 35 percent checking five or more times a day. Sixty-two percent of students, mostly freshmen and sophomores, report using instant messaging.

Other survey findings include:

- Desktop computer ownership now stands at 92 percent, a rate that is consistent for each class.
- Women were more likely to be cell phone users than men (71 percent vs. 58 percent), but more men owned handheld computing devices (26 percent vs. 12 percent).
- Windows operating systems dominate among students. Recent years have seen a migration within Windows users to XP and other network-oriented systems. Mac ownership is around 9 percent.

The survey was conducted by DoIT to learn more about student use of computers and the Internet. Survey results will be used in planning for campus information technology. For the second straight year, the survey was administered via the Web. Of the 1,500 students who received an e-mail invitation, 658 completed and returned the survey. The survey's margin of error is approximately +/- 3.8 percent. For the full report, visit http://www.doit.wisc.edu/research/.
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