

**EXHIBIT 2  
TO DECLARATION  
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Cellphone Carriers Relax Grip On Content

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In the first 10 days after **Apple** opened its **App Store** for the iPhone, consumers downloaded more than 25 million applications, ranging from games like Super Monkey Ball to tools like New [York](#) City subway maps. It was nothing short of revolutionary, not only because the number was so high but also because iPhone users could do it at all.

Consumers have long been frustrated with how much control carriers -- AT&T, Verizon Wireless, Sprint and the like -- have exerted over what they could download to their mobile phones. But in the last nine months, carriers, software developers and cellphone makers have embraced a new attitude of openness toward consumers.

Verizon Wireless, which said in November that it would open its network to any device maker that could create a mobile phone compatible with its network, has already welcomed a few business-oriented devices. It hopes to announce new consumer phones in the coming months. When the world's largest cellphone maker, Nokia, recently took full ownership of Symbian, which owns a popular mobile operating system, it agreed to share the software with other phone makers.

And on Monday, the LiMo Foundation, an alliance of companies promoting a rival operating system open to makers of all wireless devices, is announcing that seven new mobile phones would use that system, bringing the number to 21.

AT&T, like Verizon, has followed suit with a promise to also open its networks.

But the pressure on AT&T is also coming from another direction: **Apple**, its iPhone partner. AT&T has no control over the applications downloaded to the iPhones, which AT&T offers exclusively. But the proliferation of new applications and the realization that they only make cellphones more popular has convinced executives there that they need to give consumers more freedom.

The industry, of course, has selfish reasons for promoting openness. Applications spur the use of higher-priced wireless data plans and the purchase of more expensive smartphones. "What is most important for us is to have a cus-

tomers sign up for a plan," said Ralph de la Vega, who is in charge of AT&T's wireless unit. "We think we can have multiple ways to make money."

Silicon Valley's venture capitalists are already salivating over the enthusiasm for cellphone applications. Their investments in this category rose 90 percent in the first half of 2008, to \$383 million, from the second half of 2007, according to Rutberg & Company, a technology research firm based in San Francisco.

Analysts and industry executives agree that **Apple**, a new entrant to the cellphone market, deserves credit for spurring the carriers and cellphone makers to change.

But there is something bigger at play, too. The market for smartphones, which are really handheld computers, has quickly expanded beyond business users. They have gone mainstream, with teenagers and women finding novel uses for them -- texting snippets of their lives to friends or tracking friends on maps. The carriers and the handset makers realize they have to make the phones adaptable to those new customers.

"What is happening is inevitable," said Walter Piecyk, a communications analyst at the research firm Pali Research who studies the mobile phone market. "Companies can't really stop it. They might as well embrace it. Consumers are demanding these types of devices, which is good for everyone."

Of course, consumers should be careful what they wish for. Already there are at least six major operating systems for cellphones -- Linux, Symbian and BlackBerry, as well as those made by Microsoft, Palm and **Apple**. And more are coming. Google expects the first phones in its Open Handset Alliance, which will use its Google Mobile operating system, to be out this fall. Consumers may find it confusing that some applications work only for certain phones because developers do not have the time or money to adapt projects to every operating system.

Consumers will also come to realize that "open" comes with an asterisk. The word means what the carriers, handset makers and software developers want it to mean. For example, Verizon's open system is "open" only to phones it has certified. iPhone users can **download** only the **applications Apple** has approved.

Still, many developers agree that **Apple** is less restrictive than AT&T or Verizon.

"While the iPhone is closed, it does have the openness characteristics, which are unique," said Kevin J. Martin, chairman of the Federal Communications Commission and a proponent of more open networks.

If consumers are curious about what the mobile phone of the future might look like, they have to look no farther than OpenMoko, a Taiwanese cellphone maker that began selling the Neo Freerunner in July. The Freerunner, a six-ounce phone that sells for \$400 and works on the T-Mobile and AT&T networks, has a three-inch touch screen and data storage, like many other smartphones. But what makes it unusual is that technologically savvy buyers can create or download personalized programs.

"What we want to do is bring the openness of the personal computer to the phone," said Michael Shiloh, who is in charge of developer relations at OpenMoko. "We want people to be able to play around. You can't do that now on a mobile phone."

For now, Neo Freerunner is not a mainstream device. But a group of archeologists, Mr. Shiloh said, have developed a program that allowed them to create maps using Global Positioning System technology that more precisely catalog finds at their archeological sites. And he envisioned a day when creative programmers could combine different tools, like Wikipedia, directories and G.P.S., to create uniquely personalized phone applications.

Mr. Shiloh said his 13-year-old daughter told him recently that she wanted to create her own mobile games. "To some extent, it may sound geeky," Mr. Shiloh said. "But considering we have a population of people who have grown up creating their own Web pages, it's not unfathomable."

With independence, consumers develop a relationship not with their carrier but with the phone or the applications on the phone. Google, one of the most strident proponents of the move to openness, is certainly aware of that as it builds an operating system that could allow anyone to add applications to any phone using Google Mobile software - without going through a carrier.

"If I'm a developer, my job is to surprise and delight as many people as I can," said Matt Waddell, a product manager for Google Mobile. "That's hard right now because of this fragmentation. We want that to go away for very selfish reasons. We can tell people to go to Google."

He added: "The Internet is not owned by any one company."

PHOTOS: The Neo Freerunner is made by OpenMoko of Taiwan.; Ralph de la Vega of AT&T, which is the exclusive provider of phone service for the iPhone. (PHOTOGRAPH BY AT&T) (pg.C8)

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