

To: "David Eun" <deun@google.com>
 From: "Eric Schmidt" [REDACTED]
 Cc: "Omid Kordestani" [REDACTED]
 Bcc: [REDACTED]
 Received Date: 2006-05-12 16:38:28 CST
 Subject: RE: Video GPS - Content

While I understand your points and generally agree I don't yet see a winning strategy from any of the video camps. For example, you talk about the Torsp and make a lot of sense, what is the strategy to win there? My issue is that the team is reacting to others rather than driving a new strategy and I want to see a compelling, differentiated strategy. Eric

From: David Eun [mailto:deun@google.com]
 Sent: Friday, May 12, 2006 8:35 AM
 To: [REDACTED]
 Cc: Omid Kordestani
 Subject: Video GPS - Content

Eric,

In advance of the Video GPS, I thought it would be helpful to give you my perspective. My apologies in advance for the length. I wasn't sure if I'd be able to share these thoughts with you before - or during - the GPS. Thank you also for energizing the Video team with your recent inquiries.

Balancing Short Term vs. Long Term Goals

The Video team has focused on two questions in preparation for the GPS: 1) how we "beat YouTube" in the short term; and 2) how we win over time. What is lacking is how to best balance the pursuit of both goals.

There is a chance of pursuing short term goals with such zealotry that we develop blind spots that could hurt us later. For example, there was heated debate about whether we should relax enforcement of our copyright policies in an effort to stimulate traffic growth, despite the inevitable damage it would cause to relationships with content owners.

I think we should beat YouTube - and all competitors - but not at all costs. A large part of their traffic is from pirated content. When we compare our traffic numbers to theirs, we should acknowledge that we are comparing our "legal traffic" to their mix of traffic from legal and illegal content. One senior media executive told me they are monitoring YouTube very closely

DATE: 5-6-09 EXHIBIT# 7
 DEPONENT: Schmidt, E
 CASE: Viacom, et al., v. YouTube, et al., The Football
 Association Premier League, et al., v. YouTube, et al.,
 Case Nos. 07-CV-2203 and 07-CV-3582

A. Ignacio Howard, CSR, RPR, CCRR, CLR, No. 9830

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and referred to them as a "Video Grokster".

Unfortunately, as we've been shifting to focus on "beating YouTube" this past quarter, there have been multiple delays in providing enhancements to our current product that have strained relationships with current partners and prevented us from striking new deals.

Tradeoffs

If we are going to refocus resources on long tail content, then let's acknowledge what we are NOT doing. Resource prioritizations are being made, but often in a bit of a vacuum.

Many premium content owners are already distrustful of our "ulterior motives" and/or see us as not being very partner-friendly. If we were (overly) focused on premium content before, we may seem "fickle" to some partners now as we shift more of our attention to user-generated content.

For example, I'm not convinced that a paid DTO model will be widely embraced by consumers, and think advertiser-supported models will ultimately prevail. However, I don't believe we've yet provided a baseline of functionality (disconnected DRM, lower download limits, improved search/browse/promotion) that would give us an accurate sense of what the true potential of DTO is. Universal Music sold over 400k paid downloads of just 800 music videos in their first week with iTunes in December.

Building traffic by focusing more on user-generated content may be the right answer for now, but we should discuss what those consequences are, good and bad. I think we could be a bit more nuanced and maintain some of our longer term objectives such as building additional monetization approaches beyond DTO more aggressively, while still pursuing shorter term priorities.

Strategy: Head, Tail, Torso

Google can win by providing the best user experience for the most comprehensive content offerings in the world. We should provide content of all kinds in all languages with multiple monetization schemes.

Head

Premium content owners are more eager to offer their content on their own or with multiple partners. Just this week CBS announced the launch of a new broadband network they'll host; Fox closed the biggest content deal with

iTunes yet, and Warner Brothers announced a deal to distribute DTO movies through Bit Torrent. We should continue to maintain or create relationships with them -- and expand relationships with them when the product has improved.

Tail

We should provide the best tools and features for long tail content, while understanding that there are already hundreds of websites providing very clever, unique offerings (possible acquisition targets?).

Torso

I think the real differentiator for us will be what I call the "torso" content: professional content owned by companies who don't have enough scale to have their own web distribution or promotion and would look to GV for support. These include smaller cable networks, special interest verticals, educational institutions and niche programmers. Very few of our competitors will have the scale, expertise and the head start we do in finding, negotiating and quickly indexing large volumes of this type of content.

Playing to Win

6 months ago, no one talked about YouTube. 6 months from now there are likely to be other hot competitors. I think we should absolutely have clear, short term goals, but we shouldn't focus on any one competitor at the risk of missing our longer term goal to win by being comprehensive. This is easier said than done, so we need your guidance to do this!

Eric, can we start executing on the proposed solution discussed at Omid's Offsite -- designating a Product lead and a Business lead for each high priority area? I know I can help take us to where we need to go in Video, but having you set that expectation on me publicly as the Business lead would provide a tremendous boost to getting there.

Dave

—
David Eun
NY: 212-569-8070
MV: 650-253-1993

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