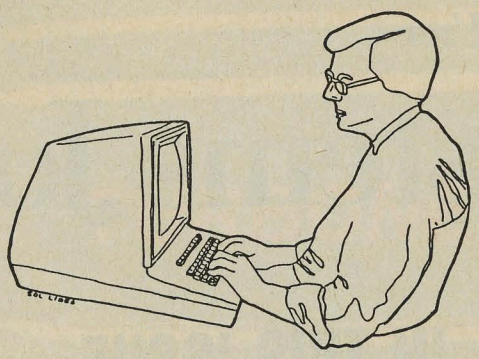
Editor's Page

by Sol Libes



THE ORIGINS OF MS-DOS

It is interesting to look into the origins of MS-DOS. Microsoft gets the credit for creating what is, without a doubt, *the* most popular computer operating system in current use. But in actual truth Bill Gates, Microsoft's President, bought it from another company....Seattle Computer Products. And, if the truth be known, SCP never even wanted to create an operating system.

The story starts way back in 1979 when Intel introduced the 8086, the first 16-bit microprocessor. Seattle Computer Products, based in Seattle Washington, was a small start-up company with the sole goal of producing an 8086-based S-100 CPU card. They were very successful in designing the card and getting it into production. However, they had a problem. There was no software around for it.

Digital Research Inc. was working on porting CP/M over to run on 8086-based systems. However, CP/M-80 was going great guns for DRI and they were all involved with venture capitalists, acquiring other companies and laying the ground work for eventually going public and making a big killing. Thus, development of CP/M-86 was given a low priority status.

Microsoft also was involved with big OEMs, like Radio Shack, and did not have the time for small startups like SCP. SCP was successful in acquiring a license from Microsoft for MBASIC and hired a young programmer, Tim Paterson, to translate it into 8086 code so they would have at least one piece of software users could run on their SCP systems.

During 1980 SCP added a 16-bit wide memory card and disk controller cards to form a complete S-100 16-bit system. But they began to worry as they still did not have a disk operating system. DRI kept stringing SCP along, promising, but not delivering. Out of desperation, Tim Paterson quickly created an 8086-based operating system based on the CP/M-80 model. It had the same resident and transient functions and the same memory model. Before the year was out SCP was able to deliver complete systems to users.

DRI eventually released CP/M-86 in the Spring of 1981, just before IBM announced the PC.

ENTER IBM

In 1980, IBM realizing that Apple and Radio Shack were making inroads into their traditional market, the business office, decided they had to take quick action. They approached DRI and Microsoft with intent to license CP/M-80 and MBASIC, the personal computer industry standards at the time. They found Microsoft to be very receptive but DRI took a rather independent stance.

During one of IBM's visits to Microsoft they explained the problems they were having coming to terms with DRI. Bill Gates saw an opportunity. He sold IBM on the idea of using the new Intel 8088 microprocessor instead of the 8080 and billing the unit as a 16-bit computer, and that he would provide both a 16-bit version of MBASIC and a disk operating system.

But IBM was in a real rush to get the product out the door, before Apple and Radio Shack got too entrenched in the office market. Bill Gates, realizing that time was of the essence, decided to acquire SCP's operating system and do a quick translation of MBASIC.

Microsoft quickly stuck a deal with SCP. They bought the operating system for $50,000, granting SCP a royalty-free license to MS-DOS when sold with their systems (including updated versions). Tim Paterson went to work for Microsoft.

IBM, with extensive experience with Disk Operating Systems and knowing their customer base, asked that the system be enhanced and made easier to use. But time was running out. So with only a few refinements, IBM released version 1.0 of PC-DOS. The biggest refinement was a user manual, written by IBM, that was designed for a less knowledgeable user and printed in a much more professional manner than traditional personal computer manuals. Anyone who had to cut their teeth on the CP/M-80 manuals realizes IBM must be given considerable credit for taking the industry a major step forward in documentation.

In early 1982 Microsoft delivered the improved version (2.0) of PC-DOS to IBM (it was released in mid '82). The new version represented a major improvement. By then IBM realized that users were going to add hard disks to the PC and an operating system was needed that provided hard disk support. Thus, version 2 added many UNIX-like file handling functions, friendlier features (e.g. a powerful, easy to use batch processor) and error recovery. Version 2, in fact, bore little resemblance to SCP's original operating system or CP/M-80.

MICROSOFT GOES PUBLIC

Recently Microsoft went public and its chairman of the board, Bill Gates (age 30), sold 80,000 shares of stock for a little over $1 million. He kept 11,142,000 shares (45% of the stock) worth over $200 million. It is interesting to note that last year Bill's salary was $133,000, while Jon Shirley's, Microsoft's President, was almost $100,000 more than Bill's.

Paul Allen, co-founder of Microsoft with Bill (who has since left the company), owns 6.39 million shares worth well over $100 million.

It is worth noting that Microsoft was built entirely out of income and did not rely on any venture capital. Sales for fiscal 1985 were over $140 million (profits were over $24 million) with well over half coming from OEMs. In fact, IBM, Tandy, and Compaq accounted for 31% and international OEMs (mainly Japanese) accounted for 19% of sales.

WHAT EVER HAPPENED TO SCP?

SCP continued to produce their S-100 8086 system throughout 1982, 1983, and 1984 with considerable success. They also began manufacturing PC-bus products. However, in late 1984 they experienced a plant fire which literally put them out of business.

Thus SCP decided, in early 1985, to sell the company, the most valuable asset of which was the royalty-free license to MS-DOS. In accordance with their contract with Microsoft they notified Microsoft of their intent to sell the company and assign the license to the purchaser. Microsoft, in turn, notified SCP that they could not do this.

The result is that SCP recently filed suit against Microsoft asking that Microsoft be enjoined from interfering with the sale and continuing with the royalty-free arrangement. Further, SCP is claiming that they are also entitled to any revenue from licenses sold to vendors that distribute systems based on chips other than the 8086. This would include IBM's entire line of personal computers. SCP is also seeking $20 million in damages and if its other claims are not supported by the court, they are asking for a recision of the original agreement with ownership of MS-DOS returned to SCP.

We will try to keep you posted on the outcome of this suit. (μ)