

Message

**From:** Christopher Li (Google Slides) [Redacted] [docs.google.com]  
**Sent:** 7/22/2019 1:58:14 AM  
**To:** [Redacted]@google.com  
**Subject:** Samsung Commercial Status - [Redacted]@google.com can you ple...

Christopher Li replied to a comment in Samsung Commercial Status - July 2019



Samsung Commercial Status - July 2019

MADA



Jim Kolotouros

[Redacted]@google.com can you please complete this slide? I'd like your recommendation as well



Christopher Li [New]

I took a stab at laying out the major 'options' decision points and my personal recommendation. Not sure if anyone agrees with it so please feel free to adjust.

My rationale is that we are in a position of strength for the MADA, for reasons we can discuss live. We shouldn't give them as-is MADA terms if RSA (and maybe Store) break badly. Also, I think the RSA and MADA are a set, therefore their terms and start / end dates should be in sync.

Open

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Google

Samsung Update

July 2019

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## Current Status of Commercial Contracts

- RSA auto-renewed on April 1, 2019 through June 30, 2020.
  - Confidential paid last month, Confidential over past 12 months.
  - We believe Samsung has breached a 4th time, which would give Google a termination right which can be invoked at any point during the term
- Store collaboration
  - Google officially rejected Samsung proposal presented in Hong Kong
  - Have alerted Google personnel that Banyan effort has been discontinued
- MADA on monthly extensions
  - Initially expired on February 28. Now set to expire on July 31. Queuing up 2 month extension through September 30.
- AFA extended through December 31, 2019 (also when EMADA expires)

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1. Is this deal still interesting enough to pursue, vs. continuing on an independent path?
2. Should we commit to Section 1 [Dev Tech] without assurances on whether we'd only be enabling more instances of "Opt Out" from Store Services? [you'll understand as you read the language of the term sheet].
3. Would this deal work without our needing to commit to any of Section 2 [Store Services] at all? In other words, if it's purely commercial/ transactional and achieves the outcomes we want, do we need to commit to the product piece? [As discussed on Thursday, doing Store Services might actually be the best way to demonstrate improved outcomes for developers... so that's a consideration]
4. I have deliberately left off two things: Confidential year in co-marketing (though we can add back later if need be), and b) Commitment to Samsung Pay as a FOP in Play.

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## Other commercial recommendations

MADA as safety net for RSA conversations and also solve for ACC

Just need green light to align with our recommendations, listed below

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## Final recommendation - output image

Offer Samsung two RSA paths:

- (1) Get paid fair value on what their obligations are *currently* worth (e.g. will be a meaningful drop because of EEA situation, product needs, etc.)
- (2) Give Samsung opportunity to “build up” their commitments to earn what we are currently paying them (options include Store, Cloud, RCS, Assistant, etc.)

If Samsung aligns with us on (1) or (2) above, we extend MADA. If they try to add in Search Widget into RSA, then MADA conversations re-start again. Align on ACC table stakes as part of MADA signing process.

**MADA Status, Options & Recommendation**

- 1) **Status:** Has been on monthly extensions since MADA expired end of Feb 2019. 2 mo extension through Sep19. MADA is custom, and not based precisely on MADA 2.0 template, although some terms were pulled in.
  - a) Missing security updates, OOBIE screens, bullet-proof connection to AFA

2) **Options (Terms to secure)**

**Confidential**

3) **Options (Timing)**

**Confidential**

4) **Recommendation:**

**Confidential**

## Search Revenue Share (current structure)

- Expires 6/30/2020. Will auto-renew unless 90 day notice is given.
- Samsung enrolls the vast majority (ex-RU, KR) of its devices Confidential 28D actives
- Current RSA Confidential of net (after Confidential device-by-device
  - Current requirements to be a Qualified Device =
    - S-browser search default
    - 2 screens out of box
    - Limited Assistant protections
    - Search exclusivity
    - Daydream
    - Letter & security updates

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also Korea the vast majority do not. It is a Samsung client ID but they don't opt in - carriers have no rev share but require their own homepage to browser. And Samsung may also have their own deal with Naver there.

Same with JP - but smaller #.

Confidential in Russia opt-out, Confidential in Korea, and Confidential in Japan. Rest of the countries are rounding errors.

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## Search Revenue Share (Strike status)

- Google identified 3 strikes and sent notice to Samsung in late 2017 and early 2018
  - a. Strike 1 & 2 sent Dec 2017; breach of alternative services on new tabs. Strike 3 sent on Feb 2018; breach of drop-down default not being set correctly. Calculated accrued "clawback" amount for the three strikes, at around confidential USD, but did not actually clawback the money.
- Potential strike 4 device was procured recently and being assessed for formal determination whether it constitutes a strike
- Options

# Confidential

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## Exec Summary -- Galaxy Store catalog update

Limited changes to Galaxy Store attractiveness since Feb 2019

- **No major changes** in Galaxy store attractiveness since the last analysis
  - **0 notable exclusive titles in 2019**
  - **Harry Potter: Wizards Unite** simshipped in June 2019 with 10% exclusive IAP discount (offer expired already)
    - Simship did not seem to yield financial upside for this title
    - Play consumer spend on declining path for this title, per internal dashboard
  - **Slight uptick in sessions per user and time per user for the Samsung Galaxy Store** compared to Play Store. Too small to make any meaningful inference
  - Only **2 out of Play top 50 free games** continue to be present on Galaxy Store
- Recent investment and plan to merge IndusOS AppBazaar will increase catalog size (rumored 400K). However, the catalog is largely variation of different (India) local dialects and not monetized traditionally (productivity apps, news etc.)

Cannibalization of Play store rev / usage by Galaxy Store likely limited

- We believe that the cannibalization of Play store revenue due to Galaxy store is none to minimal
  - **Only 4 out of top 50 Play games** by 2018 consumer spend are present on Galaxy store; **7 out of top 100 Play games**. These #s have not changed lately
  - By our estimates & assumptions, we expect their store still operating under net loss
  - In absence of 'exclusive hit-titles' on Galaxy store, the projected trajectory is in red as well

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\* (assuming similar cost structure as Play and their current rev share)