

WatchDog

Say hello to Trudy,
WatchDog of the Month.

Maximum PC takes a bite out of bad gear

THIS MONTH: The WatchDog goes after... > IBM Deskstar 75GXP Hard Drives

Watchdog Special Report

The Latest on the IBM 75GXP Lawsuit

While IBM publicly conveyed that nothing was amiss with its 75GXP hard drives, confidential e-mail and documents reviewed by *Maximum PC* show IBM employees in a near panic over the problem, grappling to find the cause and even calling the now infamous drive the "worst product in the field."

The e-mails all seem to contradict IBM's public stance that the 75GXP drive had no reliability problems; one e-mail even details an exec ordering that drives rejected by one vendor because of reliability issues be sold elsewhere without anything done to correct them.

In another e-mail exchange, an employee in IBM's Hong Kong office pleads with superiors to address the problem instead of trying to patch it with a public relations campaign.

"This is impacting our sales-out severely. The Corp. instruction is about communication to customers—not instruction in fixing the problem," the employee writes. "Sending highly defective product back into the channel did not help fix anything. Now bad-mouthing about IBM HDD is all over the market. We (must) start to do something to solve this. Distributors are rejecting this due to severe quality concerns—not business."

An IBM manager agreed that the failure rate was "beyond normal" but refused to replace all of a customer's hard drives as they were beyond the warranty period.

The confidential e-mail, depositions, and documents were unsealed last month in a California court as part of an ongoing class-action suit against IBM. The e-mails appear to show IBM in disarray over the problem, deceiving Compaq and deciding to sell drives that were rejected by one OEM to end users without any corrective actions taken.

Filed by Philadelphia firm Sheller, Ludwig & Badey, the class-action lawsuit alleges that IBM knowingly sold defective drives to consumers, and that the company never warned its customers that the drives were essentially ticking time bombs capable of destroying users' data. In response

to a query from the Watchdog, hundreds of readers reported failures with the drives which were popular for their capacity and performance. *Maximum PC* reader Michael Granito was the first to file a suit after he had several drives fail.

IBM has always maintained that the drives were no less reliable than other drives, and that the failures were well within the norm for the industry. In fact, IBM attorneys continued to maintain in a November 2003 court hearing that the problem is nothing more than high return rates by OEMs and distributors who couldn't sell drives, and by the consumers themselves who incorrectly installed the drives or overclocked their machines.

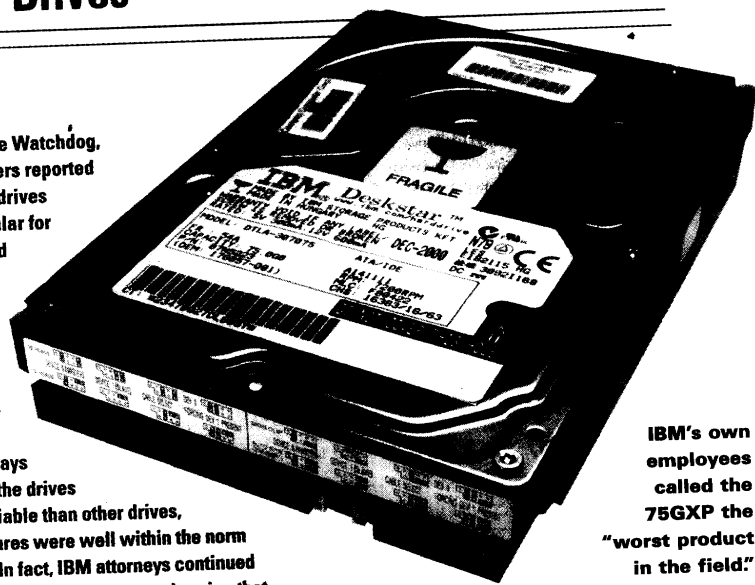
"These failures can be attributed to a lot of sources, but we don't think they can be attributed to IBM," an attorney for IBM told the judge who was considering whether to let the suit proceed. Company officials reached by the Dog declined to

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comment because of the pending litigation, but did say the suit was without merit. IBM sold its ailing hard drive division to Hitachi in 2002 but maintains a 30 percent ownership.

The internal e-mails and depositions of IBM employees, however, seem to contradict what the company has publicly stated and what its lawyers maintain.

Documents in the lawsuit show that 30 percent of consumers who received replacement drives for dead drives had the new units fail as well. Another document says some 11.3 million drives in the Telesto family were sold, including 4.1 million 5,400rpm drives (a majority of complaints the Dog received were about the 7,200rpm versions). The IBM documents show that the 5,400rpm drives



IBM's own employees called the 75GXP the "worst product in the field."

had return rates of 1.76 percent and were classified as low risk drives. The 15GB, 30GB, and 45GB 7,200rpm 75GXP drives had return rates of 4.4 percent and were classified as low to moderate risk. Meanwhile, the 60GB and 75GB drives had 6.5 percent return rates and were deemed a moderate to high risk. Failure rates for some drive customers far exceeded 6.5 percent though, according to IBM documents.

In one e-mail exchange with Quantum, which integrated the 75GXP drives into its Snap servers, an IBM employee dejectedly sums up the problem:

"Basically in the new system (Snap 12000), IBM Telesto 75GB in a side-by-side qual test comparison with Maxtor 80GB finished with a dismal 10,000 DPPM, while Maxtor ran at 1,000 DPPM. I told the group that even with a microcode revision and screening, we probably cannot achieve a 1,000 DPPM," the IBM employee writes.

The situation became so bad that a Quantum executive chastised IBM in an e-mail.

"While we appreciate that you have analyzed these failures and categorized them for us, we are extremely disappointed that you would ship a product with this known level of defects," a Quantum executive wrote to IBM. "You might recall that we had issues with the 60GB version of this product in October 2000. We were given assurances that you had corrected the defects found in your process. We now have fact-based reason to believe that the high

11/08 Conference Call with Compaq Engineering explains why IBM can not get testing completed by 1/08. They are given a two week deadline to complete. IBM gets several organizations involved in identifying Discovery and Telesto drives available for shipment to Rochester and Palermo for the ship team.

There was a great deal of effort expended in trying to locate Telesto drives for testing on each short notice throughout the past few days. The process of identifying Telesto drives that were to be tested, the account team sends the factory inventory letter IDs to Palermo to make sure that the Telesto drives in the bins and LCUs were built after week 38 and are OK to ship. Account team is informed that a new shipment of 150K and 200K drives has just arrived in the Houston Hub in accordance with the Telesto ship rules. These are the exact correct drives that just arrived in the Houston Hub in accordance with the Telesto ship rules. These are the exact correct drives that just arrived in the Houston Hub in accordance with the Telesto ship rules. These are the exact correct drives that just arrived in the Houston Hub in accordance with the Telesto ship rules.

- We have woven a story based upon half truths and misinformation that now places IBM in a position that is almost untenable.
- IBM will not admit that we have been shipping Telesto drives that do not have recessed heads and passing them off as 73GB drives.
- We have warned them that it could not happen, and we must prove to them that it will never happen again.
- We have warned them that we only picked 2 specific bins of drives to test out of a near shipment without any manufacturing process corrective actions in place.
- We can not explain why we told Compaq that the recessed heads and corrective actions were 100% fixed in testing before they were shipped to them in the 11/08 conference call meeting and this week.
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- On any FA for the remainder of the life of the Telesto program we can not tell Compaq the reason for failure was that the drive did not have recessed heads because we told them we were not shipping any drives without recessed heads.
- The account team can not explain why we told Compaq that the recessed heads and corrective actions in the drive we have shipped are fixed and have recessed heads built with corrective actions in the manufacturing process.
- If Compaq decides to release the qualification and warranty plan, we will not let them pull them out and use them in their products without again repeating all previous failures that we have warned them about.

"We have woven a story based upon half-truths and misinformation that now places IBM in a position that is almost untenable."

defect rates we have experienced in this product are directly attributable to another series of defects in your drives. Quantum ultimately was able to return 800 hard drives to IBM, but more troubling is an e-mail that seems to show that IBM was unable to even distinguish newer generations of the drive, called the "Rev 2," from older ones. The inability to track the older generation from newer generation helped put the kibosh on an 18,000 drive order from Compaq. "The account team feels that we have been

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given false data, have passed the data on to Compaq, and used that data to convince them to take positive action in IBM's favor, and the integrity of the team and in fact the integrity of every IBM person on the conference calls with Compaq since the end of September has been compromised," one alarmed sales manager wrote to IBM execs about problems trying to get the drive qualified

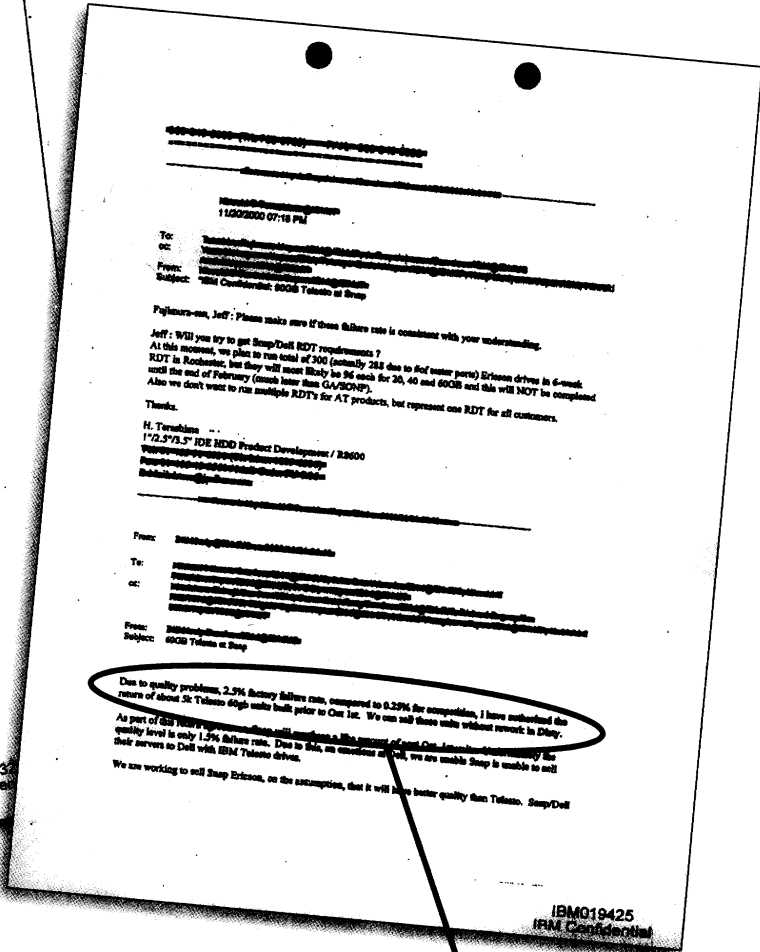
for Compaq. "If Compaq finds out that we have misinformed them and misled them, who is going to stand up next to the account team and explain how this happened? I feel we are at great risk. This program and future programs are at great risk."

One issue never actually resolved in the documents is the actual cause of the problem. Some of the problems stemmed from a bug in Windows 98 that created a false bad sector when the OS shut down before the write cache in the hard drive could be flushed. But there are also clear indications of manufacturing problems—something IBM has long denied. In the documents discussing a qualification for a Compaq contract, IBM speaks of a "Rev 2" model with a recessed head, newer firmware, an improved manufacturing process to reduce "contamination," and better quality assurance. IBM's promise of the improved Rev 2 convinced Compaq to continue using the drive, but when IBM exhibited difficulties in tracking whether the drives were Rev 2 or Rev 1, IBM sales reps became alarmed and triggered an e-mail

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exchange that admits to misleading Compaq. In another potentially damning e-mail, an IBM exec seems to suggest selling the hard drives that were rejected by a company to distribution, which meant a majority would end up in the hands of consumers. "Due to quality problems, 2.5 percent factory failure rate, compared with 0.25 percent for competition," the IBM exec writes, "I have authorized the return of about 5K Telesto 60GB units built prior to Oct. 1. We can sell those units without rework in Disty."

Got a bone to pick with a vendor? Been spiked by a fly-by-night operation? Sic The Dog on them by writing watchdog@maximumpc.com. The Dog promises to get to as many letters as possible, but only has four paws to work with.



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