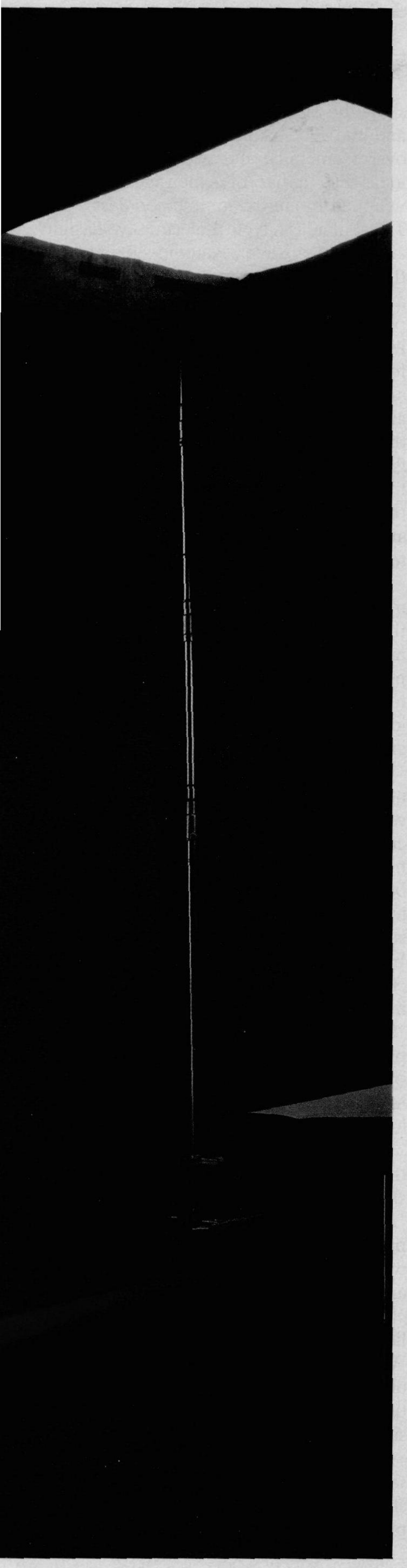
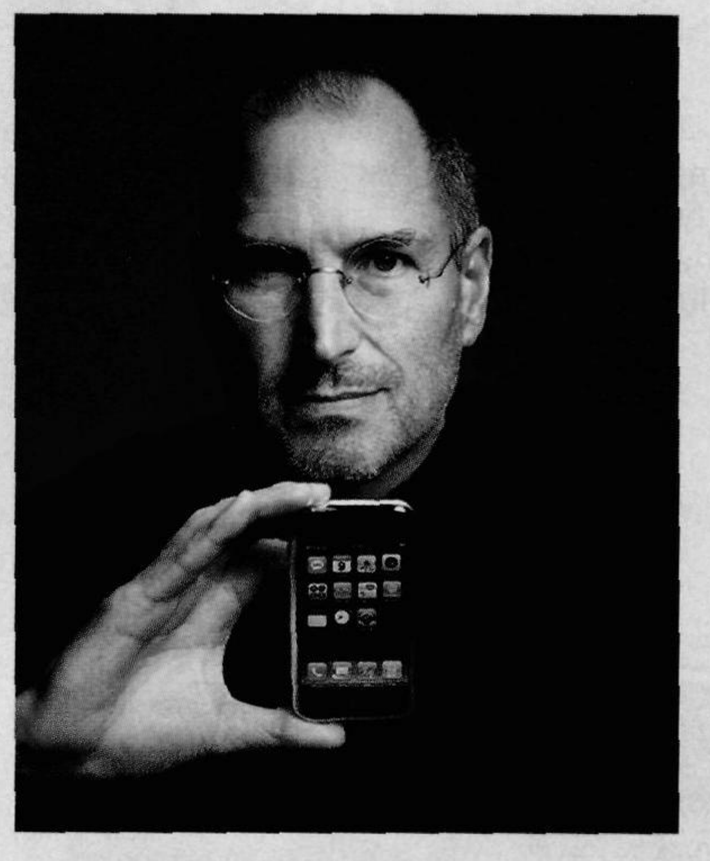


By **LEV GROSSMAN** CUPERTINO

THE IPHONE STARTED OUT THE WAY A LOT OF COOL THINGS DO: AS something completely different. A few years ago, Steve Jobs noticed how many development dollars were being spent—particularly in the greater Seattle metropolitan area—on what are called tablet PCs: flat portable computers that work with a touch screen instead of a mouse and keyboard. Jobs, being Jobs, was curious. He had some Apple engineers noodle around with a touch screen. When they showed him what they came up with, he got excited.

So excited he forgot all about tablet computers. He had bigger game to hunt.

Jobs had just led Apple on a triumphant rampage through a new market sector, portable digital music players, and he was looking around for more technology to conquer. He found the ideal target sitting on his hip. Consumers bought nearly a billion cell phones last year, 10 times the number of iPods in circulation. Break off just 1% of that, and you can buy yourself a lot of black turtlenecks. "It was unanimous that this should be it," Jobs says. "It wasn't even by a little, it was by a mile. It was the hardest one too." Apple's new iPhone, which will be available in the U.S. in June, could do to the cell-phone market what the iPod did to the portable-music-player market: crush it pitilessly beneath the weight of its own superiority. This is unfortunate for anybody else who makes cell phones, but it's good news for those of us who use them.



GOOD CALL: With the Mac, Pixar, the iPod and now the iPhone, Jobs is making revolution a habit

The game is a little different this time. With the iPod, Jobs essentially created a whole new product category. The cell-phone turf is already held by entrenched armies of phonemakers and service providers. They may not be as hip or innovative as Apple, but they will shred one another for nickels, and there are a lot of nickels on the ground. One point of market share in the handset business is worth $1.4 billion. Motorola, having sold more than 50 million RAZRs with not enough to show for it, will likely be reverse engineering the iPhone before it hits the stores. "We already have cell phones and smart phones, so the marketplace is already very competitive," says industry analyst Jeff Kagan. "We have not seen Apple compete in the insanely intense, competitive wireless marketplace."

But it wasn't just the money. Cell phones interested Jobs because even though they do all kinds of stuff—calling, text messaging, Web browsing, contact management, music playback, photos and video—they do it very badly, by forcing you to press lots of tiny buttons and navigate diverse heterogeneous interfaces and squint at a tiny screen. "Everybody hates their phone," Jobs says, "and that's not a good thing. And there's an opportunity there." To Jobs' perfectionist eyes, phones are broken. Jobs likes things that are broken. It means he can make something that isn't and sell it to you at a premium price.

That was why, 2½ years ago, Jobs sicced his wrecking crew of designers and engineers on the cell phone as we know—and hate—it. They began by melting the face off a video iPod. No click-wheel, no keypad. They sheared off the entire front and replaced it with a huge, bright, vivid screen—that touch screen Jobs got so excited about a few paragraphs ago. When you need to dial, it shows you a keypad; when you need other buttons, the screen serves them up. When you want to watch a video, the buttons disappear. Suddenly, the interface isn't fixed and rigid, it's fluid and molten. Software replaces hardware.

Into that iPod they stuffed a working version of Apple's operating system, OS X, so that the phone could handle real, non-toy applications like Web browsers and e-mail clients. They put in a cell antenna and two more antennas for wi-fi and Bluetooth, plus a bunch of sensors, so that the phone knows how bright its screen should be and whether it should display vertically or horizontally, and when it should turn off the touch screen so that you don't accidentally operate it with your ear.

Photographs for TIME by Joe Pugliese