Microsoft signs up 1st licensee for code

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BRUSSELS, Belgium - Under threat of new multimillion fines, Microsoft Corp. said Thursday that it had signed up its first licensee for a scheme EU regulators told it to set up three years ago to share code that helps servers work with the Windows operating platform.

The European Commission threatened the software giant with new daily fines of euro3 million ($4 million) last week for not obeying its March 2004 antitrust order, claiming Microsoft was overcharging rivals for "complete and accurate" documentation.

Microsoft said signing up Quest Software — a company based in Aliso Viejo, California that helps businesses manage the different IT systems they run — was an important part of its efforts to comply with regulators' demands. The company is still talking to other potential licensees, it said.

Microsoft said the agreement showed that Quest believes the royalty rate is reasonable. "Quest chose to sign their license the same day the Commission issued its statement of objections on protocol royalties, even though we had agreed on terms with Quest some weeks ago," Microsoft said.

The license gives Quest access to communications protocols used by Windows workgroup servers — which control office tasks such as printing or sharing documents.

Microsoft will get royalties of 5.25 percent of new revenues from the Quest products that use the protocols — effectively a recognition of Microsoft's view that the protocols are valuable intellectual property.

A similar U.S. license program has 27 members but the companies that triggered EU regulatory action by complaining that Microsoft was trying to squeeze them out of the
server market — IBM, Novell, Sun and Oracle — have never joined Microsoft's European scheme.

Microsoft has four weeks to respond to the EU's March 1 charges, after which regulators could impose daily fines.

Microsoft is challenging the EU's original 2004 decision at the EU's Court of First Instance. The ruling found the company broke competition laws for abuse of a dominant position and fined the software maker a record euro497 million ($613 million).

EU regulators fined Microsoft another euro280.5 million ($371 million) last July for failing to supply the full interoperability information required.
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