EU starts 2 new probes of Microsoft

By Bloomberg News / January 15, 2008

BRUSSELS - Microsoft Corp., the world's largest software maker, is facing two new antitrust investigations in Europe.

The European Union will investigate whether Microsoft is using its dominance in word processing and spreadsheets to thwart rivals. It also will review whether Microsoft illegally tied an Internet browser to its Windows operating system.

The investigations complicate chief executive Steve Ballmer's efforts to resolve disputes with the European Commission, the EU's antitrust regulator. In October, Microsoft agreed to license information on its Windows system to end three years of wrangling after an EU court upheld a 2004 antitrust ruling.

The investigation also will extend to Microsoft products including server-computer software, Internet tools, software for scanning personal computers to find files, and Windows Live Internet services.

"We are committed to ensuring that Microsoft is in full compliance with European law and our obligations as established by the European Court of First Instance in its September 2007 ruling," the company said.
Microsoft's efforts to resolve the case last year, which involved claims the company illegally withheld network data from rivals and bundled a media player with its personal-computer operating system, featured Ballmer flying to the Netherlands to have dinner with EU Competition Commissioner Neelie Kroes. In addition to dropping an appeal of the 2004 ruling, the company paid a $739 million fine.

One of the two probes follows a complaint in February 2006 by a group representing International Business Machines Corp., Sun Microsystems Inc., and eight other companies. The group, the European Committee for Interoperability Systems, claims Microsoft doesn't provide formatting and other information to allow rival products to work with Microsoft Office software, including Word and Excel.

"If the Europeans force Microsoft to allow unencumbered access to information created in Office by any other program, that is a significant longer-term competitive threat," said Brent Williams, an analyst at Benchmark Co.

Microsoft could be fined as much as 10 percent of annual sales for antitrust violations.

The second investigation involves a complaint by Opera Software ASA, a Norwegian Web browser maker, that Microsoft uses its dominant position to prevent consumers from trying Internet browsers made by competitors.

Microsoft's Internet Explorer was used by 84.7 percent of people who surfed the Internet in June 2007, according to OneStat.com, which tracks Web statistics. That compares to a worldwide market share of 12.7 percent for Mozilla's Firefox browser, 1.8 percent for Apple Inc.'s Safari, and 0.6 percent for Opera.

Some of the issues in the EU probe were raised in a US antitrust case. A US appeals court rejected a lower court's finding that Microsoft illegally tied its browser to the operating system to thwart competition. Microsoft settled the case in 2001.

US court supervision of most of Microsoft's business practices at issue are set to expire Jan. 31, unless a judge grants a request by state antitrust enforcers to extend the order.

Microsoft shares rose 48 cents to $34.39. The stock has risen 10 percent in the past year.