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Software Notebook: Mystery deal is high-security chip for 'FlexGo'

By TODD BISHOP
P-I REPORTER

The details of Microsoft Corp.'s mysterious deal with Transmeta Corp. have finally been revealed. And none of the speculation was even close.

The microprocessor company has been working for the past year on a high-security, power-efficient chip for Microsoft's new "FlexGo" pay-as-you-go PC initiative in developing nations.

"This happens to be the project we were working on," said Art Swift, Transmeta's president and chief executive, in an interview about the FlexGo initiative.

So the mystery is solved?

"The mystery is solved," he said.

In other words, it's not a hand-held Xbox, or a super-portable PC -- or anything else that people theorized after Transmeta first referred cryptically to a series of proprietary development agreements with Microsoft in a regulatory filing last year.

But it is something that Transmeta believes could have significant business potential. Specifically, Swift said, Transmeta has been working with Microsoft to customize a version of its Efficeon microprocessor for the FlexGo initiative.

The Microsoft initiative will let consumers in developing nations pay for their PCs over time by buying access to the machine through prepaid cards or subscription fees. One key to the initiative is technology that prevents the computer from being fully used unless time is bought in advance.

Transmeta's specialized processor is designed with extra security to keep someone from sidestepping that technology.

The FlexGo project follows a cell phone model -- with the PC available at a discounted price and computer makers or telecommunications firms making money over time through subscription fees or



The "FlexGo" card for the program in Brazil works like a prepaid phone card. Users pay in advance for minutes on their home PCs.

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"The whole key to making that work is to make sure that the system isn't repurposed and pirated," Swift said. "Security is very important to making the business model work, and that's what Transmeta has delivered."

Swift said the chip's low-power features also play into the needs of emerging markets, where the computers might be running on battery power. In addition, that aspect provides the opportunity to eliminate the computer's fan, a plus in a dusty environment.

Also as part of the project, Transmeta designed a "hardened," high-security hardware system that Microsoft will license to companies making the hardware for FlexGo.

Although it has been deeply involved in the project, Transmeta isn't the only microprocessor company that will supply chips for computers in the FlexGo initiative. Influential chip makers Intel and AMD also are involved as Microsoft rolls the program out to additional test markets. But Swift said he believes Transmeta has "by far the most secure solution."

Swift cited the more than 1 billion people estimated to be in a financial position to buy PCs through the program. He called it "a very substantial market opportunity."

Even so, he said, the previous speculation about the mysterious project made sense.

"Honestly, the parts are a beautiful fit for those types of applications," he said, explaining that the power levels of the processor would work well with hand-held computers or small game consoles. "The speculation was natural and perfectly appropriate given the types of parts that we built."

However, he said, that's not why Microsoft has been paying Transmeta those development services fees over the past year.

Software Notebook is a Monday feature by P-I reporter Todd Bishop. He can be reached at 206-448-8221 or toddbishop@seattlepi.com.



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