

Proposed Settlement Is a Gift to Schools -- and Microsoft

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Through a technology donation to U.S. schools, Microsoft could settle most of its civil antitrust-related lawsuits. The settlement hurts Apple in the education market, but it's business as usual for Microsoft customers.

NEWS ANALYSIS

Event

On 20 November 2001, Microsoft announced that, as part of a proposed nationwide settlement of more than 100 private antitrust lawsuits, it will give the nation's poorest public schools cash, products and services valued at more than \$1 billion. The donation, to be disbursed over five years, would settle most of the private lawsuits alleging that the software giant used its monopoly power in the software industry to overcharge customers. A public hearing on the settlement is set for 27 November 2001 in the Federal District Court of Maryland, where many of the pending nationwide lawsuits against Microsoft have been consolidated.

Analysis

A creative idea, this settlement represents a win for many, including Microsoft and recipient school systems. The only exceptions will be Apple Computer (whose share of the education market will likely be negatively affected) and the original plaintiffs (each of which will not likely miss the estimated \$10 each they may have received).

The settlement enables Microsoft to get out of more than 100 lawsuits in one fell swoop without any admission of wrongdoing. In addition, giving schools PCs, software, training and technical support creates positive public relations for Microsoft, and in so doing Microsoft gains an even larger installed base than it has. Penalty could lead to opportunity, as Microsoft stands to increase its presence in schools, and take a bite out of rival Apple's share in the public school market. Although some provisions of the deal provide for Microsoft software on Apple computers, the end result will serve to increase Microsoft's share and influence in the education market.

Microsoft continues with its string of legal victories. Once again, the company has escaped any real penalty. This time, it has actually managed to create good for most out of the whole deal. The actual cost to Microsoft will be much less than \$1 billion as the incremental cost of software that has been written is low. The machines to be provided are primarily refurbished ones. Future legal costs will likely be reduced as a result of the settlement. Additional public relations opportunities will abound. A new generation of future American workers will receive greater exposure to Microsoft products and technologies, which will benefit Microsoft for many years to come. And most importantly for Microsoft, this is one more step toward putting its antitrust issues behind it.

In Gartner's view, this settlement will likely have no impact on end-user strategies, other than potential recipients of the Microsoft donation (see *Gartner FirstTake* FT-14-9725, "In Schools, Lack of Training Turns Gift PCs Into Paperweights").

Analytical Sources: David Smith, Internet Strategies, and Michael Silver, End-User Computing

Need to Know: Reference Material and Recommended Reading

- "Settling Suit Could Let Microsoft Resume Business as Usual" (FT-14-8278) The settlement of the antitrust lawsuit offered by the U.S. Justice Department imposes mild remedies and restrictions on Microsoft. **By David Smith**
- "U.S. Justice Department No Longer Seeking Microsoft Breakup" (FT-14-4420) The two sides get closer to a settlement on how to penalize Microsoft for abusing its monopoly position. **By David Smith and French Caldwell**

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