

Nokia Customers Would Benefit More From Check Point Deal

Greg Young, John Pescatore

After an earlier deal to acquire Nokia's security appliance unit fell through, Check Point Technologies stepped forth as a proposed buyer. Gartner believes the new deal offers much more to Nokia customers than the old one.

NEWS ANALYSIS

Event

On 22 December 2008, Check Point Software Technologies announced it had signed an agreement to purchase the security appliance unit of Nokia. The proposed deal follows an earlier agreement in September 2008 by which Nokia had planned to sell the unit to an unnamed financial investment company; the earlier agreement was not concluded.

Analysis

Gartner has believed that Nokia's sale of its appliance unit to an unnamed financial investment company would hurt customers (see "Nokia's Planned Security Sale Will Not Benefit Customers"). This planned acquisition remained under way for more than three months without reaching a conclusion, which left customers questioning the short-term viability of the Nokia appliances and evaluating their options. Gartner has observed that Nokia customers are being actively pursued by Check Point with offers to migrate them to Check Point-branded appliances, as well as by other firewall vendors.

Gartner estimates that Nokia derives a significant percentage of its security unit revenue from software OEM revenue delivered through Check Point; thus, we believe this situation threatened a significant portion of Check Point's revenue. The industry average of four to five years to refresh firewall appliances also means that, should Nokia customers migrate to a competitor, they would be unaddressable for that period by Check Point and unlikely to return thereafter.

In our October 2008 First Take, Gartner concluded that "the only positive scenario [for Nokia customers] would be acquisition by Check Point or some other Check Point platform vendor (for example, Crossbeam Systems or Resilience)." Now, two months later, with Check Point named as a proposed buyer of Nokia's appliance unit, Gartner believes the position of Nokia customers and Check Point is much improved. Had the earlier acquisition taken place, Nokia customers would have faced competitive pressure from Check Point; instead, Nokia customers will likely follow a migration path managed by Check Point. Nokia IPSO operating system customers face a different situation: Because Check Point already has a firewall operating system, Gartner expects the company to retire the Nokia IPSO operating system. Current Nokia users will likely face an eventual software change or end-of-life; prospective customers of the IPSO-based platforms would, in effect, be buying a legacy product. In addition, Gartner believes Check Point is unlikely to maintain the relationship by which Nokia provided appliances and resold the Sourcefire 3D System intrusion prevention system (IPS), since Check Point has a product that competes directly with IPS-1.

If this sale is concluded, Check Point will not only gain the Nokia customer base but a well-trained pool of hardware, sales and support staff, which Check Point requires to continue its expansion into the appliance business. We believe the U.S. government is unlikely to block this acquisition, as it did with Check Point's attempt to acquire Sourcefire in 2005, because Nokia appliance customers are already using Check Point software.

RECOMMENDATIONS

- **Nokia firewall customers:** If you are considering a replacement or upgraded Nokia appliance, press Check Point for information on its plans for IPSO and what they will mean to your deployment plans. Other Nokia customers should not be pressured into

replacing current hardware until the vendor formally releases end-of-life announcements.

- **Prospective Nokia firewall customers:** Consider non-IPSO platforms until more information becomes available on the post-acquisition plans.
- **Nokia Sourcefire IPS customers:** Although no immediate action is required, we recommend contingency planning for the eventual replacement of Nokia. When requiring a replacement or if support becomes problematic, look to Sourcefire first for a replacement appliance not provided by Nokia or consider a competing IPS.
- **Prospective Nokia Sourcefire IPS customers:** Consider non-Nokia alternatives on your shortlist, including acquiring appliances directly from Sourcefire.

RECOMMENDED READING

- "Magic Quadrant for Enterprise Network Firewalls" — Incumbent vendors in the enterprise network firewall market must offer innovation or lower prices, or they will be displaced by lower-cost competitors. **By Greg Young and John Pescatore**
- "Magic Quadrant for Network Intrusion Prevention System Appliances, 1H08" — The maturing network intrusion prevention system market is evolving at a rapid pace as small, highly focused vendors continue to innovate. **By Greg Young and John Pescatore**

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