

What is the role of ip in microsofts business strategy

Technology



**ASSIGN
BUSTER**

1 What is the role of IP in Microsoft's business strategy? The role of Intellectual Property in Microsoft's business strategy is extremely important. IP is defined as:

For an innovator, Intellectual Property means any concept, device, design or invention, conceived or constructed by the innovator over which s/he wishes to claim 'ownership' the same way s/he would for any other type of 'property'. 'Rights' imply that s/he wishes to establish a form of a 'prior claim' to the Intellectual Property so that s/he will have the right to use it. In fact, the 'rights' do not as such give him/her the right to use it but, in fact, prevent others from so doing. (Engineering Management II 2010)

Microsoft has created some innovative and original software, computer components, and even ideas. Before Windows was created by Bill Gates all computers had to be accessed through a command prompt, but with Windows a computer user is taken to a screen with icons to programs. Now the majority of computers, other than Apple's Macintosh, run a version of Windows as an operating system (OS). Windows is compatible with more computers than Apple's UNIX OS. Whereas Apple software is only compatible with Apple products, Windows can be loaded onto Dell, Compaq, Gateway, IBM, and other computers. Without the protection of IP copyrights, trademarks, and licensing of their software, computer components, and ideas, Microsoft would lose money to shareware and other companies taking their ideas and marketing them as their own. Microsoft has a legal department that applies for IP rights so that their ideas will not be used by other companies without permission. Thus IP and protecting IP of Microsoft products is a main business strategy for Microsoft. Without IP protection

Microsoft would not be in business today.

2 What are the major benefits to Talkweb in licensing IP from Microsoft?

The major benefits to Talkweb are the reduction in cost of development and time. The photograph to cartoon technology would have taken years, not months if Talkweb had spent the time to develop the technology. It took Talkweb three months to market the cartooning software. After the development of the technology, the product of cartooning photos would have had to be tested before release. Instead of spending all the time on development, Talkweb could test already developed software for a fee that was less than the developing and testing the product. The fee was around thirty percent less than if Talkweb had not licensed software from Microsoft. The cost of development would have been more expensive in the area of equipment and personnel. However by licensing already developed software time and money was saved.

3 What are the risks to Talkweb in such an arrangement?

The risks to Talkweb by licensing developed by Microsoft would depend on the licensing agreement. Licensing is selling the use of a product that is classified as IP, such as the software that makes photos into cartoons.

Licensing agreements can range from partial use, limited time use, or full time use with a fee being paid by the company to the IP holder for the time allotted in the licensing agreement.

If you do not want to use the protected material yourself, or you want others to use it too, you may license its use. In many copyright areas many owners prefer to license collectively through a collecting society as this is much easier than licensing all areas individually. (Engineering Management II

2010)

The Talkweb licensing agreement with Microsoft was not given in detail.

Depending on the licensing agreement, Microsoft could choose to limit the time the software is licensed, have conditions that if not followed would void the license, or enforce other contractual obligations. Talkweb might license the photo changing into cartoon form, but Microsoft owns the technology. If Talkweb fails to meet Microsoft's conditions, the technology might fall back into Microsoft's hands. Another drawback is Microsoft is based in the United States and Talkweb is located in China. Politics could break the licensing agreement between the two parties. If China policy changes regarding IP rights of countries outside of China, such as the United States, Talkweb can keep the technology provided by Microsoft for no cost, but Microsoft would not provide any more software and the United States might create sanctions on Chinese products. Business in both countries would suffer due to politics. The terms of agreement, cost, length of time the product is useable, and politics can all impact Talkweb negatively.

4 Are there any potential risks in relying on revenue from IP?

Potential risks to relying on revenue from IP are theft of the IP. A piece of land can be bought and sold. It is a tangible asset. IPs are not always tangible assets. Software, written words, ideas, and other intangible property can be easily duplicated. Unlike an individual stealing a piece of property which is obvious, the theft of IPs put the burden of proof on the owner. The corporation or owner must prove that the idea was created before the third party accused of using it illegally created the idea. Another drawback is operating in different countries. As mentioned above in countries with

treaties IP rights are protected, but if a country like North Korea decides to use Microsoft ideas without a license there is not much Microsoft can do about it. Another potential risk is the misuse of an owner's IP. An example would be if the cartoons made from photos software was used to traffic sex slaves, engage in illegal pornography, or other illegal uses. If Talkweb decided to use the software this way, Microsoft could end the license, but Talkweb would still have the technology.

Bibliography

Engineering Management II. (2010). Lecture 6: Intellectual Property.

Microsoft. (2008). Talkweb Casestudy. Microsoft. Online.