

# Microsoft dilemma 12398

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## The Microsoft Dilemma

During the early 1980s, a Seattle based company named Microsoft began its business campaign. Led by a young computer programmer, Bill Gates, Microsoft would soon become the largest computer software maker in the world. This title did not come without a heavy price. Many of the corporations that contributed to Microsoft's domination of the software market are now filing lawsuits claiming unfair business practices. Besides these corporations, the U. S. government and 20 other states are also filing anti-trust lawsuits claiming Microsoft as a monopoly. With the onslaught of lawsuits, Gates still claims, Microsoft's actions and innovations were fair and legal, and have brought tremendous benefits to consumers our industry and to the United States. (Goetz 56) Whether or not Microsoft is a monopoly is still being disputed by the courts, yet, we can at least understand how Microsoft reached this point through the corporations that have filed suits against Microsoft.

One of the first major projects that started Microsoft's rise to the top was an operating system called DOS. Gates simply copied the DOS program and configured it in a way to make it more user-friendly and renamed it MS-DOS. Not only was the MS-DOS program more user-friendly, it also made an easier environment for harnessing all the processing power a computer had available (Michael-Hayes 45). This process made the MS-DOS program faster and more efficient. Soon after the release, the program was used as the primary program system for IBM computers.

With the positive impact of MS-DOS on Microsoft sales, Bill Gates continued his success. He started another project which would create a graphical interface which gave users, both novice and amateur, quick and easy access to their files (Garett 27). Gates would soon call this new program Microsoft Windows. After the release of Windows, Microsoft was literally catapulted to the front of the computer software program market. The programs offered in Windows were easier and quicker to access. Microsoft was able to combine individual programs such as Word, Access and Excel into one quick and easy to use program. The lack of competition would help Microsoft focus more attention on expanding the Windows program due to the supremacy of their product.

Microsoft's dominance in the software industry helped them focus much of their attention to exploding markets. Their next step was to combine the Microsoft program with an Internet browser, which would ultimately be the cornerstone for the majority lawsuits against Microsoft. Before Microsoft offered their Internet browser (Internet Explorer) with Windows, consumers were required to buy a browser separately if they wished to get onto the Internet. One of the companies that offered this Internet access was Netscape. In 1994, Microsoft proposed a deal, which would absorb Netscape into the Windows program (Bell 12). Microsoft's proposal would provide Netscape with information that would help design a program that would run smoothly with the Windows program. In exchange for the information, Microsoft would invest in Netscape and take a fifteen to twenty percent stake in Netscape. Microsoft would also receive a spot on Netscape's board of directors and licensing privileges to their new technology. This deal would

ultimately stop the competition of Internet browsers. Since this new technology would give Microsoft licensing privileges, Microsoft would add it to the Windows features and give it away for free (Moschella 67). Microsoft denies that their objective was to stop browser competition with Netscape. Shortly after the offer, Netscape denied and Microsoft soon created another version of the browser called Internet Explorer, which it added to its Windows program. Netscape has since filed a lawsuit against Microsoft claiming that Microsoft's offer was in violation of the Sherman Act. This act prohibits companies from using their size and power as a monopoly to expand their positions and take hold of new markets (Cornell Law). Along with Netscape, many computer makers are also filing lawsuits against Microsoft claiming similar violations.

The Compaq Corporation, which is one of the largest computer producers in the country, has also joined Netscape in the lawsuit. After Netscape's lawsuit, Compaq considered using the Netscape browser in their computers rather than the Internet Explorer. Since Netscape was Microsoft's main competition in the browser market, Microsoft threatened to stop selling their version of the Windows program if Compaq decided to use Netscape. The ramifications of this action would devastate Compaq's earnings. Rather than sacrifice earnings, Compaq decided to use Microsoft's Internet Explorer. Compaq's dependence on the Microsoft Windows program limited Compaq's options that gave Microsoft an advantage. These limitations of the software industry prompted Compaq to file charges against Microsoft accusing them of violating the Sherman Act. Besides Compaq, many other computer makers also shared the same fate.

The Apple computer company also shared similar experiences as Compaq. Since Apple's software is different from other computer makers, Microsoft designs a special word processing program to run on their computers. This Microsoft Office program, which is similar to the Windows program, constitutes about ninety percent of sales for Apple. The release of the Internet Explorer has also caused problems for Apple. As with Compaq, Apple was also considering using the Netscape Navigator browser for their default. Microsoft's threat to stop selling the Office program if Apple used the Netscape Navigator browser also prompted Apple to use the Internet Explorer as a default. Problems with Microsoft not only resided in the computer industry, but also spawned to Internet programs as well.

Sun Microsystems, which provides high performance software along with other services, also filed a lawsuit against Microsoft claiming copyright violations. Before the lawsuit, Microsoft worked closely with Sun to develop an Internet software program (Java) that read a majority of Internet files (Goetz 55). Although Microsoft had a contract with Sun to not use the program in any of the Windows programs, Microsoft had differing ideas. Rather than using the Java program developed by both companies, Microsoft created another program similar to Java which Microsoft renamed Java ++. The addition of Java ++ to the Microsoft product line was made due to the explosion of the Internet and capabilities of the program. Once word of the Java ++ program reached Sun headquarters, so did the lawsuits. Sun claimed that Microsoft was in violation of copyright agreements of their contact. Violations of these contract agreements soon went to a federal court to decide. Sun took a devastating blow when the courts decided that

Microsoft was only in violation of the contract agreement rather than a copyright violation (Penfield 33). This put Microsoft at an advantage since they would still be able to use aspects of Java ++ in the Windows program.

Microsoft's use of other corporations and the uniqueness of their product have helped them gain a significant portion of the computer software industry. These corporations are also the same business partners that are filing lawsuits. Many of these businesses will still rely on Microsoft even after these lawsuits are settled. The power of Microsoft's product has helped shape the computer industry, even though their methods of achieving their status is questionable. It is only up to the courts to decide if these methods were in fair and good taste or for monopolistic purposes.

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