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Microsoft Strengthens Intellectual Property Protections for Partners

June 22, 2005 |

REDMOND, Wash. — June 22, 2005 — Microsoft Corp. today announced several steps to strengthen the intellectual property (IP) protection it provides to PC manufacturers, including its larger original equipment manufacturer (OEM) and smaller OEM System Builder partners, OEM distributors, and independent software vendor (ISV) Royalty partners. Collectively, these partners account for more than \$18 billion of Microsoft's annual software revenue. The IP protection provided by Microsoft, commonly referred to as indemnification, helps shield partner companies from exposure to legal costs and damage claims related to patent or other intellectual property disputes.

"This is a part of our ongoing efforts to respond to the requests of customers and partners. Our partners are telling us that IP issues are becoming increasingly complex, and they appreciate that Microsoft stands behind them and our products," said Brad Smith, senior vice president and general counsel at Microsoft. "We're proud of our strong IP indemnification, and we

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High-profile cases have brought greater industry awareness to the importance of IP management. When IP disputes do arise, it is all too common for a technology company's channel partners to be pursued for the alleged IP violations. Microsoft's willingness to help protect Gateway Inc. when Lucent Technologies filed a patent suit against its use of Microsoft® software is one such example of the complex and real nature of IP issues in the industry today. Channel partners are looking for vendors that are willing to stand behind their products and help protect them from these kinds of risks.

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"By improving partner indemnification, Microsoft is once again maximizing its platform's value for ISVs in a market where fear of litigation can critically impact innovation," said Nabeel Youakim, area vice president of Microsoft Global Relationship at Citrix Systems Inc. "As the leading application developer of access infrastructure and secure access, we know that managing intellectual property is of prime concern to enterprises large and small. This extended indemnification program is another important way that working with Microsoft enables us to offer our products to the broadest market with the lowest risk."

With today's announcement, Microsoft is signaling that its OEM partners, OEM System Builders, OEM distributors and ISV Royalty partners will receive enhanced coverage with Microsoft's industry-leading indemnification offering. The enhanced indemnification includes protection for the four forms of disputes commonly associated with software: patent, copyright, trade secret and trademark. The coverage extends to current and future versions of software, such as the Windows Server System™ (including Microsoft SQL Server™ and Microsoft Exchange Server), Microsoft Office System, and Windows® client software.

"The market is changing and channel partners need to pay attention to what's happening in the software industry in the area of intellectual property management," said Stephen Graham, group vice

president of Global Software Business Strategies at IDC. "Even if a partner believes it is an unlikely litigation target, business disruption can still result from a legal dispute regarding a key supplier's IP. To protect their own interests, partners should make sure they understand the

degree of IP protection and the resources available to them from the vendor should an infringement issue arise."

"For some time, IP indemnification has been an important assurance Microsoft provides to its OEM partners," said Andy Juang, CEO of Equus Computer Systems Inc. "Today's announcement improves this existing coverage by removing financial caps."

Channel Partners Highlight Importance of Indemnification

Microsoft continues to expand its IP protection based on customer and partner feedback. In 2003, the company removed monetary caps for volume licensees after learning that this was a top concern. In November 2004, Microsoft extended its IP protection for customers by taking coverage previously available only to volume licensees and making it available to end users.

Microsoft's ability to offer strong protection is bolstered by a commitment to managing the IP rights in its software. This commitment includes development process controls, inbound licensing of necessary third-party rights, cross-licensing agreements with other industry leaders, and protection of Microsoft innovations through patent and copyright.

"Bell Micro is pleased to see that Microsoft is taking further steps in this area for system builders," said Joe Cousins, vice president of Marketing at Bell Microproducts Inc. "Whether they realize it or not, this is an area of real concern for this channel and shows Microsoft's strong desire to support the system builder community."

Michael Schwab, vice president of Purchasing at D&H Distributing Co. Inc., said, "Intellectual property protection is a significant value in today's litigious environment. Microsoft has shown its leadership once again in its support of the channel."

Additional information on Microsoft's expanded IP protection offering can be found on Microsoft's Get the Facts Web site, <http://www.microsoft.com/getthefacts>.

Channel Partner Indemnification Quick Reference Table

About Microsoft




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