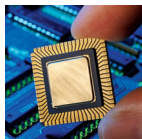


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Skype, software for communication over the Internet, which includes voice, video, and instant message capabilities. Skype was one of the early successes in using the voice-over-Internet protocol (VoIP). Luxembourg-based Skype Technologies, founded by Niklas Zennström of Sweden and Janus Friis of Denmark, first introduced the software client in 2003. The number of registered users of Skype was about 50 million in 2005 and increased more than 10-fold to more than 600 million just five years later. VoIP communication, intended to eventually replace conventional telephone networks, operates by converting the analog sound of a human voice into digital information and transmitting it over the Internet, to be translated back into analog audio at the receiver's end. Unlike many VoIP services, Skype uses a decentralized, peer-to-peer (P2P) network, in which all connected computers share processing tasks and bandwidth, allowing its capacity to scale in tandem with its user base. This P2P technology was retained by Joltid, a company founded by Zennström and Friis, and licensed by eBay. Because it operates over existing Internet connections and does not require a dedicated network of cables, Skype can offer most core services—including in-network long-distance calling—for free.

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Skype is set up with a free software download. Customers can use a desktop client, or “softphone,” to make voice and video calls to other Skype users at no charge, using their computer’s speakers and a microphone. For a fee, customers may add the capability to call regular telephone numbers or to receive incoming calls from regular phone networks. Features such as caller identification, voice mail, and conference calling are available. Specialized Skype telephones are available from some manufacturers, and the company has developed software clients to operate on many popular models of Internet-enabled “smartphones,” such as Apple Inc.’s iPhone. A Skype user must be connected to the Internet, with the software running, to receive calls, and emergency calling is unavailable.

In 2005 Zennström and Friis sold Skype to the American company eBay for \$2.5 billion plus an eventual \$500 million in incentives. Communications services did not fit well within the online auction company’s business, and in 2009 eBay announced plans to sell Skype. Zennström and Friis expressed interest in reacquiring the company, but eBay rebuffed their efforts, making instead plans to sell a majority stake in the company to a group of other investors. Zennström and Friis quickly filed suit, declaring that the technology behind Skype was only leased to eBay through Joltid and that eBay had violated Joltid’s copyright by making alterations to the source code. This threat to the core asset of the service forced eBay to compromise. The company agreed to sell 56 percent of Skype to a consortium of buyers and 14 percent to Zennström and Friis for a total of some \$2 billion. The two founders would receive seats on Skype’s new board of directors, and ownership of the core technology would be transferred from Joltid to Skype. In 2011 the American company Microsoft Corporation bought Skype for \$8.5 billion and planned to add Skype to its Xbox video game console, its Microsoft Outlook e-mail software, and Windows smartphones. That same year Skype also became the foundation of the social network Facebook’s video chat service.

This article was most recently revised and updated by Adam Augustyn.