



Determination of the Competition Authority

Determination No. M/03/003 of the Competition Authority, dated April 9, under Section 21 of the Competition Act, 2002

Notification No. M/03/003 – Microsoft Corporation’s Acquisition of Placeware Inc.

Introduction

1. On 17 February 2003 the Competition Authority, in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Microsoft Corporation (“Microsoft”) would acquire all the voting securities of Placeware Inc. (“Placeware”).

The Parties

2. Microsoft, the purchaser, is a US-based publicly owned company that develops, manufactures, and licenses, on a worldwide basis, a range of software products, notably operating systems for servers and consumer software. It also sells hardware devices and provides consulting services.
3. Placeware is a US-based privately owned company that operates in the Web conferencing sector, where it provides a software-based service that enables customers to conduct real-time interaction using software products via the Internet.
4. The transaction provides for Microsoft acquiring all of the outstanding voting securities of Placeware.

Analysis

Geographical Market

5. The geographical market for the products offered by Placeware, and any relevant software products sold by Microsoft, is worldwide.

Horizontal Effects

6. Placeware operates in the market for Web conferencing services, which allows different users to interact with each other by sharing applications and presentations at the same time when using a personal computer across the Internet. This market is growing rapidly, and Placeware has a number of competitors in the market. Microsoft does offer a similar product called NetMeeting. However, NetMeeting does not possess the ability to cross “firewalls” (unlike Placeware), thus making it useful for real-time conferencing within the same network, but rendering it less suitable for conferencing between customers not operating in the same network.
7. Moreover, market investigations have shown that intrinsic to Placeware’s product is the support service associated with that product. Placeware organises and



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“hosts” meetings, while Microsoft does not provide a similar service with regard to NetMeeting. Such a service-based system is seen as intrinsic to a Web based conferencing product, while not being necessary for a non-Web based system such as NetMeeting.

8. For both the above reasons, Microsoft and Placeware do not operate in the same market, and thus there are no direct horizontal effects created by this transaction.

Non-horizontal effects

9. Microsoft sells products that are complementary to Web conferencing, such as its Windows operating system and its Office word-processing package. It has considerable market power worldwide in both markets. However, there is no reason to believe that Microsoft would have any incentive to ensure that Placeware’s Web conferencing product would not run on systems not based on Windows or Office.
10. Market investigations have also indicated that there is no clear evidence that Microsoft would be able to ensure that rival Web conferencing products would run less efficiently in conjunction with its own products. As such, there seems no reason to believe that the transaction would lead to foreclosure in the market for Web conferencing services.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Terry Calvani
Member of the Competition Authority

9 April 2003