AOL Time Warner and Microsoft Agree to Collaborate on Digital Media Initiatives and Settle Pending Litigation

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Under the digital media agreement, the companies will work together on a series of initiatives to support the more rapid deployment of digital media for consumers and support new business models for content owners through digital rights management technology. The companies aim to help develop a successful digital media environment that is secure from piracy, open to all companies across multiple industries, and offers consumers access to broad content in a compelling manner that is easy to use. As part of this agreement, the two companies have entered into a long-term, non-exclusive license agreement allowing AOL Time Warner to use Microsoft’s Windows Media 9 Series and future software for creating, distributing and playing back high-quality digital media.

The legal settlement resolves the private antitrust lawsuit filed against Microsoft in January, 2002 by AOL Time Warner’s America Online, Inc. unit on behalf of its subsidiary, Netscape Communications. As part of the settlement, Microsoft will pay $750 million to AOL Time Warner.

In addition, as part of today’s announced settlement, Microsoft has agreed to provide AOL Time Warner’s AOL online service with a new distribution channel for its software to certain PC users worldwide. Also, the two companies will cooperate to ensure the best possible AOL member experience on current and future Microsoft operating systems, including commitments by Microsoft for technical cooperation and information disclosures.

“With Microsoft’s media technology expertise and AOL Time Warner’s content expertise, we believe we can accelerate the adoption of digital media for the Internet and help content providers across the entire industry,” said Bill Gates, Microsoft Chairman and Chief Software Architect. “While our companies will continue to compete, I’m pleased that we’ve been able to resolve our prior dispute and I’m excited about the opportunity to work together collaboratively to make the digital decade a reality.”

Adaptive Biotechnologies and Microsoft launch virtual ImmuneRACE study to inform novel COVID-19 diagnostics to address unmet needs in testing
AOL Time Warner’s Chairman and Chief Executive Officer Dick Parsons said: “We welcome the opportunity to build a more productive relationship with Microsoft. Our agreement to work together on digital media initiatives marks an important step forward in better serving consumers and protecting the interests of all content businesses. We look forward to others in the media and entertainment industries joining together with us to help to advance the digital distribution of content to consumers while maintaining copyright protection.”

The agreements announced today by the two companies include the following elements:

**Digital Media Technology:** As part of the companies’ agreement on digital rights management, they have established a long-term, non-exclusive license agreement allowing AOL Time Warner to use, if it so chooses, Microsoft’s entire Windows Media 9 Series digital media platform, as well as successor Microsoft digital rights management software. This agreement gives AOL Time Warner access to Microsoft’s flagship digital media and DRM technologies, which provide an end-to-end solution for high-quality, secure online content distribution. Windows Media addresses the entire value chain from the original digital encoding of content, through playback by a consumer, and offers options for advanced digital rights management that respects content business rules and security. This agreement will help enable AOL Time Warner to expand its distribution of digital content with confidence as its business needs evolve, making it easy and profitable to provide consumers with convenient access to the vast selection of content that AOL Time Warner distributes.

**Digital Media and Digital Rights Management Initiatives:** The two companies have agreed to work together and in collaboration with others to develop solutions to issues that have been slowing the movement of high-quality digital content to consumers, including:
• Increasing the available options for consumers legally to obtain high-quality content;

• Technical protection measures emphasizing interoperability and content rule compliance in a mixed analog-digital environment;

• Seeking areas where they can align on public policies and legal actions that will advance the interests of consumers and the relevant industries; and

• Building consumer awareness around intellectual property and the need to respect copyrighted works.

The companies will work to broaden consumer access to high-quality digital content, in such areas as: online music services offering single downloads and/or monthly subscriptions; authorized Internet access to movies; and high-definition video content with more compelling interactive features all on a single optical disc.

**Microsoft browsing technology and Windows compatibility with AOL service:** Microsoft has provided AOL a royalty-free, seven-year license to use Microsoft’s Internet Explorer technologies with the AOL client. To optimize the performance of the AOL service on Microsoft’s operating systems, the two companies have made several additional commitments. These include a commitment by Microsoft to make available technical information contained in test or “beta” versions of its Windows operating system to AOL at the same time that Microsoft makes them available to other independent software vendors. Microsoft will also ensure that AOL can participate in other programmatic offerings relating to the development of Microsoft’s next-generation “Longhorn” version of Windows on the same terms and at the same time as other independent software vendors.
Support and Coordination: Microsoft will broaden AOL’s Product Support and Services contract to provide dedicated support by Microsoft engineers with full access to Windows source code, to help AOL with compatibility and other engineering efforts. Microsoft will make it possible for an AOL development team to work at Microsoft’s Redmond, Wash. facilities. The companies will also establish an Executive Council to meet periodically to resolve support and other issues and to promote the long-term development of a constructive relationship between them.

New Distribution Marketing Channel for AOL: Microsoft will provide AOL software discs worldwide to “system builders” — smaller PC manufacturers that obtain their Windows discs from authorized Microsoft distributors.

Instant Messenger Interoperability: The two companies have agreed to explore ways to establish interoperability between AOL and MSN Instant Messenger networks in a manner that will protect consumer privacy, security and network performance.

AOL Time Warner Executive Vice President Olaf Olafsson said: “With Microsoft and our other partners, we are committed to developing a vibrant, competitive and secure digital media environment. Not only will consumers benefit from having more and easier-to-use digital content available to them, but all of AOL Time Warner’s content businesses — and their industries as a whole — will be able to take full advantage of the digital platform with a new level of security.”
“This agreement underscores both companies’ deep commitment to developing solutions that expand consumer choice and access to high quality content, and at the same time create new opportunities for content owners and promote innovation,” said Will Poole, Microsoft Senior Vice President. “Establishing a vibrant digital content marketplace is a tremendous challenge but not an insurmountable one – and I’m confident that both companies, working together with the rest of industry and consumers, can create a framework for addressing these critical issues.”

Jonathan Miller, America Online, Inc.’s Chairman and Chief Executive Officer, said: “These agreements are good news for the AOL service, its members and the Internet as a whole. It provides America Online with certainty that, as Microsoft develops new operating systems and platforms, the AOL service will work optimally with them to the benefit of our members worldwide.”

“With this agreement we are resolving our disagreements about the past and committing ourselves to a new and constructive relationship for the future,” said the two companies’ General Counsels, Paul Cappuccio of AOL Time Warner and Brad Smith of Microsoft. “We are committed to a sustained and open dialogue that will forge creative solutions that meet the needs of our companies, our industries, and consumers.”

About AOL Time Warner

AOL Time Warner is the world’s leading media and entertainment company, whose businesses include interactive services, cable systems, filmed entertainment, television networks, music and publishing.

About Microsoft
Founded in 1975, Microsoft is the worldwide leader in software, services and Internet technologies for personal and business computing. The company offers a wide range of products and services designed to empower people through great software — any time, any place and on any device.