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Microsoft and California Plaintiffs Settle California Class Action Lawsuits

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SAN FRANCISCO, Calif., and REDMOND, Wash., Jan. 10, 2003 — The San Francisco law firm of Townsend and Townsend and Crew LLP, lead counsel for two certified classes of California consumers, and Microsoft Corp. jointly announced today that a \$1.1 billion settlement has been reached in a series of coordinated class action lawsuits alleging that Microsoft violated California's antitrust and unfair competition laws. Trial was scheduled to commence in San Francisco before California Superior Court Judge Paul H. Alvarado on Feb. 24, 2003.

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The settlement, which is subject to court approval before becoming final, benefits consumers and businesses who purchased Microsoft®

operating system, productivity suite, spreadsheet or word processing software between Feb. 18, 1995, and Dec. 15, 2001, for use in the state of California. The settlement proceeds will be distributed to class members in the form of vouchers that may be used to buy any manufacturer's desktop, laptop and tablet computers, any software used with those computer products and specified peripheral devices for use with computers. Two-thirds of any unclaimed settlement proceeds will be donated to California's most needy public schools in the form of Microsoft educational and productivity software as well as vouchers for the purchase of computer equipment, professional development services and non-Microsoft software. Details of the settlement are outlined in a term sheet that has been signed by the parties. A final Settlement Agreement will be filed in the San Francisco Superior Court later this month.

"This is one of the largest settlements ever reached under the antitrust or unfair competition laws of California," said plaintiffs' lead counsel Eugene Crew. Co-lead counsel Richard Grossman elaborated: "This settlement represents a significant portion of the amount that Californians paid to Microsoft for its operating system and key applications software over a seven-year period. It is a tremendous result for California's businesses and consumers, and will also benefit our schools at a time when that help is desperately needed."

"This is a good resolution for all sides, and we're especially pleased by the opportunity to help thousands of schools all across California get the computers and software they need," said Microsoft General Counsel Brad Smith. "This settlement allows us to focus on the future and building great software, and avoids the cost and uncertainty of a lengthy trial."

"Coming at a time when California is in the middle of a significant budget crisis, these funds and software will help to ensure that California's schoolchildren get technology they can use," said Jack O'Connell, State Superintendent of Public Instruction. "This settlement is an innovative way to help our most needy schools shrink the 'digital divide' and will help deliver on my department's commitment to getting technology infrastructure into our schools to enhance the learning process."