

Undeleta-bill

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If you want to understand why Microsoft is in trouble with the Justice Department, simply start up Windows 95 and try dragging your Microsoft Inbox icon to the "Wastebasket." There's a very good chance you'll learn that this icon cannot be deleted. It is easy to delete, say, the Netscape icon. But don't mess with Microsoft's Internet icons; they're a mandatory part of your virtual desktop environment.

And it gets worse. When Compaq last year had the temerity to try shipping its "Presario" computers with desktops that excluded Microsoft Network and Internet Explorer icons, Microsoft responded by trying to prohibit Compaq from installing Windows 95 altogether.

Obviously, these little icons are very important to Bill. Having these icons automatically appear when a computer is first turned on substantially increases the chance that the computer owner will use Bill's Internet access service (the Microsoft Network) and Bill's browser (the Internet Explorer).

An Internet access service connects your computer to the Internet and usually handles your email -- it is the so-called "on-ramp to the information highway." Once you're connected, an Internet browser is a type of software that lets you "surf the web" -- i.e. visit particular web sites and download files.

It's unobjectionable for Microsoft to create icons that make it easy for new computer owners to use the Internet, yet consumer convenience doesn't explain why Microsoft's Internet icons can't be deleted. A more sinister explanation is that clicking -- even by mistake -- on the Microsoft Network icon can often disconfigure competitors' software. Microsoft argues that Windows 95 users are free to use another company's Internet access provider or browser, but the fact that Microsoft icons can't be removed means that your desktop always displays little landmines waiting to disrupt America On Line or Netscape software.

If you -- or say, your child -- mistakenly clicks on the Microsoft Network icon, you may suddenly find that your preferred non-Microsoft software no longer operates. One false click may mean you have to spend hours reinstalling and reconfiguring your preferred software just to get it again to work properly. And since you can't remove these potential disruptive Microsoft icons, there's no guarantee that you won't have to go through this unpleasant rigamarole in the future. Weary or wary computer users may decide to use Microsoft's Internet services not because they find the product more convenient, but because they fear what Windows 95 will do to non-Microsoft products.

What is Microsoft's response? The Wall Street Journal quoted a senior vice president for Microsoft as saying "It's our product and we get to define what's in it." Not so. In 1995 Microsoft settled a Justice Department lawsuit by promising not to require purchasers of Windows 95 to purchase other Microsoft products. In other words, Microsoft promised not to "tie" the purchase of Windows 95 to the purchase of other products. If Microsoft had unfettered freedom to add new "features" to Windows 95, it could easily end run its promise not to tie Internet products to the purchase of Windows 95 merely by defining these Internet products to be new features of Windows 95. While Microsoft has hit upon an appealing sound bite, the consent decree limits Microsoft's freedom to define what's in its product.

As a legal matter, the Justice Department doesn't need to prove that this bundling has an anticompetitive effect -- only that Microsoft breached its consent decree promises. But the antitrust policy rationale for the decree is to limit Microsoft's ability to leverage its monopoly power over Windows 95 into the markets for providing Internet access or browsers.

A similar leverage theory was at play when the Justice Department decided to break up Ma Bell. Justice was worried that AT&T could leverage its monopoly power over local telephone service into the long distance market. The government's response was to bust up AT&T, and then prohibit the local baby bells from providing long distance service.

By way of comparison, Justice's treatment of Microsoft is much more monopoly friendly. Microsoft is not forbidden from developing Internet software and services, it is only forbidden from tying the use of these Internet products to the use of Windows 95 -- which currently has more than a 90% market share (r.i.p. Apple).

The problem with the AT&T divestiture approach is that it can impede technological innovation. But the Microsoft no-tying policy has technological problems of its own. Microsoft can technologically tie its products together -- denying competitors' Internet software equal access to the features of Windows 95. The problem here is not that Windows 95 has created useful interfaces with Microsoft's Internet products; the problem instead is that Windows 95 does give competitor products an equivalent interface opportunity.

The possibility that a monopolist would purposefully create an interface that favored its other products was what led to the extreme divestiture sanction against AT&T. Justice reasoned that as long as the local telephone companies provided long distance service, they would create switching systems -- the interface between long distance and local service -- that favored their own long distance product.

If Justice is going to avoid the AT&T divestiture approach, it needs to take the technological tying problem seriously. There are two simple reasons why Microsoft should be held liable for what it has already done. First, there is no credible reason why Microsoft's Internet icons should be a mandatory part of the desktop environment. Manufacturers or individual computer owners should be able to easily delete them. Second, there is no technological or procompetitive reason why clicking on Microsoft icon should disable or reconfigure competitors' software. Neither of these Windows 95 "features" provide value to consumers. Instead, they are attempts to technologically tie or favor Bill's Internet products. The Justice Department is correct to chastise Bill for such misdeeds.

The harder and more important problem concerns the future. What new features should Microsoft be able to add to the next version of Windows due out early next year? The real importance of Justice's current suit may be in setting guideposts for Microsoft as to what is permissible.

It is inappropriate to completely stop Microsoft from adding new Internet features to Windows 98, because the lines between desktops and Internet browsers are beginning to blur. Users want to have a home screen from which they can launch either programs or connect to specific web sights -- so that from a single screen, a user could conveniently search the Internet or start a word-processing program.. It is more than reasonable for Windows 98 to allow (but not require) owners to place icons for specific web sights on their desktop. The trick is to give competitors an opportunity to put equivalent icons on the Window's 98 desktop. Consumers should be able to opt for a competitor's access service and/or browser and still be able to create the same desktop features.

Indeed, there is no technological reason why users should not be able to launch local programs -- such as Wordperfect or Minsesweeper -- from their browser homepage. If Justice is serious about stopping technological tying, Microsoft 98 should allow competitor browsers to incorporate the same program icons that have traditionally only appeared on the Windows desktop.

Instead of prohibiting Windows 98 from incorporating Browser functions, Justice might be well advised mandating that browsers be allowed to incorporate desktop functions. Enforcing this type of mandate would not be easy. Microsoft would undoubtedly continue to stack its Window's computer code to disfavor competitor software, and competitors with genuinely inferior browsers will at times falsely claim unequal access. But allowing users to start programs from their browser homepage would foster a new form of consumer competition. If computer user's decided they preferred the look and feel of a Netscape homepage as the primary repository for both their program and specific web sight icons, it might even become possible for Netscape to develop a viable alternative to Windows 2001. Maybe the best way to control Microsoft's monopoly is to allow browser homepages to compete with virtual desktops for our hearts and minds.

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