Rivals taking advantage of delay in Oracle-Sun merger

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As antitrust regulators continue to scrutinize the year's biggest tech deal, Oracle's planned $7.4 billion purchase of Sun Microsystems, competitors in the high-end hardware business and open-source software market have wasted no time wooing and in some cases winning Sun's customers.

An extended review by U.S. and European officials is making it less likely that Oracle will be able to finalize the Sun acquisition before the end of summer, as the two companies had planned. That's created opportunity for big tech vendors such as Hewlett-Packard and IBM, as well as smaller companies, which have launched campaigns to win over Sun's clients and distributors.

They're offering technical assistance and cash discounts to Sun's business and government customers, while highlighting -- some say exaggerating -- questions about whether Oracle will continue to sell and upgrade Sun's Unix servers, data storage systems and other product lines.

"Don't settle for an uncertain future," urges an online marketing pitch from IBM, which is offering discounted technical consulting for customers who transfer their data processing from Sun computers to IBM systems.

Rival Hewlett-Packard described its offer of technical advice and other assistance for those switching to HP products in a recent announcement headlined: "HP to Sun Customers: We've Got Your Back."

The prospective deal between Oracle, known primarily for selling business software, and Sun, a storied but struggling computer maker, set tongues wagging across [Silicon Valley](#) when it was announced April 20. The two parties have said little since then, citing legal constraints while the deal is pending. They declined to comment for this report.

But many analysts believe Oracle will embark on restructuring and extensive layoffs to make Sun's operations more profitable. And despite assurances from Oracle [CEO](#) Larry Ellison, who said in May that he wants to integrate Sun's hardware with Oracle's software, industry experts say they won't be surprised if Oracle eventually divests some of Sun's hardware business.

"Nobody knows what Oracle's plans are, but there's a feeling that they don't have much experience in this area, so they may not be committed to it," said James Staten, a data center infrastructure expert at Forrester Research.

Antitrust experts say the Justice Department's request for more information at the end of June means it could take until mid-autumn to review the deal. An Oracle attorney said June 26 that "all that's left is one narrow issue" about licensing rights to Sun's widely used Java programming language. Analysts say officials may want assurances that Oracle won't exert undue control over software that's an essential part of programs sold by rivals such as IBM.

Still, a review that includes a request for more information can typically last six months, said Ted Henneberry, a Washington antitrust attorney at Orrick Herrington & Sutcliffe.

In addition, German software developer Bjorn Schotte reported on his blog this week that regulators for the European Union had contacted him to ask about MySQL, the Sun open-source database program that

competes with Oracle's database software.

The EU, which will decide by Sept. 3 whether to launch a more extensive review, has historically used stricter standards than U.S. law, added antitrust expert Katherine Funk at Sonnenschein Nath & Rosenthal, also based in Washington.

Meanwhile, Hewlett-Packard says it persuaded more than 100 Sun customers to buy HP's servers and storage systems in the past six months. While offering them technical assistance and other incentives, HP also says companies like BT Vision, a British on-demand video service, concluded that HP systems performed better.

IBM reacted nine days after the Oracle deal was announced by doubling an earlier offer of credit toward technical consulting for Sun hardware customers who switched to IBM, from $4,000 to $8,000 for each microprocessor "core." IBM Vice President Scott Handy said this week that his company had more than 250 sales "wins," in which Sun customers chose IBM products in the first half of 2009, with most coming in the second quarter.

Smaller companies also see an opportunity. Ingres, a Redwood City software company, is promoting new tools that make it easier for programmers to move their work from Sun's MySQL onto Ingres' database products. CEO Roger Burkhardt said interest in those products has "accelerated" since the Oracle deal was announced.

But an industry expert said he hasn't seen evidence that Sun's customers are defecting in droves.

"HP and IBM are milking this for everything that they can," said Gordon Haff at the Illuminata consulting group. "There certainly is some nervousness out there. To go from that and suggest that every Sun

customer is in total panic probably overstates things."

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