

# Cisco challenges Microsoft takeover of Skype in EU

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Microsoft CEO Steve Ballmer (L) shakes hands with Skype CEO Tony Bates during a news conference in San Francisco, in 2011. US networking giant Cisco filed an appeal on Wednesday of the European Commission's approval of Microsoft's \$8.5 billion takeover of Internet voice and video leader Skype.

Networking company Cisco said Wednesday that it is challenging Microsoft's \$8.5 billion takeover of Skype at the European Union's top court to ensure Microsoft won't block other video conferencing services.

Microsoft completed the deal in October shortly after the European Commission, the EU's competition regulator, cleared the takeover. Microsoft Corp. hopes that owning Skype will allow it to better compete with other tech giants including Apple Inc. or Google Inc.

But for Cisco Systems Inc., the world's largest maker of computer networking equipment, the Skype deal creates a serious challenger to its video conferencing systems.

"Cisco does not oppose the merger, but believes the European Commission should have placed conditions that would ensure greater standards-based interoperability," Marthin De Beer, the head of Cisco's video conferencing division, wrote in a blog post.

Video conferencing equipment is a relatively small part of Cisco's overall sales, but it's growing rapidly. Cisco's latest major acquisition was of Tandberg, a Norwegian maker of video conferencing equipment. Cisco spent \$3.4 billion for the company in 2010.

Microsoft said it was confident it would prevail in an appeal.

"The European Commission conducted a thorough investigation of the acquisition, in which Cisco actively participated, and approved the deal in a 36-page decision without any conditions," Microsoft said in a statement.

Microsoft is counting on Skype to help it catch up in some the hottest markets in technology and media. Microsoft is looking to grow in areas such as online socializing, mobile phones and digital video to reduce its traditional reliance on its Windows and Office software for revenue.

The U.S. Department of Justice approved the deal in June. Its approvals can't be appealed, while the European Commission does accept appeals.

Cisco wants the General Court of the EU to check whether the Commission was right in clearing the Skype takeover without any conditions. It argues that the Commission should have required Microsoft to guarantee open standards for video conferencing, similar to

what exists for mobile phone calls.

Such standards would eventually allow users of Cisco video phones to make calls to users of Skype and other services like Google Voice.

De Beer said that without these standards, Microsoft could "seek to control the future of video communications."

"Making a video-to-video call should be as easy as dialing a phone number," De Beer wrote. "Today, however, you can't make seamless video calls from one platform to another, much to the frustration of consumers and business users alike."

But Cisco fears that Microsoft will end up blocking Skype for users of other services, especially if it starts charging businesses for teleconferencing. Its filing came just ahead of a deadline for appeals.

Skype, with roughly 170 million users, is by far the most popular voice-over-Internet service.

Antoine Colombani, a spokesman for the European Commission, said it will defend its decision in court.

Cisco's stock fell 19 cents to \$19.88 in afternoon trading Wednesday, while Microsoft's fell 17 cents to \$30.08.

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