

Microsoft agrees to store customer data in privacy-minded Germany (Update)

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Microsoft CEO Satya Nadella speaking at the company's German headquarters in Berlin on November 11, 2015

US tech giant Microsoft said Wednesday it is setting up centres to keep customer data in Germany, following a series of US surveillance scandals that have alarmed Europeans.

Deutsche Telekom will serve as "custodian" for Microsoft's cloud-based

services in Germany and keep data on its home turf, the companies said in separate statements.

"All customer data will remain exclusively in Germany," Deutsche Telekom said, adding that the service will also be available to European clients outside Germany.

"With this partnership with T-Systems, Microsoft customers can choose a data protection level that complies with the requirements of German customers and many clients of the public sector," added Anette Bronder, director of the new Digital Division of the Deutsche Telekom subsidiary T-Systems.

Microsoft will from the second half of 2016 run its German cloud-based services through two data centres where Deutsche Telekom will assume responsibility for "protection of customer data and access to it".

"Microsoft will have no access to the data if T-Systems or the customer do not allow it," the statement said.

The US group confirmed the point in a separate communique but neither made mention of the espionage revelations that have strained transatlantic ties.

Trust in US tech companies has been shaken since former US National Security Agency analyst Edward Snowden in 2013 revealed a worldwide surveillance programme exploiting user data harvested from Silicon Valley giants.

German trauma, suspicion

The outrage was particularly deeply felt in Germany, where memories of abuses under the Nazi and communist East German regimes loom large

and where it emerged that the NSA even snooped on Chancellor Angela Merkel's mobile phone.

Last month the EU's top court issued a landmark verdict striking down a key transatlantic data deal, saying that Internet giants could be barred from sending European citizens' personal information to the United States in the wake of the Snowden scandal.

The decision stemmed from a case lodged by Austrian law student Max Schrems, who challenged the 2000 "Safe Harbour" agreement between Washington and Brussels on the grounds it did not properly protect European data.

However recent German media reports have also pointed to sweeping secret cooperation between the NSA and the Germany's BND foreign intelligence service, and BND spying on German allies.

Berlin public radio said Wednesday that it had evidence the BND had kept tabs on French Foreign Minister Laurent Fabius, the FBI, the UN children's fund and a senior German diplomat, among other targets.

Under chief executive Satya Nadella, Microsoft has been shifting to offer more services through the Internet cloud to adapt to a new landscape in which mobile devices have become more important.

While Microsoft Windows remains the dominant PC operating system it has lost leadership to Google and Apple in mobile.

Germany is both a major market for Microsoft as well as a country with some of the strictest data protection laws in the European Union.

Deutsche Telekom said it was the European market leader for cloud-based services for companies and aimed to more than double its annual

turnover in that area—currently at about one billion euros (\$1.1 billion)—each year until the end of 2018.

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