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Plaintiffs,

v.

MICROSOFT CORPORATION,  
One Microsoft Way  
Redmond, Washington 98052

Defendant.

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### COMPLAINT

(Including request for preliminary and permanent injunction)

## I.

### INTRODUCTION

Plaintiff STATES OF NEW YORK, CALIFORNIA, CONNECTICUT, FLORIDA, ILLINOIS, IOWA, KANSAS, KENTUCKY, LOUISIANA, MARYLAND, MASSACHUSETTS, MICHIGAN, MINNESOTA, NEW MEXICO, NORTH CAROLINA, OHIO, SOUTH CAROLINA, UTAH, WEST VIRGINIA and WISCONSIN and the DISTRICT OF COLUMBIA ("the States") bring this action in their sovereign capacities, and as parens patriae on behalf of the general welfare and economy of each of their states, against Defendant Microsoft Corporation ("Microsoft" or "Defendant"). The States seek to secure injunctive relief and civil penalties for Microsoft's violations of the antitrust laws of the United States and the antitrust and unfair competition or related laws of the Plaintiff States.

## II.

### JURISDICTION, VENUE AND COMMERCE

1. This Court has jurisdiction over this matter pursuant to Section 4 of the Sherman Act, 15 U.S.C. § 4, and 28 U.S.C. §§ 1331 and 1337(a). The Plaintiff States bring this action pursuant to Section 16 of the Clayton Act, 15 U.S.C. §§ 26, to obtain injunctive relief based upon Defendant's anticompetitive practices in violation of Sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1, 2.

2. The Complaint also alleges violations of the following state antitrust and/or unfair competition and related laws, and seeks injunctive relief as well as civil penalties based on these claims: California's Cartwright Act, Cal. Bus. & Prof. Code §§ 16720 et seq.; California's Unfair

Competition Act, Cal. Bus. & Prof. Code §§ 17200 et seq.; Connecticut Antitrust Act, Conn. Gen. Stat. §§ 35-24 et seq.; District of Columbia Antitrust Act, D.C. Code § 28-4501 et seq. (1996); Florida Statutes §§ 501.0275, 501.24, 542.18, 542.19, 542.21-.23 ; Illinois Antitrust Act, 740 ILCS 10/1. et seq.; Iowa Competition Law, Iowa Code Chapter 553; Kansas Antitrust Statute, K.S.A. §§ 501 *et seq.*, 50-623 *et seq.*; Kentucky Antitrust Statute, K.R.S. 367.175; La. R.S. 51:122 *et seq.*, and La R.S. 51:1401 *et seq.*; Maryland Antitrust Act, Md. Com. Law Code Ann. §§ 11-201 *et seq.*; Michigan Antitrust Reform Act (MARA), MCL 445-771 et seq., and MSA 28.70(1) et seq.; Minnesota Antitrust Act §§ 325D.49 - 325D.66 (1996); N.M. Stat. Ann. §§ 57-1-1 to 57-1-15; N.Y. Gen. Bus. Law §§ 340 et seq. (McKinney 1988); North Carolina, N.C.G.S. §§ 75-1, -1.1, -2, and -2.1; Ohio Valentine Act, Ohio Rev. Code §§ 1331.01 *et seq.*; South Carolina Code of Laws §§ 39-3-10 et seq. and §§ 39-5-10 et seq.; Utah Antitrust Act Utah Code Ann. §§ 76-10-911, et seq.; West Virginia Antitrust Act, W. Va. Code §§ 47-18-1 et seq., and West Virginia Consumer Credit & Protection Act, W. Va. Code §§ 46A-1-101, et seq.; and Wisconsin Trusts and Monopolies Law, §§ 133.03(1), (2), 133.14, 133.16, Wis. Stats.

3. This Court has supplemental jurisdiction over these state-law claims pursuant to 28 U.S.C. § 1367(a). The State-law claims are so related to the federal-law claims raised in this complaint that they form part of the same case or controversy under Article III of the United States Constitution. The issues raised by the State-law claims are no more novel or complex than the federal law claims, nor do they substantially predominate over the federal-law claims. Supplemental jurisdiction would avoid unnecessary duplication and multiplicity of actions, and should be exercised in the interests of judicial economy, convenience and fairness.

4. Venue is proper in this district under Section 12 of the Clayton Act, 15 U.S.C. § 22 and under 28 U.S.C. § 1391, because Defendant Microsoft transacts business and is found within this district.

5. Microsoft sells and licenses computer software throughout the United States and the world. Microsoft delivers copies of its software, including operating systems, to PC manufacturers and retail customers across state lines and international borders. Microsoft sales and licenses in the United States, and each of the Plaintiff States, represent a regular, continuous and substantial flow of interstate commerce, and have had a substantial effect upon interstate commerce as well as on commerce in each of the Plaintiff States. Microsoft's anticompetitive practices complained of herein threaten loss or damage to the general welfare and economies of each of the Plaintiff States.

### III. PLAINTIFFS

6. The States of California, Connecticut, Florida, Illinois, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Michigan, Minnesota, New Mexico, New York, North Carolina, Ohio, South Carolina, Utah, West Virginia and Wisconsin and the District of Columbia, by and through their Attorneys General, or other authorized official, bring this action in their sovereign capacities and as *parens patriae* on behalf of the general welfare and economy of each of their states to enforce federal and state laws. The names, mailing addresses, and telephone numbers of each representative of each State Plaintiff are listed in Appendix A, which is by this reference incorporated herein.

#### IV.

##### DEFENDANT MICROSOFT

7. Microsoft is a corporation organized, existing and doing business under and by virtue of the laws of the State of Washington, whose principal place of business is One Microsoft Way, Redmond, Washington 98042-6399.

8. Microsoft's primary business is the creation of pre-packaged software products for personal computers with the x86 architecture, commonly known as PCs (see below).

9. Microsoft develops, licenses, sells and supports several types of software products for PCs, including "Operating Systems" and "Applications." Applications are computer programs separate from the operating system, such as word processors, spreadsheets, database managers, and games, which generally rely on the operating system to provide various operating system functions and manage the PC's system resources.

10. As noted below, a PC operating system generally controls the interaction between the various hardware components of a PC and manages the system resources for use by applications. Accordingly, in its capacity as a distributor of operating systems, Microsoft is essentially a component vendor to the Original Equipment Manufacturers ("OEMs") who assemble a final product, the PC.

#### V.

##### THE PERSONAL COMPUTER

11. Most of the personal computers in the world today use the x86 class of microprocessors, originally designed by Intel Corporation. The x86 class includes Intel 286,



386, 486, Pentium, Pentium Pro, Pentium with MMX, and Pentium II microprocessors, as well as microprocessors manufactured by other companies with substantially the same instruction set. Because, as shown below, there is an independent market for computers using x86 processors, the term "personal computer" or "PC" will be used hereinafter to refer to personal computers that use the x86 class of microprocessors.

12. The PC consists of a number of components, including the x86 processor, hardware such as disk drives, and the operating system. There is little consumer demand for PCs without a pre-installed operating system.

13. PCs are made up of hardware and software components which are made by numerous enterprises. These components are generally assembled by non-vertically integrated Original Equipment Manufacturers ("OEMs").

## VI.

### WINDOWS: DEFENDANT MICROSOFT'S OPERATING SYSTEM

14. The operating system is the command center of the personal computer. It controls the interaction between the computer system's microprocessor(s), memory, and peripheral devices such as keyboards, display screens, disk drives, and printers. Software application programs use the operating system to facilitate access to the PC's system resources. Generally, without access to operating system functions, application programs are inoperable.

15. In 1980, Microsoft licensed from another company a PC operating system which it modified and introduced in 1981 as the Microsoft Disk Operating System ("MS-DOS"). The MS-DOS operating system required a user to type in commands in order to

give the computer instructions. When IBM entered the PC market in 1981, it selected MS-DOS as its operating system. This enabled Microsoft's operating system software to achieve enormous sales. Microsoft's operating system software enjoyed greater consumer acceptance, familiarity, and loyalty than its later competitors by virtue of the fact that it was first in the marketplace.

16. Through "network effects," Microsoft was able to build upon this initial advantage. In a market subject to network effects, the value of a product to consumers increases with each additional person who uses the product. A good analogy is the telephone industry, where the value of a telephone depends almost entirely on the existence of other telephones capable of communicating with it.

17. In 1985 Microsoft introduced a product it called "Windows," a "graphical user interface" ("GUI"). Until the introduction of Windows 95, Windows was a "shell," which acted as an interface between the user and the MS-DOS operating system, and was sold as a product separate from MS-DOS.

18. Through the late 1980's and into the mid-1990's, the Windows shell and MS-DOS operating system were separate, such that a competitor could produce an alternative GUI to run on top of MS-DOS, or an alternative operating system to run under the Windows GUI. During this time there were competitors to MS-DOS in the operating system market, such as DR-DOS, and to Windows in the GUI market, such as Quarterdeck.

19. In 1990, Microsoft's share of the PC operating system market stood at 65%. Its next closest competitors were IBM's PC DOS, with just 17%, and Digital Research's DR-DOS, with 10%.

20. In the succeeding years, Microsoft effectively eliminated all competition in the operating system and shell markets through two actions. First, it used its market power in the operating system to pressure OEMs into agreeing to restrictive licensing terms for MS-DOS. These terms included "per processor" operating system licenses, which required the OEMs to pay Microsoft an operating system royalty for every computer they sold, regardless of whether the computer included Windows/MS-DOS, thus discouraging sale of non-Microsoft GUIs and operating systems. These licenses also included other restrictions, such as tying Windows and DOS through licensing agreements, large minimum commitments, and long license terms. The Department of Justice filed suit against Microsoft seeking to enjoin use of these restrictive licenses and obtained a consent decree enjoining certain of these practices.

21. However, by the time of the consent decree the damage had already been done. The market for alternative PC operating systems was much diminished. Indeed, from 1990 to 1993, Microsoft's market share increased from 65% to 79%.

VII.  
DEFENDANT MICROSOFT'S MONOPOLIST POSITION  
IN THE SOFTWARE MARKET

22. Microsoft has monopoly power in PC operating system software market, which is the power to raise prices and exclude competition.

23. For purposes of analyzing Microsoft's operating system monopoly, the relevant product market is the personal computer operating system for the x86 class of microprocessors (hereinafter the "PC operating system market"). PC users do not consider an operating system that runs a non-x86 computer to be an effective substitute for an operating system that runs an x86 computer. Because operating systems written for other microprocessors will not work on machines with an x86 class microprocessor, OEMs who sell x86 machines and customers who buy such machines cannot install operating systems written to be used with other microprocessors. In other words, once a person purchases or makes the decision to purchase an x86 computer, they are "locked in" to using an operating system designed for that system.

24. The relevant geographic market is the world. Another relevant geographic market is the United States.

25. Microsoft currently has monopoly power. As of fiscal year 1997, Microsoft's Windows and DOS products dominated the market for PC operating systems, with over 90% market share.

26. Substantial barriers prevent entry and establishment in the PC operating system market. These include large "sunk" costs, network effects, the "lock-in" effect, and high switching costs.

27. Microsoft's anticompetitive practices described below significantly increase the already high barriers to entry and establishment facing competitors in the PC operating system market. These and similar practices, as well as the enumerated entry barriers, have resulted in

Microsoft's retention of a durable operating system monopoly. Through the practices listed below, Microsoft threatens to extend its monopoly once again indefinitely into the future.

28. In addition to its Windows monopoly, Microsoft maintains a dominant position in other areas of the software industry. For example, in the area of software applications Microsoft's business applications products alone represent 39% of the PC software industry's applications revenues. Microsoft's Office suite, a software package comprising Microsoft's word processing (Word), spreadsheet (Excel), presentation (Powerpoint), and other, related products, represents 89% of all revenues in the office productivity suite market in 1997.

29. OEMs are the primary distribution channel for PC operating system software.

30. Competition among OEMs is intense and OEMs' profit margins are slim. In order to be competitive, OEMs must preinstall Windows on their PCs and, at least for certain product lines, must have access to MS Office. Accordingly, Microsoft, as the sole licensor of Windows and Office, is in a position to wield tremendous influence over OEMs and the terms under which those OEMs deal with companies that might compete with Microsoft.

#### VIII.

#### THE THREAT TO MICROSOFT'S OPERATING SYSTEM MONOPOLY

31. At least as early as 1995, Microsoft began to recognize a significant potential threat to its operating system monopoly, the Internet browser.

32. Although the Internet has existed for some time, it is only in the last few years that it has become a common venue for consumer computing. This explosion in popularity was facilitated in large measure by the development of the Internet browser.

33. The Internet browser is a specialized software program that allows PC users to view, render, hear, browse, or otherwise interact with content on the Internet, the World Wide Web, or other public networks.

34. The proliferation of content, commerce and communication on the Internet/world wide web has made the Internet browser an increasingly important application for personal computers.

35. The Internet browser is a separate product which competes in a separate product market from the PC operating system. Microsoft itself has consistently offered, promoted, and distributed its Internet browser as a stand-alone product separate from Windows, and intends to continue to do so after the release of Windows 98.

36. No other product duplicates or fully substitutes for the functionality of an Internet browser. Internet browsers that work with one operating system will not work with another operating system without significant modification. The geographic market for Internet browsers is worldwide.

37. The Internet browser has the potential to enable "platform independent" applications. Internet browsers can be, and have been, developed to run on the major desktop operating systems. If an application is written to run on the browser, it can be platform-independent in the sense that it does not depend on compatibility with an underlying operating system. Rather, it depends on compatibility with the internet browser and associated technologies.

38. By offering the possibility of a "middleware" layer which would, in essence, permit applications to run on any operating system, the Internet browser threatens Microsoft's Windows monopoly. If an application's ability to run no longer depends on the use of a particular operating system, consumers will no longer be required to purchase the dominant operating system in order to ensure access to a wide portfolio of desired applications. Accordingly, customers would no longer see any particular operating system as having intrinsic value simply by virtue of its ubiquity. This would, in turn, facilitate entry of other operating systems into the competitive market. Thus, while not itself an operating system, the Internet browser poses a significant potential challenge to Windows. In its current form, the Internet browser does not threaten to eliminate the Microsoft operating system, but to "commoditize" it.

39. Sun Microsystem's Java technology amplifies this potential challenge. Sun describes Java as "a standardized application programming environment that affords software developers the opportunity to create and distribute a single version of programming code that is capable of operating on many different, otherwise incompatible systems platforms and browsers." Thus, Java has the potential to enable "write once, run anywhere" applications.

40. Internet browsers typically include and rely on the software necessary to run Java. Moreover, web programmers typically make extensive use of Java in developing their web pages. Accordingly, not only does Java's cross-platform potential represent a potential challenge to Windows, but its use in conjunction with the Internet browser accentuates the Internet browser challenge as well.

41. It must be recognized, however, that the potential Internet browser/Java challenge is as yet unrealized. While these technologies pose a potential *future* threat to Microsoft's operating system hegemony, the challenge is not a current one, and Microsoft still has, and exercises, virtually unfettered monopoly power in the PC operating system market.

## IX.

### DEFENDANT MICROSOFT'S ANTICOMPETITIVE RESPONSE

42. In response to the browser challenge, Microsoft embarked on a strategy of anticompetitive, exclusionary conduct to protect and ultimately extend its operating system monopoly into the next "generation" of computing.

#### A. THE INTERNET BROWSER

43. Recognizing that the Internet browser posed a long-term potential challenge to Windows, in mid-1995, representatives of Microsoft met with top executives from Netscape. The purpose of the meeting was for Microsoft to determine whether Netscape intended to compete with it by positioning Navigator as an alternative "platform" to Windows. Microsoft indicated to Netscape that if Netscape did not compete with Microsoft, the two companies could have a mutually beneficial, cooperative relationship. In particular, Microsoft stated that if Netscape agreed not to offer Navigator for Windows, Microsoft would cede the other platforms, such as Macintosh and Unix, to Netscape. Netscape refused Microsoft's offer to allocate the browser market between the two companies.

44. When this attempt to limit Netscape as a competitor was unsuccessful, Microsoft began a course of anti-competitive and exclusionary conduct aimed at dominating the



Internet browser market and ultimately foreclosing and annexing that market to Microsoft's monopoly operating system market.

45. Microsoft licensed the Mosaic technology from Spyglass, Inc. and used it as the basis for development of its own Internet Explorer ("IE") Internet browser to compete with Netscape Navigator.

46. Microsoft recognized that building "browser share" was a top corporate priority. Microsoft established and retained a separate corporate division dedicated to the Internet and Internet browser development until after DOJ initiated the 1997 consent decree action challenging Microsoft's bundling of IE with Windows.

47. From its inception, Microsoft has developed, packaged, marketed, sold and tracked IE as a product separate and apart from its PC operating system. Internet Explorer is, and always has been, viewed by Microsoft and by the market as an Internet browser--a separate software program that allows PC users to view, render, hear, browse, or otherwise interact with content on the Internet, the World Wide Web, or other public networks. Microsoft and other industry participants carefully track Internet browser market share, and Microsoft has frequently and unequivocally stated that increasing its Internet browser market share is its most critical corporate goal. Internet browsers have product requirements, market usage, demand, distributors, and suppliers distinct from other products, including PC operating systems. These separate attributes, and Microsoft's separate commercial treatment of its Internet browser, all will continue after Microsoft releases Windows 98. Microsoft plans to continue to distribute and upgrade a stand-alone version of its Internet Explorer browser. Moreover, Microsoft has

also developed and marketed IE for non-windows operating systems, such as for the Macintosh and Unix operating systems.

48. By some estimates, as of early 1996, IE's share of the Internet browser market was less than 5%.

49. Microsoft aggressively promoted IE, giving it away for free, despite the enormous resources invested in its development.

50. Microsoft realized early on that, even giving its browser away for free, it could not win what it described as the "browser war" in head to head competition on the merits with Netscape Navigator. Accordingly, Microsoft decided to leverage its Windows monopoly to build browser share. In doing so, Microsoft, targeted the two channels which accounted for the majority of Internet browser distribution and usage, OEMs and Internet Service Providers ("ISPs" such as Earthlink)/Online Service Providers ("OLs" such as America Online).

51. Microsoft entered into a series of agreements with the OEMs, ISPs and OLs through which it used its Windows monopoly to obtain preferential treatment for IE and disadvantageous treatment for IE's competitors, including Netscape Navigator.

52. As to the OEMs, Microsoft entered into licensing agreements with OEMs which required the OEMs to bundle IE with Windows. It also imposed boot up and screen restrictions (see below) which prevented the OEMs from substituting another Internet browser for IE on consumer computers, or allowing consumers to receive a computer with the icon of another Internet browser substituted for the IE icon.

53. As to the ISPs and OLSs, Microsoft entered into agreements requiring the ISPs and OLSs to use and distribute IE to their customers as their "preferred" or "default" Internet browser in exchange for a listing in Microsoft's Internet Connection Wizard (described below) and, in some cases, in exchange for a space in the "Online Services" folder on the Windows desktop (described below). Microsoft also entered into agreements with Internet Content Providers ("ICPs" such as CNN) whereby the ICPs would agree not to promote or provide compensation to the manufacturer of competing Internet browsers, in exchange for being a "premium" channel on IE's "active channel" bar in IE4 (see below).

54. By early 1997, some estimates placed IE's share of the Internet browser market at approximately 30%, a one-year increase of approximately 25%.

55. Shortly thereafter, Microsoft issued OEM Service Release ("OSR") 2.5 to its OEMs. The terms of OSR 2.5 not only required that IE be bundled with Windows 95, but required that the most recent version, IE4, be bundled, and provided a significant financial incentive in the form of a Windows royalty discount for prompt compliance.

56. At about this same time, the United States Department of Justice ("DOJ") sought a contempt order against Microsoft alleging that Microsoft's tie of Internet Explorer to Windows 95 violated the 1995 consent decree entered into between DOJ and Microsoft. The Court declined to find Microsoft in contempt citing ambiguity in the language of the consent decree, but preliminarily enjoined the bundling of IE and Windows 95.

57. As of November, 1997, Microsoft estimated IE to have approximately 42% of the Internet browser market, an approximate 12% increase over April, 1997. Moreover,

Microsoft predicted that IE would overtake Navigator in terms of market share by the second quarter of 1998.

58. Finally, Microsoft is scheduled to release Windows 98 to OEM's in mid-May of 1998 and to the retail market at the end of June, 1998. Microsoft will continue to offer IE4 as a separate product from Windows 98 and to offer a successor version, IE5, as a separate product for Windows 98 and other platforms.

59. The bundling of Microsoft's Internet browser with Windows 95 and 98 forecloses and will foreclose a substantial amount of competition among Internet browsers.

60. Microsoft's bundling of IE with Windows 95 and its ultimate bundling of the Internet browser with the operating system in Windows 98 is no more than a thinly veiled attempt to "tie" the purchase of its Internet browser to the purchase of its operating system. Through this tie, Microsoft forces the captive consumers of its operating system to also take its Internet browser. By using its operating system monopoly to erect numerous hurdles to competition with its Internet browser, Microsoft has foreclosed and threatens to continue foreclosing a substantial volume of commerce in the Internet browser market and to deny consumers the benefits of fair and vigorous Internet browser competition.

61. Additionally, through bundling its Internet browser with Windows, Microsoft has sought to leverage its operating system monopoly to give it an unfair competitive advantage in the increasingly important Internet browser market.

62. Further, bundling the Internet browser with Windows constitutes an attempt to monopolize the Internet browser market. Because of its massive operating system market

power, there is a dangerous probability that Microsoft will succeed in extending its operating system monopoly into this market.

63. Finally, by using its operating system monopoly to crush its competition in the adjacent Internet browser market, Microsoft seeks to maintain its operating system monopoly against the potential alternatives presented by the Internet browser and Java technologies, thus stifling innovation.

#### B. OTHER APPLICATIONS

64. In addition to bundling IE with Windows, Microsoft has also bundled a number of other applications with Windows 98. These applications include, but are not limited to, Outlook Express, an e-mail client application.

65. These applications are separate products from Windows, each with consumer demand distinct from demand for an operating system.

66. Competition exist for these applications. Microsoft's bundling of these applications with Windows will foreclose a significant amount of competition in the markets for these applications.

#### X.

#### DEFENDANT MICROSOFT'S ADDITIONAL ANTICOMPETITIVE LICENSE RESTRICTIONS

67. When a consumer turns on a new PC with Windows 95 or Windows 98 preinstalled, the computer goes through an installation and configuration routine, including initialization of the PC operating system ("end user boot"). At the end of the initial end user boot a user sees a default or "first" screen. The initial end user boot and "first screen" present

an opportunity for vendors of software and services to provide potential customers with information about and access to their products, and for OEMs to communicate with their customers and offer them configuration options.

68. When Windows 95 was first released in August 1995, a number of OEMs who preinstalled Windows 95 customized the content and configurations of their computers' end user boot and first screens for various commercial reasons, including minimizing support costs, maximizing ease of use, differentiation of PC brand, and exploiting third party revenue streams. For example, some OEMs provided users with welcome screens, tutorials, and other alternative user interfaces. Additionally, some OEMs altered the arrangement, number and content of icons and folders which accessed ISPs, Internet browsers and other software through the Windows 95 desktop. These OEMs struck deals with ISPs and ICPs that garnered revenue for the OEMs and customers for the ISPs and ICPs.

69. The OEMs innovations on the end user boot and first screen led to a differentiated consumer experience that offered various packages of content software and Internet access from one OEM to the next.

70. Microsoft reacted swiftly and decisively to curtail the proliferating OEM innovations of the end user boot and first screen. Exploiting the OEMs' need for Windows, beginning at least in August of 1996, Microsoft required OEMs, as part of their license for Windows, to agree to various limitations on their ability to customize the content and configuration of the first screen. These restrictions prohibited, with limited exceptions, OEMs' ability to alter the end user boot, prohibited OEMs from displaying anything other than the

Windows default desktop after boot up, and severely limited modification of the desktop, including an outright prohibition on deleting icons and folders.

71. These licensing restrictions had the effect of curtailing OEMs' ability to offer their customers alternatives to IE. The restrictions also limited the OEMs' ability to compete with each other and with Microsoft in the provision of access to information about products and services through the end user boot and first screen. The restrictions also foreclosed OEMs from using the first screen and end user boot to offer customers products and services and the ability to customize the configuration options in response to consumer demand. This limited competition and prevented OEMs from significantly differentiating their products from other OEMs' offerings thus resulting in reduced customer choice. Finally, the restrictions foreclosed OEMs from offering alternative user interfaces, or "shells," which might compete with Microsoft's.

72. Various OEMs have requested that Microsoft allow them to provide new PC purchasers with an alternative user interface, welcome screen, or "shell" that appears while the purchaser is first booting up a new PC, but Microsoft has refused. Microsoft's exercise of monopoly power has resulted in fewer choices for PC customers.

73. Microsoft's boot-up and screen restrictions are not reasonably necessary to protect any legitimate interest Microsoft may have in branding, product identity, or quality control for its products. These goals could be fully achieved by substantially less restrictive and less anticompetitive means.

74. These anti-competitive configuration and content license restrictions continue to be part of Microsoft's Windows licensing agreements, including both Windows 98 as well as Windows 95.

75. At the same time as it began entering into these restrictive OEM licenses, Microsoft also began entering into agreements with Internet Service Providers ("ISPs" such as Earthlink and AT&T Worldnet) and Online Service Providers ("OLSs" such as America Online and Prodigy).

76. Specifically, in return for placement by Microsoft in its Internet Connection Wizard<sup>1</sup> or Online Services folder, ISPs and OLSs had to agree:

- a. To distribute and promote to their subscribers exclusively or nearly exclusively Internet Explorer;
- b. To eliminate links on their web sites from which their subscribers could download a competing browser over the Internet;
- c. To abstain from stating or suggesting to their subscribers that a competing browser is available (and from displaying a logo for a non-Microsoft browser on the service provider's home page or other Internet access service);

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<sup>1</sup> The Internet Connection Wizard is an application provided by Microsoft with Windows 95 which, when accessed by a user, connects the user with Microsoft's Internet Referral Server which, in turn, contains a list of regional and national ISPs and OLSs from which the user can choose.



- d. To include Internet Explorer as the only browser they shipped with their access software (*i.e.*, the software that enables a PC user to subscribe to the service) most or all of the time; and
- e. To limit the percentage of competing browsers they distributed even in response to specific requests from customers.

77. Microsoft entered into these agreements because it recognized the critical importance of the ISP/OLS channel for distribution of its Internet browser.

78. Microsoft also entered into similarly restrictive agreements with Internet Content Providers ("ICPs" such as CNN). Under these agreements, an ICP who wished first tier, or "platinum" placement on IE 4's "active channel" bar were required to agree:

- a. Not to compensate in any manner the manufacturer of an "other browser" (defined as either of the top two non-Microsoft browsers) for placement on that manufacturer's channel;
- b. Not to promote a similar channel for an "other browser" should one be provided without compensation; and
- c. Not to allow an "other browser" to promote that ICP's content.

79. Thus, through its OEM agreements, Microsoft unfairly limited the user's access to Internet browsers that competed with its own and unfairly limited the user's access to ISPs, OLSs and ICPs that did not agree to preferential promotion and distribution of IE. Through its ISP, OLS, and ICP agreements, Microsoft unfairly limited customer access to Internet browsers that competed with its own product, IE.

80. With Windows 98 Microsoft has solidified its control over the new PC user's access to Internet services by moving the Internet Connection Wizard into the "Welcome to Windows" screen, a screen that appears on top of the Windows default desktop immediately after boot up and which, under the boot up and screen restrictions, cannot be removed or "preempted" by the OEMs. While, as noted below, Microsoft may no longer require ISPs to ship IE as their "default" Internet browser, Microsoft still determines which ISPs may be accessed through the Internet Connection Wizard based on their choice of browser.

81. Microsoft has indicated that it intends to unilaterally relax some of the restrictions in its agreements with ISPs and ICPs for Windows 98. With respect to its ISP contracts, Microsoft has apparently waived some of the restrictions contained in those contracts, including the requirement that an ISP use IE as its default Internet browser in exchange for a place in the Internet Connection Wizard. With respect to the ICPs, Microsoft has apparently altered certain contract terms, now only requiring that IE be promoted in "parity" with other Internet browsers.

82. Notably, these relaxations have occurred in the context of impending Congressional hearings, ongoing litigation with DOJ, and potential additional litigation with both the States and DOJ. There is no guarantee the original terms will not be reinstated if the threat of litigation is lifted. Additionally, these relaxations do not apply to Microsoft's OLS contracts with such online behemoths as America Online, AT&T Worldnet, and Compuserve. Finally, they are prospective only and do not undo the damage already caused by the prior restrictions.

83. The restrictions imposed by Microsoft on the OEMs, ISPs, and ICPs have unreasonably foreclosed competition in a number of ways:

- a. First, they reinforce Microsoft's tie of IE to Windows by preventing OEMs from permitting an alternative Internet browser to substitute for IE during the boot-up process and by prohibiting OEMs from providing users with a first screen that does not include the IE icon, thereby impeding competitive browsers' ability to compete for distribution through placement on new PCs.
- b. In addition, Microsoft's control of the initial boot up and first screen gives it the power to require that ISPs and OLSs use IE as their default Internet browser in exchange for placement on the Internet connection wizard and the first screen, thereby foreclosing this important channel of distribution to browser competition.
- c. Also, the restrictions unreasonably restrict competition between Microsoft and the OEMs regarding the configuration and provision of products and services to the end user through the end user boot and first screen. Through these licensing agreements, Microsoft and the OEMs have, in effect, agreed not to compete, or to compete in only a limited way, in their marketing and use of the end user boot and first screen.
- d. Finally, the restrictions operate to perpetuate Microsoft's operating system monopoly by utilizing Microsoft's power over initial boot up and

the first screen to promote IE and reduce or eliminate access to alternative Internet browsers.

84. The net result for the consumer is negative. The restrictions have stifled innovation and restricted consumers' choices regarding access to the Internet as well as to various PC software bundles and configurations. As a result of Microsoft's restrictions, consumers' PC choices have been narrowed.

## XI.

### DEFENDANT MICROSOFT'S MONOPOLISTIC PRACTICES WITH REGARD TO OFFICE PRODUCTIVITY SUITE SOFTWARE

85. In addition to producing operating systems for personal computers, Microsoft has also developed application software, including its office productivity suite, Microsoft Office. Office productivity suits typically include most or all of the following functions, among others: word processing, spreadsheets, database managers, slide presentations, and personal information managers.

86. Office productivity suites and individual programs therein are software applications that are separate and distinct products from the PC operating system. The markets for office productivity suites and the individual applications contained in them are distinct product markets.

87. The relevant geographic market for analyzing the market for software applications is the world. Another relevant geographic market is the United States.

88. Microsoft Office has attained monopoly power in the field of office productivity suites. By calendar year 1995, Office accounted for over 85% of all sales of office productivity suites, and its share of sales has increased since that time.

89. Through its anticompetitive conduct, as described below, Microsoft has increased barriers to entry and establishment facing competitors in the PC office productivity suite market. Specifically, Microsoft has used in the imposition of "per system" licenses to make it economically impractical for OEMs to offer competing office productivity suites for preinstallation on their PCs.

90. In licensing Office, Microsoft offers "per copy" or "per system" licenses to OEMs. Under a per copy license, an OEM pays Microsoft a royalty for each copy of Office it installs on a computer. Under a per system license, an OEM pays Microsoft a royalty for each computer it sells within a particular "system." Generally speaking, the per copy licensing royalty is significantly higher than the per system.

91. OEMs cannot afford to pay the significantly higher royalties for per copy licenses, because their profit margins are very narrow. As a result, OEMs must use the per system method of licensing Office if they are to sell computers which include Office at competitive prices and they cannot afford not to license Office on many of their computer lines.

92. Even under the narrowest definition of the term "system," as used in the per system licensing arrangement, the term includes all the computers of a given model line sold by the company. Moreover, the definition of "system" is not limited to the mere labeling of the model line. Instead, Microsoft considers a "system" to consist of a broadly-defined, essentially

generic, hardware configuration. Accordingly, the only way an OEM can avoid paying the per system royalty is to create a new model line and ensure that such model line differs significantly in terms of hardware configuration from the model line subject to the per system license.

93. OEMs have been able to negotiate only limited exceptions, i.e., grants of permission from Microsoft not to bundle Office on all the computers within a system. On information and belief, few or no OEMs have been able to negotiate exceptions with Microsoft for anything more than a very small percentage of a given model line.

94. It is impractical in an economic sense for an OEM to install a competing office productivity suite on a computer subject to a per system license. In order to do so the OEM would have to pay for both Office and the competing product, and likewise would be required to pass along to the customer the cost of offering both Office and the competing product.

95. Microsoft's per system licensing process wrongfully hampers competition among office productivity suites by effectively precluding OEMs from offering consumers the option of licensing a competing office suite application, or no suite at all, if the consumer wishes to purchase a system on which Office is offered. Consumers who purchase certain lines of new computers are thereby forced to receive, and pay for, MS Office.

96. In addition, Microsoft has recognized that the ubiquity and increasing functionality of e-mail poses a potential threat to Microsoft Word and MS Office. Part of Microsoft's response to that potential threat has been to plan to bundle Outlook Express, Microsoft's consumer e-mail application, with Windows 98 (through bundling with IE), thus

using its monopoly franchise, Windows, as a vehicle to help ensure blanket distribution, use, and ultimate adoption of Microsoft's e-mail software as the de facto e-mail standard.

97. Through the practices described in paragraphs 86 through 97, Microsoft has willfully and illegally sought to maintain and extend its monopoly in office productivity suite software.

## **XII.** **HARM**

98. Through the actions described above, Microsoft has illegally attempted to prevent competition to its software products, with the following anticompetitive effects:

i. Actual competition between Microsoft and actual and potential competitors in the markets for Internet browser and related software, office productivity suites, and first screen and boot up access has been or is threatened to be curtailed and foreclosed;

ii. OEMs have been denied, or are threatened with denial of, the benefits of a free, open and competitive market in the sale of licensing rights for Internet browsers and related software, office productivity suites, and first screen and boot up access;

iii. Consumer purchasers of personal computers pre-loaded with software have been denied, or are threatened with denial of, the benefits of a free, open and competitive market for Internet browsers and related software, office productivity suites, and first screen and boot up access;

iv. Barriers to entry into the markets for operating systems and office productivity suites have been raised and reinforced, tending to forestall the development of actual competition in those markets; and

v. The States' general welfare and economies have been injured through prevention of free and open competition in each of the States' economies.

99. Plaintiff States and their citizens will be subject to a continuing, substantial and immediate threat of irreparable injury to the general welfare and economy and to competition in their states unless Defendant is enjoined from its illegal conduct.

100. Plaintiff States have no adequate remedy at law other than the filing of this lawsuit to address Microsoft's illegal and anticompetitive conduct.

101. The threatened harm to Plaintiff States and their citizens from Microsoft's illegal and anticompetitive conduct outweighs any potential harm to Microsoft from the entry of an appropriately tailored preliminary and/or permanent injunction.

102. Entry of a preliminary and/or permanent injunction restraining Microsoft's illegal and anticompetitive conduct will serve the public's interest in having free, open and competitive software and technology markets.

### **XIII.**

#### **FIRST CLAIM FOR RELIEF - SHERMAN ACT, SECTION TWO** **MAINTENANCE OF OPERATING SYSTEM MONOPOLY**

103. The Plaintiff States repeat and reallege each and every allegation contained in paragraphs 1 through 103 above with the same force and effect as if here set forth in full.

104. Microsoft has monopoly power in the market for PC operating system software.



105.. Through the actions complained of in this Petition, Microsoft has wilfully and illegally used its monopoly power to maintain and extend its monopoly in this market in violation of Section 2 of the Sherman Act. 15 U.S.C. § 2.

XIV.

**SECOND CLAIM FOR RELIEF - SHERMAN ACT SECTION TWO  
ATTEMPTED MONOPOLIZATION OF INTERNET BROWSER MARKET**

106. The Plaintiff States repeat and reallege each and every allegation contained in paragraphs 1 through 103 above with the same force and effect as if here set forth in full.

107. Microsoft has attempted to monopolize the market for Internet browsers through the acts and practices described above in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2. Microsoft has specific intent to achieve monopoly power in this market, and in furtherance of this intent has engaged in the exclusionary conduct described above.

108. There is a dangerous probability that Microsoft can and will achieve a monopoly in the market for Internet browser software through the actions complained of by the Plaintiff States.

XV.

**THIRD CLAIM FOR RELIEF - SHERMAN ACT SECTION TWO  
LEVERAGING OPERATING SYSTEM MONOPOLY**

109. The Plaintiff States repeat and reallege each and every allegation contained in paragraphs 1 through 103 above with the same force and effect as if here set forth in full.

110. In violation of Section 2 of the Sherman Act, Defendant Microsoft has, by the means set forth above, knowingly and intentionally and with specific intent to do so used its

monopoly power in the market for operating system software to foreclose competition in the separate market for Internet browser

XVI.

**FOURTH CLAIM FOR RELIEF - SHERMAN ACT SECTION ONE**  
**TYING THE INTERNET BROWSER TO THE OPERATING SYSTEM**

111. The Plaintiff States repeat and reallege each and every allegation contained in paragraphs 1 through 103 above with the same force and effect as if here set forth in full.

112. Microsoft has illegally tied distribution of its Windows operating system software (tying product) to the distribution of its Internet browser (tied product), in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

113. The illegal tie consists of a continuing agreement, understanding, and concert of action between Microsoft and OEMs, the substantial elements of which are:

- a. The tying product is a separate product from the tied product;
- b. The OEMs, in order to obtain licenses to pre-load and distribute Windows with the personal computers they sell, are compelled also to agree to license, pre-load and distribute Microsoft's Internet browser;
- c. Microsoft possesses market power over operating system software sufficient to force OEMs to license and distribute its Internet browser in order to also license and distribute Windows;
- d. The tie results in anticompetitive effects in the markets for operating system software and Internet browsers, as well as related software, including higher prices, less consumer choice, and reduced innovation;

- e. The tie involves a not insubstantial amount of interstate commerce in the markets for operating system software and Internet browsers.

XVII.

**FIFTH CLAIM FOR RELIEF - SHERMAN ACT SECTION ONE**  
**TYING OTHER APPLICATIONS TO THE OPERATING SYSTEM**

114. The Plaintiff States repeat and reallege each and every allegation contained in paragraphs 1 through 103 above with the same force and effect as if here set forth in full.

115. Microsoft has illegally tied distribution of its Windows operating system software (tying product) to the distribution of other applications, including but not limited to Outlook Express (tied products), in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

116. The illegal tie consists of a continuing agreement, understanding, and concert of action between Microsoft and OEMs, the substantial elements of which are:

- a. The tying product is a separate product from the tied products;
- b. The OEMs, in order to obtain licenses to pre-load and distribute Windows with the personal computers they sell, are compelled also to agree to license, pre-load and distribute the tied products;
- c. Microsoft possesses market power over operating system software sufficient to force OEMs to license and distribute the tied products in order to also obtain, have access to, license, and distribute Windows;
- d. The tie results in anticompetitive effects in the markets for the tied products;
- e. The tie involves a not insubstantial amount of interstate commerce in the markets for the tied products.

**XVIII.**  
**SIXTH CLAIM FOR RELIEF - SHERMAN ACT. SECTION TWO**  
**MAINTENANCE OF MS OFFICE MONOPOLY**

117. The Plaintiff States repeat and reallege each and every allegation contained in paragraphs 1 through 103 above with the same force and effect as if here set forth in full.

118. Microsoft has monopoly power in the market for office productivity suite software for personal computers.

119. Through the actions complained of in this Petition, Microsoft has wilfully and illegally attempted to maintain its monopoly in this market in violation of Section 2 of the Sherman Act. 15 U.S.C. § 2.

**XIX.**  
**SEVENTH CLAIM FOR RELIEF - SHERMAN ACT SECTION 1**  
**OTHER AGREEMENTS IN RESTRAINT OF TRADE**

120. The States repeat and reallege each allegation contained in paragraphs 1 through 103 above.

121. The licensing and other agreements, including the OEM screen and end user boot restrictions listed above, constitute unreasonable restraints of trade in violation of Section One of the Sherman Act, 15 U.S.C. § 1.

**XX.**  
**EIGHTH CLAIM FOR RELIEF - CALIFORNIA PENDENT CLAIMS**

122. Plaintiff State of California repeats and realleges each and every allegation contained in paragraphs 1 through 104 with the same force and effect as if set forth in full herein.

123. The aforementioned practices by Microsoft were in violation of California's Cartwright Act, Cal. Bus. & Prof. Code §§ 16720 et seq., and California's Unfair Competition Act, Cal. Bus. & Prof. Code §§ 17200 et seq.

**XXI.**

**NINTH CLAIM FOR RELIEF - CONNECTICUT PENDENT CLAIMS**

124. Plaintiff State of Connecticut repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

125. The aforementioned practices by Microsoft were in violation of the Connecticut Antitrust Act, Conn. Gen. Stat. §§ 35-24 et seq.

**XXII.**

**TENTH CLAIM FOR RELIEF - DISTRICT OF COLUMBIA PENDENT CLAIMS**

126. Plaintiff District of Columbia repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

127. The aforementioned practices by Microsoft were in violation of D.C. Code § 28-4501, et seq.

**XXIII.**

**ELEVENTH CLAIM FOR RELIEF- FLORIDA PENDENT CLAIMS**

128. Plaintiff State of Florida repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

129. The aforementioned practices by Microsoft were in violation of Florida Statutes, §§ 501.24, 501.2075, 542.18, 542.19, 542.21-.23.

XXIV.

TWELFTH CLAIM FOR RELIEF - ILLINOIS PENDENT CLAIMS

130. Plaintiff State of Illinois repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

131. The aforementioned practices by Microsoft were in violation of the Illinois Antitrust Act, 740 ILCS 10/1 *et seq*

XXV.

THIRTEENTH CLAIM FOR RELIEF - IOWA PENDENT CLAIMS

132. Plaintiff State of Iowa repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

133. The aforementioned practices by Microsoft were in violation of the Iowa Competition Law, Iowa Code Chapter 553.

XXVI.

FOURTEENTH CLAIM FOR RELIEF - KANSAS PENDENT CLAIMS

134. Plaintiff State of Kansas repeats and realleges each and every allegation contained in paragraphs 1 through 104 with the same force and effect as if set forth in full herein.

135. The aforementioned practices by Microsoft were in violation of the Kansas Statutes Annotated §§ 501 *et seq.*, 50-623 *et seq.*

XXVII.

FIFTEENTH CLAIM FOR RELIEF - KENTUCKY PENDENT CLAIMS

136. Plaintiff State of Kentucky repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

137. The aforementioned practices by Microsoft were in violation of K.R.S. 367.175.

**XXVIII.**

**SIXTEENTH CLAIM FOR RELIEF - LOUISIANA PENDENT CLAIMS**

138. Plaintiff State of Louisiana repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

139. The aforementioned practices by Microsoft were in violation of La. R. S. 51:122 et seq.

**XXIX.**

**SEVENTEENTH CLAIM FOR RELIEF - MARYLAND PENDENT CLAIMS**

140. Plaintiff State of Maryland repeats and realleges each and every allegation contained in paragraphs 1 through 104 with the same force and effect as if set forth in full herein.

141. The aforementioned practices by Microsoft were in violation of the Maryland Antitrust Act, Md. Com. Law Code Ann. §§ 11-201, et seq.

**XXX.**

**EIGHTEENTH CLAIM FOR RELIEF - MICHIGAN PENDENT CLAIMS**

142. Plaintiff State of Michigan repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

143. The aforementioned practices by Microsoft were in violation of the Michigan Antitrust Reform Act (MARA), MCL 445-771 et seq.

**XXXI.**

**NINETEENTH CLAIM FOR RELIEF - MINNESOTA PENDENT CLAIMS**

144. Plaintiff State of Minnesota repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

145. The aforementioned practices by Microsoft were in violation of the Minnesota Antitrust Act. §§ 325D.49 - 325D.66 (1996).

**XXXII.**

**TWENTIETH CLAIM FOR RELIEF - NEW MEXICO PENDENT CLAIMS**

146. Plaintiff State of New Mexico repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

147. The aforementioned practices of Microsoft were in violation of sections 57-1-1 and 57-1-2 of the New Mexico Antitrust Act, N.M. Stat. Ann. §§ 57-1-1 to 57-1-15.

**XXXIII.**

**TWENTY-FIRST CLAIM FOR RELIEF - NEW YORK PENDENT CLAIMS**



148. Plaintiff State of New York repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

149. The aforementioned practices by Microsoft were in violation of N.Y. Gen. Bus. Law §§ 340 et seq. (McKinney 1988).

**XXXIV.**

**TWENTY-SECOND CLAIM FOR RELIEF - NORTH CAROLINA PENDENT CLAIM**

150. Plaintiff State of North Carolina repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

151. The aforementioned practices by Microsoft were in violation of N.C.G.S. §§ 75-1, -1.1, -2, and -2.1.

**XXXV.**

**TWENTY-THIRD CLAIM FOR RELIEF - OHIO PENDENT CLAIM**

152. Plaintiff State of Ohio repeats and realleges each and every allegation contained in paragraphs 1 through 104 with the same force and effect as if set forth in full herein.

153. The aforementioned practices by Microsoft were in violation of Ohio Rev. Code §§ 1331.01, et seq.

**XXXVI.**

**TWENTY-FOURTH CLAIM FOR RELIEF - SOUTH CAROLINA PENDENT CLAIMS**

154. Plaintiff State of South Carolina repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

155. The aforementioned practices by Microsoft were in violation of South Carolina Code of Laws §§ 39-3-10 et seq. and §§ 39-5-10 et seq.

**XXXVII.**

**TWENTY-FIFTH CLAIM FOR RELIEF - UTAH PENDENT CLAIMS**

156. Plaintiff State of Utah repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

157. The aforementioned practices by Microsoft were in violation of the Utah Antitrust Act Utah Code Ann. §§ 76-10-911, et seq.

**XXXVIII.**

**TWENTY-SIXTH CLAIM FOR RELIEF - WEST VIRGINIA PENDENT CLAIMS**

158. Plaintiff State of West Virginia repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

159. The aforementioned practices by Microsoft were in violation of the West Virginia Antitrust Act, W. Va. Code §§ 47-18-1, et seq., and the West Virginia Consumer Credit and Protection Act, W. Va. Code §§ 46A-1-101, et seq.

**XXXIX.**

**TWENTY-SEVENTH CLAIM FOR RELIEF - WISCONSIN PENDENT CLAIMS**

160. Plaintiff State of Wisconsin repeats and realleges each and every allegation contained in paragraphs 1 through 103 with the same force and effect as if set forth in full herein.

161. The aforementioned practices by Microsoft were in violation of the Wisconsin Trusts and Monopolies Law, §§ 133.03(1), (2), 133.14, and 133.16, Wis. Stats.

PRAYER FOR RELIEF

WHEREFORE, the States request:

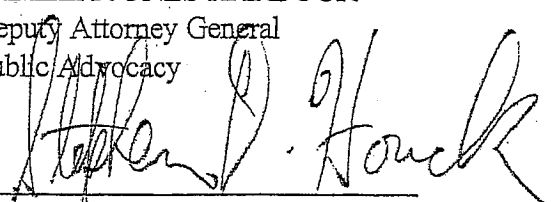
- a. that the Court issue a preliminary injunction, granting the relief set forth in a separately filed motion;
- b. that the Court permanently enjoin and restrain Microsoft Corporation, its successors, assigns, subsidiaries and transferees, and its officers, directors, agents, employees, from engaging in the unlawful practices described in this Complaint and from engaging in any similar unlawful practices, including:
  - i. in any manner, directly or indirectly continuing or maintaining the violations of Sections 1 and 2 of the Sherman Act in which they have been alleged to have engaged, or from committing any other violations of such statutes having a similar purpose or effect
- c. that the Court order Microsoft to license to third parties its intellectual property rights in such interfaces as are necessary to permit integration of alternative Internet browser software with the Windows operating software;

- d. that the Court enter judgment against Microsoft Inc., for the maximum penalties determined by the Court to be just and proper, depending on the laws of each State;
- e. that the States be awarded their costs of suit, including reasonable attorneys' fees; and
- f. that the States be granted such other and further relief as the Court may deem just and proper.

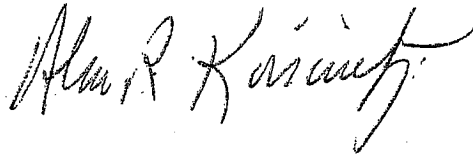
Dated: New York, New York  
May 18, 1998

DENNIS C. VACCO  
Attorney General of the State of New York  
PAMELA JONES HARBOUR  
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