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Associated Press

Microsoft, Alacritech Settle Dispute

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Microsoft Corp. on Wednesday settled a lawsuit that claimed it planned to incorporate a patented networking technology into future versions of the Windows operating system without permission.

The agreement grants Microsoft and chipmaker Broadcom Corp. access to related patents held by San Jose-based Alacritech for an unspecified fee. In exchange, Alacritech will drop all outstanding litigation against Microsoft.

Specific terms of the deal were not disclosed.

"Today's agreement ensures Microsoft customers and partners will be able to realize improved application, server and network performance," said Jawad Khaki, vice president of Windows Networking and Devices at Microsoft.

Alacritech developed technology that improves network performance by moving some of a networking workload from a server's general-purpose microprocessor to a specialized chip designed specifically for such tasks.

The technology previously was sold by Alacritech as a separate add-on, said Joe Gervais, Alacritech's director of marketing. Microsoft ran into legal trouble when it planned to integrate the interface into the next version of Windows code-named Longhorn and a future update of Windows Server 2003.

Alacritech and Microsoft first discussed the technology in the late 1990s but failed to reach a licensing agreement. In 2003, Microsoft showed off a similar technology dubbed "Chimney" at its annual hardware engineering conference.

In August 2004, Alacritech filed suit against Microsoft. In April of 2005, a federal judge in San Francisco granted Alacritech's motion for a preliminary injunction that would have stopped Microsoft from shipping software that infringes on the patents.

"With this agreement, rather than the software being an add-on, Microsoft is putting the basic interface into the Windows operating system," Gervais said.

Alacritech, which is privately held, was formed in 1997 by Larry Boucher, who previously founded storage system makers Adaptec and Auspex. He also pioneered a technology called Small Computer System Interface that enables high-speed access among computer peripherals.

Shares of Redmond, Wash.-based Microsoft fell 3 cents, to $25.58, in Wednesday afternoon trading on the Nasdaq Stock Market.

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