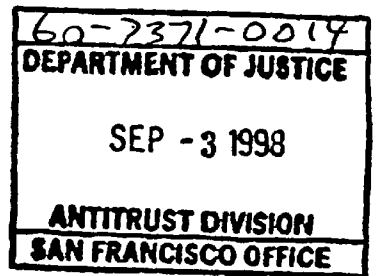


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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 vs.) No. CIV 98-1232 (TPJ)
)
 MICROSOFT CORPORATION,) VOLUME III
)
 Defendant.) CONFIDENTIAL
)
)

DEPOSITION OF BILL GATES, a witness
herein, taken on behalf of the plaintiffs at
9:11 a.m., Wednesday, September 2, 1998, at One
Microsoft Way, Redmond, Washington, before Kathleen
E. Barney, CSR, pursuant to Subpoena.



REPORTED BY:
Kathleen E. Barney,
CSR No. 5698
Our File No. 1-49196

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Q. BY MR. BOIES: Good afternoon,
Mr. Gates. Let me show you Government ^{Deposition} Exhibit 382
and I would ask you if that is a document that you've
ever seen before?

A. No.

(The document referred to was marked
by the court reporter as Government ^{Deposition} Exhibit 382 for
identification and is attached hereto.)

Q. BY MR. BOIES: There is a reference in

1 this document to "Fiscal Year 1998 WWSMM Attendees."
2 Do you see that?
3 A. Yes.
4 Q. Do you know what that is?
5 A. Yes.
6 Q. What is it?
7 A. World-wide sales and marketing meeting,
8 otherwise known as the WWSMM.
9 Q. Did you attend the fiscal year 1998
10 WWSMM?
11 A. No, I don't attend that. I come in and
12 speak usually at the end of it, but I don't attend
13 it.
14 Q. The subject matter of this is the
15 "Fiscal Year 1998 Planning Memo 'Preserving the
16 desktop paradise.'"
17 Are you familiar with that?
18 A. I don't know what you mean am I
19 familiar with that. I know fiscal year '98.
20 Q. Have you ever seen the Fiscal Year 1998
21 Planning Memo?
22 A. The one from Brad Chase? No.
23 Q. Have you seen a Fiscal Year 1998
24 Planning Memo from somebody else?
25 A. There's a lot of these. Each group

1 writes planning memos. I'm not copied on most of
2 them.

3 Q. Are there planning memos from some of
4 the groups that you recall receiving for fiscal year
5 1998?

6 A. I think there's a memo Steve wrote that
7 was probably sent to me.

8 Q. And by Steve you're referring to
9 Mr. Ballmer?

10 A. Yes.

11 Q. In the third paragraph of this memo on
12 the first page it says "Our competitors are still
13 hard at work trying to obsolete Windows. More people
14 than ever now believe they will. Netscape and Sun
15 endeavor to commoditize the OS."

16 Do you know what is meant by
17 "commoditize the OS" in this context?

18 A. In the context of this memo?

19 Q. Yes.

20 A. I'd need to read the memo.

21 Q. Have you ever heard anybody say that
22 Netscape or Sun threatened to commoditize the
23 operating system?

24 A. Yes.

25 Q. Have you ever said that?

1 A. Those words?

2 Q. Yes.

3 A. I don't think so.

4 Q. When other people have said those

5 words, what have you understood them to mean?

6 A. I think the first time I heard that was

7 from Marc Andreessen. And I never had a chance to

8 ask him what he meant.

9 Q. Have you heard ~~those words~~ from people

10 within Microsoft?

11 A. Subsequently to Andreessen using those

12 words, I know they were repeated inside the company

13 quite a bit.

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Q. When people used the word with you "commoditize" as in the statement that Netscape was threatening or endeavoring to commoditize the operating system, what did you understand commoditize to mean?

A. That they were creating a product that would either reduce the value or eliminate demand for the Windows operating system if they continued to improve it and we didn't keep improving our product.

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Q. Let me show you next a document that has been marked as Exhibit 383. This purports to be an e-mail from Mr. Maritz to you and others with charts attached to it.

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16 Did you receive this e-mail in or about January,
17 1997, this e-mail being a message from Paul Maritz to
18 you and others dated January 5, 1997?

19 A. I don't remember receiving it, but I
20 don't have any reason to doubt that it was sent.

21 Q. Did you see this e-mail at any time
22 prior to the commencement of your deposition last
23 week?

24 A. I don't remember seeing it.

25 Q. The subject of this e-mail is "Overview

1 slides for Billg/NC & Java session with 14+'s on
2 Monday." Do you see that?

3 A. Yes.

4 Q. And I think you identified the 14+'s
5 as the -- some group of executives; is that correct?

6 A. No.

7 Q. What is the 14+'s?

8 A. It's people above a certain level,
9 primarily engineers. Also executives, but mostly
10 engineers.

11 Q. It's all the people in the company
12 above a certain level, the 14 level?

13 A. Which are mostly engineers and not
14 executives.

15 Q. How many people are there in the 14+'s
16 group?

17 A. It's a good question. I think around
18 200 to 300.

19 Q. And these would be the people in the
20 200 or 300 top rated jobs in the company; is that
21 correct?

22 A. If top means the best compensation,
23 yes.

24 Q. Now, do you recall the slides that are
25 attached to this e-mail?

1 A. I remember when I testified earlier
2 seeing these and saying that I was pretty sure that I
3 never presented these slides.

4 Q. Do you recall whether someone else
5 presented these slides in January of 1997?

6 A. I'm not sure. I remember looking at
7 the slides and thinking probably not.

8 Q. Let me ask you to look at the third
9 page of the exhibit, which is headed "Key Platform
10 Challenge." It is page 2 of the charts and page 3 of
11 ^{Deposition} Exhibit 383, in which it says "NC & Java are platform
12 challenges." Do you see that?

13 A. Uh-huh.

14 Q. Did you believe in January of 1997 that
15 Java was a platform challenge?

16 A. Not Java the language, but some of the
17 Java runtime APIs that were being promoted to ISPs in
18 the way that Sun and others were talking about
19 enhancing them were platform challenges.

20 Q. When reference is made here to Java, do
21 you understand that to refer to what you refer to as
22 Java runtime APIs?

23 A. I'm not sure.

24 Q. Are you aware of people asserting that
25 Java runtime APIs were a platform challenge in or

1 about January of 1997?

2 A. I just told you that we looked at what
3 was going on in terms of the plans of Sun and other
4 people with Java runtime APIs as being a platform
5 challenge.

6 Q. Are you aware of any other platform
7 challenge represented by Java other than Java runtime
8 APIs?

9 A. No.

10 Q. So would it be fair to say that you
11 believe that when reference is made here to Java, the
12 reference means Java runtime APIs since it asserts
13 here that Java is a platform challenge?

14 A. It's the best way to make sense of a
15 document that I haven't seen until my deposition, as
16 far as I know.

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