

Activision Blizzard's CEO Bobby Kotick defends Microsoft's planned takeover of the video game-maker

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An image from Activision's Call of Duty is shown on a smartphone near a photograph of the Microsoft logo in this photo taken in New York, Thursday, June 15, 2023. Microsoft CEO Satya Nadella is due in court Wednesday, June 28, to defend the company's proposed \$69 billion takeover of video game maker Activision Blizzard against an attempt by federal regulators to block the deal. Microsoft, maker of the Xbox console, has hailed the deal with Activision

Blizzard as a way to make popular Activision games such as Call of Duty more widely available. Credit: AP Photo/Peter Morgan

Activision Blizzard CEO Bobby Kotick was in court Wednesday defending Microsoft's proposed \$69 billion takeover of his video game company against an attempt by federal regulators to block the deal.

Kotick told a [federal judge](#) in San Francisco Wednesday that there's no incentive to deprive Microsoft gaming rivals like Sony of the popular Activision game Call of Duty, because such a move would alienate the franchise's devoted fanbase.

The remarks were meant to undercut a key claim by antitrust enforcers at the U.S. Federal Trade Commission, who argue the acquisition will harm competition in the [video game industry](#).

Kotick said it's not in his company's interest to make Call of Duty exclusive to Microsoft's Xbox console or to offer subpar versions of the military action game on other systems, like Sony's Playstation.

"If we were to remove Call of Duty from PlayStation, it would cause serious reputational damage," Kotick said. He added that making a subpar version for PlayStation would cause "vitriol from gamers" and is not something Activision developers would do.

Kotick testified before U.S. District Judge Jacqueline Scott Corley on the fourth day [of a court hearing](#) in San Francisco. The proceedings are likely to make or break what would be the most expensive acquisition in technology history. Microsoft CEO Satya Nadella was also scheduled to take the stand Wednesday.

Kotick said it's important for the deal to go through, noting that 98% of Activision Blizzard shareholders voted for the transaction.

The hearing represents a major test of the FTC's amped-up oversight of Big Tech under Chairperson Lina Khan, who has said U.S. regulators were too lenient in past deals that helped increase the power of companies such as Amazon, Google and Facebook. The courtroom tussle with Microsoft comes six months after the FTC took Facebook owner Meta Platforms to court in Silicon Valley to try to stop a takeover of a virtual reality fitness company [only to be rebuffed by the judge in that case.](#)

Microsoft has hailed the deal with Activision Blizzard as a way to make popular Activision games such as Call of Duty more widely available.

Kotick, who has run Activision since 1991, wasn't totally on board with all of Microsoft's ideas. Under questioning from an FTC lawyer, he admitted an aversion to multi-game subscription services—such as the Xbox Game Pass—that Microsoft hopes to add more Activision games to after the takeover. But, he said, "I can have a philosophical disagreement with the way that Microsoft approaches its business."

The FTC is trying to persuade Corley to issue an order stopping the takeover from being consummated before a more extensive administrative trial begins Aug. 2 in Washington. Microsoft is fighting to close the deal ahead of a July 18 deadline that could trigger it having to pay a \$3 billion breakup fee to Activision.

Microsoft struck the deal 17 months ago in hopes of expanding its video game imprint beyond Xbox, which has about half the market share of the longtime industry leader Sony and its PlayStation device.



The Activision Blizzard Booth is shown on June 13, 2013, during the Electronic Entertainment Expo in Los Angeles. Microsoft CEO Satya Nadella is due in court Wednesday, June 28, 2023, to defend the company's proposed \$69 billion takeover of video game maker Activision Blizzard against an attempt by federal regulators to block the deal. Credit: AP Photo/Jae C. Hong, File

The court also heard this week from Sony gaming executive Jim Ryan, whose testimony came from a videotaped deposition.

Recorded in April, Ryan said he initially expressed little worry about the acquisition after private conversations with Kotick and Xbox chief Phil Spencer. But Ryan said he later came to believe Microsoft would leverage Call of Duty's popularity to disadvantage PlayStation.

"The harm to (Sony) arises from gamers deserting our platform and going to Xbox," said Ryan, the CEO of Sony Interactive Entertainment. Even if Microsoft followed through with a pledge to keep the game on PlayStation, Ryan said there could still be "some form of degraded experience for PlayStation gamers."

Microsoft has accused the FTC of ignoring pressure the company's gaming division will be under to deliver [profit margins](#) that justify the huge price being paid for Activision and the fierce backlash likely from highly opinionated video game fans if a popular franchise such as Call of Duty is withheld from other platforms.

Harvard University economist Robin Lee, a hired expert brought in by the FTC, testified Tuesday that such backlash would likely be offset by the "pretty substantial economic benefits" Microsoft could get by shutting out rivals from access to Call of Duty and other popular games, such as by allowing Xbox users to get earlier or better versions of the game.

Lee's testimony led the judge to question Tuesday whether Call of Duty's centrality in the case might distinguish the acquisition from other [game](#) industry deals.

"It's a unicorn in the durability, in the popularity, in the numbers," Corley said. "It certainly stands out."

Microsoft has pointed to commitments it has already made to make Call of Duty available on Nintendo's Switch console and a Nvidia gaming subscription service as evidence that the Activision deal would benefit consumers.

Microsoft also tried to present evidence that Sony is trying to blow up the deal to preserve its giant lead in the console market.

The proceedings are scheduled to conclude Thursday. Another major regulator, the [U.K.'s Competition and Markets Authority](#), also has taken action to thwart Microsoft's takeover.

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