

Microsoft CEO Nadella tells a judge his planned Activision takeover is good for gaming

June 29 2023, by Matt O'brien



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

Microsoft CEO Satya Nadella told a judge Wednesday that his company's proposed \$69 billion takeover of video game-maker Activision Blizzard will be good for the gaming industry, remarks that came as he defended the deal against an attempt by federal regulators to block it.

Nadella took the witness stand in a San Francisco [federal court](#) and said his goal is to get Activision games on as many platforms as possible, much as Microsoft has with its traditional software products.

"I love their console games, I love their PC games and I particularly love their [mobile games](#)," Nadella said. Microsoft doesn't yet have much of a footprint in mobile gaming.

U.S. District Judge Jacqueline Scott Corley interjected to ask if Nadella plays Activision's best-known mobile [game](#), Candy Crush, and the CEO drew laughter from the courtroom when he said he does.

The exchange brought some levity to proceedings that are likely to make or break what would be the most expensive acquisition in technology history.

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 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 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.



Microsoft CEO Satya Nadella arrives at the Phillip Burton Federal Building and U.S. Courthouse on Wednesday, June 28, 2023, in San Francisco. Microsoft is defending the company's proposed \$69 billion takeover of video game maker Activision Blizzard as federal regulators seek to block the deal. Credit: AP Photo/Noah Berger

Nadella sought to assure the court that Microsoft has no interest in shutting out PlayStation by making popular Activision games exclusive

to Microsoft's own Xbox system.

The remarks were meant to undercut a key claim by the U.S. Federal Trade Commission, which argues the acquisition will harm competition.

Referencing Sony, Nadella said the PlayStation maker has defined the video game market as one focused on making premium games exclusive.

"I have no love for that world," Nadella said.

"There should be no ambiguity in our support for the Sony platform," he said, describing a conversation he had with Sony's CEO shortly after the deal was announced.

Activision CEO Bobby Kotick also testified Wednesday, asserting that there's no business 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 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

Kotick said it doesn't make sense 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.

Removing the game from PlayStation "would cause serious reputational damage," Kotick said. He added that making a subpar version for PlayStation would bring "vitriol from gamers" and is not something Activision developers would do.

The testimony from the two CEOs came on the fourth day [of a court hearing](#) in San Francisco. 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.



Activision Blizzard CEO Bobby Kotick arrives at the Phillip Burton Federal Building and U.S. Courthouse on Wednesday, Jun 28, 2023. Microsoft is defending the company's proposed \$69 billion takeover of video game maker Activision Blizzard as federal regulators seek to block the deal. Credit: AP Photo/Noah Berger

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 boost with more Activision games after the takeover. But, he said, "I can have a philosophical disagreement with the way that Microsoft approaches its business."

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, whose players might get a more "degraded experience."



Activision Blizzard CEO Bobby Kotick arrives at the Phillip Burton Federal Building and U.S. Courthouse on Wednesday, Jun 28, 2023. Microsoft is defending the company's proposed \$69 billion takeover of video game maker Activision Blizzard as federal regulators seek to block the deal. Credit: AP Photo/Noah Berger

"The harm to (Sony) arises from gamers deserting our platform and going to Xbox," said Ryan, the CEO of Sony Interactive Entertainment.

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.

Much of the testimony this week has been taken up by economists

brought by the FTC and Microsoft offering dueling forecasts about how the merger could affect the industry. One of those witnesses 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.



Xbox CEO Phil Spencer arrives at the Phillip Burton Federal Building and U.S. Courthouse on Wednesday, June 28, 2023 in San Francisco. Microsoft is

defending the company's proposed \$69 billion takeover of video game maker Activision Blizzard as federal regulators seek to block the deal. Credit: AP Photo/Noah Berger



Xbox CEO Phil Spencer arrives at the Phillip Burton Federal Building and U.S. Courthouse on Wednesday, June 28, 2023 in San Francisco. Microsoft is defending the company's proposed \$69 billion takeover of video game maker Activision Blizzard as federal regulators seek to block the deal. Credit: AP Photo/Noah Berger



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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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