

FEDERAL TRADE COMMISSION

-----X

In the Matter of:

MICROSOFT/ACTIVISION

-----X

File No. 221-0077

*** HIGHLY CONFIDENTIAL ***

INVESTIGATIONAL HEARING

HELD REMOTELY

DATE: SEPTEMBER 20, 2022

TIME: 11:31 a.m. Eastern Time

WITNESS: BOBBY KOTICK

Reported by:
CANDIDA BORRIELLO
JOB NO. 6206928-001

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S:

ON BEHALF OF THE FEDERAL TRADE COMMISSION:

Federal Trade Commission
600 Pennsylvania Ave., NW
Washington, D.C. 20580
(202) 326-3274

BY: MARIA CIRINCIONE, ESQ.
MERRICK PASTORE, ESQ.
TAYLOR ALEXANDER, ESQ.
NICOLE CALLAN, ESQ.
EDMUND SAW, ESQ.
MEREDITH LEVERT, ESQ.

E-MAIL: mcirincione@ftc.gov
mpastore@ftc.gov
talexander@ftc.gov
ncallan@ftc.gov
esaw@ftc.gov
mlevert@ftc.gov

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S: (Continued)

ON BEHALF OF ACTIVISION BLIZZARD, INC. and
the Witness:

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1440 New York Ave., NW

Washington, D.C. 20005

(202) 371-7860

BY: STEVEN C. SUNSHINE, ESQ.

BRADLEY J. PIERSON, ESQ.

HAYLEY MAY

E-MAIL: steve.sunshine@skadden.com

bradley.pierson@skadden.com

hayley.may@skadden.com

ALSO PRESENT:

SAMUEL FRANKOVSKY, Paralegal

sfrankovsky@ftc.gov

Federal Trade Commission

DAVE WARFORD,

dave.warford@cb-bc.gc.ca

Canadian Competition Bureau

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S: (Continued)

PAGE ROBINSON

page.robinson@activision.com

Activision Blizzard

JEB BOATMAN

jeb.boatman@activision.com

Activision Blizzard

1 B. Kotick - Highly Confidential

2 Q. Do you have any other partnerships
3 or joint ventures that are similar in nature,
4 in other words, where Activision works with a
5 third-party to develop a game because
6 Activision's lacking the technical capability
7 to do so?

8 A. Yes. So, Tencent, who's the --
9 they're the world's biggest game company,
10 they made Call of Duty mobile for us and we
11 couldn't make that game on our own at the
12 time, so we -- in our joint venture, we
13 worked with them. But, you know, we really
14 lose out on a lot of opportunity because
15 they're taking the bulk of the profits, they
16 control the underlying technology. And that
17 will be a good example of a game that we
18 weren't able to make on our own.

19 Q. Do you have any JVs or partnerships
20 with companies in the US?

21 A. A joint venture and a partnership
22 to me are different. So, we have -- I'm sure
23 we have development, you know, studios that
24 are third-parties that are making games or
25 versions of games or providing services for

1 B. Kotick - Highly Confidential
2 us in the partnership relationship. Sitting
3 here right now, I -- I can't give you a
4 specific example in the US, but in China it's
5 a requirement. You know, we just can't go to
6 market. And they have a lot of skills and
7 capabilities that just we don't have.

8 Q. Based on your description, it
9 sounds like it's a pretty standard way of
10 doing business for Activision to partner or
11 to enter into a JV with another
12 third-party --

13 A. No, not.

14 Q. -- for development purposes?

15 A. Not a joint venture. I think of a
16 joint venture as a specific structure, so it
17 would be common for us to either contract
18 with a third-party which could be like a work
19 for hire where we pay a fee, plus a royalty
20 or a fee, plus an investment. So, that --
21 that's something that's common in our
22 industry.

23 Q. Okay. Mr. Kotick, I've heard the
24 Activision Blizzard titles, some of them
25 we've already talked about. I've heard them

1 B. Kotick - Highly Confidential
2 referred with terms like beloved, iconic, why
3 is that?

4 A. I think some of them are beloved
5 and iconic. I think those are good ways to
6 characterize the games.

7 Q. And why are they beloved and iconic
8 games?

9 A. I think for a game to become
10 beloved, it's a lot of what makes the game
11 industry successful. But, you know, these
12 are games where people are connected and
13 engaged with friends, they have a social
14 component, so... But you think about games
15 where you can compete against another person
16 and feel a sense of accomplishment or by
17 connecting with people you feel a sense of
18 belonging. The thrill of competition, I
19 think, and that sense of accomplishment being
20 celebrated. I think that leads to, like, the
21 kind of joy belovedness that comes from
22 community. And so, I would say that's a
23 reason.

24 And then iconic probably has more
25 to do with, like, duration. So, you look at

1 B. Kotick - Highly Confidential
2 like Call of Duty, I think that you'd
3 consider iconic, but -- I hope that answers
4 your question.

5 Q. Almost. You stopped short there in
6 describing why Call of Duty would be iconic.
7 And you said -- you did say that it has more
8 to do with duration.

9 Did you finish your answer?

10 A. Yes.

11 Q. Okay. Do you think part of the
12 reason why the games are referred to as
13 iconic and beloved is because they have a
14 loyal fan base?

15 A. Sure. But I think the emotional
16 words are the, like, the emotional things I
17 described to you are why they have the loyal
18 fan base. So, you know, an important part of
19 the, how do you create something that's
20 beloved, is continuous investment in
21 satisfying the expectations of players. And,
22 you know, it's one of the challenges of our
23 business is that because people invest a lot
24 of time and because of those emotional
25 connections. If you're not constantly

1 B. Kotick - Highly Confidential
2 delivering innovation and things that are
3 gonna keep people engaged, it's very hard to
4 be beloved. And you can go from beloved to
5 hated very quickly like we did last year, we
6 didn't deliver the very best Call of Duty
7 game and the vitriol of the players, you
8 know, obviously manifest itself in low levels
9 of sales, but the vitriol of the players,
10 it's different than I think what you see in
11 film and television. People will -- because
12 they invest so much time in their game
13 experience know they if you don't deliver
14 that great new innovative experience
15 consistently, they you will quickly go from
16 beloved to, you know, divided and, you know,
17 hated.

18 Q. What do you attribute to the
19 success of the Activision Blizzard games?

20 A. So, that's a very broad question.

21 Q. It is.

22 A. And it probably would be easier to
23 answer like game by game 'cause they're
24 different reasons why a game is successful.

25 Q. What are some of the reasons why a

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

B. Kotick - Highly Confidential

C E R T I F I C A T E

STATE OF NEW YORK)
 : SS.:
COUNTY OF RICHMOND)

I, CANDIDA BORRIELLO, a Notary
Public for and within the State of New York,
do hereby certify:

That the witness, BOBBY KOTICK,
whose examination is hereinbefore set forth
was duly sworn and that such examination is a
true record of the testimony given by that
witness.

I further certify that I am not
related to any of the parties to this action
by blood or by marriage and that I am in no
way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto
set my hand this 23rd day of September, 2022.



CANDIDA BORRIELLO