

The Plot To Get Bill Gates

Excerpt

Bill Gates loved few things more than his annual pilgrimage to a computer industry conference called Agenda. Each fall, more than 400 of the industry's brightest stars, its moguls and its junior moguls and its moguls in waiting, descended upon the Phoenician Resort in Scottsdale, Arizona for a weekend of golf, tennis, and two days of speeches and hobnobbing. Every week, or so it seems, brings another computer conference, each sounding vaguely like Internet Interconnectivity NetWorld Expo, but among the industry's digerati, only two annual conclaves matter, Esther Dyson's PC Forum, held each spring, and Stewart Alsop's Agenda, held each fall. There are those who'll tell you that of the two, Alsop's is the one—in part because Gates stopped going to PC Forum around five years ago.

The Agenda crowd includes some of Wall Street's brightest stars, Silicon Valley's most heavily-endowed venture capitalists, and the size 12 triple-E business reporters from whom a laudatory word in print can help launch a company. For the head of a young startup, a moment in the limelight at Agenda is the computer world's equivalent of a young comic winning a guest appearance on Letterman; for the established CEO, an invite to address the royal court is an honor and a business opportunity but mainly a sign that he or she has arrived.

In eleven years, Gates has missed Agenda only once (he had a previous engagement with the Premier of China). Agenda is a place Gates can just be. He once flew to Davos, Switzerland, to deliver a speech at the World Economic Forum, anticipating having time to listen to some of the confab's more compelling speakers, but so great is the World's Richest Man's celebrity that he mainly kept to his room. Away from Microsoft's campus in Redmond, Washington, Agenda is one of the few places in the world where, as one fellow Microsoft executive put it, "Bill can have a God damned cup of coffee and schmooze." During the breaks and the cocktail hour, Gates can be found engaged in impenetrably technical conversations, arguing TCP-IP stacks and the nuances of e-mail protocols. He stands twisted like a corkscrew, one arm wrapped around his mid-section, as if reaching for an itch on his back he can't quite scratch, the other arm flying spastically into the air, head tilted to one side, mouth working. Meanwhile, the other sovereigns stare wide-eyed, forgetting for the moment that they are not where they usually like to be, in the center of things. For many it might be excruciatingly dull, two days of speeches and chitchat bloated with talk of JITs, GIFs, and distributed computing inside the enterprise. For Gates, though, Agenda is nerd heaven.

The Phoenician, home to Agenda since 1994, tries fiercely to convey rustic charm, but everything about it drips money. The industry's titans dress casually in short-sleeved plaid shirts and baggy khakis, but their environs expose them as royals slumming at the summer castle. A sprawling Caesar's Palace-like monument of excess, the Phoenician was financed by Charles Keating, Jr., the infamous savings-and-loan felon. Set against the desert scrub of the Camelback

Mountain, the resort offers nine swimming pools (one inlaid with mother-of-pearl tiles), a dozen tennis courts (including a Wimbledon-style grass court), and its own private championship-caliber 27-hole golf course. Crystal chandeliers in each room. Italian linens on the beds. Italian marble in every bathroom. Rooms start at \$400 a night. Agenda itself costs \$3,500 a head, room and airfare not included, yet every year Alsop fights off a small herd of junior VPs pleading for the right to drop five grand so maybe by chance they'll step on an elevator carrying Andy Grove, the chairman of Intel, or grab sixty seconds with the likes of a Bill Gates in the Thirsty Camel Bar. Alsop has heard it all: "I'll lose my job." "The VCs [the venture capitalists who own a big chunk of the company] have my balls in a vice." "This one break and we're the next Netscape." Alsop, normally a sweet-natured man with a Fred Flintstone build and small bush of curly brown hair, fends them off as heartlessly as a bouncer working the rope at the hippest South-of-Market club in San Francisco.

Michael Dell, founder and CEO of Dell Computer, is an Agenda regular. In the fall of 1997, Dell was worth \$5 billion—a mere eighth of Gates's \$40 billion holdings. Larry Ellison, CEO of Oracle, was then worth \$12 billion. Intel's Andy Grove made headlines because his compensation package in 1996, including the stock options he was granted, topped \$100 million—big money, but less than a month's interest if Bill Gates were simply to invest his \$40 billion net worth in a money market account. One year Alsop polled his audience: would you continue to come if Gates stopped showing up? Nearly four in ten answered no, they would not. On the grounds of the Phoenician, Gates typically saunters with his hands in pocket and his feet slightly splayed, a blandly satisfied expression on his face, emanating the casual ease that one sees only on the faces of the rich. So relaxed does he appear that it can sometimes seem like he's sitting while he's walking.

A few years back, Scott McNealy, cofounder and CEO of the soaringly successful Sun Microsystems, opened a talk by joking that while he was honored to be addressing the audience at Agenda, his true desire was an invite to participate in one of Alsop's fireside chats. "Please, please, oh please," the industry's class clown cajoled Alsop to the delight of the audience. The shtick was funny, especially when delivered by an undisputedly successful man then worth more than \$100 million, but like most jokes it had an edge of truth to it. Every CEO in the audience, young or old, visualizes himself or herself sitting on stage matching wits with Alsop while a packed ballroom listens and watches with hushed attention. Maybe twenty people speak at Agenda each year, but only two or three luminaries are granted the ultimate prize: an invite to fill the oversized wicker throne that serves as the fireside set piece. Andy Grove has been so blessed, as have Larry Ellison, Michael Dell, and eventually Scott McNealy. But each of these figures has been granted a fireside on the conference's first day. The session that closes the formal portion of Agenda each year, day two's fireside, is permanently reserved for Gates.

His fellow moguls may look at Gates as a vulture, a snake, or worse, yet there's no disputing his primacy. Nothing at Agenda is as fascinating as watching the other generals around Gates. The guy who was crying into his Tanqueray the night before, chewing your ear off about what that bastard Gates had done now, clucks about him like a society matron picking up the fallen hairs

of the European princess gracing her party. Agenda is Alsop's baby, but Gates is the show's main draw; he is lord of the manor, Louis XIV at Versailles. All of which makes the series of events that unspooled so publicly in the fall of 1997 at Agenda 98, one week before Gates's forty-second birthday, all the more deliciously cruel.

Alsop had offered his introductory remarks and the first set of industry mavens had already held forth when the group took its morning break on the conference's first day. Big screens in the ballrooms and televisions set up in the hallway blinked on, and onto the screen popped Attorney General Janet Reno, standing behind a lectern at a Washington, D.C. press conference. She was talking about Microsoft.

Some people figured it was one of Stewart's little jokes: dusting off an old tape from 1993 or 1994, when the Justice Department accused Gates and Microsoft of violating this country's antitrust laws—a humorous exclamation point to the debate that had just ended. But then recognition struck: it was happening again. Two years before, also during the first break on Agenda's first day, the conferees had gathered around television monitors to watch a Los Angeles jury declare O.J. Simpson not guilty. Now, in the fall of 1997, people again stood with mouths agape. Flanked by a row of officials, her hair looking frightfully like Gates's before his mid-1990s makeover, Reno stood awkwardly at the podium, eyes magnified behind oversized glasses, dressed in a nubby red-and-blue plaid jacket, and a plain dark skirt. She spoke in dry bureaucratic tones, stripped of anything remotely approaching excitement or righteousness. She matter-of-factly accused Microsoft of violating the consent decree it had signed with the U.S. government in 1994. Because of that, she said, Microsoft must pay. She announced that she was asking the court to impose a million-dollar-a-day fine until Microsoft was back in compliance with the decree—the largest civil fine in Justice Department history. Upon hearing the million-dollar-a-day threat, the halls buzzed with wonder.

In the computer industry, it's an article of faith that the government's lawyers are woefully in over their heads regarding all things relating to computers. So it's probably reading things into the timing of Reno's announcement to say that it was government's clever way of giving the knife a nasty little twist. But whatever the cause, the timing was humiliating. It was as if federal marshals had marched into a party to slap a pair of cuffs on the guest of honor, and then paraded him out for all to see.

Four hundred sets of eyes searched for Gates, but he was nowhere to be found. He was off in another room, idly picking at a bowl of nuts, patiently sitting through an interview with a reporter from Newsweek. Newsweek had a terrific scoop, except that its reporter was behind a closed door, unaware of all that was transpiring. For the remainder of the day, the dozen reporters attending Agenda circled around him like buzzards, but for the moment Gates was talking to no one outside the Microsoft family.

Sun's Scott McNealy was the fireside speaker that afternoon. The timing could not have been better. Over the years, a long list of Microsoft rivals has tried to slay the dragon. In the 1980s, the brave knights including Jim Manzi, of Lotus, and Philippe Kahn, of Borland. In the early

1990s, it was Ray Noorda of Novell; then, when Noorda was torched, Oracle's Larry Ellison took up the lance. That was in 1995. Ellison has not given up the fight, but lately McNealy has proven himself far braver.

Kahn had an acid tongue, Manzi a street-tough fearlessness. Noorda was righteous in the style of a religious fanatic, Ellison glib and droll. A year earlier Ellison had shown up at Agenda, overdressed in a buttery double-breasted Savile Row suit—and so late that Alsop had to send a supplicant to fetch him from the can. When finally Ellison has taken the stage, Alsop good naturedly teased him about the MiG-29 he was trying to buy from the Russian government. Ellison brought down the house when he confessed his true aim. He needed a fighting machine so he could fly fast and low over Lake Washington, to rid himself once and for all of his nettlesome rival from Redmond. Heads turned to see a stone-faced Gates surrounded by frowning courtesans.

McNealy is funny and clever, sarcastic and juvenile, and no McNealy speech is complete without a varied offering of Gates zingers. "To warm up and get it out of the way, I thought I'd do my Microsoft bashing right up front," he began a keynote address before 6,000 computer developers gathered in San Francisco's Moscone Center in 1996—and once he had settled on that formula, it was as if he had no use for any other. So it went in speech after speech. There were the garden variety Evil Empire, Gates-is-Darth-Vader jokes, and of course cracks about the vastness of Gates's wealth ("Can you imagine being so rich you overdraw your account by \$400 million—and don't even notice?"). Two weeks before Agenda, though, it wasn't McNealy's latest line that the Agenda types were buzzing about, but the breach of contract suit Sun had slapped on Microsoft. Even before Reno tossed her stink bomb into the party, the crowd was rubbing its hands in anticipation of McNealy's talk.

Agenda regulars know how to spot Gates—always in the back corner, always flanked by a small Microsoft Mafia. Sometimes he sits with a portable computer on his lap, sifting through e-mail while presumably following the speaker on the podium. More often than not, though, he stands, the laptop cradled in his arm. That's part of the Gates legend, having a mind so supple and so powerful that he could partition his brain to "multitask"—that is, perform two or more tasks simultaneously. Gates was surrounded by his mini-Mafia during McNealy's speech, but no computer, and he chose to stand. Elbows nudged seatmates, chins pointed Gates's way, smiles graced faces—no laptop!

Shortly before they went on stage, Alsop asked McNealy to tone it down. Born in Washington, D.C., the son of a highly-regarded political journalist, Alsop was by nature the high-tech equivalent of a policy wonk, preferring serious discussion to fireworks. "Don't Moon the Ogre," Alsop had recently warned McNealy in a column in Fortune. McNealy, on the other hand, was the mischievous type—a grown-up Wally Cleaver with the Beav's overbite and Eddie Haskell's devilish spirit. His speaking style called to mind a ventriloquist not particularly good at his craft. He constantly interrupted himself with side-of-mouth sarcastic comments. When Alsop asked him to tone it down, McNealy only rolled his eyes, mumbling something about mooning him on stage. Dressed in worn jeans and a buttoned-down dress shirt open at the collar, his hair

clipped uncharacteristically short, McNealy self-consciously settled into the fireside throne. No one knew what to expect.

McNealy didn't shy away from attacking Microsoft but neither did he throw in his usual offering of gratuitous Gates barbs. Sure, McNealy made passing reference to Microsoft as "the dark side," and declared the company's product line unreliable, bloated, and incompatible with other technologies. He ridiculed Windows NT, the operating system on which Microsoft was staking its future, aimed at higher-end customers but so crash-prone that system managers derisively nicknamed the resulting blank monitor the Blue Screen of Death. But he aimed nothing at Gates personally.

Standing in a back corner, rocking back and forth from toe to heel, Gates nattered underneath his breath. "That's not true." "That's not true." "Yah, like you know anything." John Markoff, a San Francisco-based technology reporter for The New York Times, was sitting near Gates—so close he half-figured the CEO's running commentary was for his benefit. Markoff marveled at Gates's ability to bore in on McNealy with a hypnotic stare. "The news was only a few hours old, yet he completely focused in on McNealy as if nothing else was going on," Markoff said, shaking his head in wonderment at such a creature. "His whole body language was, 'Let me at him.'"

Mitchell Kertzman walked away from McNealy's speech chuckling to himself. His friend had performed well, the head of Sybase told himself. He had landed jabs whenever Alsop had offered an opening, but he stayed away from the below-the-belt personal stuff. McNealy had proved less controversial than usual, but he had been controversial. That was McNealy. You could shoot him up with a serious tranquilizer and he'd still be more over-amped than your average person on stimulants.

Kertzman was distracted from his reverie by the sound of padding feet behind him. It was Gates. Kertzman and Gates had known each other going on ten years, dating back to Kertzman's days running a software startup in Boston that wrote software tools exclusively for Windows. The two occasionally talked at events like this one, but they were polar opposites and hardly friends. The rap on Kertzman inside the high-tech fraternity is that he's too nice—a playful dolphin swimming amidst the sharks and killer whales. When Kertzman took over the reigns at Sybase, that put the two at odds—Sybase, once a comer in the industry, has seen its star fall in recent years in no small part because of Microsoft. But at the previous year's Agenda, Kertzman had delivered a speech chiding his fellow execs for paying too much attention to besting Gates and too little to innovation. And what is a trustworthy soul to Bill Gates if not someone once within the Windows orbit who, though he had spun free of his gravitational pull, now defended him?

"Let me ask you a question," Gates said brusquely. No hello, no exchange of pleasantries. Just a question spit out by a man anxious to get to the point. "Are all your developers and all your customers switching to Java?" Java was the Sun product that Scott McNealy had just been

promoting so aggressively. It was a new programming language that promised to let any computer talk to any other.

"No."

"Then why does fucking Scott McNealy say every fucking programmer in the whole fucking world is using fucking Java?"

The two spoke for another twenty minutes. It was all business, of course. Kertzman may be the king of schmooze, but with Gates it's never anything but bits, bytes, and corporate strategy. Before that afternoon, Kertzman had never observed so much as a worry line on Gates's face in the dozen or so conversations he'd had with him over the years. But now Gates's face was creased, his eyes small. Gates always fidgets like he's suffering from Tourettes Syndrome, but now he was practically twitching out of his clothes. Who could say how much of Gates's mood was caused by McNealy, and how much by the government? But when the two parted, Kertzman shared this comforting thought with himself: Even billionaires have really bad days.

Microsoft's PR staff, citing security concerns, won't say what accommodations Gates selects when he stays at the Phoenician. Perhaps it was one of the Phoenician's Villa Suites, which go for \$3,000 per night, including butler service, a private Jacuzzi, a full kitchen, a fax machine, and a golf cart for getting around. To a man worth \$40 billion, as Gates was in the fall of 1997, spending \$9,000 for three nights' accommodations is the equivalent of 24 cents to a couple with a combined income of \$100,000 a year. The fax machine beeps and chortles, spitting out page after page of legal filings; the suite's three phone lines twitch like emergency blinkers. Gates is a screamer even in ordinary of times, so on this day one imagines him yelling himself hoarse. Among the decisions reached that night was that Gates should talk to the press.

The following day it seemed that every time you caught a glimpse of Gates he was off in a corner, talking with another big-name reporter. He downplayed the significance of the federal suit, spinning it as something hatched by a set of foes who couldn't compete in the marketplace. Typical was his talk with Business Week's Steve Hamm. "It's the way they play the game," he said of competitors such as Sun. "By using lawyers. Fortunately, that has no effect on the guys who come in to write software." When Gates wasn't granting an interview, he was huddled with one or another member of the Microsoft entourage.

The big show came that afternoon, when Gates and Alsop took the stage. Gates, dressed in hand-tailored khakis and a madras shirt, crossed his legs and draped an arm casually over the back of the wicker throne. But strain was etched in the muscles of his jaw, obvious in the clamped teeth of his gritted smile. Gates has been giving public talks since almost the moment he had dropped out of Harvard, in 1977, but in twenty years of public speaking, his presentations have gone from laughable to passable. Even those at Microsoft who talk of Gates as if he were the Leonardo da Vinci of our time allow that he's not much on stage. His voice is a high-pitched whistle that teeters on the edge of whininess, giving his talks a pleading, almost desperate sound. He speaks with a forced enthusiasm, tinny and false, and exudes no warmth,

humor, or personality, despite hours of sessions with a speech coach. His one asset on stage, other than his fame, is his ample memory. He never fails to touch on each of his talking points.

"I paid Janet Reno a pretty handsome sum to take that action yesterday," Alsup joked after he and Gates had eased into their seats for this year's annual chat, "so I'd really like to hear your reaction." Of course Gates didn't laugh. He began defiantly. If we decide it makes sense to integrate speech recognition software into Windows, he said, or video capabilities, or anything we deem appropriate, we'll do that. He ridiculed the government for filing what he deemed a "very strange case"—repeating the word "strange" two more times—and blamed it on the political pressures exerted by competitors. What if you're 100 percent right, asked Alsup, but still your intransigence costs Microsoft dearly in the court of public opinion? Gates, who doesn't understand politics, flashed Alsup, who does, an uncomprehending look. "Maybe I didn't understand the question," he said. The two have known each other since 1982, and are friends after a fashion, but that's when Alsup—as he later described it—"got all caught up in my underpants." Gates stared blankly as Alsup struggled to regain his equilibrium. "It took me a while to recover, and Bill isn't exactly socially adept, so he wouldn't know how to help even if he were so inclined. That set the tone for the rest of the talk," Alsup recalled later with a sigh.

Gates revealed none of the emotion he had showed the night before when he ran into Kertzman, but he displayed the same petulance, especially when the topic turned to Sun. He said he thought McNealy had looked "nervous" the day before, he said. He declared Sun's products "overpriced," and dismissed the industry's fascination with Java as a "religious" thing. Inevitably, the conversation kept doubling back to the Department of Justice; each time, Gates would again shrug the whole thing off. "Read the consent decree," he brusquely told one inquisitor from the audience—you'll see.

Intel's Andy Grove got more than a little angry listening to Gates. So closely linked are Microsoft and Intel, the manufacturer of the microprocessors, or chips, that run Windows software, that the two companies are often referred to as if one—the "Wintel monopoly." Gates has helped make Grove a very wealthy man. But the relationship between the two companies has always been complex and multi-layered, like a marriage between two very different people who stay together for the sake of the kids. After Gates's speech, Grove could be found sputtering in the corner. "He's acting like zis is nothing more zan another contract dispute!" he said angrily to reporter after reporter in his heavy Hungarian accent. "He doesn't see vhat it means that zis is the government."

Grove had cause for worry. The computer industry was divided into two sides. On one side were Intel and Microsoft and two sub-groups of software vendors hitching their wagons to Windows: Those swimming in money, and thus in love with Microsoft, and those equally flush but still resentful because success meant goose-stepping to Microsoft's orders. On the other side were the Internet browser manufacturer Netscape, Larry Ellison's Oracle, IBM, Sun Microsystems, and a host of other companies, large and small. So closely aligned were these companies, at least in people's minds, that people had started referring to them jointly as NOISE (Netscape, Oracle, IBM, Sun—and Everybody Else). Suddenly "everybody else" included

the U.S. government. During those two days at the Phoenician, there were high fives and knowing smiles when allies passed each other in the halls. At the Thirsty Camel, they sipped single-malt scotches and top-shelf bourbons between stinking puffs on \$20 cigars, gleefully envisioning doomsday scenarios for the pencil-necked mophead from Redmond.