

Exhibit 7

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF MARYLAND

IN RE: MICROSOFT CORP. : MDL Docket No. 1332

ANTITRUST LITIGATION, :

: Civil No. JFM-05-1087

NOVELL, INC. :

:

Plaintiff, : Videotaped Deposition of:

:

v. : WILLARD E. PETERSON

:

MICROSOFT CORPORATION :

:

Defendant. :

October 1, 2008 - 9:47 a.m.

Location: RAY, QUINNEY & NEBEKER

86 North University Avenue, Suite 430

Provo, Utah 84097

Reporter: Teri Hansen Cronenwett

Certified Realtime Reporter, Registered Merit Reporter

Notary Public in and for the State of Utah

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1 Q. Okay. Did they give you -- provide you any
2 documents?

3 A. They did. I -- they had a copy of my deposition,
4 the previous one, and I requested another copy. And they
5 e-mailed me a copy of it.

6 Q. Okay. Did they show you any documents, other than
7 the deposition transcript?

8 MR. ENGELHARDT: Object to form, assumes facts not
9 in evidence. Go ahead.

10 A. I don't know. I don't think so.

11 Q. (By Mr. Tulchin) Do you recall looking at any
12 documents at all during the time that you were meeting with
13 Mr. Engelhardt and Ms. Wilcox?

14 A. No.

15 Q. Do you have any recollection of what you said to
16 them or they to you during this meeting that took place
17 within the last week?

18 A. I found out that Erin is a -- loves skiing, loves
19 Park City, that they stayed in Park City for the night. We
20 talked a little about Utah. We talked about the great
21 weather in Utah. It was -- I think it was -- I think they
22 were hoping to get to know me a little before the deposition,
23 similar to Nuri's visit when he came to see me.

24 Q. Did they give you any sense of the kind of
25 questions that they might want to ask you at this deposition?

1 A. No.

2 Q. Did you provide them with any information about

3 your experience at WordPerfect Corporation?

4 A. I did talk a little bit about that.

5 Q. Can you recall what you said?

6 A. Let's see. I think we talked in general terms

7 about a little bit why I left the company, how the company

8 had done since I left, general issues like that.

9 Q. Do you recall any specific statements you made

10 about the success of WordPerfect software; that is, the word

11 processing software that was called WordPerfect or the later,

12 let's say, problems that WordPerfect software ran into?

13 MR. ENGELHARDT: I'm going to object to form.

14 A. I did talk. I gave some opinions. I think -- I

15 remember Erin asked me specifically if I remembered Perfect

16 Office, and I didn't have much of a recollection, other than

17 I remember it as a product afterwards. But I think -- they

18 asked me about -- I changed the ending to the book on the

19 Internet and published that, and I think David asked me if I

20 stood behind what I wrote there.

21 I probably -- I think I said something like, Novell

22 probably won't like the answers to some of my -- some of the

23 questions and that Microsoft won't like the answers to some

24 of the questions.

25 Q. (By Mr. Tulchin) Mr. Peterson, you said in your

1 answer a moment ago something about the fact that you had
2 offered some opinions --

3 A. Yes.

4 Q. -- to the Novell lawyers during this meeting. Do
5 you remember what the opinions were?

6 MR. ENGELHARDT: Object to form.

7 A. I'm not sure exactly what I said. I'm -- my
8 opinion is pretty clear, and I'm happy to restate it over and
9 over again. I mean, I competed I felt almost personally with
10 Bill Gates for about eight years, Word against WordPerfect,
11 and we managed to stay ahead of things. When Windows came
12 out, I felt that WordPerfect Corporation didn't execute very
13 well with that product, that it was a buggy product.

14 I think -- and as well in the book, I think my
15 major disagreement with the other members of the board was
16 that we needed to -- we needed to save our money and write a
17 better product so that we could compete with Microsoft. And
18 their feeling was that marketing and more people would save
19 the day. I felt that wasn't the way to go. I eventually
20 ended up leaving the company based on that disagreement.

21 And I think I have been really clear, too, is I
22 think Novell purchased -- when they purchased WordPerfect
23 Corporation, they purchased a sinking ship. But a lot of
24 that is just opinion and execution. I mean, I obviously
25 think I was right. I think if WordPerfect would have written

1 better products, they could have competed, but they chose to
2 try and solve the problem more with marketing than -- and
3 spending money. I think they spent themselves to death.

4 I did mention to David, I remember saying that I
5 think -- I mean, I just have opinions, and after I left
6 WordPerfect Corporation, I really have no firsthand
7 knowledge. I have friends who talk to me, but every -- the
8 information I got was general and secondhand. So I don't
9 know that I am actually a very good witness to what happened
10 since I wasn't actually there.

11 MR. ENGELHARDT: I'll apologize before putting this
12 one on the record, Mr. Peterson, but I am going to move to
13 strike to the extent the answer is nonresponsive, but --

14 MR. TULCHIN: Mr. Engelhardt, I don't know what the
15 apology is about. If you want to move to strike, that's up
16 to you, but otherwise, I would prefer to just ask my
17 questions without editorial comment.

18 Q. (By Mr. Tulchin) Mr. Peterson, I want to go back
19 just a moment, if I could. Thank you for your answer, and I
20 will come back during the course of my questioning today to
21 some of the things that you said, but first I want to ask you
22 about your meeting with my colleague, Nuri Frame. I think
23 you mentioned that you had met with Nuri, correct?

24 A. Yes.

25 Q. Okay. Do you recall roughly when that was?

1 A. It seems like it was about a month ago.

2 Q. Okay. And how long did your meeting with Mr. Frame
3 take?

4 A. I think it was a little under an hour as well.

5 Q. Did he tell you what questions I would be asking
6 you today?

7 A. No.

8 Q. Was there any rehearsal of any questions and
9 answers?

10 A. No. All the attorneys I have talked to have, I
11 think, been very careful and have been very careful about
12 what they have said, what they have asked me.

13 Q. Sitting here today, October 1st, 2008, do you have
14 any allegiance or loyalty to Microsoft Corporation?

15 A. No.

16 Q. Have you ever had any loyalty or allegiance to
17 Microsoft?

18 A. They have pretty much been the enemy my working
19 life. I mean, I have personal relationships a little bit
20 with Jeff Raikes, and I have had dinner with Bill Gates a
21 couple of times. But I have never received any money from
22 Microsoft. I have never been asked to do anything for
23 Microsoft. I have never offered to do anything for
24 Microsoft.

25 Q. In fact, in an answer you gave a few moments ago

1 discussed, WordPerfect word processing software was very
2 popular, correct?

3 A. Yes, yes.

4 Q. And you have called it the dominant --

5 A. Yes.

6 Q. -- product. At the time did you believe that
7 WordPerfect Corporation could influence consumer buying
8 decisions when it came to operating systems? That is, could
9 help ensure that Microsoft wouldn't win?

10 A. I don't know what I thought about that. I mean, I
11 hoped we could influence them, but I'm not sure.

12 Q. Okay. I mean, if I could give you an example of
13 what I'm referring to, Microsoft comes out with Windows -- a
14 GUI platform, and IBM has its own GUI platform that we've
15 talked about. If WordPerfect, WordPerfect software, which is
16 very popular, is written to the IBM platform but not to
17 Windows, then perhaps people would choose IBM precisely in
18 order to get your word processing software. Do you follow
19 me?

20 A. I follow you, but I don't think we had that kind of
21 influence. I don't -- I think people chose their operating
22 systems independently of our products.

23 Q. Okay. So by choosing an operating system, if
24 people choose Windows and you didn't have anything ready yet,
25 which was the case until November 1991, correct?

1 A. Yeah. I don't think the delay hurt us. I think it
2 was a nonissue. People waited for our product. They wanted
3 to see what we would do. And they would have looked at it on
4 OS/2. They would have looked at for Windows, but they would
5 have looked at it, evaluated, and decided if they want it.
6 The fact that Microsoft was there earlier, it wasn't changing
7 -- it wasn't changing the market.

8 Q. Okay. What happened to change things was that when
9 your product came out, it wasn't as good as people expected?

10 MR. ENGELHARDT: Object to form.

11 A. I would say it wasn't perceived to be as good as
12 Microsoft's product, or at least it wasn't perceived to be
13 better, markedly better.

14 Q. (By Mr. Tulchin) All right. Now, when it came to
15 word processing software, during the time that you were at
16 WordPerfect Corporation, what channels did you sell through,
17 channels of distribution?

18 A. We sold directly to the government, large
19 corporations, but by and large we tried to sell through
20 dealers. We tried to sell through the retail channel. We
21 didn't do much OEM business through manufacturers. We sold
22 primarily through computer software stores.

23 Q. Okay. Well, I think you have hit upon the question
24 that I was coming to. During the time you were at the
25 company, primarily the channels of distribution that

1 WordPerfect used were the finished goods channel. Can I put
2 it that way?

3 A. If you would like.

4 Q. And I use that in opposition to the OEM channel.

5 A. Okay.

6 Q. Can you tell the OE -- tell the jury, please, Pete,
7 what OEM stands for here.

8 A. OEM, it's an acronym that means original equipment
9 manufacturer, and so in the case of the computer industry,
10 those who manufactured the machines, like Dell or IBM or HP,
11 would then include certain things. They would include the
12 operating system generally.

13 So you buy a machine, and it comes with stuff on
14 it, and that would be the OEM software, the stuff that's sold
15 from the software manufacturer directly to the computer
16 manufacturer that comes included on a computer.

17 Q. Okay. Now, the OEMs, the makers of computers, they
18 would from time to time put on the machines before they were
19 even sold certain piece of software, correct?

20 A. Correct.

21 Q. And your testimony is that WordPerfect didn't
22 pursue the OEM channel very much. Is that correct?

23 A. Right.

24 MR. ENGELHARDT: Object to form.

25 A. The margins were very low in the OEM channel up

1 until -- I think up until the Microsoft suite of product the
2 OEM margins were very low. Where typically we would get \$225
3 for a copy sold through the retail channel, you might only
4 get \$10 dollars or even \$5 if you went on the -- if you went
5 through the manufacturer.

6 Q. (By Mr. Tulchin) That's -- the numbers you just
7 gave us are widely disparate numbers.

8 A. That's right.

9 Q. I mean, you are talking about \$225 if WordPerfect
10 sells a piece of software through the finished goods channel.

11 A. Right.

12 Q. And only what? Ten or \$20 by selling to a computer
13 maker?

14 A. A lot of the offers, yeah, were for 10 or \$20.
15 Yeah, very small numbers.

16 Q. So was it your judgment when you worked at
17 WordPerfect not to pursue that because the prices you would
18 get were so low?

19 MR. ENGELHARDT: Object to form.

20 A. No. We would pursue it, but we always keep hoping
21 the prices would be better, and they never were. If we could
22 have gotten a price, say, a hundred dollars or more, we would
23 have pursued the channel very seriously.

24 Q. (By Mr. Tulchin) All right. To the best of your
25 recollection did WordPerfect sell any significant amount of

1 WordPerfect software through the OEM channel during the time
2 that you were at the company?

3 MR. ENGELHARDT: Object to form.

4 A. No, no significant amount, no.

5 Q. (By Mr. Tulchin) I want to show you a document
6 that was apparently written after you left the company.

7 Let's ask the court reporter to mark this as Microsoft
8 Exhibit 6.

9 (Microsoft Exhibit No. 6 was marked.)

10 Q. (By Mr. Tulchin) And for the record, Microsoft
11 Exhibit 6 is a three page document with production numbers
12 NOV 58356 through 58358. Have you ever seen this document
13 before as far as you remember?

14 A. I have not seen this.

15 Q. Okay. It's entitled WP Corp 1993 bundling policy
16 and guidelines. Would you take a look at just the first
17 paragraph, Pete? Have you had a chance to look at that?

18 A. Uh-huh.

19 Q. And in that first paragraph it talks about bundles.
20 That is a bundle of software on a computer. Is that what it
21 means?

22 A. Yeah. It's, I think, another word for suite. Or
23 no, it's bundling. When the customer, when the end user sees
24 a bundle, they see a computer with some software on it, so
25 it's all -- it's bundled together. I think that's what it

1 means. I don't know.

2 Q. And here it says, looking at the second and third
3 sentences, the market price for a hard bundle, parenthesis,
4 WordPerfect on every machine sold, close parenthesis, is
5 between 25 to \$70 for a complete package, a far cry from \$228
6 dollars that we currently receive for a full package through
7 distribution, unquote.

8 That's very close to the numbers that you gave us
9 earlier, correct?

10 MR. ENGELHARDT: Object to form.

11 A. Yeah. They seem to be what I thought, yeah.

12 Q. (By Mr. Tulchin) So trying to sell through OEMs
13 was -- would result in very, very low prices compared to the
14 prices would you otherwise get for your software?

15 A. That would be the case unless you were Microsoft
16 later on because they could command a very high price for
17 their software.

18 Q. Later on meaning what?

19 A. In the mid nineties. Even today, I think. They
20 still command a very good price.

21 Q. And then at the very end on the third page of
22 Exhibit 6 under the heading conclusion, there is reference to
23 this. Quote, WordPerfect Corporation is new in this market,
24 unquote. You see that, Pete?

25 A. Which paragraph?

1 Q. Last paragraph of the document.

2 A. Before conclusion?

3 Q. Second sentence, just after -- in the conclusion.

4 A. Oh, WordPerfect is new in the market. Yeah. I

5 guess. I probably would disagree with that.

6 Q. But certainly you hadn't done much in the OEM

7 market?

8 A. We hadn't done much because -- yeah, if this -- if

9 somebody had brought this to me when I was there, I would

10 say, why would we want to sell it for 20 bucks? It just

11 wouldn't make sense.

12 Q. Okay.

13 MR. ENGELHARDT: Your favorite. Move to strike.

14 A. But why would we?

15 Q. (By Mr. Tulchin) Do you recall during the time

16 that you worked for WordPerfect Corporation that executives

17 from Gateway came to visit WordPerfect?

18 A. When was this? When was this?

19 Q. Towards the end of your tenure at the company.

20 A. I don't remember this.

21 Q. Okay. You recall Gateway at the time was a major

22 OEM, right?

23 A. They were -- yeah. OEM is kind of a funny word.

24 They were a major manufacturer. OEM actually has another

25 meaning. It -- but OEM pricing come to mean this, but I