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The Man Who Could Have Been Bill Gates

A new book says Gates got the rewards due Gary Kildall. What's the real story?

The saga of the computing industry is rich with outsize characters and surprising plot turns, but there's one story that has risen over time to mythic proportions. It's the tale of how software pioneer Gary Kildall missed out on the opportunity to supply IBM (IBM) with the operating system for its first PC -- essentially handing the chance of a lifetime, and control of tech's future, to rival Bill Gates and Microsoft Corp. (MSFT). In the process, he may have missed out on becoming the world's richest man.

The legend goes like this: One fateful day in the summer of 1980, three buttoned-down IBMers called on a band of hippie programmers at Digital Research Inc. located in Pacific Grove, Calif. They hoped to discuss licensing DRI's industry-leading operating system, CP/M. Instead, DRI founder Gary Kildall blew off IBM to gallivant around in his airplane, and the frustrated IBMers turned to Gates for their operating system. This anecdote has been told so often that techies need only be reminded of "the day Gary Kildall went flying" to recall the rest. While he's revered for his technical innovations, many believe Kildall made one of the biggest mistakes in the history of commerce.

But what if that's not what happened? What if IBM and Microsoft deprived Kildall not only of untold riches but also of the credit for a seminal role in the PC revolution? That's the thesis of a chapter about Kildall in *They Made America*, a serious coffee table history book by renowned author and former newspaper editor Harold Evans. The book, published by Little Brown on Oct. 12, profiles 70 American innovators and is the inspiration for an upcoming PBS series. And while other tech authors have debunked the gallivanting story before, Evans bases his Kildall chapter on a 226-page, never-published memoir written by Kildall just before his death in 1994. Early on, Kildall seemed to represent the best hopes of the nascent computer industry. But by the time he died at age 52, after falling in a tavern, he had become embittered and struggled with alcohol.

They Made America is certain to elicit cries of protest. That's because it attacks the reputations of some of the key players of the early PC era -- Gates, IBM, and Tim Paterson, the Seattle programmer who wrote an operating system, QDOS, based partly on CP/M that became Microsoft's DOS. Evans asserts that Paterson copied parts of CP/M and that IBM tricked Kildall. Because Gates rather than the more innovative Kildall prevailed, according to the book, the world's PC users endured "more than a decade of crashes with incalculable economic cost in lost data and lost opportunities." David G. Lefer, one of Evans' two collaborators, says: "We're trying to set the record straight. Gates didn't invent the PC operating system, and any history that says he did is wrong."

There's no doubt that Kildall was one of the pioneers of the industry. He invented the first operating system for microcomputers in the early 1970s, making it possible for hobbyists and companies to build the first personal computers. Legalities aside, Microsoft's original DOS was based in part on Kildall's CP/M. His insight was that by creating an operating system separate from the hardware, applications could run on computers that were made by different manufacturers. "What really drove Gary was inventing things," says friend and former DRI executive Tom Rolander in an interview with *BusinessWeek*.

Still, Evans' book falls short of clarifying exactly how Kildall lost out to Gates. He relies primarily on Kildall's memoir, his family, and his friends. Evans says he requested an interview with Gates, which he says Microsoft denied. He didn't make contact with IBM or Paterson, but tapped previously published accounts for that side of the story. IBM would not talk to *BusinessWeek* for this article, but former IBMers take issue with Kildall's version of events. Microsoft calls the book "one-sided and inaccurate," and says the company is proud of the "foundational role" it played in the industry. Paterson denies he stole Kildall's intellectual property. He says he's stunned that the authors failed to get in touch with him. "You'd think they might have asked. I'm not hard to find," he says.

HAZY MEMORIES

What's hard to find is the truth. A dozen interviews by *BusinessWeek* with people on all sides paint a blurry picture of those crucial days in the summer of 1980. While Kildall claims in his memoir that he met with IBM that first day and reached a handshake

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agreement, DRI's own lawyer at the time, Gerry Davis, says there was no deal. One of the IBMers who visited DRI that day insists he didn't talk to Kildall, but another, Jack Sams, now retired, says it's possible he was introduced to Kildall, although he doesn't remember it. Sams says faulty memories and self-serving accounts make it nearly impossible to tell exactly what happened during those chaotic weeks. "Back in those days, there was a lot of misinformation that was deliberate," he says, pointing out that IBM originally claimed it had made the PC all by itself. "We spun it, Kildall spun it, and Microsoft spun it."

The story begins unambiguously. A group of IBMers, working on a secret project to build a personal computer, flew to Seattle in August, 1980, to see if Gates could supply them with an operating system. He couldn't -- and referred them to Kildall. When they showed up at DRI's offices the next day, Kildall's then-wife, Dorothy McEwen, the company's business manager, refused to sign their nondisclosure agreement. She is now ill with brain cancer and can't remember the events, according to daughter Kristin Kildall. But Rolander, who flew with Kildall on a business trip that morning, tells *BusinessWeek* they returned in the afternoon and Kildall did meet with IBM.

If Kildall struck a handshake deal that day, it didn't stick. Sams says he did get together with Kildall in Pacific Grove a short time later, but they couldn't reach an agreement. At around the same time, he saw Gates again. He and Gates both knew of the operating system Paterson had built at Seattle Computer Co. As Sams recounts, "Gates said: 'Do you want to get [QDOS], or do you want me to?' I said: 'By all means, you get it.'" Gates bought Paterson's program, called QDOS, for $50,000, renamed it DOS, improved it, and licensed it to IBM for a low per-copy royalty fee.

THE SHOUTING

It wasn't until nearly a year later that Kildall discovered that Gates, a longtime friend, had plucked the plum software deal out of his grasp. IBM sent test versions of its PC out shortly before it was announced in August, 1981, and a consultant working for DRI noticed the operating system was remarkably similar to CP/M. The consultant, Andy Johnson-Laird, remembers that Kildall looked at the screen and was stunned. "There were some shallow changes, but it was essentially the same program," says Johnson-Laird in an interview with *BusinessWeek*.

Kildall was furious. He and DRI's vice-president for marketing, John Katsaros, met with Gates in a Seattle restaurant to hash things out. "It was one of those meetings where everybody was nice to each other, then everyone shouted at each other, then everyone was nice to each other, then everyone shouted at each other," recalls Katsaros in a *BusinessWeek* interview. Nothing was resolved. Kildall also confronted IBM. But his problem was that software copyright had just become law three years earlier, and it wasn't clear what constituted infringement. Davis, the DRI lawyer, believes that based on the number of similarities DRI's forensic consultants found between the original DOS and CP/M, "in today's world, you could take it to court and get an infringement." But not in 1981. So rather than sue, Kildall agreed to license CP/M to Big Blue. He was floored when the PC was released and IBM charged $240 per copy for CP/M and just $40 for DOS. Kildall's conclusion, according to his memoir: "I believe the entire scenario was contrived by IBM to garner the existing standard at almost no cost."

Within a couple of years, the IBM PC was the undisputed champ, and Microsoft was the leading operating system provider and on its way toward PC industry domination. CP/M gradually faded into irrelevance. Kildall ultimately sold his company to Novell Inc. (**NOVL**) in 1991 for $120 million. He went on to create some pioneering multimedia technology, but never again was an industry player. Friends say that, for years, he cringed when people brought up the "flying when IBM visited" story.

The last straw was when the University of Washington in 1992 invited Kildall to attend the 25th anniversary of its computer science program. He was one of its earliest and most distinguished graduates, earning a PhD, yet they had picked as keynote speaker Gates, a Harvard dropout. Kildall says it was this dig that prompted him to write his memoir. "Well, it seems to me that he did have an education to get there. It happened to be mine, not his," Kildall wrote.

Kildall's resentment is understandable, but even his friends agree that he was partly to blame. For all his technical brilliance, he was a poor businessman. One big mistake was not moving ahead fast enough with a more advanced version of CP/M. He was slow to deliver a 16-bit operating system. It was that delay that created an opening for Paterson to design a 16-bit alternative, and because DRI didn't have its own version ready in the summer of 1980 IBM decided to deal with Gates, says Sams. Once IBM agreed to market his software, Kildall demanded a relatively high royalty -- contributing to its being priced so high, say former DRI execs.

Would history have taken a different path if Kildall triumphed in those early days? "I'm convinced," says John Wharton, a tech consultant and Kildall pal. He believes the industry would have been more collegial and innovative if Kildall rather than Gates sat at the crossroads of computing. But others say Kildall didn't have what it took to lead an industry. "Bill succeeded because he was a tenacious businessman," says lawyer Davis. "Gary was not tenacious."

As for Kildall's family, they're grateful his story is finally being told. "The truth is different for everybody," says daughter Kristin. "I think everybody believes they're presenting the truth. Obviously, they're different. I don't know why. I'm just glad my truth is out there." History may typically be written by the victors. But in this case, Gary Kildall has secured -- and deserves -- more than just a footnote.

By Steve Hamm in New York and Jay Greene in Seattle

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