

CHEMICAL HERITAGE FOUNDATION

JOHN C. MARTIN

Transcript of an Interview
Conducted by

David C. Brock

at

Telephone Interview

on

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(With Subsequent Corrections and Additions)

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This oral history is part of a series supported by grants from the Gordon and Betty Moore Foundation. This series is an important resource for the history of semiconductor electronics, documenting the life and career of Gordon E. Moore, including his experiences and those of others in Shockley Semiconductor, Fairchild Semiconductor, Intel, as well as contexts beyond the semiconductor industry.

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ABSTRACT

John C. Martin begins the interview by describing Gilead when he first joined in 1990. Martin recalls first crossing paths with Gordon E. Moore when he joined the board and became CEO of Gilead around the same time period as Moore joining the board. Martin then reflected on serving on the Gilead board with Donald Rumsfeld and Moore; Moore's experiences at Intel helped shaped policies of the compensation committee and audit committee on which he served. Next Martin discussed Gilead's no-profit tiered pricing policy and the impact it has on developing countries. Martin concludes the interview by offering thoughts on Moore's corporate role as a scientist and his day-to-day personality.

INTERVIEWER

David C. Brock is a senior research fellow with the Center for Contemporary History and Policy of the Chemical Heritage Foundation. As an historian of science and technology, he specializes in oral history, the history of instrumentation, and the history of semiconductor science, technology, and industry. Brock has studied the philosophy, sociology, and history of science at Brown University, the University of Edinburgh, and Princeton University (respectively and chronologically). His most recent publication is *Understanding Moore's Law: Four Decades of Innovation* (Philadelphia: Chemical Heritage Press), 2006, which he edited and to which he contributed.

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INTERVIEWER: David C. Brock
LOCATION: Telephone Interview
DATE: 13 April 2007

BROCK: I'll ask you to begin, Dr. Martin, by describing Gilead as you found it when you joined in 1990.

MARTIN: Gilead in 1990 had about thirty scientists. It was a three-year-old company. The scientists at Gilead were very good, but the technology that the company was founded on had come into question. The scientists doing the research had realized that what we were working on—antisense—was very high risk and not likely to pan out into products in the near or even longer term.

BROCK: Was bringing you in from Bristol-Myers Squibb part of a change in the science and technology direction for the company?

MARTIN: Yes, it was to move into antivirals.

BROCK: I don't know that much about antisense. Was it a natural tack to take away from antisense, toward antivirals or—

MARTIN: Well, the chemists synthesize antisense oligonucleotides—a chain of nucleotides linked together by chemical bonds. The building blocks, the single nucleotides, have antiviral potential. The chemists here had some knowledge of nucleotide chemistry. That being said, chemists can work in a variety of chemistry areas too. There was something of link but the key really was that, in 1991, we acquired nucleotide technology from some inventors in Europe—

BROCK: Now was that—

MARTIN: We started collaboration with two groups in Europe.

BROCK: Okay. Were these people that you had worked with before?

MARTIN: Yes. In fact, I'd worked with them at Bristol-Myers. It was a renewal of the Bristol-Myers collaboration at Gilead.

BROCK: Okay. That was something that Bristol-Myers was de-emphasizing?

MARTIN: They did. They de-emphasized that in 1991, so we picked it up.

BROCK: It's my understanding that soon after you joined Gilead, in about 1991, Gordon Moore joined a business advisory board that the firm had. Do you know how the connection between Gordon Moore and Gilead came about?

MARTIN: I probably did, but I can't remember. I don't know how often we used that advisory board either. That's more than fifteen years ago, and I know that some of the members came to some of our meetings. Some of the members I never even met. I think there were more ad hoc advisors, on an as-needed basis.

BROCK: At that time, did you have more to do with the science advisory grouping?

MARTIN: Well, at that time all we had was really science.

BROCK: Right. Did you have an outside science advisory board?

MARTIN: We had that too. That was more active for sure, because that was the nature of our business. We were basically an R&D organization at the time.

BROCK: Could you talk about when you first did encounter Gordon Moore?

MARTIN: You know, I just don't remember. I feel like I've known him forever. [laughter] He joined the board in January of 1996. I became CEO [Chief Executive Officer] in the spring of 1996. I joined the board in 1995. So, he and I kind of overlapped completely all these years. He comes to board meetings and committee meetings without fail. He's a very diligent, conscientious member of the board.

BROCK: Maybe we could go back to the early period of your board experience together, at this time when you took responsibility for leading the firm. Could you describe the composition of the board at the time that you and he first joined it?

MARTIN: Well, at the time he joined, George [P.] Shultz and Jim [James M.] Denny also joined at that same board meeting. George is now emeritus of the board. He went emeritus about a year ago and still comes to all the board meetings. Jim has become chairman. In 1996, also Don [Donald H.] Rumsfeld became chairman of the board, and served as chairman until he became Secretary of Defense. We had some VCs [venture capitalists] on the board, but honestly, I can't remember when they rotated off. It was around that time.

BROCK: Okay. I guess Don Rumsfeld had both geopolitical perspectives and also pharmaceutical industry perspectives.

MARTIN: Don had a lot of business experience. Don left the board before we launched our first AIDS drug. We're now much more into the political realm with our major products on the market. It has been since 2000, end of 2001.

BROCK: Those issues really emerged—

MARTIN: That was after Don left.

BROCK: Well, it's an interesting mix of people. Was Gordon Moore the real chemist with Paul Berg on the board too—

MARTIN: Paul Berg came to the board subsequent to 1996, so subsequent to Gordon. I guess that Paul joined spring of 1999, but I'm not sure of that. About three years after Gordon.

BROCK: Were they the two real technologists in addition to yourself, or scientists, on the board?

MARTIN: Yes. But, Gordon's experience is so broad that I tend to not think of him as the technologist. He built up Intel so he has broad experience on people issues, business issues, accounting issues, and finance issues, in addition to very good scientific judgment. At any

scientific presentation he can tell immediately what the key issues are, and draw conclusions about what he's heard.

BROCK: Do you think he brings that same analytical ability to bear on some of those business management issues?

MARTIN: Oh, yeah. He chairs our compensation committee for instance.

BROCK: Has he done that for a while?

MARTIN: I don't know when he started doing that, but it has been for a number of years now.

BROCK: Right. I know that compensation was an issue in which he was very heavily involved at Intel. Could you talk about what he's done in that area at Gilead?

MARTIN: There are a lot of guidelines on how we compensate people and how we compensate over time: what's the right mix of compensation, especially with regard to stock options and how do you quantify the value of the stock options. His experience at Intel and his knowledge of that has proven extremely valuable at Gilead.

BROCK: I think they were quite an innovator in some of those very practices.

MARTIN: Yes. There have been a lot of questions and concerns in the media wondering if industry has gone overboard in terms of compensation with stock options. Gordon has made sure that we understand the value stock options have and have conservative practices. Of course it helps that Gilead is a company that over the last ten years has grown substantially so that you can be conservative on stock option grants and employees still receive a substantial value. But, it's based on the performance of the company, not just money that's not based on the performance of the company.

BROCK: Going back to the mid-1990s, let's say, when Gordon first came on the board, could you describe your impressions of his standing in Bay Area business and financial and investment communities—

MARTIN: Yes. You've talked to a lot of people I'm sure. He's highly regarded.

BROCK: Was his a name that was instantly recognizable to you at the time?

MARTIN: Oh, yeah. To live in Silicon Valley everyone knows of Gordon Moore. [laughter]

BROCK: With that reputation, how would you say that Gordon has approached his role as a board member?

MARTIN: Well, he's very careful and deliberate. It's not that he doesn't speak up. He speaks up a lot, but his comments are always very well considered and important to the conversation.

BROCK: Do you think he's cautious about what he says in part because of the reputational weight behind what he might say?

MARTIN: I never thought of that. I'm sure the way he talks now is the way he's talked all his life. His personality is just that he's very thoughtful. I think that's the way to put it.

BROCK: If you had to name a few, what would you point to as his major contributions as a Gilead board member?

MARTIN: I don't know how to quantify that. His thoughtful advice at every meeting is a major contribution. Certainly, his leadership of the compensation committee has been absolutely critical for the success of that group, and Gilead's success. One other thing that is hard to quantify is how the values of the board—the individual members of the board and the board collectively—influenced the values of the company overall. I would say that Gilead is a conservative company that really focuses on trying to do the right thing. That emanates from the board and certainly from Gordon Moore.

BROCK: And is expressed in the policies that they come up with?

MARTIN: Yes, and our values.

BROCK: I know at Intel, Gordon Moore and others in the top leadership positions eventually came to be quite explicit about Intel culture and driving that down through the organization,

particularly important for such a sensitive manufacturing concern like they were involved with there, but have you needed to or done that at all at Gilead?

MARTIN: We've done it a total of three times at Gilead. We have said that in terms of really defining the values and the mission and all that, the third time is probably the one we did after Gordon joined the board. When you talk about what Intel's all about, we're in the pharmaceutical industry, and "values" are critical because the trust in our products is essential. People are taking medications to improve their lives and they need to be confident that what they're taking is pure and appropriately manufactured, but also that the human clinical data that backs it up is a fair representation of what the molecule or the drug does in people.

BROCK: So those culture issues become paramount again—

MARTIN: Yeah. We use it for recruiting people—all new employees are trained in the values. We have a laminated description of the values that we give to everyone, it's integral in our business.

BROCK: Since you both have been working together on the board, it's been a period of just extraordinary growth for the firm. Can you point to some ways that Gordon Moore has helped you with managing that growth?

MARTIN: He's also served on the audit committee—historically he has, he doesn't anymore. That is a very challenging area to make sure that, well, let's back up. When a company grows rapidly like we have, it's very difficult for the infrastructure to keep up with the growth. The audit committee has been instrumental in helping us to keep up, and having experienced people like Gordon on it in helping us to manage that growth, to make sure we have appropriate controls in place to be successful.

BROCK: Right, because he has had twice-over experience with that same sort of growth.

MARTIN: Yes. As we grow and we've added members to the board, and I think the opportunity to work with Gordon on the board has been a positive thing in terms of attracting members to the board.

BROCK: Oh, yeah. I can see—

MARTIN: As you can see, it's obvious.

BROCK: I didn't think of it until you said that. We were just talking about some of the manufacturing issues—has he had a role in that because certainly he's been very involved in a highly delicate manufacturing business.

MARTIN: Yes. We have had manufacturing presentations with the board. But it's probably more, again, in the culture of the company. We're very conservative on manufacturing. That means we manufacture to a high quality, make sure we maintain adequate inventories, make sure we have adequate backup suppliers of raw materials. I'm sure that in conversations with Gordon, he's probably emphasized that, but it's something that is ingrained in the culture of the company. That's a perfect example of why it's hard to quantify something that—he has knowledge about, understands and appreciates, and appreciates our conservative approach. Manufacturing: as compared with the semiconductor industry or consumer product industry the manufacturing industry for pharmaceuticals is highly regulated by the FDA [Food and Drug Administration]. We have frequent inspections by FDA. They require manufacturers to work to very high quality standards and quality assurance standards. The standards have been increasing over time. In a way Gilead is in an advantageous position because we don't have a historical legacy of manufacturing facilities that might not meet the modern standards of manufacturing.

BROCK: Right because you can just build them to be compliant from the get-go.

MARTIN: Yeah. We start out right away. Now, that being said, most of our manufacturing is done by third party manufacturers. But, for instance, our active drugs are typically manufactured by fine chemicals manufacturers, if not other companies in the pharmaceutical industry. The fine chemicals manufacturers are the ones whose business is to make molecules. Whereas, the pharmaceutical industry, their business is to make drugs. Their manufacturing facilities are historically older in some cases.

We just bought, for instance, a manufacturing facility for drugs up in Edmonton, Alberta last year. We bought one of our contract manufacturers—60 percent of their business was Gilead. Their facility was constructed in 1996, so it's nine, ten years old. That's an example. That facility was built based on the demand of Gilead products.

BROCK: Is that something that is distinguishing about Gilead? Is that an innovative practice you're doing in manufacturing in that respect?

MARTIN: Well, maybe where Gilead is probably more innovative or different from other companies is the amount of work that we do outside of the company. We work with a variety of other companies around the world. We make sure we have the expertise internally to manage those relationships. We have the quality mechanisms internally and the manufacturing and scientific expertise to manage these processes. For instance, we manufacture our products in Korea, United States, Canada, France, Germany, Bahamas, and South Africa, through other companies.

BROCK: You have whole groups that work in those manufacturing partnerships to make sure that they—

MARTIN: Exactly. That's pretty much true for every other area of the company. We work with an extensive network of other organizations.

BROCK: For the other functions of distribution and—

MARTIN: Yeah. For instance, with clinical research we contract out many aspects of the clinical trial management. There are many examples like that.

BROCK: And so you've developed a skill of managing those relationships with these outside specialists—

MARTIN: Yes. I think the way to look at it is that you might have a department of a large number of people within a company. In our case, the management is there but the other people work somewhere else.

BROCK: Another area that in preparing for this interview I was really struck by: the very interesting and innovative no-profit and small-profit pledges with the—

MARTIN: The tiered pricing—

BROCK: Yes, the tiered pricing for the antiretroviral drugs, I guess that really came to fore in the 2002 to 2004 period, but I'm sure it continues to be a big deal today. Could you talk about how that approach emerged in the company and how you came up with that?

MARTIN: When we announced our no-profit price for the developing world, a reporter called me and asked me exactly that question. “How did you come up with that?”

Even though no one else was doing it but us, it was just obvious all along. We never actually considered an alternative.

BROCK: That’s interesting.

MARTIN: The way to look at it is to think of the pharmaceutical industry as coming out with a drug to address an unmet medical need—a drug to treat a disease not being treated or a drug that can treat a disease better than drugs that are already there. Everyone thinks that’s the extent of unmet medical needs. But the bigger unmet medical need is access to medicine that we already have. We’re not going to make any real money selling drugs into resource-poor countries where price is a barrier to access. That’s our job to remove the barriers, to charge a no-profit price. We’re a company that works to make money and provide shareholders with return on their investment. We don’t want to lose money in those markets, but we also want to do our part to make sure that there’s access to our medications.

BROCK: That was an operating assumption as you worked on these drugs?

MARTIN: I don’t know if we thought about it all along the way. Before you make a product available broadly in those types of markets, you want to have a lot of safety data on it already. Not just the thousand patients you studied to get it approved by the U.S. FDA, but the couple hundred thousand that you get when it’s commercially available and used in the real world by a lot of people. You only have to read the newspapers to see how much you find out about drugs once they’re commercially available. Sometimes things pop up. If you had your product available for a couple hundred thousand people in those resource-poor countries, where you can’t monitor as carefully, that would be a concern. As the things evolved, the decision about no-profit pricing was fairly straightforward. The actual implementation—setting the prices, the negotiations, the tiers with other countries—that’s very difficult, very complicated, and takes a lot of work. The regulatory approvals. Just because we have a no-profit product doesn’t mean a country will buy it. We still have to get regulatory approvals from those countries. That can be very difficult. But the concept of a no-profit price for those markets was pretty straightforward.

BROCK: Was there any precedent for that in the pharmaceutical industry or in another, completely different industry?

MARTIN: No. In all other industries, people go for profit in those markets. There was no real precedent. More recently, we provided a license for those markets to Indian-based generics in

the manufacturing industry. There's no precedent for that either. Coca-Cola, for instance, has infrastructure in Africa and sells Coke and makes a profit. The pharmaceutical industry does too. All the big pharmaceutical companies have these infrastructures in these regions. However, we didn't have the burden of business units in those parts of the world.

BROCK: Could you characterize Gordon Moore's involvement in just this area?

MARTIN: Well, he's been a part of the continuous process. I know that when you write something you want to know what the "Aha!" moment is. Often it's just a process and a continuous evolution of thought.

BROCK: Right.

MARTIN: When did you know that this drug would be as successful as it is? Well, there's no one moment. When did you know the FDA would approve the drug? There's no one moment. It's not when the FDA actually approves it, because there's a process of working with the FDA to get to the approval. So, Gordon, in all these things that we do—we talk about things pretty intensely at the board—is an active participant in the evolution of that thought, to get to the point where we have implementation, like the launch of a product.

BROCK: I was also looking to hear if, for example, Gordon was skeptical or if he was a real driver on this issue.

MARTIN: The role of the board is often to be skeptical about things and ask lots of questions and challenge assumptions. Gordon is very good at that. That doesn't mean he's actually skeptical. He's just looking at the various angles of what we're trying to do and, at the end, he's highly supportive. I'm sure he gets a lot of personal satisfaction from his involvement in helping us to create what we've created at Gilead.

BROCK: Was this tiered pricing a major discussion point for the board?

MARTIN: Yes. Actually, twice a year for the last five years. We have four major board meetings a year and probably at every other one we discuss some aspect of this issue, because it moves around the world. One of the things the board wants to guard ferociously is our very positive brand. This type of issue is highly visible to the public, and to our brand.

BROCK: How has the tier pricing moved out beyond Gilead? Has it become also a model of how to do things?

MARTIN: I don't think it really has. No, I'd say it has not been adopted widely. We have two prices. In the middle income, we have lower-middle income and upper-middle income. We have our low price markets in North America and Europe. Over time you get erosion in the uniformity of pricing because of laws in different countries. For companies that have been around longer with a mix of products, it's much more difficult to manage. As I mentioned, companies have business units in these areas and we don't have business units. The business unit, in terms of their overall profit and loss, takes a different view from corporate headquarters on a worldwide profit and loss issue.

BROCK: So, it's really unique?

MARTIN: There are other examples of companies having no-profit prices. But price uniformity through the tiers, I don't think there are other examples yet.

BROCK: With those outside partnerships to fulfill different functions, you have a structure that allows you to pursue this tiered pricing approach. You don't have the internal resistances?

MARTIN: There's some of that. There's also a factor in that our pricing is very reasonable. We haven't pushed the envelope on pricing. When we go to countries and talk about our tiered pricing approach, for the most part they can be pretty happy because the price we're offering is quite reasonable.

BROCK: They believe you.

MARTIN: Yeah. For the last few weeks in the media there's been the issue of Abbott-Thailand. Abbott priced Thailand for an AIDS drug at two thousand five hundred dollars per patient per year. That's been resolved. They've dropped it to one thousand dollars per patient per year. Our price in Thailand is a dollar a day. Three hundred and fifty dollars per patient per year for an AIDS product. We're not pushing the envelope at all in Thailand, for instance. Thailand has over half a million people that are HIV positive, and it is a medical emergency for their country. We think our price is the appropriate tiered price. In the economic analysis, we've done to come up with this pricing.

BROCK: It sounds like it involves very complicated financial modeling and economic modeling across all of these areas—

MARTIN: I don't know if it's complicated but the thought process to get there takes a lot of time. [laughter]

BROCK: Do you get scale effects from one area to the other? That is to say, if you take a no-profit approach in one area, that might mean that you get a certain increase of scale of the manufacturing that then—

MARTIN: I guess it's probably true that if you scale manufacturing you have a lower cost of goods. But remember we've given these licenses to the Indian generics. What we want to do there is deal with the issue of scale, this scalability of providing treatment to the tens of millions of people that need it and aren't getting it. What we wanted to do was create an environment of competition in those markets where there would be multiple companies competing for those patients. We think that would be the way to get more people to have access to medication. It's an experiment. We'll see.

BROCK: I'm sorry to say that I didn't catch that licensing in my research for talking with you today. Is that a very low cost or no cost license that you've given—

MARTIN: Five percent royalty.

BROCK: Okay, so quite moderate.

MARTIN: I think it's what the WTO [World Trade Organization] standard would be.

BROCK: Okay. And that's for your current—

MARTIN: AIDS drug, yeah, the latest drug.

BROCK: Wow.

MARTIN: We transfer technology to eleven companies in India that manufacture generic products but it's exclusively for sales into our no-profit markets. We don't want to give everything away, and part of this deal is to protect our intellectual property in our other markets. That's very important to us because if companies can't be rewarded for their innovation, when it costs so much to develop a drug, the drug simply won't be developed.

BROCK: This is a kind of taking a managed approach to that issue.

MARTIN: Yes.

BROCK: I believe there have been some instances of these generics houses saying, "We're just going to make drug X, Y, or Z because we need it," and the governments give them the nod to do that.

MARTIN: Yeah. To some degree, what you say is correct. There are more levels. That's a good summary. Let's put it that way.

BROCK: Right. Your licensing deal is a way of facing that reality in a more controlled and structured way. It's very interesting.

MARTIN: But like, I said, David, it's an experiment. We'll see how it turns out. [laughter]

BROCK: I think it's a very interesting experiment. On a personal level of you leading the firm through this period of growth to this place on the world stage with your products, did you get any personal advice from Gordon Moore? He underwent a similar experience himself with Intel and the microprocessor catapulting the firm and him into this global arena. Have you two had occasions to compare notes on that?

MARTIN: He often mentions things about Intel and how they did things. We already brought up stock options. His guidance about how we should handle stock options has been extremely valuable. There's no doubt that he's really set the stage for our understanding how to do that. We give stock options broadly to employees and his guidance has been critical. There's absolutely no doubt. But, there are a lot of other examples.

BROCK: My impression is that you have had a very stable executive team.

MARTIN: Yes. We have.

BROCK: That was also the case at Intel.

MARTIN: You bring up a good point. That's something that he's talked about and has encouraged, making sure we retain our key people.

BROCK: In biotechnology and pharmaceuticals, there is typically a lot of inter-firm mobility.

MARTIN: Yeah. We have three EVPs [Executive Vice Presidents], and two of them joined Gilead before I did. There were less than thirty employees then. That's 1 percent of the people we have now.

BROCK: When Gordon was CEO of Intel, he really used both stock options and executive compensation.

MARTIN: It goes well beyond compensation. It is making sure that people that work in the company have an opportunity to do things that they find fulfilling and stay with the company. It involves how you develop people and recognize their accomplishments even beyond the monetary part. It's really important. Gordon of course, like other board members, has articulated this. It's important that the key individuals have an opportunity to come in and meet with the board and present to the board to receive that additional recognition.

BROCK: You and Gordon Moore both being chemists, you an organic chemist, he a physical chemist. Have you seen Gordon bring a chemist's perspective to bear?

MARTIN: I think it's a stretch to call Gordon or me a chemist anymore. What we really are is scientists with scientific judgment. We are able to look at data and say, "Does that make sense? Is there another interpretation? Are we looking at a difference that's significant?" It is judgment on scientific experiments and scientific discussion. There's no doubt that Gordon's maintained that all these years I think. He does very well with scientists.

BROCK: Could you describe Gordon on a personal level, his personality, character, perspective, if you had what you regard as a revealing story—

MARTIN: I don't have a revealing story. He's exactly what he seems to be. He's not any different than what he seems to be day-in and day-out. He's very stabilizing and thoughtful, has a good sense of humor. Works well with people.

BROCK: Is there anything that I've not asked you about that I should have?

MARTIN: No. You've been thorough. You've got me to remember some things or perspectives that I hadn't thought of.

BROCK: Well, good then. I think I've done my job then.

MARTIN: Okay.

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