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10 UNITED STATES DISTRICT COURT  
11 FOR THE NORTHERN DISTRICT OF CALIFORNIA  
12

13 UNITED STATES OF AMERICA,	)	
	)	
14 Plaintiff,	)	Civil No. C-86-3057
	)	
15 v.	)	COMPLAINT FOR EQUITABLE
	)	RELIEF FOR VIOLATIONS
16 SYUFY ENTERPRISES; and	)	OF TITLE 15 U.S.C.
RAYMOND J. SYUFY	)	SECTIONS 2 AND 18
	)	
17 Defendants.	)	ANTITRUST
18 _____	)	Filed: June 6, 1986

19 COMPLAINT

20 The United States of America, plaintiff, by its attorneys,  
21 acting under the direction of the Attorney General of the  
22 United States, brings this civil action against the defendants  
23 named herein to obtain equitable relief and complains and  
24 alleges as follows:

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I.

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 4 of the Sherman Act (15 U.S.C. § 4) to prevent and restrain the continuing violations by the defendants of Section 2 of said Act (15 U.S.C. § 2), and under Section 15 of the Clayton Act (15 U.S.C. § 25) to prevent and restrain the continuing violation by the defendants of Section 7 of said Act (15 U.S.C. § 18).

2. The defendants maintain offices, transact business and are found in the Northern District of California.

II.

DEFENDANTS

3. Syufy Enterprises is hereby made a defendant. It is a limited partnership organized and existing under the laws of the State of California with its principal place of business at 150 Golden Gate Avenue, San Francisco, California. Defendant Syufy Enterprises is a large regional motion picture theatre circuit. In 1985, it operated a total of 33 indoor theatres with 130 screens, and 23 drive-in theatres with 108 screens, in California, Nevada, Utah, Arizona and New Mexico.

4. Raymond J. Syufy is hereby made a defendant. He is the general partner of Syufy Enterprises. His office is located at Syufy Enterprises' principal place of business in San Francisco, California.

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1 III.

2 DEFINITIONS

3 5. As used herein, the term:

4 (a) "Person" means any individual, partnership, firm,  
5 corporation, association, or other business or  
6 legal entity;

7 (b) "Distributor" means any person who grants a  
8 license to an exhibitor authorizing the exhibitor  
9 to exhibit a motion picture in a theatre;

10 (c) "Exhibitor" means any person who owns, leases,  
11 operates, or controls a motion picture theatre;

12 (d) "License" means the grant by a distributor to an  
13 exhibitor of the right to exhibit a motion  
14 picture in a theatre;

15 (e) "First-run exhibition" means the initial  
16 theatrical exhibition, pursuant to license, of  
17 motion pictures, other than pornographic or  
18 foreign language motion pictures, and the  
19 theatrical exhibition, pursuant to license, of  
20 widely distributed and heavily promoted reissued  
21 motion pictures;

22 (f) "Las Vegas" means the local geographic area in  
23 and around Las Vegas, Nevada.

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IV.

TRADE AND COMMERCE

6. The motion picture industry encompasses three activities: production, distribution, and exhibition. Producers make motion pictures and enter into agreements with distributors to have their films distributed for exhibition. Some distributors also produce motion pictures or, in other instances, finance the work of independent producers.

7. First-run exhibition has long been recognized in the motion picture industry as a separate and distinct business. Distributors, exhibitors and movie-goers do not consider subsequent-run or non-theatrical exhibition of motion pictures to be good substitutes for first-run exhibition. First-run exhibition constitutes a relevant product market for antitrust purposes.

8. Exhibitors are awarded licenses for first-run exhibition after submitting offers to a distributor in response to competitive bid solicitations or after direct negotiations with the distributor. Such offers specify, among other things, financial terms (generally the payment to the distributor of a percentage of the gross or net box-office receipts of the exhibitor), specific play dates, and length of play time (including the conditions under which the film will be held over). Offers may also include a guarantee, which is a minimum fee payable to the distributor regardless of the box-office

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1 success of the film, or an advance, which is an advance payment  
2 to be applied against the film rental ultimately owed by the  
3 exhibitor to the distributor under the terms of the license.

4 9. In licensing motion pictures for first-run exhibition  
5 in a local area, a distributor considers the terms offered by  
6 the various exhibitors and factors affecting the overall  
7 grossing potential of each theatre. It awards a license to the  
8 theatre or theatres that it expects will maximize its film  
9 rentals.

10 10. In any local area, distributors consider only certain  
11 theatres, due to their size, quality, location, management,  
12 track record or other distinctive characteristics, to have  
13 sufficient grossing potential to be suitable for first-run  
14 exhibition. Exhibitors generally must operate such theatres,  
15 referred to as "first-run theatres," in order to engage in  
16 first-run exhibition. In licensing motion pictures for  
17 first-run exhibition, distributors do not view other theatres  
18 with lower overall grossing potential to be good substitutes  
19 for first-run theatres.

20 11. Las Vegas is a geographically isolated area, and  
21 distributors and movie-goers do not consider first-run  
22 exhibition in areas outside of Las Vegas a good alternative to  
23 first-run exhibition in Las Vegas. Las Vegas is a relevant  
24 geographic market for antitrust purposes.

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12. In Las Vegas, Syufy Enterprises exhibits almost all motion pictures licensed for first-run exhibition. In 1984, gross box-office receipts resulting from first-run exhibition were approximately \$7,000,000, almost all of which was accounted for by theatres now owned or operated by Syufy.

13. Motion pictures are produced throughout the United States and abroad. Film prints exhibited in Las Vegas are made outside of Nevada and shipped across state lines. The licensing of motion pictures into Las Vegas also entails substantial interstate activity, which includes frequent written and oral communications, the transmitting of bid materials and contracts, the transporting of advertising materials and the reporting and payment of film licensing fees. First-run exhibition in Las Vegas involves a continuous and uninterrupted stream of interstate commerce.

14. The activities of the defendants alleged herein were within the flow of, and substantially affected, interstate commerce.

v.

## BACKGROUND OF THE VIOLATIONS

15. In December 1980, there were only three exhibitors regularly engaged in first-run exhibition in Las Vegas: Plitt Theatres, Inc., a major exhibition circuit, operated the Parkway (three indoor screens); Mann Theatres Corporation of California, a major exhibition circuit, operated the Fox Charleston (one indoor screen) and the Boulevard (two indoor

1 screens); and Cragin Industries, an independent exhibitor,  
2 operated the Red Rock Theatre (eleven indoor screens). The  
3 other indoor theatres, the Mountain View, Huntridge and Cinema  
4 Three, generally were not considered to be first-run theatres.

5 16. Also in 1980, Syufy Enterprises operated two drive-in  
6 theatres in Las Vegas, the Desert Drive-In (five screens) and  
7 the Las Vegas Drive-In (four screens), which were not  
8 considered to be good substitutes for the indoor theatres  
9 engaged in first-run exhibition.

10 17. In about January 1981, Syufy Enterprises opened a  
11 six-screen indoor theatre, the Cinedome, which thereafter  
12 engaged in first-run exhibition in Las Vegas. On December 6,  
13 1982, Syufy Enterprises acquired the Parkway from Plitt  
14 Theatres, Inc. On February 7, 1983, Syufy Enterprises acquired  
15 the Fox Charleston and the Boulevard from Mann Theatres  
16 Corporation of California. On October 16, 1984, Syufy  
17 Enterprises acquired the Red Rock Theatre from Cragin  
18 Industries.

19 18. In November 1985, Roberts Co., Inc., which already  
20 operated the Mountain View and the Huntridge, opened a  
21 six-screen indoor theatre, the Paradise, in Las Vegas.  
22 Distributors and movie-goers generally do not consider Roberts'  
23 theatres to be good substitutes for the first-run theatres  
24 operated by Syufy Enterprises in Las Vegas.

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VI.

VIOLATIONS ALLEGED

19. Since at least 1982, the defendants have engaged in an attempt to monopolize, and since at least October 1984, have monopolized the aforesaid trade and commerce in first-run exhibition in Las Vegas, in violation of Section 2 of the Sherman Act.

20. Pursuant to and in effectuation of the aforesaid attempt to monopolize and monopolization, the defendants, among other things, have:

(a) Acquired competing first-run theatres in Las Vegas;

(b) Threatened existing competitors with economic harm to persuade them to discontinue first-run exhibition in Las Vegas; and

(c) Threatened potential competitors with economic harm to persuade them not to enter first-run exhibition in Las Vegas.

21. The effect of the acquisition of the Red Rock Theatre by the defendants in October 1984 has been and may be substantially to lessen competition or tend to create a monopoly in first-run exhibition in Las Vegas, in violation of Section 7 of the Clayton Act.

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1        22. The violations alleged in this complaint are continuing  
2 and will continue unless the relief hereinafter prayed for is  
3 granted.

4                                VII.

5                                EFFECTS

6        23. The aforesaid violations have had, among other things, the  
7 following effects:

- 8                (a) First-run exhibition in Las Vegas has been  
9                        monopolized;
- 10               (b) Actual and potential competitors of Syufy Enterprises  
11                        have been excluded and prevented from engaging in  
12                        first-run exhibition in Las Vegas;
- 13               (c) License terms offered in first-run exhibition in Las  
14                        Vegas have been reduced below the levels that  
15                        prevailed in the market prior to October 1984;
- 16               (d) Distributors, producers and consumers have been  
17                        denied the benefits of a free and competitive market  
18                        in first-run exhibition in Las Vegas; and
- 19               (e) Competition in first-run exhibition in Las Vegas has  
20                        been and may be substantially lessened.

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VIII.

PRAYER

WHEREFORE, the plaintiff prays:

1. That the Court adjudge and decree that the defendants have attempted to monopolize and have monopolized interstate trade and commerce in first-run exhibition in Las Vegas, in violation of Section 2 of the Sherman Act.

2. That the Court adjudge and decree that the acquisition of the Red Rock Theatre by the defendants is in violation of Section 7 of the Clayton Act.

3. That defendant Raymond J. Syufy, and defendant Syufy Enterprises, its successors, transferees, assignees, officers, directors, agents, and employees, and all persons acting or claiming to act on its behalf, each be enjoined from continuing the aforesaid attempt to monopolize and monopolization of first-run exhibition in Las Vegas, and that each be enjoined from engaging in or participating in practices, contracts, agreements, or understandings, or claiming any rights thereunder, having the purpose or effect of continuing, reviving, or renewing any of the aforesaid offenses or any offenses similar thereto.

4. That defendant Syufy Enterprises be required to divest itself of so many of its theatres and so much of its assets as may be necessary to restore effective competition in first-run exhibition in Las Vegas.

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1        5. That defendant Raymond J. Syufy, and defendant Syufy  
2 Enterprises, its successors, transferees, assignees, officers,  
3 directors, agents and employees, and all persons acting or claiming  
4 to act on its behalf, each be enjoined for 10 years from acquiring  
5 any motion picture theatre, group of theatres or person that owns  
6 or controls any theatre or theatres, in Las Vegas, without the  
7 prior written consent of the United States, or, if such consent is  
8 refused, without approval by the Court after an affirmative showing  
9 by said defendant that the effect of any such acquisition will not  
10 be substantially to lessen competition or tend to create a monopoly  
11 in first-run exhibition in Las Vegas.

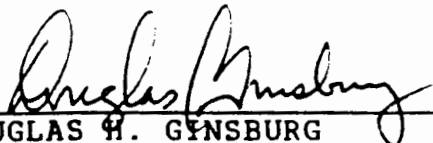
12        6. That defendant Raymond J. Syufy, and defendant Syufy  
13 Enterprises, its successors, transferees, assignees, officers,  
14 directors, agents and employees, and all persons acting or claiming  
15 to act on its behalf, each be enjoined for 10 years from acquiring  
16 any motion picture theatre, group of theatres or person that owns  
17 or controls any theatre or theatres, outside of Las Vegas, without  
18 notifying the United States 30 days prior to the closing of such an  
19 acquisition, unless the United States consents in writing to  
20 shorter notice.

21        7. That the plaintiff have such other and further relief as  
22 the nature of the case may require and as the Court may deem  
23 just and proper to dissipate the effects of the violations alleged  
24 herein and to restore effective competition in first-run exhibition  
25 in Las Vegas.

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1 8. That the plaintiff recover the costs of this action.

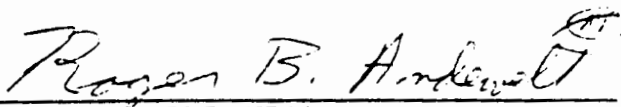
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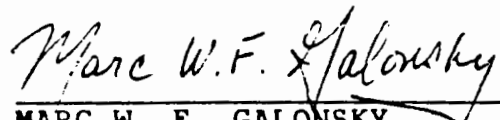
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