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Multimillion Dollar Judgment Reached Against Maker Of Unlawful Gambling Software

Kern County District Attorney Cynthia Zimmer announced today, October 30, 2021, that her office, in partnership with several District Attorneys' Offices and the Attorney General's Office has secured formal court approval of a multimillion-dollar stipulated judgment against Pong Game Studios Corporation (Pong)—a Canada-based company that licensed software to sweepstakes cafes (essentially mini-casinos) throughout California. Under the terms of the judgment, Pong agrees to pay \$3.5 million in civil penalties, costs, and attorney fees, as well as permanently halt its illegal gambling operations in California.

"For years, Pong has flouted California law and flooded our state with illegal gambling devices, profiting off of the harm done to some of our most vulnerable communities," District Attorney Zimmer said. "Pong's illegal devices and software have bred unregulated pop-up casinos that have been magnets for criminal activity wherever they have arisen, and today's judgment will get Pong's illegal gambling software out of our state and send a clear message to other makers of illegal gambling software: take your business elsewhere."

The judgment against Pong is just the latest victory in the decade-long battle to rid Kern County, and California, of illegal sweepstakes-style gambling cafes. These cafes operate as mini-casinos, offering interactive gambling-themed games on computer gambling devices, which are predominantly marketed to vulnerable, low-income consumers. The American Gaming Association estimates that the sweepstakes café "industry" earns more than \$10 billion a year through unlawful gambling operations that are located in storefronts, strip malls, and commercial districts of cities and towns across the United States.

The Kern County District Attorney's Office began its efforts to combat these illegal gambling dens in 2012, filing civil lawsuits against multiple Bakersfield-based sweepstakes cafes. Those cases resulted in the landmark California Supreme Court decision in *People v. Grewal* (2015) 61 Cal.4th 544, in which the California Supreme Court expressly declared that the gambling systems used at these cafes were unlawful, setting the stage for the present case against Pong.

Despite the clear recognition that the systems were unlawful, Pong continued to sell its illegal gambling software to cafes throughout California.

Working in tandem with law enforcement partners across the state, the Kern County District Attorney's Office filed suit on behalf of the People of the State of California against Pong in 2016 under the California Unfair Competition Law and False Advertising Law. As part of the lawsuit, the People sought, among other things, to permanently halt Pong's illegal activities in the state and civil penalties for Pong's manufacture, distribution, and use of illegal gambling devices, and deceptive acts or practices in connection with the marketing and licensing of those devices in California. As part of today's resolution of the case, Pong may also be held liable for as much as \$15 million if it fails to comply with the terms set out in the final judgment. In addition, Pong is required to relinquish all rights to seized assets described in the complaint and the California Department of Justice is authorized by law to destroy all such seized equipment.

In securing the judgment, District Attorney Cynthia J. Zimmer is joined by Attorney General Rob Bonta, the District Attorney's Offices of Contra Costa, Fresno, Merced, Riverside, San Diego, Solano, Sonoma, and Tulare, as well as the Los Angeles City Attorney's Office.

For more information, please contact Assistant District Attorney Joseph A. Kinzel of the Kern County District Attorney's Office.