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NEWS RELEASE

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Multimillion-Dollar Judgment Secured Against Pong Game Studios, Permanently Halting Illegal Gaming Operation

Today, October 28, 2021, the Fresno County District Attorney's Office, along with 8 other District and City Attorney's offices, as well as the California Attorney General's Office, secured formal court approval of a multimillion-dollar stipulated judgment against Pong Game Studios Corporation (Pong). Under the terms of the judgment, Pong agrees to pay \$3.5 million in civil penalties, costs, and attorney fees. The judgment also permanently halts Pong's illegal gambling operations in California.

Based in Canada, Pong provided software to sweepstakes cafes throughout California. These cafes operate as mini-casinos, offering interactive gambling-themed games on computer gambling devices, which are predominantly marketed to vulnerable, low-income consumers. Lured by the interactive gameplay of casino-style games, patrons paid money for the opportunity to win cash prizes. In California, these sweepstakes cafes have become synonymous with illegal local gambling dens operating under the guise of lawful promotional sweepstakes used to prey upon unsuspecting consumers. The American Gaming Association estimates that the sweepstakes cafe "industry," earns more than \$10 billion a year through unlawful gambling operations commonly located in storefronts, strip malls, and commercial districts of cities and towns across the United States. Under California law, the gambling software offered on these sweepstakes systems constitute unlawful slot machines or gambling devices. Despite a ruling by the California Supreme Court in 2015 expressly declaring that the use of sweepstakes gambling systems was unlawful, Pong, undeterred by previous law enforcement efforts, continued its unlawful gambling operations.

The lawsuit against Pong was filed in 2016 under the California Unfair Competition Law and False Advertising Law. Law enforcement partners 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 the resolution, Pong is subjected to as much as \$15 million in financial liability should it fail to comply with the terms of the judgment. Pong is also required to relinquish all rights to seized assets and the California Department of Justice is authorized to destroy all such seized equipment.

In securing the judgement, the Fresno County District Attorney's Office is joined by the District Attorney's offices of Contra Costa, Kern, Merced, Riverside, San Diego, Solano, Sonoma, and Tulare, as well as the Los Angeles City Attorney's Office and the Attorney General's Office.

Media may email FCDAMedia@fresnocountyca.gov with questions.