

Syllabus

IN THE MATTER OF
WEST COAST THEATRES, INC., ET AL.

COMPLAINT (SYNOPSIS), FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914

Docket 1319. Complaint, May 29, 1925—Decision, May 8, 1929

Where a corporation engaged in the business of owning, leasing, and operating motion picture theatres in certain towns and cities, owning or controlling more than 100 theatres in the southern portion of the State concerned, and strongly interested and in a position of power, through exclusive franchise rights and otherwise, in distribution and production of pictures as well as exhibition thereof, and dominating, if not monopolizing, the motion picture theatre business in the territory concerned (and especially in the first run theatre field), through (1) construction of theatres, purchase thereof or interests therein, induced by threats of competitive construction or otherwise, (2) contracts apportioning territory or otherwise frankly restricting or precluding competition, and (3) affiliations and arrangements with others in the industry; and other concerns and individuals engaged therein and associated with it through stock ownership, agreements, or other community of interest; in pursuance of a combination and conspiracy to prevent and restrain producers and distributors of motion pictures in other States from leasing their films to exhibitor competitors and from shipping the same into the State in question and delivering them to such competitors, and to restrain and prevent competition among themselves and with other exhibitors in said State, in negotiating for and leasing films to be shipped from other States and delivered to such exhibitors,

- (a) Compelled motion picture producers and distributors, by withholding patronage and threats thereof, to—
- (1) Discontinue dealing with their exhibitor competitors and to furnish films to theatres owned or controlled by them at competitive points;
 - (2) Withhold certain pictures from said competitors, with the intent and effect to preventing such competitors from obtaining an adequate and necessary supply of suitable films for the operation of theatres in competition with them;
 - (3) Refrain from leasing to competing theatres for subsequent runs, films theretofore previously displayed in their own theatres, until after the lapse of so long a period that said films had become practically valueless for exhibition purposes; and
 - (4) Lease films to them at prices substantially lower than competitors would have been willing to pay therefor if given a contemporaneous opportunity to lease the same; and
- (b) Leased more films for certain of their theatres in competition with independent exhibitors, than could be exhibited therein, with the intent and effect of preventing the competitors concerned from securing a supply of films for their theatres;

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With the result that competition in the sale, purchase and exhibition of motion picture films moving in interstate commerce for exhibition in the State concerned was lessened substantially, interstate commerce or trade therein was obstructed and hindered and the channels of such commerce were closed, to the injury of exhibitors and distributors, and of the public, denied the benefit of free competition in the motion picture trade:

Held, That such practices, under the circumstances set forth, were to the prejudice of the public and competitors and constituted unfair methods of competition.

Mr. G. Ed. Rowland for the Commission.

Mr. Jacob Samuels, of San Francisco, and *O'Melveny, Tuller & Myers*, of Los Angeles, by *Mr. Walter K. Tuller* and *Mr. James C. Sheppard* (*Mr. A. Dal. Thomson*, of San Francisco, of counsel), for respondents.

SYNOPSIS OF COMPLAINT

Reciting its action in the public interest, pursuant to the provisions of the Federal Trade Commission Act, the Commission charged respondent West Coast Theatres, Inc., engaged in the owning or leasing and operating of motion picture theatres in California, and, as an incident to such business, in leasing films from producers and distributors in States other than California, and the various other respondents joined herein, largely also likewise thus engaged, as hereinafter set forth, with combining and cooperating to cut off competitors' sources of supply, of motion picture films, and to restrain and prevent competition in price thereof, in violation of the provisions of section 5 of such act, prohibiting the use of unfair methods of competition in interstate commerce.

Respondents include six California corporations, a partnership, and five individuals, joined as such, namely, A. L. Gore, Michael Gore, Sol Lesser, Adolph Ramish, and Dave Bershon. The corporations referred to are the West Coast Theatres, Inc., West Coast Theatres, Inc., of Northern California, Venice Investment Co., Hollywood Theatres, Inc., All Star Feature Distributors, Inc., Educational Film Exchange, and Principal Pictures Corporation. All except the last three are engaged in the owning or leasing, or building or acquiring and operation of motion picture theatres in various California cities and towns, as is the partnership referred to, namely, Turner, Dahnken & Langley, composed of H. M. Turner, Fred Dahnken, C. L. Langley, and F. W. Livingston. The three corporate respondents not included among those engaged in the operation of motion picture theatres, as above set forth, namely, All Star Feature Distributors, Inc., Educational Film Exchange, and Principal Pictures Corporation are engaged in distributing and/or producing and

distributing motion picture films and the leasing thereof to exhibitors in the various States.¹

Respondent West Coast Theatres, Inc., as alleged, with principal office and place of business in Los Angeles, owns more than 90 per cent of the stock of West Coast Theatres, Inc., of Northern California, with principal office in San Francisco, engaged in business as above set forth in California and particularly in approximately the northern half thereof, said last named corporation, in turn, owning one half or more of the stock of several corporations owning theatres in various California towns and cities; owns 50 per cent or more of the stock of the Venice Investment Co. and Hollywood Theatres, Inc., engaged as above set forth, the latter principally in Hollywood and Los Angeles; and owns all of the stock of the All Star Feature Distributors, Inc., 49 per cent or more of that of the Educational Film Exchange, and 60 per cent or more of that of the Principal Pictures Corporation. It further has a contract with the firm of Turner, Dahnken & Langley, above referred to, under which the two organizations, to avoid and prevent competition theretofore existing in several California towns and cities, "acquired equal interests in certain theatres and theatre holding corporations then in competition with one another, and mutually agreed to refrain from acquiring or operating theatres in specified territories where the other party to the agreement was already operating theatres, and to refrain from acquiring or building any theatre in any new territory without first giving the other party to the agreement an opportunity to acquire a 50 per cent interest in any such new enterprise at the actual cost thereof."

¹ Allegations of the complaint with reference to the activities of the exhibitor respondents in leasing and contracting for motion picture films follow:

"In the prosecution of their respective businesses, all of the respondents herein, except All Star Feature Distributors, Inc., Educational Film Exchange, and Principal Pictures Corporation, are engaged in leasing from various producers and distributors of motion picture films located in other States of the United States than the State of California, and principally in the State of New York, motion picture films for exhibition in the respective theatres owned or leased, and operated, or controlled, by said respondents. All of said respondents are in competition with other individuals and corporations, who are also engaged in the operation of motion picture theatres in various towns and cities in California where respondents or one or more of them have theatres, and in negotiating for and leasing motion picture films from the said motion picture producers and distributors in New York and other States of the United States to be shipped into the State of California and exhibited in their respective theatres. The term "exhibitors" as hereinafter used refers to said respondents and their said competitors engaged in the operation of theatres and the leasing and exhibition of films as aforesaid. The contracts or agreements whereby said motion picture films are leased are in some instances made directly between said producers and/or distributors at their home offices in the several States and said exhibitors in California; and in other instances are made between said exhibitors and local agents of said producers and distributors in California, subject to approval by the home offices of said producers or distributors located in said other States of the United States. In all instances they contemplate and result in the shipment of said films from said other States into the State of California, and the delivery thereof to exhibitors through branch offices of said producers or distributors located in San Francisco or Los Angeles in the State of California."

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Said respondent, West Coast Theatres, Inc., further, as alleged, in addition to its interest in respondent corporations, as above named, "has a substantial ownership and in many cases a controlling interest in a number of other corporations and companies owning and operating motion picture theatres both directly, and through its interests in the above named respondent corporations; it also through its own officials and agents conducts the negotiations for and the actual leasing of motion picture films from the various producers and distributors thereof for use in the several theatres owned or controlled and operated by it and by the various corporations and companies in which it holds aforesaid interests. It also conducts the negotiations for and the leasing of motion picture films for a large number of theatres in which it has no financial interest, through contracts or understandings with the owners of such theatres."

Respondents, as alleged, "individually and collectively operate or control the operation of theatres and the leasing of motion picture films for more than 100 theatres in thirty or more of the largest cities and towns in the State of California, including all or nearly all of the most lucrative cities and towns for the motion picture industry," and, in the aggregate operate and control in the larger and more lucrative towns and cities, for which they lease motion picture films, first run theatres exceeding in number such theatres in said cities and towns, and in other cities and towns of at least equal size in California, in the aggregate operated and controlled by their competitors and for which said competitors lease motion picture films. "The influence and power which respondents are thus able to and do exert upon the business of leasing and transporting motion picture films into the State of California from other States is so great that the respondents can by extending their patronage to any producer and/or distributor so leasing and transporting motion picture films, generally enable such producer and/or distributor to enjoy a successful and lucrative business in the State of California, and can by withholding such patronage prevent him from securing a successful and lucrative distribution for his said films or any of them in said State."²

²Allegations of the complaint more particularly relating to the "first run" and "repeat run" houses in this connection, are as follows:

"Motion picture theatres are divided into two classes, which are commonly known as 'first run' and 'repeat run' houses. The first run theatres are those in which occur the initial exhibition of pictures in their respective territories or localities. All others are repeat run houses. The successful distribution of a motion picture in a given territory is dependent largely upon the result of its showing in the first run theatres in that territory. This is due principally to two reasons: (a) Because much higher prices are generally commanded, and much greater crowds are attracted, by the initial exhibition of a new production than by subsequent exhibitions; and (b) because exhibitors who operate first run theatres in nearby territories and those who operate repeat run theatres in the same territory, are to a large extent governed in their choice of motion picture films for their theatres by the result of their initial showings in such first run theatres."

Respondents, as charged, engaged and situated as above set forth, and but for the things charged herein naturally in free and unrestrained competition with one another and others,^{*} for a period of more than five years last past have "combined and cooperated with each of the other respondents named herein, and all of said respondents have combined and cooperated among themselves for the purpose of (1) hindering, restraining, and preventing said producers or distributors of motion picture films in other States from leasing their said films to said competitors of respondents or any of them and from shipping said films into the State of California and delivering them to said competitors, and (2) restraining and preventing competition among the respondents and between respondents and other exhibitors in the State of California in negotiating for and leasing motion picture films to be shipped from other States and delivered to said exhibitors respectively in the State of California as aforesaid. In pursuance of and to carry out said mutual purposes respondents and each of them have done and still do the following acts and things":

(a) Seek by threats of withholding patronage and by actually withholding patronage to coerce and compel, and coerce and compel such motion picture producers and distributors to—

(1) "Discontinue dealing with competitors of respondents and to furnish their films to respondents' theatres in all towns where respondents or any of them have competition.

(2) "Cease from dealing with particular competitors of the respondents, or to withhold certain pictures from said competitors from the purpose and with the effect of preventing said competitors from obtaining an adequate and necessary supply of suitable films for the operation of their respective theatres.

(3) "Withhold from, and refrain from leasing to competing theatres for repeat runs, films that have been previously run in respondents' theatres, until after the expiration of such a long time after such previous run that said films have become practically valueless for exhibition purposes.

(4) "Lease their films to respondents at prices arbitrarily fixed by respondents, without regard to the cost of production and distribution of said pictures, and at prices substantially less than the usual and normal exhibition value of said films in the respective

^{*} The allegation as to this states that "in the absence of the matters and things herein set out the respondents would naturally and normally be in free and unrestrained competition among themselves and with the other exhibitors hereinbefore described in negotiating for and obtaining the right to lease motion picture films from the said producers and distributors thereof and to exhibit same in the numerous cities and towns wherein two or more of said respondents or other exhibitors operate theatres."

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towns and cities in which respondents exhibit them, and at prices substantially less than competitors of respondents would have been willing to pay for them in the same towns were they not prevented by said acts of the respondents from having an opportunity to lease said films."

(b) Lease films "which they can not use and do not expect to use, in order to prevent their exhibitor competitors from securing same for their theatres"; and

(c) Use "other cooperative and individual means to carry out and make effective their aforesaid purposes and undertakings."

The effect and result, as charged, "of the above alleged acts and things done by respondents have been and now are to unduly hinder and restrain interstate commerce between the said producers and distributors on the one hand and the said exhibitors on the other hand in the distribution, leasing, transportation into the State of California and delivery to exhibitors of motion picture films; to close to both said producers and distributors and said exhibitors certain of the outlets or channels through which they would otherwise be enabled to obtain trade and pursue their respective businesses; and to deprive them of the advantages which they would enjoy under the natural and normal conditions of competition which would exist among respondents and between respondents and the other exhibitors in the absence of the matters and things herein set out," and said acts and practices are all to the prejudice of the public and of respondents' competitors and constitute unfair methods of competition in commerce within the intent and meaning of section 5.

Upon the foregoing complaint, the Commission made the following

REPORT, FINDINGS AS TO THE FACTS, AND ORDER

Pursuant to the provisions of an act of Congress approved September 26, 1914 (38 Stat. 717), the Federal Trade Commission issued and served a complaint upon the respondents above named, charging them with the use of unfair methods of competition in commerce in violation of the provisions of said act.

The respondents having entered their several appearances and having filed their several answers herein, hearings were had and evidence was thereupon introduced on behalf of the Commission before an examiner of the Federal Trade Commission duly appointed.

Thereupon this proceeding came on for final hearing on the briefs submitted by counsel for the Commission and counsel for the respondents, and the Commission having duly considered the record and being fully advised in the premises, makes this its findings as to the facts and conclusions drawn therefrom:

FINDINGS AS TO THE FACTS

PARAGRAPH 1. West Coast Theatres, Inc., is a corporation organized and existing under and by virtue of the laws of the State of California, and maintaining its principal office and place of business in the city of Los Angeles in said State. Said corporation was organized in the year 1920 by Sol L. Lesser, A. L. Gore, M. Gore, Adolph Ramish, Thomas A. Morrissey, Goodwin Knight, and Frank S. Hutton. Since the year 1920 it has been engaged in the business of owning, leasing, and operating theatres for exhibition of motion pictures in cities and towns in the State of California. Its authorized capital stock under the original articles of incorporation was \$2,000,000 divided into 200,000 shares with a par value of \$10. Its officers in 1924 were Michael Gore, president; Sol Lesser, vice president; A. L. Gore, secretary; and Adolph Ramish, treasurer. The incorporators together with Goodwin Knight, Thomas A. Morrissey, and Frank S. Hutton, composed the first board of directors. Later, Messrs. Knight and Morrissey were replaced by J. M. Schenck and D. Bershon. At the time of the hearings in this proceeding, June, 1927, the officers were Harold B. Franklin, president; A. L. Gore, vice president; H. G. Buckley, secretary; and H. G. Delabar, treasurer. The officers, together with Michael Gore, Adolph Ramish, and Alfred Wright, composed the board of directors.

West Coast Theatres, Inc., of Northern California is a corporation organized and existing under and by virtue of the laws of the State of California. It maintains its principal office and place of business in the city of San Francisco in said State. Such corporation was organized more than ten years ago under the name of Turner & Dahnken. On or about August 9, 1923, the Superior Court of the State of California, in and for the city and county of San Francisco, permitted such corporation to change its name to "West Coast Theatres, Inc., of Northern California". Such corporation both before and after the change of its corporate name was engaged in, and still is engaged in, the business of owning, leasing, and operating motion picture theatres in cities and towns in the State of California, and particularly in the northern half of said State. Since March, 1923, respondent West Coast Theatres, Inc., has owned more than 90 per cent of the stock of said Turner & Dahnken, or respondent, West Coast Theatres, Inc., of Northern California, and has controlled the business operations of said respondent corporation. Respondent, West Coast Theatres, Inc., of Northern California, owns 50 per cent or more of the capital stock of several corporations owning theatres in California. In Feb-

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ruary, 1923, respondent, West Coast Theatres, Inc., bought 3,019 shares of the preferred stock and 68,850 shares of the common stock of Turner & Dahnken corporation (afterward West Coast Theatres, Inc., of Northern California) for \$1,700,000.

Venice Investment Co. is a corporation organized and existing under and by virtue of the laws of the State of California, having its principal place of business in the city of Los Angeles in said State. Such corporation was organized in 1920. Since that time it has been engaged in the business of building, acquiring and operating motion picture theatres in several cities and towns in the State of California. Since on or about January 1, 1921, respondent, West Coast Theatres, Inc., has owned, and still owns, 50 per cent of the capital stock of said Venice Investment Co. It is an allied concern through which respondent, West Coast Theatres, Inc., has conducted a portion of its activities as exhibitor.

Hollywood Theatres, Inc., is a corporation organized and existing under and by virtue of the laws of the State of California, having its office and principal place of business in the city of Los Angeles in said State. Respondent, Hollywood Theatres, Inc., was organized prior to January 1, 1921. Such corporation has been and still is engaged in the business of building or acquiring and operating motion picture theatres, said theatres being largely in Hollywood and Los Angeles, Calif. Since on or about January 1, 1921, respondent West Coast Theatres, Inc., has owned and still owns 50 per cent of the capital stock of respondent, Hollywood Theatres, Inc.

All Star Feature Distributors, Inc., is a corporation organized and existing under and by virtue of the laws of the State of California, with its principal office and place of business in the city of San Francisco in said State. Such corporation was organized in the year 1914. It has been engaged in the business of distributing motion picture films and leasing them to distributors for exhibition in several States of the United States and in Hawaii. It is a so-called State right exchange with license to distribute in California, Arizona, Nevada, and Hawaiian Islands. Since on or about January 1, 1921, respondent West Coast Theatres, Inc., has owned and still owns 50 per cent of the capital stock of respondent, All Star Feature Distributors, Inc.

Educational Film Exchange. The name of this respondent should be Educational Film Exchange of Southern California, and it is a corporation organized and existing under and by virtue of the laws of the State of California, with its principal office and place of business in Los Angeles in said State. It was organized prior to

1920, and has been engaged in the business of distributing and leasing motion picture films to exhibitors for showing in Southern California and Arizona. West Coast Theatres, Inc., owns 49 per cent of the capital stock of respondent Educational Film Exchange of Southern California, the remaining 51 per cent of the stock in said respondent being owned by the national exchange of Educational Film Exchange.

West Coast Theatres, Inc., of Northern California acquired 49 per cent of the capital stock of Educational Film Exchange of Northern California through its acquisition of the capital stock of Turner & Dahnken, Inc. Educational Film Exchange of Northern California is a corporation organized and existing under and by virtue of the laws of the State of California, with its principal office and place of business in San Francisco in said State. It was organized prior to 1920 and has been engaged in the business of distributing and leasing motion picture films to exhibitors for showing in northern California, Nevada, and the Hawaiian Islands. The remaining 51 per cent of the capital stock of Educational Film Exchange of Northern California is owned by the national exchange of Educational Film Exchange.

Respondent, Principal Pictures Corporation, is a corporation organized and existing under and by virtue of the laws of the State of California having its principal office and place of business in the city of Los Angeles in said State. Such corporation was organized in the year 1922, and has been engaged in the business of producing motion picture films and distributing them to exhibitors in several States of the United States. Respondent, West Coast Theatres, Inc., owned 60 per cent of the capital stock of respondent. Principal Pictures Corporation, until July 16, 1923, when it sold its interest therein to other stockholders of said company.

H. M. Turner, Fred Dahnken, C. L. Langley, and F. W. Livingston were copartners doing business as Turner, Dahnken & Langley. Such partnership was organized prior to July 1, 1921. Such partnership and the individuals of which it was composed maintained their offices and principal place of business in the city of Los Angeles, Calif. These individuals, operating as Turner, Dahnken & Langley, were engaged in the business of owning and leasing or operating motion picture theatres in towns and cities in California. On or about July 1, 1921, respondents, H. M. Turner, Fred Dahnken, C. L. Langley, and F. W. Livingston entered into a contract with respondent, West Coast Theatres, Inc., whereby said individuals on the one hand and respondent West Coast Theatres, Inc., on the other,

agreed to cease competing with each other in Southern California, and acquired certain interests in certain theatres and theatre-holding corporations, some of which had been, up to that time, in competition with one another.

PAR. 2. The term "exhibitors" as hereinafter used applies to respondents (excepting All Star Feature Distributors, Inc., Educational Film Exchange, and Principal Pictures Corporation), and to their competitors engaged in the operation of theatres and in the leasing and the exhibition of motion picture films.

"Exhibitors" is a term used generally to designate operators of theatres which show motion pictures to the public. "Producers" are persons or concerns who produce motion picture films. "Distributors" are persons or concerns who distribute motion pictures.

Motion picture theatres are divided into two classes: (1) first run houses, (2) subsequent run houses. The successful distribution of motion picture films in a given territory depends largely upon their showing in the first run theatres in that territory. First run theatres in territory contiguous to the central city in which the film has its "first run," and subsequent run theatres in the same territory are guided in their choice of motion picture films by the result of the exhibition of such films in the first run theatre in such central city.

PAR. 3. Respondents operate, control and/or "book" for first run theatres in large numbers in the more important California cities and towns. At the date of its organization, respondent West Coast Theatres, Inc., controlled the following theatres:

Theatre	West Coast percentage of interest	Remarks
<i>Los Angeles</i>		
Kinema (Criterion).....	100	50 per cent at time of organization, 100 per cent later. House owned by Hollywood Theatres, Inc., of whose stock 50 per cent owned by West Coast Theatres, Inc., and 50 per cent by Frank Grant, J. L. Swope, J. M. Young, and others. Same as Hollywood Theatre (see new Apollo). Same as Hollywood.
Rosebud.....	100	
New Central.....	100	
Strand.....	100	
Alhambra.....	50	
Hollywood.....	50	
Apollo.....	50	Same as Hollywood.
Windsor.....	50	
<i>Venice</i>		
Auditorium.....	50	House owned 100 per cent by the Venice Investment Co., 50 per cent of whose stock is owned by West Coast Theatres, Inc., and the other 50 per cent was then owned by George Cleveland, Kinney, and others. Mr. Cleveland was closely associated with the men who controlled respondent. Do. Do.
Neptune.....	50	
California.....	50	
<i>Anaheim</i>		
California.....	75	Under name of Anaheim Theatres, Inc., theatre was constructed, G. T. Ingram owning the other 25 per cent interest.

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Theatre	West Coast percentage of interest	Remarks
<i>Pomona</i>		
American.....	100	
Belvidere.....	100	
<i>Bakersfield</i>		
California.....	100	
Pastime.....	100	
Hippodrome.....	100	
Opera House.....	100	
<i>Taft</i>		
Sunshine.....	22½	Directly 22½ per cent, indirectly a majority interest.
<i>Redondo</i>		
Capitol.....	50	Same as California Theatre, Venice.
<i>Ocean Park</i>		
La Petite.....	50	Do.

Since the date of its organization and prior to May, 1925, when the complaint was issued in this proceeding, respondent, West Coast Theatres, Inc., had acquired the following theatres or the interest therein hereinafter indicated:

Theatre	West Coast percentage of interest	Remarks
<i>Los Angeles</i>		
Circle.....	100	
Roosevelt.....	50	Leased by Huntington Park Theatres, Inc., of which West Coast Theatres, Inc., owns 50 per cent of capital stock, the other 50 per cent owned by West Coast-Langley Theatre Circuit, controlled by respondent.
Tally's.....	100	
Sunbeam.....	100	
Highland.....	100	
Mission (Monterey Park).....	100	
Boulevard.....	100	
Brooklyn.....	100	
Uptown.....	100	
Shamrock (Bandbox).....	75	Leased from A. C. Blumenthal Co., other 25 per cent owned by I. H. Norton.
New Apollo.....	50	Replaces the old Apollo which is owned by Hollywood Theatres, Inc., in which corporation West Coast Theatres, Inc., has 50 per cent interest.
Wiltshire.....	50	Leased by Hollywood Theatres, Inc., in which company West Coast Theatres, Inc., owns 50 per cent of stock.
Granada.....	50	Do.
Paramount.....	50	Do.
Caramel.....	50	Do.
Beverly.....	50	Do.
Sunbeam.....	66⅔	Leased from I. King by West Coast-Sunbeam Theatre Co., of which West Coast Theatres, Inc., owns 66⅔ per cent of capital stock and C. W. Grubb owns 33⅓ per cent.
Kinema.....	66⅔	Do.
Loew's State.....	50	Leased by Combined Theatres, Inc., from 7th and Broadway Building Co., West Coast Theatres, Inc., owns 50 per cent of stock and Loew's, Inc., owns other 50 per cent.
California.....	50	Do.
Muller.....	50	Do.

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Theatre	West Coast percentage of interest	Remarks
<i>Los Angeles—Con.</i>		
Grauman's Egyptian.....	50	Owned by Boulevard Theatre Co., Inc., of which West Coast Theatres, Inc., owns 50 per cent and Sidney Grauman owns 50 per cent.
Manchester.....	50	Owned by South Side Theatres, Inc., 50 per cent of whose stock is owned by West Coast Theatres, Inc., and 50 per cent by R. B. Grunauer.
York.....	50	Owned by John Sugar. West Coast Theatres, Inc., has 50 per cent interest in profits and operates theatre.
<i>Anaheim</i>		
Fairyland.....	75	Leased by Anaheim Theatres, Inc., the other 25 per cent of whose stock is owned by G. T. Ingram.
Strand.....	75	Do.
<i>Pomona</i>		
California.....	100	Built by respondent upon land leased for 99 years from M. Potter.
<i>Taft</i>		
Hippodrome (old).....	22½	Leased from F. Livingston, who holds 38¾ per cent of stock; C. L. Langley, who had similar share, sold to respondent, West Coast Theatres, Inc., which now owns 61¼ per cent of stock.
<i>Redondo</i>		
Art.....	50	Leased by Venice Investment Co., of whose stock West Coast Theatres, Inc., owns 50 per cent.
Pavilion.....	50	Do.
<i>Ocean Park</i>		
New Dome.....	50	Do.
<i>San Pedro</i>		
Cabrillo.....	100	
<i>San Bernardino</i>		
West Coast.....	100	Lease for 15 years.
<i>Long Beach</i>		
West Coast.....	100	
Liberty.....	100	
Palace.....	50	Sold.
<i>Wilmington</i>		
Granada.....	100	
<i>Riverside</i>		
Mission.....	50	West Coast-Langley Circuit owns other 50 per cent.
Regent.....	50	Do.
Loring.....	50	Do.
Orpheum.....	50	Other 50 per cent owned by Turner, Dahnken & Langley.
<i>El Centro</i>		
Palace.....	50	Leased from Mrs. Blackwell to Valley Theatre Co., West Coast Theatres, Inc., own 50 per cent and Arthur Brick 50 per cent.
Valley.....	50	Do.
Airdome.....	50	Owned by Valley Theatre Co.
Tulane.....	50	Leased by Valley Theatre Co.
<i>Hermosa Beach</i>		
Metropolitan.....	50	Through Venice Investment Co. See Art Theatre, Redondo.
<i>Santa Monica</i>		
Criterion.....	50	Do.

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Theatre	West Coast percentage of interest	Remarks
<i>Huntington Park</i>		
Huntington.....	50	Throuth Huntington Park Theatre Co. See Roosevelt Theatre, Los Angeles.
California.....	50	Do.
<i>Glendale</i>		
Palace Grand (now Lincoln).	20	Leased by Glendale Theatre Co., other 80 per cent of stock owned by West Coast-Langley Circuit.
Gateway.....	30.3	Owned by Gateway Theatre Co., in which Fred Miller, Roy Miller, and B. E. Loper, sr., own other 69.7 per cent of the stock.
<i>San Diego</i>		
Balboa.....	100	Building owned by Balboa Building Co., but leased to Silvergate Theatre, Inc., of which respondent West Coast Theatres, Inc., owns 100 per cent of the stock.
Cabrillo.....		Do.
<i>Santa Barbara</i>		
California.....	49	Leased by California Theatres Co., in which West Coast Theatres, Inc., acquired an interest of 49 per cent, but purchase was rescinded and interest now nil.
Potter.....		Do.
Mission.....		Do.
Granada.....		Same as California. (These theatres are leased by the California Theatre Co.; booked for by West Coast.)

Besides the direct holdings detailed above, respondent, West Coast Theatres, Inc., has indirect interests in the following theatres:

Theatre	West Coast percentage of interest	Remarks
<i>Los Angeles</i>		
Alvarado.....	50	Leased by the West Coast-Langley Theatre Circuit—Same as Mission Theatre, Riverside, Cal.
De Luxe.....	50	Do.
Theatorium (now Hollyway).	50	Do.
Rivoli.....	50	Owned by Holly-Western Theatres, Inc., 50 per cent of whose stock is owned by Hollywood Theatres, Inc., in which respondent West Coast Theatres, Inc., has a half interest; the other half is owned by Graff Brothers.
Carlton.....	50	Do.
Crescent.....	50	Do.
Iris.....		Leased by Earl Sinks and Hollywood Theatres, Inc., with interests of 50 per cent each, West Coast Theatres, Inc., having 50 per cent interest in Hollywood Theatres, Inc.
<i>Pasadena</i>		
Pasadena.....		Leased by West Coast-Langley Circuit—Same as Alvarado Theatre, Los Angeles.
Florence.....		Do.
Raymond.....		Do.
Strand.....		Do.
<i>Inglewood</i>		
Inglewood.....		Leased by the Inglewood Theatre Co., which is owned 33¼ per cent by D. B. Van Derlip, 33¼ per cent by West Coast Theatres, Inc., and 33¼ per cent by Venice Investment Co. West Coast Theatres, Inc., owns 50 per cent of the stock of Venice Investment Co.
Granada.....		Do.

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Prior to the issuance of the complaint in this case, May 29, 1925, respondent, West Coast Theatres, Inc., had begun construction of or had started negotiations for the acquisition of an interest in certain other theatres which have subsequently been opened and/or acquired. These theatres are as follows:

Theatre	West Coast percentage of interest	Remarks
<i>Los Angeles</i>		
San Carlos.....	100	Leased by Hollywood Theatres, Inc., of whose stock 50 per cent is owned by West Coast Theatres, Inc.
La Mirada.....	50	
Belmont.....	50	Leased by Huntington Park Theatres, Inc., of whose stock West Coast Theatres, Inc., owns 50 per cent, West Coast Theatres, Inc., of Northern California and C. L. Langley own 50 per cent.
Balboa.....	50	Owned by Southside Theatres, Inc., of whose stock West Coast Theatres, Inc., own 50 per cent.
Mesa.....	66⅔	Owned by Mesa Investment Co., 66⅔ per cent West Coast Theatres, Inc., and 33⅓ per cent by Adolph Kamish.
Ritz.....	100	
<i>South Pasadena</i>		
Rialto.....	50	50 per cent Turner, Dahnken & Langley and 50 per cent by West Coast Theatres, Inc.
<i>Santa Ana</i>		
West Coast Walker.....	51	Owned by West Coast Walker Theatres, Inc.,—51 per cent West Coast Theatres, Inc., and 49 per cent C. W. Walker.

Through a corporation known as West Coast Junior Circuit, respondent, West Coast Theatres, Inc., has an interest in the following theatres:

Theatre	West Coast percentage of interest	Remarks
<i>Los Angeles</i>		
Royal.....	50	Owned 100 per cent by West Coast Junior Circuit, Inc., of whose capital stock West Coast Theatres, Inc., owns 50 per cent.
Jewel.....	50	
Crystal.....	50	
<i>Redlands</i>		
Majestic.....	50	Do.
Liberty.....	50	Do.
Wyatt.....	50	Do.
<i>Ontario</i>		
Granada.....	50	Do.
<i>Burbank</i>		
Victory.....	50	Do.

As of May, 1925, the New Central, Apollo, and Windsor of the original holdings in Los Angeles were closed. The Auditorium in

Venice was destroyed by fire and the Neptune was closed. The American and Belvidere in Pomona were closed, as was the Opera House in Bakersfield, La Petite in Ocean Park was dismantled. Of the later acquisitions in Los Angeles, the Tally's and Sunbeam were closed, as was also Miller's. Fairyland and Grand in Anaheim, and Pavilion in Redondo, were also closed, as were Palace in Long Beach, Mission in Riverside, and Palace, Valley and Tulane in El Centro. Crescent in Los Angeles, in which respondent West Coast Theatres, Inc., had an indirect interest, was also closed in May, 1925.

Respondents refused to give information as to theatre holdings later than May, 1925, except where negotiations leading to the acquisition of a theatre had been begun before that date, but there were indications that the processes of expansion are continuing as they continued between 1920 and 1925. The lists above given do not include the holdings of respondents in northern California.

PAR. 4. While technically accurate, having in mind that the above lists set forth the direct ownership of respondent, West Coast Theatres, Inc., in the theatre-owning and operating corporations, said lists do not in fact give full information as to such virtual ownership. As of May, 1925, respondent, West Coast Theatres, Inc., owned directly 5,506.2 shares of the capital stock of the Taft Theatre Co. C. L. Langley and respondent, West Coast Theatres, Inc., of Northern California, a subsidiary of West Coast Theatres, Inc., owned 9,490.8 shares of such stock out of a total issue of 15,000 shares. With C. L. Langley, its associate, tied to its policies by contract, it controlled all the stock. In the same way, respondent, West Coast Theatres, Inc., and its subsidiary West Coast Theatres, Inc., of Northern California, together with C. L. Langley owned 9,998 shares of stock in Glendale Theatre Co., out of a total issue of 10,000 shares. In the same way West Coast Theatres, Inc., its subsidiary and its associate owned 4,997 shares of stock of the Huntington Park Theatre Co., out of a total issue of 5,000 shares.

The West Coast-Langley Theatre Circuit is the same as the partnership of Turner, Dahnken & Langley, named as a respondent in this case. Turner & Dahnken (now West Coast Theatres, Inc., of Northern California) owned a two-thirds interest in Turner, Dahnken & Langley, which interest was acquired by respondent, West Coast Theatres, Inc., when it bought more than 90 per cent of the capital stock of Turner & Dahnken. Since that time F. W. Livingston and C. L. Langley have sold their interests in the partnership to respondents, so at present respondents West Coast Theatres, Inc., West Coast Theatres, Inc., of Northern California and Adolph Ramish own the West Coast-Langley Theatre Circuit.

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PAR. 5. Respondent, West Coast Theatres, Inc., does the booking of all the theatres in which it has any interest. Booking for a theatre involves the purchase of motion picture films for exhibition in the theatre, the arranging of runs, play dates, etc. A commission of 10 per cent is charged for this service in practically every case, both for theatres in which it has an interest, and those in which it has no interest.

In addition to booking for theatres in which it has an interest, respondent West Coast Theatres, Inc., also booked for thirty theatres in which it had no interest of any kind. It had terminated the purchase of films for eight of such theatres prior to the issuance of the complaint in this proceeding, and shortly thereafter, ceased booking for six other of such theatres. At the present time it is booking for sixteen theatres in which it is not an owner in whole or part. By booking for theatres in which it has no interest of any kind, West Coast Theatres, Inc., is able to control to a great extent the policy of such theatres, and add to its influence and dominance in the film-purchasing market in southern California.

Respondent, West Coast Theatres, Inc., when it acquires an interest of any kind in a theatre or theatre-owning company, usually requires that it shall keep the books and accounts of said theatre or theatre-owning company.

PAR. 6. A "first-run" theatre is one which exhibits a film for the first time in a particular city, town, or zone. Subsequent exhibitions of a film in the same city, town, or zone are called "second run", "third run", etc. Patrons of moving picture theatres usually prefer to attend first-run theatres, and such theatres charge higher admission prices than subsequent-run theatres. A large majority of the theatres owned, controlled and operated by respondent West Coast Theatres, Inc., are first-run theatres in the cities, towns, and zones in which said theatres are located.

PAR. 7. Individuals with large or controlling interests in respondent, West Coast Theatres, Inc., and in prominent executive positions, and others who are connected with said respondent or some of its affiliated companies, also held in 1925, and now hold, important positions in companies named herein as owning, leasing or operating motion picture theatres. The officers and directors of these companies in May, 1925, and at present are as follows:

Venice Investment Co.—1925: M. Gore, president and director; George J. Cleveland, secretary and director; John J. Harrah, treasurer and director; Sol Lesser, vice president and director. At present: A. Ramish, president and director; A. L. Gore, vice president and director; C. A. Buckley, secretary; G. A. Delabar,

treasurer; E. P. King, assistant secretary and controller; Alfred Wright, director; M. Gore, director.

Hollywood Theatres, Inc.—1925: M. Gore, president and director; J. M. Young, vice president and director; Sol Lesser, secretary and director; F. A. Grant, assistant secretary and director; J. Leslie Swope, treasurer and director; A. L. Gore, director. At present: M. Gore, president and director; J. M. Young, vice president and director; J. Leslie Swope, treasurer and director; Frank Grant, secretary and director; C. A. Buckley, assistant secretary and director; A. L. Gore, director.

All Star Feature Distributors, Inc. (Not an exhibitor, but a subsidiary).—1925: Sol Lesser, president; Henry D. Meyer, vice president; Jacob Samuels, secretary. At present: Henry D. Meyer, president; Samuel Meyer, vice president; Jacob Samuels, secretary.

South Side Theatres, Inc.—1925: M. Gore, president and director; Sol Lesser, vice president and director; R. B. Grunauer, secretary, treasurer, and director; A. L. Gore, director. At present: M. Gore, president and director; R. L. Lauterstein, vice president and director; Ralph B. Grunauer, secretary and director; A. L. Gore, director.

Hollywestern Theatres, Inc.—1925: J. Leslie Swope, president and director; Adolph Ramish, vice president; Carl H. Graff, secretary and director; Joe J. Graff, treasurer and director; M. Gore, director; J. M. Young, director. At present: J. Leslie Swope, president and director; Adolph Ramish, vice president; Carl H. Graff, secretary and director; Joe J. Graff, treasurer and director; M. Gore, director; J. M. Young, director.

Taft Theatre Co.—1925: C. L. Langley, president; F. W. Livingston, vice president; C. E. Kells, secretary; A. Ramish, M. Gore, C. L. Langley, and C. E. Kells, directors. At present: A. L. Bernstein, president and director; Adolph Ramish, vice president and director; Charles A. Buckley, secretary and director; H. G. Delabar, treasurer; M. Gore, director.

Glendale Theatre Co.—1925: C. L. Langley, president and director; C. E. Kells, secretary, treasurer and director; Sol Lesser and A. L. Gore, directors. At present: A. L. Bernstein, president and director; Adolph Ramish, vice president and director; Charles A. Buckley, secretary and director; H. G. Delabar, treasurer; A. L. Gore, director.

Huntington Park Theatre Co.—1925: C. L. Langley, president; C. E. Kells, secretary and director; M. Gore and Adolph Ramish, directors. At present: A. L. Bernstein, president and director;

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Adolph Ramish, vice president and director; Charles A. Buckley, secretary and director; H. G. Delabar, treasurer; M. Gore, director.

Principal Pictures Corporation.—1925: Sol Lesser, president and director; M. Rosenburg, secretary and director; Irving Lesser, vice president and director; E. H. Messer, secretary. At present: Same.

Educational Film Exchange, Inc., of Southern California.—1925: M. Gore, president and director; E. W. Hammons, vice president and director; Bruno Weyers, assistant treasurer; J. W. Toon, assistant treasurer; Sol Lesser, secretary and director; E. H. Allen, director. At present: Same.

Boulevard Theatres, Inc.—At present: Joseph Schenck, president and director; Joseph Loeb, vice president and director; A. M. Brentinger, secretary, treasurer, and director; Earl Adams, director.

Grauman's Greater Hollywood Theatre, Inc.—At present: Sidney Grauman, president and director; M. Gore, secretary and director; Joseph M. Schenck, vice president and director.

West Coast Walker Theatres, Inc.—1925: A. L. Gore, M. Gore, Sol Lesser, Charles E. Walker, and Edythe Walker, directors. At present: Not furnished.

West Coast Junior Circuit, Inc.—At present: A. L. Gore, M. Gore, C. A. Buckley, H. M. Sugarman, and A. L. Bernstein, directors.

There are a number of other corporations owning, leasing, and operating theatres in which respondent West Coast Theatres, Inc., has stock interests, but the names of the officers and directors of these companies are not available.

PAR. 8. In extending its theatre holdings or control, West Coast Theatres, Inc., entered into contracts, agreements, and understandings with certain of the other respondents herein, and with other motion picture theatre owners, with the purpose and effect of restraining competition between the theatres owned by said other respondents and motion picture theatre owners, and the theatres owned, operated, or controlled by respondent and/or its principal stockholders.

(1) Under date of July 1, 1921, F. W. Livingston, Hattie M. Turner, Fred Dahnken, and C. L. Langley, partners, doing business under the name and style of Turner, Dahnken & Langley, as parties of the first part, entered into a contract with respondent West Coast Theatres, Inc., and Mike Gore, A. L. Gore, Sol Lesser, and Adolph Ramish, as parties of the second part, in which contract it is recited:

Whereas, said parties of the first part, are the owners, controllers, or operators of certain theatres in Southern California, hereinafter enumerated; and,

Whereas, in certain localities in Southern California the theatres of said parties hereto, respectively, are in open and aggressive competition which threatens to be ruinous and unprofitable to said parties respectively and such parties are fearful that such competition may extend to other localities in Southern California where a theatre or theatres of said parties only is now owned, controlled, or operated, and the parties hereto for the purpose of their mutual benefit, and to avoid and prevent such ruinous and unprofitable competition, and for the further purpose of providing against the contingencies of the future as the business of the parties hereto may come in conflict have agreed as follows, to wit: * * *

Following the above preamble, the parties to this contract agree to organize and incorporate the Hippodrome Theatre of Taft, Inc., and Palace Grand Theatre of Glendale, Inc., for the purpose of acquiring, operating, and dealing in theatres and kindred property. These corporations are to be made holding companies for the theatres and other kindred properties owned by the parties to the contract and located in the places indicated by the names of the corporations. Parties of the second part were to hold 22½ per cent of the stock of the Hippodrome corporation and 20 per cent of the stock of the Glendale corporation, and the corporations were to be given certain First National film franchises owned by parties of the second part. It is provided in such contract that each of the parties thereto shall have an equal number of stockholders on the boards of directors of the two companies, although West Coast Theatres, Inc., has a minority of the capital stock, and each shall have 50 per cent of the voting power both in the Hippodrome and the Glendale corporations. Said corporations were formed in accordance with the terms of the contract, on April 6, 1922, under the names "Taft Theatre Co.", and "Glendale Theatre Co.", and are now in existence.

It is recited in the agreement that parties of the second part (West Coast Theatres, Inc.) own theatres in Bakersfield, Pomona, Long Beach, Venice, Redondo, Anaheim, San Pedro, San Diego, and Taft, Calif., which are designated as "Closed and restricted towns owned by West Coast Theatres, Inc.", and that said parties of the second part also own eight theatres in Los Angeles, one in Gardner Junction, and three in Hollywood, Calif., which have "Protection of one and one-half mile radius closed zone given". It is also recited that such parties of the second part own three theatres in Los Angeles, the Kinema, Alhambra, and Shamrock, designated as "Open and unrestricted communities". It is also recited that parties of the first part have three theatres in Los Angeles, Jensen's Theatorium, Alvarado, and DeLuxe Theatres, which are designated as "Theatres owned by Turner, Dahnken & Langley, wherein a

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protection of one and one-half miles closed zone is given". It is further recited in the contract that Main Street, Los Angeles, is "open and unrestricted" in the block between Fourth and Fifth Streets. Also that on the Bush property, located on the line of Santa Monica and Venice, Turner, Dahnken & Langley propose to establish a theatre which shall be open and unrestricted.

Closed towns as understood in the motion picture industry are towns where one interest owns the theatres, and there is but one customer for films.

The contract further provides that the theatres already owned, controlled, operated, or in the course of construction, belonging to either party to the contract, shall continue to serve the respective communities or zones set out in the foregoing paragraph of the contract, and the parties to the contract agree not to invade any such zone or community and to refrain from competition with each other therein. If new zones are created by either party during the life of the contract in any manner, the party creating such new zone or community must first give notice to the other party of the location of such new zone, proposed plans, etc., and said other party shall have the exclusive right and option for thirty days to acquire a 50 per cent interest in such enterprise at actual cost.

It is provided that whenever the parties of the first part create a new zone or zones subject to service by a First National franchise, parties of the second part agree to assign or cause to be assigned to the parties of the first part such franchise, if in their power so to do.

Another clause requires the parties to the contract to refrain from acquiring an interest in any new theatre within a one and one-half mile radius of any theatre then owned or being constructed by either party, with certain exceptions.

Under the contract, the options given to each of the parties to the contract to share in each new theatre enterprise of any of the other parties, are limited to two years. If the parties undertaking such new enterprise fail to notify the other parties and offer them 50 per cent interest in the enterprise, then the other parties may give notice of a desire to participate and such notice gives the other parties an option under certain circumstances, during the life of the contract. This arrangement for the participation by all parties to the contract in the new enterprises of each party applies to any interest which either party may get in any new project.

It is also provided that the contract is effective in and binds the parties from the northern line of Kern and San Luis Obispo Counties, and takes in what is known as Southern California.

The words "invade" or "compete" or "invasion" or "competition," are defined by the parties to the agreement as including any interests, rights, and titles, indirect as well as direct, as copartners, stockholders, owners of units, under declaration of trusts, or otherwise, "However acquired, or however direct or inconsequential."

The term of the contract is twenty-five years. The parties to said contract have adhered to and abided by the policies and provisions contained therein, and so far as necessary, said contract is still in effect. The acquisition of control over the Turner, Dahnken & Langley interests by respondent, West Coast Theatres, Inc., in February or March, 1923, made this contract unnecessary as a means of extending its control over the theatres in Southern California, and in the suppression of competition between Turner, Dahnken & Langley and respondent West Coast Theatres, Inc., in such territory. Turner & Dahnken, the corporation afterward known as West Coast Theatres, Inc., of Northern California, when acquired by respondent West Coast Theatres, Inc., in February or March, 1923, owned a two-thirds interest in Turner, Dahnken & Langley, and this interest passed to respondent West Coast Theatres, Inc., with the other Turner & Dahnken holdings.

(2) An agreement between respondent, West Coast Theatres, Inc., and Loew's Inc., was dated May 26, 1923. By this agreement the parties bound themselves to form a New Jersey corporation to be known as "Combined Theatres Corporation," the stock of which was to be shared by the parties to this agreement, and to place in the control of such corporation said Loew's theatres in Los Angeles and San Francisco, Calif. Combined Theatres Corporation was to be controlled by a board upon which both parties were represented. Under the agreement, the theatres were to be operated for joint account. The contract recites that Loew's, Inc., owns all the capital stock of Metro Pictures Corporation, a New York corporation (now known as Metro-Goldwyn-Mayer), and that respondent West Coast Theatres, Inc., "is the owner of the exclusive franchise or right to the distribution in the State of California, of motion picture productions released by or through the Associated First National Pictures Corporation." By the agreement Combined Theatres Corporation was to have the pick of not less than twenty-two pictures per year released by Metro Pictures Corporation and Associated First National Pictures Corporation, respectively, for first run exhibition in the two theatres covered by said contract, said pictures to be on the "play or pay" basis. The theatres covered by said contract are Loew's State Theatre in Los Angeles, and Loew's Warfield Theatre in San

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Francisco, both being leading downtown, first-run theatres in their respective cities, and their policies being the showing of a picture for seven days. Each concern, Loew's and respondent, West Coast Theatres, Inc., had share and share alike in the profits. Loew's Inc., had general inspection rights and West Coast Theatres, Inc., was the actual operator. The California and Miller's theatres in Los Angeles were also acquired by Combined Theatres Corporation and operated under similar terms. The contract is still in force as to Loew's State Theatre in Los Angeles and Loew's Warfield Theatre in San Francisco. Until May 15, 1925, it was in force as to the California Theatre, and was in force as to Miller's until 1926, when the lease on that theatre expired. The California Theatre has since been leased to other parties.

From May 26, 1923, the date of the contract, to May 29, 1925, the date of the complaint, only eleven films other than those produced by Metro Pictures Corporation and Associated First National Pictures Corporation were exhibited in Loew's State Theatre, and three of these pictures were produced by respondent West Coast Theatres, Inc., two of them under the name All Star Feature Producers, and one by Principal Pictures Corporation, the money for making said picture being provided by West Coast Theatres, Inc. No pictures produced or distributed by Metro Pictures Corporation or Associated First National Pictures Corporation are given a first-run exhibition in Los Angeles or San Francisco in any other theatre in said cities unless they have been rejected by West Coast Theatres, Inc., as not being of sufficient quality to be exhibited in said Loew's State Theatre or Loew's Warfield Theatre.

By this contract, competition between Loew's, Inc., and respondent West Coast Theatres, Inc., as exhibitors was terminated in the cities of Los Angeles and San Francisco, as was also competition between Metro Pictures Corporation and Associated First National Pictures, Inc., in the leasing of films for first-run exhibition in said cities.

(3) Respondent, West Coast Theatres, Inc., and respondents Sol Lesser, Adolph Ramish, A. L. Gore, and Michael Gore, as parties of the second part, entered into an agreement with Sidney Grauman of Los Angeles, party of the first part, under date of November 17, 1922. In such agreement it is recited that Sidney Grauman was owner of all the capital stock of Boulevard Theatre Company Inc., being 3,000 shares. Such stock was acquired by Sidney Grauman in exchange for a theatre building and equipment which he had erected in Hollywood at a cost of \$130,000, and certain obligations for which he had pledged \$30,000 in Liberty bonds. Boulevard Theatres,

Inc., on the other hand assumed all the obligations of Sidney Grauman in connection with the building and equipment of the theatre known as "Grauman's Egyptian". By the contract of November 17, 1922, Sidney Grauman sold to respondent West Coast Theatres, Inc., and its associates, 1,500 shares of the capital stock of Boulevard Theatres, Inc. Respondent, West Coast Theatres, Inc., and its associates, agreed to pay for the stock \$25,000, and one-half of such amounts as Sidney Grauman had expended upon the construction and equipment of the theatre, which is agreed upon as \$160,000, already expended. Outstanding liabilities were also to be shared. By the agreement, Sidney Grauman was retained as a general director of the theatre management. Should it become a losing venture, he may be directed in the management by the board of directors of the Boulevard Theatre Co., Inc.

The contract states that it is the intention of both parties that Boulevard Theatre Co., Inc., shall have first right and option to the exhibition of all pictures released by or through Associated First National Pictures, Inc., and West Coast Theatres, Inc., agrees to use its influence to secure for the new corporation the right to first-run exhibition in the district of Hollywood of all such pictures. Respondent, West Coast Theatres, Inc., and its associates agree to the same preference for Boulevard Theatre Co., Inc., in the leasing of any films distributed by any concern in which they have as much as a one-fourth interest. They also agree to endeavor to secure from any distributor, whose productions they or any of them control, or are interested in, a clearance period of sixty days in the district of Hollywood, after the date of the last exhibition by Boulevard Theatre Co., Inc., in favor of said Boulevard Theatre Co., Inc., and also a provision that no picture exhibited by Boulevard Theatre Co., Inc., shall be announced for exhibition in any other theatre in the city of Los Angeles until thirty days after the last day of exhibition by Boulevard Theatre Co., Inc.

Both parties agree that during the life of the agreement neither of them will directly or indirectly become connected with, or financially interested in, any theatre in the district of Hollywood, except that West Coast Theatres, Inc., is allowed to remain interested in Hollywood Theatres Co., Inc., in which it is a stockholder.

At the time Grauman's Egyptian Theatre was opened, it was the finest theatre in Los Angeles. The agreement above set forth eliminated all further competition between Sidney Grauman and West Coast Theatres, Inc., in Hollywood. It also gave the Egyptian Theatre an exclusive right and option in Hollywood to the first run of all pictures released by or through Associated First National

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Pictures, Inc., and restrained the trade in the leasing of films in Hollywood of distributors and producers in which respondent West Coast Theatres, Inc., and its associates had an interest of 25 per cent or more.

(4) Respondent, West Coast Theatres, Inc., under date of March 30, 1921, made a contract with J. E. Wrightsman and W. J. Johnson, a copartnership doing business as Johnson & Wrightsman, by which the respondent got a one-half interest in the Palace and Liberty theatres, in Long Beach, Calif., theretofore owned by Johnson & Wrightsman. It was provided that all interest in these theatres should be transferred to a corporation whose capital stock should be owned share and share alike by the parties to the contract. A consideration of the purchase was that respondent, West Coast Theatres, Inc., transferred to the new corporation the Associated First National Pictures, Inc., franchise for Long Beach. Apparently the corporation was never formed, but West Coast Theatres, Inc., acquired a 50 per cent interest in the Liberty and Palace theatres in Long Beach. Shortly after the agreement was entered into Wrightsman sold his 25 per cent interest in the theatres to Johnson. Some time later respondent, West Coast Theatres, Inc., and Johnson separated their interests, West Coast, Theatres, Inc., taking the Liberty Theatre and Johnson retaining the Palace Theatre. At the date of the issuance of the complaint said respondent owned and was operating the Liberty Theatre, which theatre held the First National Franchise for Long Beach. During the term of this contract all competition between respondent, West Coast Theatres, Inc., and Johnson & Wrightsman was eliminated in Long Beach.

(5) Respondent, Hollywood Theatres, Inc., controlled by respondent, West Coast Theatres, Inc., under date of October 14, 1922, entered into a contract with Carl Graff and Joseph Graff, a partnership. At that time the corporation owned the Rivoli Theatre, and the partnership the Crescent Theatre, on Western Avenue, in the city of Los Angeles, Calif. In this contract the following recitation of facts and motive occurs:

Whereas it is the desire of all the parties hereto that the competition in the operation of said theatres be terminated, and that they hereafter be run in conjunction with each other, and—

The agreement provides that the theatres should thereafter be conducted jointly for the benefit of the parties to the agreement, and that the partnership should get one-third and the corporation two-thirds of the profits. The parties also agreed that the partnership acquire and equip a new theatre at Fifty-fourth Street and Western Avenue, Los Angeles, and that when that theatre had equip-

ment equal to the Rivoli, then a new corporation should be formed in which the partnership and the corporation should have equal holdings. Finally, the Crescent Theatre was to be sold and the Rivoli and the new theatre operated. Virtual control was given the Hollywood Theatres, Inc., and bookings were to be made for the theatres in conjunction with respondent, West Coast Theatres, Inc., which was to receive 10 per cent of the contract price of all films shown for this service. The partnership was to transfer its Associated First National franchise to the new corporation for mutual benefit of the parties, and the corporation was to pay to Graff Brothers 50 per cent of the cost of the franchise. The new corporation contemplated in this contract was formed and is now operating under the name of Holly-Western Theatres, Inc., the stock being held as provided for in the agreement. Holly-Western Theatres, Inc., owns the Rivoli, Crescent, and Carlton theatres in Los Angeles, the latter being the new theatre agreed upon in the contract. The Crescent Theatre has been closed.

By this contract all competition between Graff Bros. and respondents, Hollywood Theatres, Inc., and West Coast Theatres, Inc., in the business of owning and operating motion-picture theatres has been eliminated.

(6) Respondent, West Coast Theatres, Inc., by agreement dated October 9, 1923, with Charles W. Grubb, joined with him in the construction and equipment of a theatre at Sixty-ninth Street and Compton Avenue in Los Angeles County, Calif. At this point Mr. Grubb had operated a theatre which had been destroyed by fire. By the agreement, respondent, West Coast Theatres, Inc., secured two-thirds interest in and control of the new theatre. It is provided that neither party will engage in the motion-picture or theatrical business within a radius of one mile of the new theatre, and that the influence of the parties will not be used for the benefit of any other theatre to the detriment of the theatre operated by the parties to the agreement. While not provided for in the agreement, a corporation called West Coast Sunbeam Theatre Co. was formed, the stock of which is owned $66\frac{2}{3}$ per cent by West Coast Theatres, Inc., and $33\frac{1}{3}$ per cent by C. W. Grubb. Said corporation owns the Sunbeam and Kinema theatres in Los Angeles. Respondent, West Coast Theatres, Inc., does the booking for the theatres, originally charging a commission of 10 per cent, but later charging a flat rate.

By this contract all competition between respondent, West Coast Theatres, Inc., and C. W. Grubb, was eliminated.

(7) Respondent, West Coast Theatres, Inc., agreed with Ralph Grunauer, as shown in an instrument in writing dated September

10, 1924, to form a corporation to be known as "South Side Theatres, Inc.," through which the parties were to construct and conduct a motion-picture theatre on Scovill's Moneta Avenue Tract, in the city of Los Angeles, Calif. The theatre was to be controlled by respondent, West Coast Theatres, Inc., and it was to book for the theatre and make a charge for the booking, and also controlling the entertainment policy of the theatre and keep the books, for which a charge of \$15 per week is made. In the agreement there appears the following provision:

The agreement provides that if either party becomes interested directly or indirectly in any other motion picture or theatrical enterprise within a radius of one mile of the theatre covered by the agreement, a 50 per cent interest in the holdings of either party shall be offered to the other on the same basis as acquired.

The following clause is then added:

It is understood that certain of the agreements set forth in this agreement may not be enforceable; nevertheless the parties hereto agree that at all times they will consider themselves in honor bound to carry out each and all of their respective agreements therein contained.

The theatre contemplated by this contract was erected and is now operating under the name of the Manchester Theatre, in Los Angeles.

The clause in the contract quoted above with reference to either party becoming interested in any other theatre within a radius of one mile of the Manchester Theatre was invoked by Grunauer in connection with the Balboa Theatre. Respondent, West Coast Theatres, Inc., was contemplating building another theatre eight-tenths of a mile from the Manchester, and putting said theatre in South Side Theatres, Inc. Grunauer, under date of March 13, 1925, addressed a letter to the board of directors of West Coast Theatres, Inc., protesting against the proposition as planned by said respondent, and suggesting alternative plans. West Coast Theatres, Inc., arranged the matter amicably with Grunauer, as such new theatre was built under the name of Balboa Theatre, and is now being operated. It is owned by South Side Theatres, Inc., 50 per cent of whose stock is owned by respondent West Coast Theatres, Inc., and 50 per cent by R. B. Grunauer.

(8) By agreement dated September 6, 1925, respondent, West Coast Theatres, Inc., engaged with Charles E. Walker and Edythe Walker of Santa Ana, Calif., to form a corporation to be known as the West Coast Santa Ana Theatres, Inc., of which respondent was to own 51 per cent of the capital stock and the Walkers 49 per cent. This corporation was to take over the Walker's Theatre in Santa Ana, then owned by the Walkers, and operate it according to re-

spondent's system. Respondent was to have control and do the booking. It is provided that any other theatre that West Coast Theatres, Inc., shall operate, be interested in, or that a corporation in which it holds any stock shall operate, shall be operated by and through the corporation provided for in the agreement. The corporation contemplated in said contract has been formed, with interests to the respective parties as set forth therein, and is operating the West Coast Walker Theatre, in Santa Ana.

Several years previous to the entering into of this contract, respondent, West Coast Theatres, Inc., through Messrs. Gore and Lesser, offered to buy an interest in the Yost Theatre and Yost's Broadway Theatre, in Santa Ana, owned and operated by E. D. Yost. Mr. Yost refused to sell. Subsequently the board of directors of West Coast Theatres, Inc., on May 12, 1925, voted to acquire a 51 per cent interest in the theatre owned by C. E. Walker, and the contract set forth above was consummated. Since that time West Coast Theatres, Inc., through Mr. Walker, have several times unsuccessfully sought to buy an interest in the Yost Theatres. By this agreement respondent acquired a controlling interest in a theatre in Santa Ana, and have eliminated competition between itself and the Walkers.

(9) D. B. Van Derlip had been operating the Inglewood Theatre, in Inglewood, Calif., a suburb of Los Angeles for some time. Representatives of Venice Investment Co., a respondent herein in which respondent, West Coast Theatres, Inc., owns a 50 per cent interest, proposed to buy an interest in his theatre. A contract of copartnership was drawn up between Van Derlip, party of the first part, and Venice Investment Co., party of the second part, by which Venice Investment Co. acquired a 50 per cent interest in said Inglewood Theatre. This contract is dated June 1, 1923, and it is set forth therein that the purpose of Van Derlip entering into the partnership arrangement is the benefit to be derived by him because of the stronger purchasing power and influence in motion picture lines possessed by respondent, Venice Investment Co. The contract then sets forth the various interests transferred, and the express conditions governing the contract, among the latter being one that neither party, for a period of fifteen years, except upon the written consent of the party of the first part had and obtained, will either directly or indirectly conduct, maintain, operate, supervise, or manage, or in any manner, financially or otherwise, be interested in any motion picture theatre, motion picture theatre business, or other theatre, or other public entertainment hall, or public entertainment business or building, located within a radius of one and one-half miles of the building now occupied by the Inglewood Theatre, nor will they be-

come interested in any way in more than three motion picture theatres, or motion picture theatre businesses, etc., located more than $1\frac{1}{2}$ miles, but less than 4 miles, from the Inglewood Theatre, without the written consent of the party of the first part, and on the condition that the first party shall have an interest in each of the three new motion picture theatres. The agreement covers any person, firm or corporation which is interested in the Venice Investment Co., or either or any of them, and the Venice Investment Co. agrees to secure the consent and approval of all persons, firms and corporations interested in it to this provision of the agreement. It is further provided that should Van Derlip agree to the Venice Investment Co. acquiring an interest in any motion picture theatre, or erecting a theatre within a radius of 4 miles, then Van Derlip shall be entitled to a one-half interest in any theatre within $1\frac{1}{2}$ miles of the Inglewood, and a one-third interest in any one more than $1\frac{1}{2}$ miles but less than 4 miles of the Inglewood Theatre.

The contract also provides that the association of the Venice Investment Co. with Van Derlip in the ownership of the theatre be not made public in Inglewood or vicinity, in order "to discourage prospective competition, or otherwise."

Attached to the contract is a consent signed by West Coast Theatres, Inc., by Sol Lesser, vice president, to the provisions of the contract regarding the acquisition of any other theatre or theatres by the Venice Investment Co.

This contract was in effect until the formation of Inglewood Theatre Co., which now owns the Inglewood and Granada theatres, in Inglewood, the capital stock of which is owned $33\frac{1}{3}$ per cent by D. B. Van Derlip and $66\frac{2}{3}$ per cent by Venice Investment Co. This contract eliminates all competition, present and future, between Van Derlip and respondents, Venice Investment Co. and West Coast Theatres, Inc., within a 4-mile radius of the Inglewood Theatre.

Prior to opening the Inglewood Theatre, in Inglewood, Mr. Van Derlip had owned and operated a theatre in Huntington Park, Calif., another suburb of Los Angeles. Mr. Claude L. Langley, one of the partners in Turner, Dahnken & Langley, respondent therein, approached him to buy a one-half interest in his theatre. Van Derlip did not wish to compete with the Turner, Dahnken & Langley circuit, so sold all his theatre interests to them. Van Derlip sold a 50 per cent interest in the Inglewood Theatre to respondent, Venice Investment Co., because he did not want to have the competition of that circuit in Inglewood.

(10) Under date of January 26, 1926, an agreement was entered into between M. Rosenberg, Harry Sugarman, and A. L. Bernstein,

parties of the first part, and West Coast Theatres, Inc., party of the second part, for the formation of a theatre-owning corporation to be called "West Coast Junior Circuit". The contract provides that Rosenberg, Sugarman, and Bernstein have purchased certain theatres "by mutual agreement with West Coast Theatres, Inc.", and that the interests of the respective parties are 50 per cent to respondent, West Coast Theatres, Inc.; $16\frac{2}{3}$ per cent to M. Rosenberg; $16\frac{2}{3}$ per cent to Harry Sugarman; and $16\frac{2}{3}$ per cent to A. L. Bernstein. It is stated that it is the desire and purpose of all the parties that other theatre properties be acquired, and that the theatre properties already acquired and hereafter to be acquired shall be operated independent of the individual interests of any of the parties, and that for the purpose of convenience a new corporation had been theretofore organized under the name of Junior Theatres, Inc., and that as all the parties desire that the corporation known as Junior Theatres, Inc., and West Coast Theatres, Inc., should operate in harmony and for the best interests of each other, it was thereupon agreed that the name of the corporation should immediately be changed to West Coast Junior Circuit, Inc.; that upon execution of the agreement all affairs of the parties should be transferred to said corporation, and that stock should be issued in accordance with the respective interests of the various parties. It further provided for the organization of another corporation known as "The Holding Corporation", to which corporation Rosenberg, Sugarman, and Bernstein transfer any or all of their stock interests in the West Coast Junior Circuit, with a right to them to dispose of not to exceed 50 per cent of the capital stock of the Holding Corporation. It is then provided for the method of disposing of stock interests held by the parties if they so desired. The contract provides that the management of the West Coast Junior Circuit should be in Rosenberg, Sugarman, and Bernstein, subject to the supervision of the directors of West Coast Junior Circuit, so long as those parties should collectively own or control 50 per cent of the stock of the Holding Corporation or West Coast Junior Circuit. It is further provided that should such stock ownership cease, West Coast Theatres, Inc., should at its option take over and retain the management as long as desired. No theatres or real estate should be purchased by the Junior Circuit except through a vote of a majority of the directors of the corporation, and no theatres then being operated by the parties to the agreement should be taken over, leased or operated except by like consent. The share in the profits, losses, and expenses of the new circuit should be in the proportion of the stock holdings, and the directorate of the corporation should be composed of four directors selected by West

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Coast Theatres, Inc., and four selected by Rosenberg, Sugarman, and Bernstein. The method of paying for the stock is set forth, and it is provided that West Coast should pay for its interest and stock the same as the collective cost to Rosenberg, Sugarman, and Bernstein. It is provided that the bookkeeping of the Junior Circuit shall be carried on by the bookkeeping department of West Coast Theatres, Inc., at actual cost, and that West Coast shall have control of the buying of all pictures for the various theatres owned by the Junior Circuit, and that the Junior Circuit will bear a proportionate share of the actual cost of maintaining the buying department.

West Coast Junior Circuit, Inc., was organized in accordance with the terms of the above contract, and among its directors, in June, 1927, were A. L. Gore, M. Gore, C. A. Buckley, H. M. Sugarman, and A. L. Bernstein, the latter being a nephew of Adolph Ramish, one of the directors of West Coast Theatres, Inc., and a respondent herein. Certain theatres owned by Rosenberg, Sugarman, and Bernstein were turned over to the corporation, and others have since been erected or bought. At the time of taking testimony West Coast Junior Circuit, Inc., owned and was operating seven theatres, in Los Angeles, Redlands, Ontario and Burbank, Calif.

Prior to the entering into of the contract of January 26, 1926, the formation of West Coast Junior Circuit, Inc., had been presented to the board of directors of respondent West Coast Theatres, Inc., by a letter from M. Rosenberg, dated March 30, 1925. The minutes of the meeting of the board of directors of West Coast Theatres, Inc., dated April 7, 1925, show that Messrs. Rosenberg and Sugarman were present and presented the matter to the board. They stated that the new circuit intended to operate in smaller towns and districts, such as Fullerton, Burbank, Compton, Maywood, etc., where West Coast Theatres, Inc., was not interested, and that they desired to cooperate with West Coast Theatres, Inc., in every way, and would not go into any opposition points against respondent or its affiliations. They would give respondent the right and privilege to approve or reject any location. Director Ramish was in favor of the proposition with the proviso that if West Coast Theatres, Inc., should decide against any location its decision would be final, that respondent owns 50 per cent of every proposition, and that if respondent did not want 50 per cent of any proposition it should be rejected so far as the new circuit was concerned. Reference was made to a location in Los Angeles the new circuit was considering at the time, and Rosenberg stated that as long as respondent, West Coast Theatres, Inc., was interested in the location the Junior Circuit would drop it. On April 28, 1925, A. L. Gore was appointed

by the board of directors as a point of contact between West Coast Theatres, Inc., and the Junior Circuit.

The purpose and effect of this agreement is to eliminate competition between the parties to it in the ownership and operation of motion picture theatres. West Coast Junior Circuit, Inc., is under the control of West Coast Theatres, Inc., which respondent books for the theatres of the Junior Circuit, and keeps its accounts.

(11) Under date of November 21, 1924, respondent, West Coast Theatres, Inc., entered into a four-party agreement with Fedroy Amusement Co., Combined Theatres Corporation, and Loew's, Inc., by which for the year in which the contract was in force, Fedroy's Miller's Theatre was made a second-run theatre, running second to the Criterion, California, and Loew's State in Los Angeles. The contract states that Loew's, Inc., owns or controls all the stock of Metro-Goldwyn Distributing Corporation, and respondent, West Coast Theatres, Inc., is the owner of the exclusive franchise in the State of California of all pictures released by through First National Pictures, Inc., Loew's, Inc., and West Coast Theatres, Inc.; agree to make available as many pictures distributed by these two exchanges as are necessary, which pictures have previously been exhibited at the Criterion, California, or Loew's State theatres. The contract also states that Combined Theatres Corporation is also about to take over the management of the California Theatre in Los Angeles. While the management of the theatre during the term of the agreement is given to Combined Theatres Corporation, respondent, West Coast Theatres, Inc., actually managed and operated the theatre, as under the contract between Loew's, Inc., and West Coast Theatres, Inc., by which Combined Theatres Corporation was formed to take over Loew's State Theatre, the management of theatres owned by Combined Theatres Corporation is given to respondent, West Coast Theatres, Inc. The term of this contract was from November 22, 1924, to October 31, 1925. This contract eliminated Miller's Theatre from competition with theatres owned or controlled by respondent, West Coast Theatres, Inc., as a first-run house.

(12) On June 20, 1923, respondent, West Coast Theatres, Inc., entered into an agreement with John Sugar, who was the owner of a theatre under construction at the northwest corner of Avenue 50 and York Boulevard, Los Angeles, known as the York Theatre, whereby for a term of five years Sugar was to give West Coast Theatres, Inc., 50 per cent of the profits derived from the theatre, with option of extension of another five years. If at any time during the life of the agreement respondent, West Coast Theatres,

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Inc., should build another theatre within a radius of a mile of the York Theatre, Sugar is given an option to acquire a one-half interest in such theatre. All film and vaudeville bookings for the York Theatre are to be made through West Coast Theatres, Inc., for which it is to receive 10 per cent commission for the films and 5 per cent for vaudeville. Sugar is to manage the theatre under the supervision of West Coast Theatres, Inc.

(13) On January 1, 1922, respondent, West Coast Theatres, Inc., entered into a copartnership agreement with Ike Norton, covering the Shamrock Theatre, in Los Angeles, by which it was agreed that West Coast Theatres, Inc., should receive 75 per cent of all profits from the theatre, and Norton should receive 25 per cent, the losses being borne in the same proportion. West Coast Theatres, Inc., is to keep the books of account and have exclusive management of the theatre.

(14) On January 1, 1925, respondents, West Coast Theatres, Inc., West Coast Theatres, Inc., of Northern California, and C. L. Langley, entered into an agreement showing the ownership of each party in the Mission, Regent, and Loring Theatres in Riverside, Calif., as follows: West Coast Theatres, Inc., one-half; West Coast Theatres, Inc., of Northern California, two-sixths; and C. L. Langley, one-sixth. It is further provided that respondent, West Coast Theatres, Inc., shall have exclusive management, operation, and supervision of said theatres, and shall do the booking for, and keep the accounts of said theatres. In September, 1925, C. L. Langley sold his interest in these theatres to Adolph Ramish, through A. L. Bernstein, nephew of Mr. Ramish, who was the ostensible purchaser.

(15) Henry C. Jensen of Los Angeles, a theatre owner and exhibitor under date of May 25, 1921, made three separate agreements with Hattie M. Turner, Fred Dahnken, and C. L. Langley, by which he agreed to refrain from carrying on the business of maintaining and operating any theatres within the corporate limits of the city of Pasadena, the city of Glendale, or within $1\frac{1}{2}$ miles of the Theatorium Theatre, in Los Angeles, as long as respondent, Turner, Dahnken & Langley, or any or either of them, or any person or persons deriving title to the good will from any or either of them should carry on a like business in the same location. He had sold at a previous time Jensen's Pasadena Theatre, and Jensen's Raymond Theatre in Pasadena, Calif.; Palace Grand Theatre in Glendale, Calif., and Jensen's Theatorium in Los Angeles, Calif., to the parties. It is recited that at the time of sale, May 5, he had agreed to refrain from the theatre business in the territory in which the theatres had been located. The agreements of May 25, 1921, it is recited, were

for the purpose of reducing the former agreements to writing. In this way, Mr. Jensen, a large theatre owner, was eliminated from the theatre field in some of the best theatre territory in California. July 1, 1921, respondent, West Coast Theatres, Inc., entered into contracts with the parties with whom Mr. Jensen had contracted, eliminating competition between them and respondent West Coast Theatres, Inc. Afterward respondent, West Coast Theatres, Inc., secured a controlling interest in the Turner, Dahnken, & Langley holdings, and in September, 1925, it together with Adolph Ramish, one of its directors and a respondent herein, owned all of the holdings of Turner, Dahnken & Langley.

(16) In September, 1921, respondent, West Coast Theatres, Inc., entered into a copartnership agreement with C. T. Ingram, who was operating the Fairyland and Grand theatres, in Anaheim, Calif. West Coast Theatres, Inc., at that time was building the California Theatre, in Anaheim. These three theatres were consolidated under the terms of the agreement, with West Coast Theatres, Inc., having 75 per cent interest and Ingram 25 per cent. Under date of November 6, 1922, another agreement between the same parties was entered into whereby a corporation called Anaheim Theatres, Inc., was formed, to which corporation the three theatres were turned over. The stock of said corporation is held 75 per cent by respondent, West Coast Theatres, Inc., and 25 per cent by C. T. Ingram. West Coast Theatres, Inc., has the control and operation of the theatres. The lease on the Fairyland Theatre expired in 1926, and was not renewed, and the lease on the Grand Theatre expired sometime previously. Both theatres were controlled and operated by respondent, West Coast Theatres, Inc., during the term of the leases. In June, 1927, Anaheim Theatres, Inc., only owned the California Theatre, in Anaheim.

PAR. 9. By opening negotiations for the building of theatres, and by circulating reports through parties connected with it, or its affiliated companies, that it intended building theatres, in competition with existing theatres owned by its competitors, respondent, West Coast Theatres, Inc., in many instances induced and persuaded its competitors to sell their theatres, or an interest in said theatres, to said respondent or its affiliated companies.

PAR. 10. By the purchase and construction of theatres, by contracts with competitors eliminating competition, by making partnerships with competitors, respondent, West Coast Theatres, Inc., has steadily progressed from the time of its organization to the time of the hearing in this proceeding toward greater and greater domination of the motion picture theatre field in Southern California. So

great has this domination become that the situation now strongly tends to monopoly of the motion picture theatre business in this territory. Respondent is especially dominant in the first-run theatre field, so that it is in position to make successful or to embarrass a producer or distributor in marketing his product in Southern California.

PAR. 11. In addition to its power as an exhibitor, respondent, West Coast Theatres, Inc., is and has been an important distributor in California, and the States of Nevada and Arizona, and in Hawaii. It has had control of the franchise rights of the Associated First National Pictures, Inc., for the States of California, Arizona, Nevada, and Hawaiian Islands. By contract, it has had refusal of the Metro-Goldwyn pictures for certain of its theatres. It has also an interest in Educational Film Exchange of Southern California and Educational Film Exchange of Northern California, in All Star Feature Distributors, Inc., and in Principal Pictures Corporation. Its interest in the last named was sold later to Sol Lesser and Mike Rosenberg, both closely associated in business with respondent.

(1) Associated First National Pictures, Inc., is a Delaware corporation engaged in production and distribution of motion picture films. Respondent, West Coast Theatres, Inc., and its predecessors, have held since 1919, sole and exclusive franchises for distribution of the films of this producer in California, Arizona, Nevada, and the Hawaiian Islands. Distribution in Southern California and Arizona was made through Associated First National Pictures of Southern California, Inc., also a Delaware corporation, which performed the function of an exchange. Respondent, West Coast Theatres, Inc., owned 51 per cent of its stock, and the principal stockholders of this respondent held the other 49 per cent. Respondent, West Coast Theatres, Inc., also held a block of the stock of the national company, Associated First National Pictures, Inc. Through its subsidiary, respondent, West Coast Theatres, Inc., of Northern California, it succeeded to the Frederick Dahnken interests, which held the distribution franchise for Northern California, Nevada, and Hawaiian Islands, held beneficially by Associated First National Pictures, Inc., of Northern California, of which Turner & Dahnken owned and transferred to this subsidiary, 51 per cent of the stock. This subsidiary and its predecessor held stock also in the Associated First National Pictures, Inc., the producing corporation, and had a representative among the five voting trust trustees, who controlled the corporation's policies.

(2) Ownership of the exclusive franchise for the distribution of First National pictures in the State of California, Arizona, Nevada,

and Hawaiian Islands entitled respondent, West Coast Theatres, Inc., to grant subfranchises to theatres in those States.

There were sixty-two theatres holding First National subfranchises in Southern California and Arizona in May 29, 1925, when complaint issued in this proceeding, of which thirty-eight were owned by West Coast Theatres, Inc., all issued through respondent West Coast Theatres, Inc., and its predecessors in interest. As of the time of taking testimony, June, 1927, there were fifty-eight subfranchises held by theatres, of which thirty-nine were theatres owned by respondent, West Coast Theatres, Inc. Many of the subfranchises sold to other theatres by respondent, West Coast Theatres, Inc., were for second and third-run exhibition in the territories in which said theatres were located. The ownership of the exclusive franchise for the distribution of pictures produced and distributed by Associated First National Pictures, Inc., and the right to grant subfranchises for these pictures to other theatres, is a valuable asset to respondent, West Coast Theatres, Inc., and aided said respondent in increasing and expanding its power and influence in the motion picture theatre field in the State of California.

About three-fourths of the output of Associated First National Pictures, Inc., was made up of "franchise pictures", the rest being "open market" pictures, which were pictures for the most part, of an inferior quality to the franchise picture, and in some instances pictures the exhibition value of which could not be agreed upon by the producers and officials of Associated First National Pictures, Inc. Franchise holders had to take and pay for all "franchise" pictures, whether they were exhibited or not, and were always given first opportunity to buy "open-market" pictures.

(3) Respondent, West Coast Theatres, Inc., also through its subsidiary, respondent, West Coast Theatres, Inc., of Northern California owned 60 per cent of the issued and outstanding stock of the First National Exchange of New York, a distributing corporation, which in turn owned 60 per cent of the capital stock of Associated First National Pictures of New York, a corporation, which in turn is owner of 14½ per cent of the capital stock of Associated First National Pictures, Inc., the national company. First National Pictures, Inc., of New York owned a franchise entitling it to distribute motion picture films throughout the State of New York. For several years the Associated First National Pictures, Inc., has produced and distributed high-class motion picture films. Control of its output in California, Arizona, Nevada, and the Hawaiian Islands has given respondent, West Coast Theatres, Inc., advantages over its exhibitor competitors. Its power in the motion picture field is

further shown by its control over the distributing concern handling the Associated First National Pictures, Inc., output in the State of New York, and an indirect important interest in the Educational Film Exchange.

(4) Under date of March 9, 1921, Associated First National Pictures, Inc., a Delaware corporation (called the Pictures Company), entered into a contract with Associated First National Pictures of Southern California, a Delaware corporation (called the Exchange) then controlled by West Coast Theatres, Inc. By that contract a franchise was given the Exchange for the exclusive distribution until 1945 in Southern California and Arizona of all films produced by the Pictures Company. The Exchange was to pay twenty-seven fifty-sixths per cent of the exhibition value of the pictures. It was given power to issue subfranchises in its exclusive territory, with the approval of the Pictures Company. The Exchange was made the agent of the Pictures Company and was obliged to account to it periodically. The Exchange deposited a voting trust certificate for 1,489 $\frac{2}{3}$ shares of its capital stock as security for the carrying out of the contract. This agreement was signed by Michael Gore and David Bershon for the Exchange. An amended agreement was made between the parties January 1, 1924. It was shown that the Exchange had stock interests in the Pictures Company. It received 402 shares of preferred A Stock and 280 shares of preferred B stock in the Pictures Company, of an estimated aggregate value of \$68,000. This was issued to respondent, West Coast Theatres, Inc. The Exchange was released from assessments by the Pictures Company. It relinquished its franchise agreement and gave up its former privilege of distributing films other than those of the Pictures Company. The Exchange got back its voting trust certificates for its own stock. This agreement was signed by J. M. Young and A. L. Gore for the Exchange, two officers of respondent, West Coast Theatres, Inc.

Respondent West Coast Theatres, Inc., did not lose its exclusive franchise for the distribution of First National pictures in Southern California. On November 21, 1924, more than eleven months after the contract with Associated First National Pictures, Inc., whereby West Coast Theatres, Inc., relinquished its exclusive franchise for the distribution of First National pictures in Southern California, in a contract between respondent, West Coast Theatres, Inc., Fredroy Amusement Co., Combined Theatres Corporation, and Loew's, Inc. (referred to in paragraph 8) it is stated:

Whereas, West Coast is the owner of the exclusive franchise in the State of California of motion pictures released by or through First National Pictures, Inc.

(5) Under date of November 27, 1919, the Pictures Company made a voting trust agreement with its stockholders by which Fred Dahnken, who afterward sold his motion picture interests to respondent, West Coast Theatres, Inc., was one of the five trustees who were to control the policies of the Pictures Company. This agreement discloses interest by respondents herein in 12,075 shares of the capital stock of the Pictures Company, through Thos. L. Tally, Turner & Dahnken, and indirectly through First National Exchange, Inc.

(6) Associated First National Pictures, Inc., requires every exhibitor who wishes to use its pictures to sign a franchise contract containing these stipulations, among others: (a) Films must be shown in a specified theatre and in no other for stated period; (b) must be shown in no other theatre for a fixed period after the exhibition period; (c) must not be advertised for a fixed period after the exhibition period; (d) franchise holder must take all pictures offered; (e) must play on dates fixed by the producer; (f) must pay a pro rata share of the exhibition value; (g) must pay for pictures even though not used; (h) is not used, producer must resell in exhibitor's territory; (i) exhibitor must advance money to producer for picture-making (now obsolete); (j) producer may exploit pictures in other theatres at higher prices; (k) exhibitor may reject such exploited picture; (l) exhibitors may have longer run for pictures of exhibition value above \$400,000; (m) exhibitor must use pictures as sent him and must use producer advertising; (n) exhibitor must ship films to addresses given him by the producer; (o) exhibitor insures films and producer ads while in his possession; (p) exhibitor must not permit the film to be copied or exhibited in any theatre except his own; (q) after June 30, 1923, the contract is subject to cancellation by either party upon six months notice; (r) exhibitor is required to pay the Federal tax.

(7) Respondent, West Coast Theatres, Inc., owns 50 per cent of the stock of All Star Feature Distributors, Inc., the other half being owned by Samuel, Henry D. and Estella Meyer, of California. It distributes motion pictures films in California, Arizona, Nevada, and the Hawaiian Islands. All Star Feature Distributors, Inc., is a "state right" exchange, or distributor. The pictures are purchased from producers, and All Star Features Distributors, Inc., has an exclusive right to distribute them in the territories named.

(8) Respondent, West Coast Theatres, Inc., owns 49 per cent of the capital stock of the Educational Film Exchange of Southern California, and 49 per cent of the capital stock of the Educational Film Exchange of Northern California. The stock of the southern

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corporation was owned by Gore Brothers and Sol Lesser, and acquired by respondent, West Coast Theatres, Inc., at the same time the other interests of that concern were acquired. The stock of the northern corporation was owned by Turner & Dahnken, and acquired by respondent, West Coast Theatres, Inc., indirectly when Turner & Dahnken was acquired. Educational Film Exchange, a national exchange distributing short reel films to motion picture houses, owned or had a beneficial interest in the other 51 per cent of the capital stock of both the northern and southern concerns. While the ownership did not give respondent specific distribution rights in California because of the ownership, respondent, West Coast Theatres, Inc., was favored in the distribution of films in its territory, and given "preferential treatment". Through purchase of Turner & Dahnken, respondent, West Coast Theatres, Inc., secured 60 per cent of the capital stock of Associated First National Exchange of New York, and that concern in turn owned 49 per cent of the stock of Educational Film Exchange of New York.

(9) Respondent, West Coast Theatres, Inc., on January 15, 1923, acquired 60 per cent of the capital stock of Principal Pictures Corporation, a producing and distributing company, the other stockholders being Irving Lesser, 15 per cent; M. Rosenberg, 15 per cent; and Sol Lesser, 10 per cent. West Coast Theatres, Inc., agreed to finance the operations of the company. As set forth hereinafter, Principal Pictures Corporation produced at least three pictures during the time respondent owned stock in it. On or about July 16, 1923, respondent, West Coast Theatres, Inc., sold its stock to Messrs. Irving Lesser, M. Rosenberg, and Sol Lesser, the latter being at that time secretary of respondent. After the sale of all its stock in Principal Pictures Corporation, said company continued to represent respondent, West Coast Theatres, Inc., in the sale of the Jackie Coogan pictures which respondent had made under the trade name of All Star Feature Producers.

PAR. 12. Respondent, West Coast Theatres, Inc., also had been a producer of motion pictures. Under the trade name "All Star Feature Producers", West Coast Theatres, Inc., produced five pictures featuring Jackie Coogan. The names of these pictures were "My Boy", "Trouble", "Oliver Twist", "Circus Days", and "Daddy". The distribution rights to these pictures for the State of California were sold by respondent, West Coast Theatres, Inc., to All Star Feature Distributors, Inc., also a respondent herein. The distribution rights for the rest of the United States were sold to Associated First National Pictures, Inc. All contracts for distribution of the pictures had to be approved by respondent, West Coast

Theatres, Inc. "All Star Feature Producers" was a trade name used by respondent and its associates for the purpose of producing these pictures, and respondent, West Coast Theatres, Inc., owned a 60 per cent interest in the undertaking, its associates being Irving Lesser, who owned a 7½ per cent interest, Col. Fred Levy, 7½ per cent, and Jack Coogan, sr., 25 per cent.

During the time respondent, West Coast Theatres, Inc., owned 60 per cent of the stock of respondent, Principal Pictures Corporation, it financed the making of three pictures, called "The Recreation of Brian Kent", "When a Man is a Man", and "The Mine with the Iron Door".

PAR. 13. Because of its ownership and/or control of more than one hundred theatres in Southern California, including the outstanding first-run theatres in this territory, its close association with other theatre owners, who are in some instances officers or stockholders and sometimes associated with it through contracts or other common interests, as hereinabove shown in greater detail, its power and influence in the distribution field through ownership in the Associated First National Pictures, Inc., and by contract arrangements with Loew's, Inc., respondent, West Coast Theatres, Inc., is in control of the market for motion picture films in Southern California, and in contiguous territory. It has used this control in lessening or eliminating competition between the producers and distributors in which it is interested and the producers and distributors in which Loew's, Inc., is interested, including Metro-Goldwyn, and to cut off the exhibitor competitors of this respondent from a supply of motion picture films necessary if they would compete successfully with respondent.

PAR. 14. For several years last past respondent, West Coast Theatres, Inc., has combined and cooperated with several of the other respondents named herein, more especially with the individual respondents, to prevent and restrain producers and distributors of motion pictures in other States from leasing their films to the exhibitor competitors of respondent, and from shipping said films into the State of California and delivering them to said competitors, and in restraining and preventing competition among said respondents, and with other exhibitors in the State of California, in negotiating for and leasing motion picture films to be shipped from other States and delivered to said exhibitors in the State of California.

PAR. 15. Respondents, by threats of withholding patronage, and by actually withholding patronage, have compelled motion picture producers and distributors (1) to discontinue dealing with exhibitor competitors of respondents and to furnish their films to theatres owned or controlled by respondents at competitive points; (2) to

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withhold certain pictures from said competitors for the purpose and with the effect of preventing said competitors from obtaining an adequate and necessary supply of suitable films for the operation of theatres in competition with respondents; (3) to refrain from leasing to competing theatres for subsequent runs films that have been run previously in respondents' theatres, until a period so long after the previous runs that the films have become practically valueless for exhibition purposes; (4) to lease their films to respondents at prices substantially less than competitors of respondent would have been willing to pay for them if given an opportunity to lease them at the time theirs were leased to respondents.

(1) B. F. Robison owned and operated the Seville Theatre in Inglewood from February, 1924, to about May 1, 1927. He had selected the location so that he might get prompt film service. His theatre was just across the street from the city limits of Los Angeles, and did not come within the zoning regulations established by the Film Board of Trade for theatres in that city, which zoning regulations grouped the theatres in a particular zone, stated which theatres were to be first-run, second-run, etc., and fixed the time after the downtown first-run showing of a picture that it could be shown in the particular zone. When he opened his theatre, the nearest theatre was the Inglewood Theatre, controlled by respondent, West Coast Theatres, Inc., which was about 2 miles away. Robison's Theatre was usually second-run, following the Inglewood Theatre. The Inglewood Theatre showed pictures 7 days after the first-run, downtown showing in Los Angeles, and the Seville Theatre followed 7 days after the Inglewood. The Rivoli Theatre, controlled by respondent, West Coast Theatres, Inc., was about 3½ miles from the Seville Theatre in the city of Los Angeles. Robison had dated the "Marriage Circle", a Warner Bros. motion picture film, for showing in the Seville Theatre, after it had been shown first-run in the Inglewood Theatre. The Inglewood delayed the showing of the picture for so long a time that when it was exhibited in the Seville Theatre it had lost a large part of its exhibition value.

Robison was able to secure first-run pictures only from the Universal Exchange, and such other pictures as he could occasionally pick up. About 1924 Mr. Robison arranged to run twelve Associated First National pictures as second-runs in the Seville, including "Black Oxen", "When a Man's a Man", and "A Man of Action". They were to be run subsequent to the Inglewood Theatre of respondent, West Coast Theatres, Inc., with the understanding that each run was to be 14 days after the first run in Los Angeles (the "key city") and 7 days after Inglewood. He was able to secure in his

theatre only the three names, and was informed by the district manager of the First National Exchange that the Rivoli Theatre controlled by respondent, West Coast Theatres, Inc., objected to the pictures being shown in the Seville and advertised in the territory. Robison had received written confirmation of the play dates for the three pictures used. After giving him written confirmation for the three pictures, First National Exchange wrote him that he could not have any of the pictures, but because of the previous confirmation of the three pictures, the exchange could not withdraw them.

Since the opening of the Seville Theatre by Robison three theatres controlled by respondent, West Coast Theatres, Inc., have been opened in his vicinity, the Granada, in Inglewood, and the Mesa and Carlton, in Los Angeles. The Mesa Theatre was opened in the spring of 1926, and is about three-quarters of a mile from the Seville. In December, 1925, respondent, West Coast Theatres, Inc., demanded that the Seville Theatre be put in a Los Angeles zone with the Mesa Theatre, although the theatre was located outside the city limits of Los Angeles. The Film Board of Trade did rezone the Seville Theatre, and put it in a Los Angeles zone with respondent's Mesa Theatre, which resulted in the Seville having to run pictures after the Mesa, which theatre could not show pictures until 30 days after the first-run, downtown showing. Before being rezoned the Seville Theatre could show pictures 14 days after the downtown first-run, but after being zoned with and forced to follow the Mesa, he could not show them until more than 30 days after the downtown showing, and the pictures had lost some of their exhibition value.

After the Mesa Theatre was opened Robison found it almost impossible to get film service for his theatre. He applied for service from eleven exchanges, but could get only two of them. Services that he had used for some time, or offered to buy 100 per cent, were taken away from him and given to the Mesa, even after agreements to sell them to the Seville had been signed by the local agents of the exchanges. These pictures were subsequently exhibited in the Mesa Theatre. Because of the difficulty in procuring film supplies, Robison was forced out of business and closed his theatre about May 1, 1927.

(2) In the years 1925-26, Mr. Robison had used many of the pictures of the Producers' Distributing Corporation. He attempted to get the pictures of that distributor as second-run in Inglewood for the season 1926-27. He negotiated for a list of about thirty-five or forty with the representative of the exchange. A work sheet was presented to him giving him the exchange prices, which he regarded as prohibitive. He started to make a counter offer by writing

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in prices that he would pay for the films. After writing in prices for nine of the films offered, he was told by the representative that it would not be worth while to go on as the prices which he was offering would not be considered. The distributors thereafter sold the pictures to respondent West Coast Theatres, Inc., not only for less than they had asked of Mr. Robison, but for less than he had offered for them. For "The Sea Wolf," Mr. Robison offered \$25. It was sold to West Coast for \$22.50. For "Sunny Side Up," he offered \$30; it was priced to him at \$32, and sold to West Coast for \$20. For "Meet the Prince," Mr. Robison offered \$25. It was priced to him originally at \$29, and sold to West Coast at \$20. For "Her Man O'War," Mr. Robison offered \$35. It was priced to him at \$37.50, and sold to West Coast at \$32.50. For "The Clinging Vine," Mr. Robison offered \$35. It was priced to him originally at \$37.50, and sold to the West Coast at \$25. For "The Speeding Venus," Mr. Robison offered \$25. It was priced to him originally at \$35.50, and sold to the West Coast for \$20. For "Gigolo," Mr. Robison offered \$35. It was priced to him originally at \$43, and sold to the West Coast at \$27.50. For "Young April," Mr. Robison offered \$30. It was priced to him originally at \$47.50, and sold to West Coast for \$30. In not one of the twenty-eight other offerings to Mr. Robison did the exchange get as much from West Coast as it demanded of Mr. Robison. In some cases, it cut its asking price to Mr. Robison in halves, as in "Silk" and "The Country Doctor." West Coast Theatres, Inc., bought these pictures for first-run exhibition in the Mesa, and Robison was buying them for second-run showing. Respondent, West Coast Theatres, Inc., also included in the contract for these pictures a clause giving the Mesa Theatre a 14-day clearance period over the Seville, and to guard against Robison reducing admission prices, another clause was inserted giving the Mesa Theatre 90 days' clearance over any theatre in the zone charging less than 20 cents admission.

(3) R. W. McKinney has the Regent Theatre, at 4012 Vermont Avenue, and the Playhouse, at 1234½ West Seventh Street, Los Angeles, Calif. He has had the former for 5 years and the latter for 8 years. He is in competition with the Vermont (about 4 blocks away), Astor, Colonial and Temple Theatres, booking for the first named being under control of respondent, West Coast Theatre interests. He was refused film service by the Paramount Exchange for the Regent Theatre, and told by the management that they were protecting their account with the Vermont Theatre, and could not sell him second run. Mr. McKinney also applied for Associated First National pictures, and was denied them, being told by the

manager that Mr. Harper, part owner of Vermont, for which West Coast booked, refused to permit the leasing of the pictures to Mr. McKinney. F. B. O. Exchange had been supplying Mr. McKinney since 1923. When the exchange offered "Human Wreckage," a feature picture, it went to the Vermont. He was told by the manager that West Coast would throw out his pictures everywhere if he did not sell it to the Vermont rather than to Mr. McKinney. The Exchange yielded to the threat. Mr. McKinney has been playing everything the Exchange offered, some of it indifferent and not profitable. McKinney applied to the Goldwyn Exchange for pictures, and was told by the manager that he could not have any pictures because the exchange was protecting the Vermont Theatre.

(4) Mrs. Ora L. Hunley conducted a motion picture house known as "Hunley's" in Hollywood, Los Angeles, from 1921 to 1924. It was in immediate competition with Apollo Theatre of respondent, West Coast Theatres, Inc., located about five blocks away. This respondent also had the Paramount and the Hollywood, and later other theatres in the district. Mrs. Hunley lost the Goldwyn service after the Paramount Theatre started business, because she could not pay as high a price for it as this respondent's theatres could. She was denied Associated First National Pictures films for second-run, and was informed by the manager that this respondent had forbidden his leasing them to Hunley's, and for that reason he could not lease them although he wished to do so. She applied for the Metro picture, "Four Horsemen of the Apocalypse," for the second-run exhibition, but could not get it, and it was subsequently shown in one of the West Coast Theatres near her. Mrs. Hunley did secure Paramount service in competition with respondent, West Coast Theatres, Inc. Paramount's contract with Apollo had expired and Mrs. Hunley secured it against the Apollo.

(5) James Sams operated the Rosemary Theatre, a small house at Ocean Park, from 1912 to 1925. He competed with La Petite and Dome Theatres of respondent, West Coast Theatres, Inc. A fire destroyed the theatres at Ocean Park. This respondent's officers attempted to have Mr. Sams join them in rebuilding, so that a theatre might be eliminated and competition for films cut down. Sams refused this offer. After the fire Mr. Sams had the Goldwyn and Universal services taken from him and given to houses of this respondent. He had a contract before the fire for "Why Worry" from Pathe, the price being agreed upon. It was sold to this respondent's Dome Theatre. United Artists, Metro and Fox Exchanges also canceled contracts with Mr. Sams and sold to theatres of this respondent after the fire. Only Paramount and F. B. O.

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services were left available to him. He sold out to a respondent, Venice Investment Company in November, 1925.

(6) Jacob Dörner has operated the Globe Theatre, in San Pedro, Calif., since 1916. Respondent, West Coast Theatres, Inc., in 1923 opened the Cabrillo Theatre in San Pedro. Prior to 1923, Mr. Dörner had been showing Goldwyn and Fox services 100 per cent in his theatre ever since he had opened it. He applied for Goldwyn service for the 1923-1924 season, and after being put off from time to time the exchange manager finally told him all the service had been sold by the home office in New York to West Coast Theatres, Inc., for the Cabrillo Theatre, and that the local exchange had nothing to do with it.

(7) Walter F. Jensen operates the Melrose Theatre, in Los Angeles. He was a franchise holder in Associated First National Pictures, entitling him to fourth-run in his zone, following three other theatres operated by West Coast Theatres, Inc. Respondent, West Coast Theatres, Inc., opened the Belmont Theatre in opposition in 1926. Prior to the opening of the Belmont, Jensen had been taking all First National pictures for his theatre, and had been showing all except the poor ones, which he would pay for but not use. The Belmont claimed the right to show First National pictures before the Melrose, even though it was outside the zone, and Associated First National Exchange gave the pictures to the Belmont and obliged Mr. Jensen to run them after the Belmont, if at all. Later the Belmont changed its policy to a legitimate theatre and Mr. Jensen was allowed to have the pictures. Mr. Jensen had been using the Metro-Goldwyn film service ever since his theatre opened. He applied for it for 1926-27, and his written application was received by Mr. Lamb, manager of the exchange, after he and Mr. Jensen had talked it over. Prices were set forth in the application, which is upon a form provided by the exchange. He was denied the service. Mr. Lamb called Mr. Jensen to his office and told him he was sorry, but the service had been sold by the New York office to the Belmont Theatre.

(8) D. V. Van Derlip has one-third interest in the Granada and Inglewood Theatres, in Inglewood. Venice Investment Company, one of the organizations controlled by respondent, West Coast Theatres, Inc., owns the other two-thirds. Mr. Van Derlip has had the Inglewood either alone or with a partner for about five years. He was approached by officers of this respondent who suggested that they were expecting to build a motion picture theatre in Inglewood, but would be glad to take an interest in his and avoid competition. Rather than have the competition of this respondent, he sold its

subsidiary a two-thirds interest in his business. He had sold his theatre in Huntington Park some years before to another West Coast Theatres, Inc., organization in much the same circumstances. In neither instance were Van Derlip's theatres on the market for sale.

(9) E. D. Yost of Santa Ana operates the Yost Theatre and the Yost's Broadway Theatre, in Santa Ana, Calif., the latter being a 2,000-seat theatre, the largest in the city and opened June 2, 1926. Mr. Yost had used United Artists film services for years. When he wanted it for Yost's Broadway Theatre for 1926-27, he could not get it, being told by the manager that it had been sold in New York to respondent, West Coast Theatres, Inc., for use in the Walker Theatres in Santa Ana, for which this respondent was booking, and for which it had a contract of purchase. The pictures were used in the Walker theatres. Mr. Yost had been securing part of the Universal service prior to 1926-27, the rest of it being used by respondent, West Coast Theatres, Inc. A salesman for the service had offered him several pictures which Mr. Yost had accepted. Prices were agreed upon and contracts drawn up. The branch manager refused Mr. Yost the pictures, saying that he had been selling to respondent, West Coast Theatres, Inc., and it insisted that it must have all the pictures, including those offered Mr. Yost, and the manager for that reason refused them to Mr. Yost. Relying upon the action of its salesman, Mr. Yost had advertised the Universal pictures for exhibition in his house. Mr. Yost had been running Harold Lloyd pictures in his houses ever since Lloyd started making pictures. He applied to the Pathe Exchange, which distributed the Lloyd picture "The Freshman", but was told by Mr. Jenner, the manager, that the picture had been sold in New York to the West Coast 100 per cent. Three or four years ago Sol Lesser and Mr. Gore, of respondent, West Coast Theatres, Inc., approached Mr. Yost to buy an interest in his Santa Ana Theatre, and in the past year Mr. Walker, associated with this respondent, has several times sought to buy an interest.

(10) Glen Harper, manager of the Vermont Theatre, in Los Angeles, has been operating the theatre for about six years in competition with the Strand, Rivoli, Temple, Apollo and Colonial theatres of respondent, West Coast Theatres, Inc. Mr. Harper had an Associated First National Pictures subfranchise for the Vermont, which gave it first run in the zone. Rivoli Theatre, of this respondent, in the same zone, had transferred to it from the Crescent, another of respondent's theatres, an Associated First National subfranchise. It was to run day and date with Vermont, although a

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second-run franchise for the zone. The First National Exchange notified Mr. Harper to change the date of showing its picture for the convenience of Rivoli. Mr. Harper protested, since under his franchise he had the setting of the date in his zone regardless of Rivoli's convenience. He was obliged to defer the showings, however. This condition lasted four or five months, and applied to all First National pictures. In the meantime the pictures were being run in the Strand Theatre, a competing house owned by this respondent, and located about the same distance from the Vermont Theatre that the Rivoli was. This was about 1923. Respondent, West Coast Theatres, Inc., booked for Mr. Harper's Vermont Theatre in 1924 and 1925, and he had no trouble with his film supply.

(11) H. W. Chotiner operates Chotiner's Ravenna and Chotiner's Parisian Theatres, in Los Angeles. He books also for Chotiner's La Brea. The Ravenna Theatre was built in 1925. Ravenna was put in a zone with Jensen's Melrose and with the Belmont of the respondent, West Coast Theatres, Inc. Mr. Chotiner applied for the Metro-Goldwyn-Mayer service for his theatre before the Belmont was completed, but was told that it was reserved by the West Coast for the Belmont when it was purchased for other houses. At that time the Belmont had not been opened. Mr. Chotiner had applied for the Fox service, all but the "Westerns," and his written application was taken and sent to New York, where the application was rejected and the service given to West Coast Theatres, Inc., for its theatres, including the Belmont. This situation applied to La Brea Theatre, for which he was booking, as well as to the Ravenna. He had applied for Warner Brothers service for the La Brea, but was "stalled off" by the exchange, and finally told that it had been sold to West Coast for use in the Ritz Theatre, in immediate competition with La Brea. After the Belmont Theatre turned to spoken drama, Mr. Chotiner secured the Metro-Goldwyn and Fox services for his theatres.

Mr. Chotiner formerly owned the Roosevelt Theatre, now called Parisian, from June, 1922, when he opened it, to November, 1922, when he sold it to respondent, West Coast Theatres, Inc. It was in competition with the DeLuxe and Alvarado Theatres, owned by Turner, Dahnken & Langley, respondent herein, and Mr. Chotiner had to purchase films to be used after their exhibition in those theatres. Because of difficulty in securing a film supply, he sold the Roosevelt Theatre to interests affiliated with respondent, West Coast Theatres, Inc. He repurchased the theatre April 1, 1927, changed its name to Parisian Theatre, and is now operating it.

(12) H. W. Anderson operated La Petite Theatre, at Ocean Park. He acquired the theatre in 1919, and was doing a good business. Jack Calicotte, manager of the Kinema Theatre, an opposition house owned by respondents, Gore brothers and Sol Lesser, came to him and told him that Gore brothers and Sol Lesser were about to build a 2,000-seat theatre on the next block and they would put Mr. Anderson out of business. Calicotte said he had influence with them and would get them to buy La Petite instead. The Gores and Sol Lesser came to see him the next night and bought his theatre, telling him that he could go into some other territory and they would not molest him. Mr. Anderson then built the Jewell and the Crystal theatres, on Whittier Boulevard, and operated them from 1921 to 1925. Mr. Anderson then sold them to the West Coast Junior Circuit, controlled by the same interests as respondent West Coast Theatres, Inc. Before selling he received information that the Junior Circuit was to build a 2,000-seat house midway between the Jewell and Crystal. Mr. Anderson called on Mr. A. L. Gore with reference to the proposed theatre, and Gore confirmed the report. Anderson reminded Gore of his promise not to build a theatre near him in the future, and Mr. Gore replied that they were no longer a one-horse concern, that the Gores and Lesser did not control it any more, and that the board of directors had voted to build a theatre there. Both the Gores and Sol Lesser were on the board of directors. Mr. Arthur, a salesman for respondent, All Star Features Distributors, offered to try to induce the Junior Circuit to buy out Anderson's theatre instead. It did in June, 1925.

(13) William A. Howe has been manager and part owner of the Glendale Theatre, at Glendale, Calif., since 1920. It is a 1,231-seat house. When he first opened the theatre his competition was Jensen's Palace Grand Theatre. Since Mr. Howe opened his theatre there have been added the Gateway, Bards, Alexander, and Cosmo Theatres. The Palace Grand (now Lincoln), Alexander, and Gateway are controlled by respondent, West Coast Theatres, Inc., the first two through Turner, Dahnken & Langley. The other houses are small. Glendale Theatre was a first-run house in the city. In competition with Jensen's Palace Grand, Mr. Howe secured Universal, Fox, Goldwyn, and Metro services. At times he had secured United Artists pictures distributed by F. B. O. Exchange. Mr. Howe had been using Universal service 100 per cent, except serials, until about November 1, 1922. At that time the exchange took the News Reel and Century Comedies, as well as two pictures for which written applications had been made and prices agreed upon, away from him.

The Exchange manager told him that the service had all been sold to respondent West Coast Theatres, Inc., and that if Turner, Dahnken & Langley, respondent herein, could not get the service for Glendale, they would not take it for their other towns. Correspondence between the exchange manager, Mr. Howe, and Mr. Carl Laemmle, president of Universal Film Co., to whom Mr. Howe wrote in regard to the matter, at the time the service was taken away from Howe, sets forth the reasons.

Mr. Howe had a verbal understanding with Mr. Rand, manager of the United Artists Exchange, that if he bought a picture called "Richard, the Lion Hearted", he would have the refusal of the rest of the United Artists service for the season of 1925-26. He bought the picture, but did not get any other United Artists pictures that season, and has only been able to secure one picture from the Exchange since that time. All the other pictures released by United Artists Exchange for 1925-26 were subsequently shown in the Turner, Dahnken & Langley theatres, in Glendale.

Howe had been using the Goldwyn pictures in his theatre. He applied for the service for the season 1923-24, but did not have an opportunity to make a definite offer, as it had been sold. The pictures were shown in the Turner, Dahnken & Langley theatres.

Mr. Glimm, salesman for Associated First National Pictures, solicited him, in February, 1922, to buy four pictures which West Coast Theatres, Inc., could not use. He signed applications for the pictures and put up a deposit, at the request of the exchange. He never received the pictures, and was notified by the salesmanager that they had been sold to Turner, Dahnken & Langley, and the pictures were subsequently shown in that respondent's theatre. At this time the Turner, Dahnken & Langley theatre was the First National franchise holder in Glendale.

In August, 1925, the vice president of Universal Pictures Corporation, R. H. Cochrane, in a letter to Mr. Howe, advised him that he had been selected as one of the exhibitors to be allowed to show the super-feature picture "Phantom of the Opera". Such an exorbitant price was put on the picture that Howe could not afford to buy it. The picture was subsequently shown in the Lincoln Theatre, in Glendale, owned by Turner, Dahnken & Langley, which is much smaller than Howe's Glendale Theatre. Howe protested to Cochrane against the showing of the picture in the Lincoln Theatre, and received a letter from Cochrane stating that because of the power respondent West Coast Theatres, Inc., wields, it was necessary to to give it the picture in all its theatres or it would not show it anywhere.

(14) J. W. Anderson, of Ontario, Calif., has operated the Euclid Theatre for the past five years, and the California for two years. He had used the Associated First National feature service in his houses for the years 1923-24, 1924-25, and 1925-26, 100 per cent. He tried to buy these services for 1926-27, and was told by Manager Brower that West Coast Theatres, Inc., wanted it. Mr. Anderson had applied for the Associated First National franchise in 1925 but could not get it. He was told that West Coast Theatres, Inc., controlled the franchise. The pictures which Mr. Anderson wanted were shown in the Granada Theatre, in Ontario, owned by West Coast Junior Circuit, Inc., in which respondent, West Coast Theatres, Inc., owns 50 per cent of the stock. Mr. Anderson had been using all the Norma Talmadge pictures up to 1926. He made an offer for "Kiki", which the sales manager accepted, and signed memoranda of agreement May 17, 1926, and May 21, 1926, with Associated First National Exchange. A few days later he was advised that his application had been rejected because respondent West Coast Theatres, Inc., had wired to Mr. Schenck, in New York, and secured the picture. It was subsequently shown in the Granada Theatre. Anderson also signed applications for two First National pictures called "Tramp, Tramp, Tramp" and "Greater Glory", but did not receive them. They were later shown in the Granada Theatre. Anderson had been using F. B. O. pictures 100 per cent until the season of 1926-27, when the price of the service was put too high for him. West Coast Junior Circuit, Inc., opened the Granada Theatre on June 3, 1926.

PAR. 16. Respondent, West Coast Theatres, Inc., and the other respondents, herein, except Educational Film Exchange of Southern California, All Star Feature Distributors, Inc., and Principal Pictures Corporation, in many instances leased more films for certain of their theatres which were in competition with independent exhibitors than could be exhibited in said theatres, with the purpose and effect of preventing said competitors from securing a supply of films for their theatres. There were about eleven companies distributing feature film services in Southern California which were available for leasing during the period of the complaint, and respondents often contracted for eight or nine of them, or all of them, for their theatres which were in competition with other exhibitors in particular localities, with the result that said competitors were unable to secure a sufficient supply of films to enable them to operate their theatres. Such excess films leased by respondents would not be exhibited to the public in said particular localities, to the detriment of the producers and distributors of said films.

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PAR. 17. Motion picture exhibitors show films which are positive prints from negatives made when the pictures are produced. These positive prints, the services of which in competing theatres were interfered with by respondents as detailed in paragraph 15, herein, were shipped to California usually in interstate commerce, being shipped from New York State, New Jersey or Illinois, largely. Practically always the contracts of sale or lease in connection with such films were finally closed by approval in New York. The films, or positive prints, always remained the property of the producers, and/or distributors. This was true of the Metro-Goldwyn service. It was also true of the prints distributed by the Film Booking Office of America. It was also true of the prints distributed by the Universal Film Exchange. Universal news reels are often sent direct from the printing laboratory in the East to exhibitors in California. Warner Bros. film prints, with some exceptions, are sent to California from New York. Warner Bros. contracts are closed by approval in New York. In the period 1924-25, positive prints for Warner Bros. were made in California. Pathe ships all its prints to California from the East. Its news reels are often shipped direct from New York or New Jersey to the exhibitors in California. It distributes both short reels and features, shipments being from Jersey City, N. J. All except two pictures of United Artists had positive prints made in California. These two were shipped into California from other States. Prints of United Artists picture "Black Pirate" were made in Boston; Gloria Swanson prints were received from the Consolidated Laboratories, outside of California. Positive prints of Associated Exhibitors pictures are made in the East, and shipped from the East to California. Positive prints distributed in California by Producers' Distributing Corporation, with one exception, were made in New York and shipped to California. Positive prints of Fox Films are made in the East. Positive prints of Film Booking Co. were shipped from New York.

The territory of the distributing exchanges in Southern California includes all of California south of the northern boundary of Kern and San Luis Obispo Counties, and the State of Arizona.

PAR. 18. Exchanges referred to in paragraph 17, herein, sold the bulk of their pictures to respondents, and in some cases, at least, were required to refuse the pictures to competitors everywhere if they would sell them to respondents anywhere. Respondent, West Coast Theatres, Inc., because of its growing monopolization of the motion picture exhibitor field in Southern California, was in position to demand and actually had the virtual refusal of all motion picture films offered in that territory by large or important distributors,

with one probable exception, during the time covered by the complaint in this proceeding, and indications point to its now being in a still stronger position.

PAR. 19. As a result of the growing control of respondent, West Coast Theatres, Inc., over the motion picture exhibitor business in Southern California, which has been progressively moving toward monopoly, and of the use made of such control, and the cooperation with it of the other respondents herein, especially the individual respondents, competition in the sale and purchase and exhibition of motion picture films which have moved in interstate commerce for exhibition in California, has been lessened substantially, and interstate commerce or trade in said films has been obstructed and hindered, and channels of such commerce closed, to the injury of exhibitors and distributors, and to the injury of the public, which has been denied the benefits of free competition in the motion picture trade.

PAR. 20. That under the circumstances set out in the foregoing findings of fact the affiliations and relationships existing between respondents and their purposes, policies and practices as described and set out in said findings of fact constitute a combination and common course of action, as alleged in paragraph 4⁴ of the complaint in this proceeding.

CONCLUSION

The practices of respondent, West Coast Theatres, Inc., and the other respondents herein, except Principal Pictures Corporation, under the conditions and circumstances set forth in the foregoing findings of fact, are to the prejudice of the public and respondent's competitors, and are unfair methods of competition in commerce, and constitute a violation of section 5 of an act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes."

ORDER TO CEASE AND DESIST

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, the answers of the respondents, and the testimony taken herein, and the Commission having made its findings as to the facts and its conclusion that the respondents have violated the provisions of an act of Congress approved September 26, 1914, entitled "An act to create a Federal

⁴ Set forth on pp. 387, 388.

Trade Commission, to define its powers and duties, and for other purposes",

It is now ordered, That the respondents West Coast Theatres, Inc., West Coast Theatres, Inc., of Northern California, Venice Investment Co., Hollywood Theatres, Inc., All Star Feature Distributors, Inc., Educational Film Exchange, H. M. Turner, Fred Dahnken, C. L. Langley, and F. W. Livingston, partners doing business under the name and style of Turner, Dahnken & Langley, and Messrs. A. L. Gore, Michael Gore, Sol Lesser, Adolph Ramish, and Dave Bershon, and each and all of them and their officers, agents, representatives, and employees, and all other persons acting under, through, by or in behalf of them, or any of them, forever cease and desist, from:

(1) Combining, agreeing, or cooperating among themselves or with others to induce, persuade, coerce, or compel producers and/or distributors of motion picture films to refuse to sell or lease, in interstate commerce, to a competitor or competitors of respondents, or any one of them, motion picture films, or a particular film, by threats of refusal to purchase or lease films, or a particular film, for all or part of the theatres owned, operated, or controlled by respondents, or any one of them.

(2) Combining, agreeing or cooperating among themselves or with others, through control by respondents or any one of them of the distribution of the motion picture films of a producer or producers, to refuse to sell or lease in interstate commerce to a competitor or competitors of respondents or any one of them motion picture films or a particular film.

(3) Combining, agreeing, or cooperating among themselves or with others to hinder, obstruct, or prevent producers and/or distributors of motion picture films from selling or leasing films, or a particular film, in interstate commerce, to a competitor or competitors of respondents, or any one of them, by intimidation, coercion, withdrawal or threatened withdrawal of patronage or by promises or agreements or assurances to increase the patronage of respondents, or any one of them.

(4) Combining, agreeing, or cooperating among themselves or with others to hinder, obstruct, or prevent motion picture exhibitors from freely purchasing or leasing motion picture films, in interstate commerce, or from freely competing, in the purchase or lease of motion picture films, in interstate commerce, with respondents, or any one of them, by communicating directly or indirectly with any producer and/or distributor of motion picture films or any agent or representative thereof for the purpose of inducing, persuading, coercing,

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or compelling such producers and/or distributors not to sell or lease motion picture films to such exhibitors.

(5) Combining, agreeing, or cooperating among themselves or with others to hinder, obstruct, or prevent competitors or a competitor in any city, town, or zone from securing a supply of films in interstate commerce for theatres or theatre owned and operated by said competitors or competitor, by leasing a larger number of films for the theatres or theatre of respondents or any one of them than can be shown in said theatres or theatre.

It is further ordered, That the respondents above named, and each of them, within 60 days from the date of the notice hereof, file with the Commission a report in writing setting forth in detail the manner in which this order has been complied with and conformed to.

ORDER OF DISMISSAL

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, the answers of the respondents, and the testimony taken, and upon briefs filed herein,

It is now ordered, That complaint as to respondent Principal Pictures Corporation be, and the same is, hereby dismissed.

IN THE MATTER OF
WEST COAST THEATRES, INC., AND WEST COAST
THEATRES, INC., OF NORTHERN CALIFORNIA ET AL.

COMPLAINT (SYNOPSIS), FINDINGS, AND ORDER IN REGARD TO THE ALLEGED
VIOLATION OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914

Docket 1320. Complaint, May 29, 1925—Decision, May 8, 1929

Where (1) a corporation engaged in the business of owning, leasing and operating a large number of motion picture theatres, chiefly first run, in certain towns and cities in the southern portion of the state concerned, and strongly interested and in a position of power (together with the corporation immediately following, controlled by it), through exclusive franchise rights and otherwise, in the distribution of pictures as well as exhibition thereof in the state, and dominating, if not monopolizing, the business in the southern portion thereof; the corporation referred to, similarly engaged in other portions of the state in question; (3) a third corporation, likewise thus engaged, and, together with that immediately before referred to directly and indirectly interested in and controlling and operating a very large number of theatres in said state, and dominating the business involved in that part thereof not directly served and controlled by the corporation first referred to; and (4) certain individuals, partners, similarly engaged, whose business was controlled by the two first named corporations and who were associated with said corporations and those conducting the same and interested therein; with a community of interest through common stockholders and otherwise, and progressed to their position of dominance (a) by purchase and construction of theatres (and interests therein), and (b) by contracts providing for (1) joint operation thereof, (2) apportionment of territory and other mutual protection of one another's interests, (3) affiliation with or elimination of competitors and competitive interests (including arrangements directed to control and noncompetitive operation of first run theatres, particularly in the two principal cities of the state, and of one of the only two long run theatres in one of said cities), and (4) in other respects frankly providing for elimination, restriction or preclusion of competition, all in pursuance of a common course of action, and in cooperation and confederating together;

- (a) Influenced, coerced and compelled motion picture producers and/or distributors to sell pictures to them at lower prices than those at which their competitors could buy the same, and to refrain from selling pictures to competitors desired by them for their own theatres, through threatened refusal to buy any pictures, through their arrangements for the showing of first run pictures in said last named city incident to showing thereof by them in their other theatres in the state, and threatening not to show pictures in any of their theatres unless they could have the same for first run exhibition in said city, and through attempting to influence certain competitors to cooperate with them by refusing to bid on pictures offered by the exchanges;