

# METROPOLIS

*Special Report:* Silicon Valley entrepreneurs play Japanese video game. *Eye:* Return of the Frankman; bawdy senator cleans up act. *Grind:* 200 years of the First Amendment. Edited by Jonathan Vankin

## Export Witness



**Thinking Japanese:** Venture capitalists looked at him like he was crazy, D'Addio says, when he sought funding for a home video product. Japan's Matsushita Corp. thought otherwise.

BY HAL PLOTKIN

**A** SQUAT, SPARTAN BUILDING on Dell Avenue, Campbell's high-tech startup row, appears too humble a beachhead for Silicon Valley's insurgency against Japanese hegemony in the multibillion-dollar consumer electronics market. Inside, the place buzzes as company president Michael D'Addio walks the hallways. His 80-year-old dad, in shirtsleeves, works upstairs with business cofounder Mark Hahn and a group of young engineers. They pour over schematics, mock-ups and design schemes for a new generation of gate array chips, tiny wafers containing as many as 25,000 separate on-off switches. With those chips—and an assortment of products designed to take the home entertainment phenomenon to the next phase of its evolution—partners D'Addio and Hahn plan to enter Japanese territory and compete in an arena that seems foreboding to Western business: video recording technology.

*Conventional wisdom holds that Silicon Valley has no future in the consumer electronics industry and that Japan is a closed market for U.S.-made, mass-produced high technology. A Campbell company has just proven the conventional wisdom wrong.*

Silicon Valley, if the East Coast-based media is to be taken at its word, is devolving into Detroit West. From *Forbes* to *Time*, magazine covers chronicle the apparent demise of the California dream. Not only have state tax revenues declined for the first time since the Great Depression, but California's latest gold rush, the high-tech sector, is undergoing "restructuring." Translation: with the electronics industry now into the assembly-line era, there is no longer any reason for manufacturers to remain in the high-wage, high-rent areas that spawned the electronics industry. Better to move where the labor is cheap: offshore. So, Silicon Valley worker and entrepreneur-in-waiting, give up and apply to McDonald's.

Just one minute, say D'Addio and Hahn. The time is right, they say, for Silicon Valley to re-fashion itself as the global headquarters for a new class of products emerging from the upcoming marriage of computers and television. They've created a snazzy line of microchip-driven video accessories which, if they've guessed right, will a few years from now will be as indispensable to the average living room as a

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