

# Atari and Commodore: from Here, Where?



Both Atari and Commodore played a major role in the crash of 1983, albeit for completely different reasons, and ended up in two very different positions. Atari racked up more than \$500 million in losses and struggled to remain in business. One possible move was to push another, more powerful, console to address the various complaints that caused the Atari 5200's failure. The design of the Atari 7800 started in 1983 and the machine was released in mid-1984 with a price tag of \$140 and the nearly impossible task of reviving a collapsing market.

At about the same time that the 7800 was ready to be shipped, Warner management decided to split Atari into two distinct branches so that they could eventually be sold more easily: Atari Games, the arcade division, and the Atari Consumer Division, which included the home computing and consoles products.



The Atari 7800 Pro System was by far the best console Atari had ever released up to that time. It was retro compatible with the 2600, had proper controllers, and its 6502-based architecture was enhanced by a dedicated graphic chip named MARIA that was able to handle up to 100 objects on screen while showcasing 25 different colors chosen from a palette of 256.

Commodore, on the other hand, was the clear winner in the business war started by Jack Tramiel and was in a truly enviable position, having just passed the \$1 billion mark in sales thanks to the overwhelming success of the C64. Then something unexpected happened, and internal politics took its toll.

At the beginning of 1984, Tramiel wanted his sons to work with him in the family business, but his hopes most likely encountered Irving Gould's disapproval. Gould wanted a different leadership to drive the company to even higher successes. Though it's not clear what happened exactly, in January, Jack suddenly quit the company he founded and in July of the same year he bought the Atari Consumer Division, renaming it Atari Corp.

Jack and his son Sam started restructuring Atari from the ground up with the consequence that even the newly launched 7800 console was withdrawn from the market to re-discuss licensing and manufacturing deals. Unfortunately for Atari, the 7800 was re-released only two years later when the market was already in other steady hands.

Jack's move left Commodore without clear leadership and problems started to surface quickly. Replicating the C64's success was harder than anyone thought—something that Atari had just experienced after the tremendous success of its 2600. The new models introduced in 1984, the Commodore 16 and the Plus/4, were total commercial failures and were soon discontinued. Commodore had to find a new hit somewhere else and, indeed, they found it in a small company named Amiga Corporation.

Amiga Corporation<sup>15</sup> was founded by ex-Atari employees, including Jay Miner (1932–1994), one of the original designers responsible for the custom chips in the Atari VCS. In 1982, Amiga started working on a new gaming console, codenamed



The short-lived Commodore Plus/4. Having four built-in applications including a spreadsheet editor and word processor was not what customers really wanted and people simply kept buying the C64 instead, leaving this new machine on the shelves.

<sup>15</sup> The company's original name was actually Hi-Toro, but it was soon changed to Amiga Corporation.

Lorraine, which was based on the Motorola 68000 processor.<sup>16</sup> After a first round of funding by local venture capital firms, Atari itself funded the company with \$500,000 in exchange for one year of exclusive rights for any design the company may have created. Commodore bought the whole start-up in 1984 for \$25 million and returned the \$500,000 check to Atari to free the Lorraine team from any former ties with the competition.

Meanwhile, back at Atari, Jack didn't waste time; he fired many of the existing executives who drove the once successful company into the ground and brought over several of his trusted "Commodorians," both executives and engineers, who were accustomed to his "religious" way of doing business. The goal was to bring the company back to profitability by cutting costs while developing a new, powerful home computer system.

This swap of talent, together with the previously Atari-funded Amiga Corporation being acquired by Commodore, triggered a series of lawsuits and countersuits between the two companies involving the infringement of trade and industry secrets that were ultimately settled out of court in 1987. The net result, though, was that the next generation of powerful home computers was finally in the works.

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<sup>16</sup> The 68000 was a powerful 16-bit CPU first introduced in 1979 and still in use today.