1 2 3 4 5 6 7 8 9 10 11 12 13 14 15	Lance C. Venable, Esq. (SBN #017074) Joseph R. Meaney, Esq. (SBN #017371) Venable, Campillo, Logan & Meaney P.C. 1938 East Osborn Rd. Phoenix, Arizona 85016 Tel: (602) 631-9100 Fax: (602) 631-9100 Fax: (602) 631-4529 lancev@vclmlaw.com Attorney for Plaintiff and Third Party Defendant  SONNENSCHEIN NATH & ROSENTHAL LLP SCOTT STEIN (AZ Bar No. 022709) 2398 East Camelback Road Suite 1060 Phoenix, AZ 85016-9009 Facsimile (602) 508-3914 Telephone (602) 508-3900  Christian S. Genetski (Pro Hac Vice Application Pending) 1301 K Street, NW Suite 600-East Tower Washington, DC 20005 Facsimile (202) 408-6399 Telephone (202) 408-6400  Attorneys for Defendants and Cross-Claimants Vivendi Games, Inc.			
16	and Blizzard Entertainment, Inc.			
17	UNITED STATES I	DISTRICT COURT		
18	DISTRICT O	F ARIZONA		
19	MDY INDUSTRIES, LLC,			
20   21	Plaintiff and Counterdefendant,	Case No.: CV 06-2555 PHX DGC		
$\begin{bmatrix} 21 \\ 22 \end{bmatrix}$	VS.	PROPOSED JOINT CASE		
23	BLIZZARD ENTERTAINMENT, INC., and VIVENDI GAMES, INC.,	MANAGEMENT PLAN (FRCP 16(b),(c), 26(f))		
24	Defendants and Counterclaim	Date: _April 4, 2007 Time: _4:30 P.M		
25	Plaintiffs.	Place: Courtroom of the Honorable David G. Campbell		
26		The Honorable David G. Campbell		
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	<u>.</u>		
1	BLIZZARD ENTERTAINMENT, INC.,		
2	BLIZZARD ENTERTAINMENT, INC., and VIVENDI GAMES, INC.,		
3	Third-Party Plaintiffs,		
4	vs.		
5	MICHAEL DONNELLY, an individual		
6	Third-Party Defendant		
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9	Pursuant to this Court's Order dated February 20, 2007 and pursuant to Federal		
10	Rule of Civil Procedure 26(f), the parties herein, by and through their undersigned		
11	counsel of record, hereby submit the following Joint Proposed Case Management Plan		
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13	I. LIST OF THE PARTIES IN THE CASE		
14	Plaintiff/Counter-Defendant - MDY Enterprises, LLC – an Arizona corporation		
15	Third-Party Defendant – Michael M. Donnelly, an individual and Arizona		
16	Resident.		
17	Defendants/Counterclaimants and Third-Party Plaintiffs – Blizzard		
18	Entertainment, Inc., a Delaware corporation, and Vivendi Games, Inc., a		
19	Delaware Corporation, both having their principle places of business in		
20	Los Angeles, California.		
21	II. NATURE OF THE CASE		
22	A. Plaintiff / Third-Party Defendant's Statement		
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	The defendants Blizzard Entertainment and Vivendi Games, Inc. manufacture a		
24	multiplayer online role-playing game under the name World of Warcraft. In World of		
25	Warcraft, players control a character within a persistent game world, exploring the		

landscape, fighting monsters, and performing quests on behalf of computer-controlled

characters. The game rewards success through money, items, and experience, which

in turn allow players to improve in skill and power. In addition, players may opt to

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27 28 take part in battles against other players, including both duels and fights against player characters allied with an enemy faction. When Blizzard's customers purchase the World of Warcraft software, each customer must to assent to Blizzard's End User License Agreement ("EULA") and Terms of Use ("TOU") in the form of a "clickwrap" agreement. Both the EULA and the TOU contain language that restricts customers from using third-party software that interacts with World of Warcraft.

In December 2004, third-party defendant Michael Donnelly ("Donnelly") formed MDY Enterprises LLC ("MDY"). MDY's primary business is the development of computer software. Donnelly is MDY's sole and managing member.

In early 2005, MDY developed a software program under the name WoWGlider. WoWGlider is a software program designed to interact with the World of Warcraft. WoWGlider assists a player with in-game tasks in World of Warcraft such as advancing levels or completing repetitive events. But, the program does not give a player any advantage over any other player in World of Warcraft. WowGlider simply allows the computer to play the game while the user is away from the computer. Only individuals who are licensed to play World of Warcraft purchase WoWGlider. MDY began marketing and distributing WoWGlider in May, 2005 through its Internet website.

On the morning of October 25, 2006, representatives from the defendants and their counsel appeared uninvited at third-party defendant Michael Donnelly's home. They presented Donnelly a copy of a complaint against him and MDY and threatened to file it in U.S. District Court later that day in California if: (1) Donnelly or MDY did not immediately cease and desist selling the WoWGlider software, and (2) agree to pay back all of the profits earned from sales of the WoWGlider software. Based upon these threats, MDY filed the complaint in this case later that day.

MDY seeks a declaratory judgment from this Court that the creation and sale of the WoWGlider software, neither violates any provision of the U.S. Copyright laws under 17 U.S.C. § 106 et seq or § 1202 et seq, nor has MDY or Donnelly tortiously

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interfered with any contractual agreements that the defendants may have with third parties.

Claims against Donnelly: MDY and Donnelly have several defenses to the defendants' counterclaims and third-party claims. First, MDY and Donnelly are not alter-egos. Donnelly is merely a member of MDY. The two entities maintain separate identities under the law and MDY complies with all corporate formalities. MDY is the sole entity responsible for making and selling *WoWGlider*. Therefore, the defendants' fail to state claims against Donnelly upon which relief can be granted. As to the merits of the defendants' claims against MDY, they are as follows:

Contributory and Vicarious Copyright Infringement: Proof of copyright infringement requires that MDY contributed to making, or vicariously made unauthorized copies of *World of Warcraft*. Under no circumstances during the development of the *WoWGlider* software has MDY made or distributed any copies of, nor has it made any derivative works of the *World of Warcraft* software. Although MDY's *WoWGlider* software interacts with *World of Warcraft*, *WoWGlider* makes no unauthorized copies of *World of Warcraft*. In fact, because MDY contends certain terms in the defendants' EULA and TOS are unenforceable, MDY contests the very notion that a copy of *World of Warcraft* becomes unauthorized simply by installing *WoWGlider* on a person's computer. Thus, MDY is not liable for copyright infringement.

<u>Digital Millennium Copyright Act</u>: Violation of the DMCA, occurs when there is a causal connection between the circumvention of a security measure and an infringement of the defendants' copyright. 17 U.S.C. § 1201; *Storage Tech. v. Cus. Hardwr Engin.*, 421 F.3d 1307, 1319 (Fed. Cir. 2005). Although MDY's *WoWGlider* 

<sup>&</sup>lt;sup>1</sup> Metro-Goldwyn-Mayer v. Grokster Ltd., 380 F.3d 1154, 1160; 1164 (9th Cir. 2004).

is designed to avoid detection of the defendants' *Warden* program in *World of Warcraft*, it does so solely for the purpose of interacting with *World of Warcraft* and not for making unauthorized copies of the defendants' software. Furthermore, only someone who has purchased a legitimate license of *World of Warcraft* purchases MDY's *WoWGlider*.

Although defendants' EULA and TOU prohibit circumvention of the *Warden* software for interoperability purposes, such restrictions in the defendants' agreements constitute copyright misuse. And such restrictions are preempted by the interoperability exception in the DMCA. 17 U.S.C. § 1201(f). Thus, because the defendants' *Warden* software attempts to preclude third-parties from independently writing software that lawfully interacts with *World of Warcraft*, the defendants have misused their copyright.

Additionally, the *Warden* software is not a security measure that protects against unauthorized copying of *World of Warcraft*. It is a program that detects third-party software interacts with World of Warcraft. In fact, the defendants state as much in their TOS:

"E. In order to assist Blizzard Entertainment to police users who may use "hacks," or "cheats" to gain an advantage over other players, you acknowledge that Blizzard Entertainment shall have the right to obtain certain information from your computer and its component parts, including your computer's random access memory, video card, central processing unit, and storage devices. This information will only be used for the purpose of identifying "cheaters," and for no other reason."

Thus, the defendants' misapply the DMCA by alleging MDY avoids detection of *Warden*.

Therefore, the defendants' various misuses of their copyright is a defense to the defendants' claims against MDY and Donnelly for violating the DMCA (17 U.S.C. § 1201 et seq.) and infringing the defendants' copyright either contributorily or vicariously through third-parties.

**Tortious Interference With Contract:** The defendants' claims for tortious interference with third-party contracts requires that MDY acted with improper means and motive, without economic justification, and that MDY damaged the defendants. *Wagenseller v. Scottsdale Memorial Hosp.*, 147 Ariz. 370, 386 (1985).

MDY did not act with improper motive to cause any breach of the defendants' EULA or TOU agreements. MDY's only motive was to earn a profit by selling WoWGlider. Although MDY was aware of the terms in the defendants' agreements prohibiting interaction between *World of Warcraft* and third-party software, MDY alleges that these terms were overreaching and unenforceable due to copyright misuse. The unenforceability of the EULA and TOU in addition to MDY's desire to earn profits without motive to interfere with the defendants' contracts justifies MDY's actions.

Even more basic is the defense that the defendants must have been damaged. MDY's software has not damaged the defendants monetarily, nor has it damaged the reputation or game play of World of Warcraft. In fact, any monetary damages suffered by the defendants were due to their own acts of banning customers when they learned a customer was using *WoWGlider* software. MDY will demonstrate that not only have the defendants seen rapid growth in the number of World of Warcraft purchases despite WoWGlider sales, but it will prove that World of Warcraft customers do not stop playing the game due to any use of WoWGlider. This is true because WoWGlider does not affect the World of Warcraft game play environment. *WoWGlider* give no tactical advantage to players of *World of Warcraft*. Thus, MDY has not tortiously interfered with any third-party contracts.

**Unfair Competition and Unjust Enrichment**: As to the defendants' claims for unfair competition and unjust enrichment, the defendants again refer the Court to the above-stated defenses. Specifically as to the unjust enrichment claim, MDY has earned its profits through lawful development and sales of its *WoWGlider* software.

As to MDY and Donnelly's remaining affirmative defenses, in particular affirmative defenses 1-6 that include waiver, acquiescence, laches, estoppel, unclean hands, and the defendants filing its claims outside of the pertinent statutes of limitations, MDY and Donnelly will require confirmation of facts to support such defenses through the discovery process.

#### B. Defendants' Statement

Defendants and Counter-claimants Blizzard Entertainment and Vivendi Games, Inc. (collectively "Blizzard") seek injunctive relief, money damages, and related relief against counter-claim and third-party defendants MDY Industries LLC ("MDY") and Michael Donnelly (collectively, "MDY Parties") based on the MDY Parties' development, promotion and distribution of a software program known as "WoWGlider." Blizzard is the publisher and copyright owner of World of Warcraft® ("WoW"), the world's most popular Massively Multiplayer Online Roleplaying Game ("MMORPG"), a genre of computer game in which large numbers of players from around the globe interact with each other as they assume the roles of different characters within the game to explore, adventure and quest across WoW's vast online world. Like other MMORPG games, WoW derives revenue based on a subscription fee model. In order to experience the WoW gaming environment, consumers must obtain a legitimate version of the WoW game client, and then make periodic payments for a subscription permitting them to continue accessing the authorized WoW servers and playing in the authorized WoW gaming environment.

A central objective for WoW players is to advance their characters through the various levels recognized in the game, often working in groups with other players, and thereby access new content as levels increase. As players advance through the game, they earn in-game currency and assets (e.g., armor, weapons, jewels, etc.) and develop the abilities of their characters. Leveling characters in WoW requires an investment of time and effort playing the game.

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The richness of the WoW gaming experience depends on Blizzard's ability to ensure that all players are provided a level playing field and that the balance of the ingame economy is preserved. When a player's investment of personal time and effort building a character can be replicated by others in a fraction of the time through automated software, the incentives to continue playing the game are severely diminished. Consequently, it is crucial that Blizzard be able to block the use of automated software programs that destroys the integrity of the WoW gaming experience. For that reason, Blizzard has instituted a combination of contractual and technical measures designed to protect the integrity of the WoW gaming experience by, among other things, preventing the use of such automated software. WoW players' use of the software is subject to both the WoW End User License Agreement ("EULA") and Terms of Use ("TOU"). The EULA and TOU are legally binding contracts that govern the authorized use of the software. Those contracts forbid the "use [of] cheats, bots, 'mods', and/or hacks, or any other third-party software designed to modify the World of Warcraft® experience..." and specifically the "use [of] any third-party software that intercepts, 'mines', or otherwise collects information from or through the Program or the Service." TOU 4(B)(ii) and (iii). Additionally, Blizzard employs technical security measures designed to prevent users from making unauthorized copies of WoW in conjunction with such a prohibited third-party program.

WoWGlider is a software program designed specifically to exploit the WoW code and automate gameplay so that a user can artificially increase their standing and level in the WoW game without actual human participation. WoWGlider users are able to advance their characters through the WoW universe, and acquire valuable ingame currency and assets, at a significantly faster rate than legitimate users.

WoWGlider thus gives its users an unfair advantage over legitimate players and thereby alters the balance of play and undermines the in-game economy. Moreover,

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despite Blizzard's determined efforts to block WoWGlider users' access to WoW, the MDY Parties have designed and frequently updated WoWGlider to ensure that it has the ability to circumvent detection by Blizzard's security measures and enable users to launch unauthorized copies of WoW running in conjunction with WoWGlider.

The MDY Parties designed and market WoWGlider with the knowledge that its use is prohibited by the Blizzard EULA and TOU, and that Blizzard's technical measures are designed to preclude it. The MDY parties are also fully aware that WoWGlider users rely on the program to acquire large quantities of WoW virtual property with little effort, and then sell that virtual property for real money in unauthorized third-party exchanges. These sales have a ruinous effect on WoW's ingame economy. The MDY Parties' sale of WoWGlider has caused a loss of goodwill among WoW players by devaluing the game experience, forced Blizzard to divert resources to preventing access to WoWGlider users, and decreased Blizzard's revenues from WoW players who stop playing out of frustration with the devalued game and from WoWGlider users that Blizzard is forced to terminate to protect the overall integrity of the game. Blizzard will seek to demonstrate that MDY is a limited liability company formed by Donnelly to serve as his alter ego and insulate Donnelly from the liability Donnelly understood he risked from the distribution of WoWGlider, and therefore that Donnelly is personally liable for his development and distribution of WoWGlider.

The MDY Parties' distribution of WoWGlider forms the basis for several claims by Blizzard.

Contributory and Vicarious Copyright Infringement. Blizzard owns valid copyrights in the World of Warcraft® software, and thus owns the exclusive right to authorize who may make copies of that work. Users of WoW are licensees who are permitted to make copies of WoW so long as they comply with the EULA and TOU. The EULA and TOU prohibit users from running WoW in conjunction with unauthorized third-party software such as WoWGlider, and thus when users launch

of the underlying infringements that the MDY parties induced.

Digital Millennium Copyright Act. Blizzard's WoW software incorporates a component known as "Warden" that serves as a technological measure that effectively protects Blizzard's rights as a copyright owner by restricting users' ability to make unauthorized copies of WoW. WoWGlider is specifically designed to avoid or bypass Warden without Blizzard's authorization. The WoWGlider FAQ on MDY's website explicitly recognizes this function. The MDY Parties created, promote and sell WoWGlider knowing that the program is primarily produced for the purpose of, has only limited commercially significant use other than, and is marketed by the MDY Parties with their knowledge for use in, circumventing Blizzard's technical restrictions on the making of unauthorized copies of WoW, all in violation of 17 U.S.C. § 1201, et seq.

Tortious Interference with Contracts. The EULA and TOU are valid, enforceable contracts between Blizzard and its WoW users. The MDY parties have acknowledged their awareness of these contracts, and their knowledge that use of WoWGlider constitutes a breach of them. The MDY Parties have nonetheless willfully promoted and encouraged the use of WoWGlider in breach of the EULA and TOU. The MDY parties sole motive in knowingly inducing these breaches was its own profit at Blizzard's expense. As a result of MDY's actions, Blizzard has suffered

damage in an amount to be proven at trial, including but not limited to loss of goodwill among WoW users, diversion of Blizzard resources to prevent access by WoWGlider users, loss of revenue from users leaving the WoW game as a result of the diminished game experience, loss of revenue from terminated WoWGlider users, and decreased subscription revenue from undetected WoWGlider users. *Wallace v. Casa Grande Union High Sch. Dist. No. 82 Bd. of Governors*, 184 Ariz. 419, 427, 909 P.2d 486, 494 (App. 1995).

Unfair Competition and Unjust Enrichment. Use of WoWGlider impoverishes Blizzard by altering the game balance in WoW, damaging Blizzard's reputation with players dissatisfied with the pervasiveness of cheaters and the effect of cheating on the game, and depriving Blizzard of monthly membership revenue by enabling users to progress in the game more quickly than legitimate players. The MDY Parties are aware of the injurious effects their program has on Blizzard, and nonetheless have sought to profit from the sale of the program. Blizzard is thus entitled to the equitable disgorgement of MDY's unjustly received revenues from the sale of WoWGlider.

Finally, none of the defenses asserted in the MDY Parties' Answer bars Blizzard's claims. Blizzard will demonstrate in discovery that it comes to this matter with clean hands, and that it neither waived its claims nor acquiesced in the MDY Parties' actions, but in fact expended considerable resources both attempting to preclude the use of WoWGlider through technical means and attempting to identify Donnelly as the source of WoWGlider prior to seeking legal redress.

### III. JURISDICTIONAL BASIS OF THE CASE

The jurisdiction of the case is based upon federal question jurisdiction (28 U.S.C. §§ 1331 and 1338) for trademark claims pursuant to pursuant to 15 U.S.C. § 1125(a), copyright infringement and alleged violation of the Digital Millennium Copyright Act pursuant to 17 U.S.C. § 101 et seq.

1	IV.	PARTIES REMAINING TO BE SERVED
2		All parties have been served in this case.
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4	V.	ADDITIONAL PARTIES TO THE CASE
5		The parties do not anticipate adding additional parties to the case.
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7 8	VI.	A LISTING OF CONTEMPLATED MOTIONS AND ISSUES TO BE DECIDED BY THESE MOTIONS.
9		Other than dispositive motions, neither the plaintiff and third-party defendant
10	nor the defendants and counter-claimants contemplate filing any additional motion	
<ul><li>11</li><li>12</li></ul>	this ti	me.
13	VII.	SUITABILITY FOR REFERENCE TO A MAGISTRATE JUDGE
14		The parties do not believe this case is suitable for a magistrate judge. The case
15	has al	ready been removed from the magistrate judge originally assigned to the case.
16		
17 18	VIII. STATUS OF RELATED CASES PENDING BEFORE OTHER COURT OR OTHER JUDGES IN THIS COURT	
19		There are no other related cases pending before other courts or other judges in
20	this court.	
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22	IX.	INITIAL DISCLOSURES
23		The parties exchanged initial disclosures on April 2, 2007.
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# X. ANY ISSUES RELATING TO DISCLOSURE OF DISCOVERY OF ELECTRONICALLY STORED INFORMATION, INCLUDING THE FORM OR FORMS IN WHICH IT SHOULD BE PRODUCED

At this time, there are no issues relating to the disclosure of electronic discovery. The parties have agreed to exchange discovery, including electronic discovery either via electronic mail, compact disc, or DVD.

### XI. ISSUES PERTANING TO PRIVILEGE OR WORK PRODUCT

At this time, there are no issues pertaining to privilege or work product.

#### XII. DISCOVERY ISSUES

## A. The Extent, Nature, and Location of Discovery Anticipated by the Parties;

The plaintiff and third-party defendant anticipate that discovery will be conducted in phases. Initially, the plaintiff and third party defendant will serve written discovery upon the defendants in the form of requests for interrogatories, document production requests and admissions. Upon receipt of the responses to the written discovery requests, depositions of the defendants' fact witnesses will take place. Depending upon what is disclosed, the plaintiff and third-party defendant may issue subpoenas of other non-party fact witnesses. It is understood that most of the discovery from the defendants is located at the defendants' facility in Southern California.

Defendants intend to issue interrogatories, requests for production of documents and requests for admission, followed by the taking of depositions of fact witnesses of Plaintiff, including Michael Donnelly. Blizzard anticipates serving third-party subpoenas for documents and possibly depositions. Blizzard anticipates that most discovery of the MDY Parties will take place in the District of Arizona.

### E. A Date By Which The Parties Shall Have Engaged In Good Faith Settlement Talks

The parties propose that good faith settlement talks will occur by no later than March 21, 2008.

### XIV. JURY TRIAL

The plaintiff and third-party defendant have requested a jury trial.

### XV. ESTIMATED LENGTH OF TRIAL AND ANY SUGGESTIONS FOR SHORTENING THE TRIAL

The parties anticipate the trial to last five (5) days. As this is a relatively complex case, the parties have no suggestions for shortening the trial at this time.

# XVI. THE PROSPECTS FOR SETTLEMENT INCLUDING ANY REQUEST OF THE COURT FOR ASSISTANCE IN SETTLMENT EFFORTS

The parties do not believe the prospects for settling the case are good at this time. The parties engaged in good faith settlement discussions shortly before the complaint was filed and for several weeks thereafter. If the parties wish to address settlement in the future, the parties would welcome the assistance of the Court.

### XVII. ANY OTHER MATTERS THAT WILL AID THE COURT

The parties are unaware of any other matters that will aid the Court at this time.

1	Dated this 27th day of March, 2007.
2	Venable, Campillo, Logan & Meaney P.C
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4	Bv_S/Lance C. Venable
5	
6	Lance C. Venable, Esq. Joseph R. Meaney, Esq. 1938 East Osborn Rd.
7	Phoenix, Arizona 85016 Tel: 602-631-9100
8	Fax: 602-631-4529
9	
10	ByS/Scott Stein
11	Sonnenschein, Nath & Rosenthal LLP
12	2398 East Camelback Road Suite 1060
13	Phoenix, AZ 85016-9009
14	Facsimile (602) 508-3914 Telephone (602) 508-3900
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1		CERTIFICATE OF SERVICE			
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3		2007. I alcotronically transmitted the attached			
4		I hereby certify that on March 27, 2007, I electronically transmitted the attached document to the Clerk's Office using the CM/ECF System for filing and			
5		transmittal of a Notice of Electron registrants:	ic Filing to the following CM/ECF		
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