

generating virtual assets and then selling them through eBay or other industry websites is known as "gold farming," "real money trade" or "RMT."

3. IGE's gold farming activities not only substantially impair and diminish the use, enjoyment and satisfaction Consumer-Subscribers obtain by earning, through the expenditure of vast amounts of time and energy, virtual assets within *World of Warcraft*®, they also violate the express terms of agreements Subscribers enter into to participate in *World of Warcraft*®. Indeed, the express terms of Blizzard Entertainment's agreements with its Subscribers for *World of Warcraft*® specifically prohibit the sale or other commercial activity related to the sale of any *World of Warcraft*® virtual assets or property.

4. Through this lawsuit, Mr. Hernandez, both individually and on behalf of all other similarly situated Subscribers, seeks declaratory and injunctive relief, as well as damages, based on IGE's gold farming activities.

II. Parties

5. Plaintiff, Mr. Hernandez, is an individual who presently, and at all times material hereto, was a resident of Orlando, Florida. Blizzard Entertainment, Inc. is a Delaware corporation and a premier publisher of entertainment software, including the franchise that owns and operates a virtual world called *World of Warcraft*®. During the relevant time period, Mr. Hernandez: (1) was a paying subscriber to Blizzard Entertainment's *World of Warcraft*®; (2) spent hundreds of hours online in *World of Warcraft*®; (3) spent in excess of fifty dollars purchasing *World of Warcraft*® software; (4) spent in excess of fifty dollars purchasing Blizzard Entertainment's Burning Crusade expansion software; and (5) spent fifteen dollars per month in subscription fees to participate in *World of Warcraft*®.

6. Defendant, INTERNET GAMING ENTERTAINMENT, LTD., is a foreign corporation with its principal place of business in Hong Kong, China, with offices in Miami Beach, Florida and Beverly Hills, California. INTERNET GAMING ENTERTAINMENT, LTD. is a global company engaged in the business of generating and selling virtual assets.

7. Defendant, IGE U.S. LLC., is a Delaware corporation with its principal place of business at 105 N.W. 43rd Street, Boca Raton, Florida, 33431. IGE U.S. LLC. holds itself out to the world as a management service provider engaged in the business of generating and selling virtual assets. IGE U.S. LLC. is an affiliated company of Defendant, INTERNET GAMING ENTERTAINMENT, LTD.

III. Jurisdiction and Venue

8. This Court has subject matter jurisdiction pursuant to the Class Action Fairness Act of 2005, 28 U.S.C. §§ 1332(a) and 1332(d), because the amount in controversy exceeds \$5 million exclusive of interest and costs, and more than two-thirds of the members of the putative Class are citizens of states different from that of Defendants.

9. This case has been filed in the Miami Division of this District because a substantial part of the acts or omissions giving rise to the claims in this action occurred in this judicial District, and Defendants may be found within this judicial District. Venue is proper pursuant to 28 U.S.C. § 1391. Indeed, one of Defendants' three primary offices is located at 635 Euclid Avenue, Suite 222, Miami Beach, Florida, 33139.

10. Moreover, Defendants, through their employees, agents, and other representatives who reside and/or transact business in this District, implemented their fraudulent marketing and sales scheme and conspiracy in this District, and nationwide, through their Miami Beach and Boca Raton

offices. Additionally, Defendants' activities affected Class Members who reside or transact business throughout the United States including this District.

11. Further, Defendants submitted themselves to the jurisdiction of this Court by committing tortious acts within this state and judicial District.

IV. Facts

A. Overview of Blizzard Entertainment's Virtual World Called *World of Warcraft*[®]

12. Virtual Worlds, which are also referred to as "massively populated persistent worlds," "synthetic worlds," and "massively multiplayer online role playing games" ("MMORPGs"), are online computer-generated environments that a large number of consumers can access simultaneously. During the last ten (10) years, virtual worlds have grown from a relatively obscure internet phenomena into a multi-billion dollar industry with over twenty (20) million subscribers across the globe participating on a regular basis in more than 150 active virtual worlds.

13. Similar to the predictions made in the 1990s about the growth of the World Wide Web, 2007 expert predictions are that virtual worlds will continue to grow dramatically in the future. One prominent research group recently projected that "80 percent of active internet users (and Fortune 500 enterprises)" will participate in virtual worlds by the end of 2011.

14. In order to participate in a virtual world, like *World of Warcraft*[®], a consumer must purchase the virtual world software and a license to use same, sign up for an account, select a username and password, and then begin paying a monthly subscription fee to the provider/publisher. These consumers are referred to herein as "Subscribers" or "Consumer-Subscribers."

15. In addition to the items above, in order to become a *World of Warcraft*[®] Subscriber, a consumer must agree to be bound by the terms of Blizzard Entertainment's End User License

Agreement ("EULA") and Terms of Use Agreement ("ToU"), copies of which are attached hereto as Exhibits "A" and "B." The terms of the EULA must be accepted before a Subscriber can install the *World of Warcraft*® proprietary software on his or her personal computer, and the terms of the ToU must be accepted before a Subscriber can create an account and access the *World of Warcraft*® virtual world.

16. Once the Subscriber completes the process above, he or she selects an "avatar," which is the 3-D body or "character" that represents the Subscriber in the virtual world. The Subscriber controls their avatar through their keyboard to interact with the environment. Through their avatar, Subscribers can move throughout the virtual world, communicate with other Subscribers and engage in a host of activities depending on the design of the particular virtual world.

17. An important aspect of virtual worlds is the social interaction between Subscribers. Communities of Subscribers typically develop inside a virtual world, with Subscribers forming complex social relationships with each other and larger groups.

18. Virtual worlds also have their own economies which generally include the buying and selling of virtual goods through the use of in-game virtual currency.

19. Central to the design and operation of all major virtual worlds, *World of Warcraft*® has a property system with all the familiar real-world features, such as exclusive ownership, persistence of rights and a currency system to support trade. As in the real world, property and resources are limited in virtual worlds.

20. The currency in *World of Warcraft*® is the virtual gold coin simply referred to as "gold." With this gold, a Subscriber can purchase almost anything he or she needs, including skills,

food, water, transportation, clothing and equipment. A Subscriber earns gold by performing tasks or by collecting or making goods that are then sold to other Subscribers or virtual vendors.

21. A virtual auction house inside *World of Warcraft*® is used by Subscribers to buy and sell items. This virtual auction house works much the same as eBay. To sell an item, a Subscriber sets a minimum bid and posts the item on an auction board that can be viewed by all Subscribers. Once a specified time period expires, the highest bidder wins the item and pays for it with gold. Once payment is received through *World of Warcraft's*® internal e-mail system, the item is likewise sent to the winner's *World of Warcraft*® in-world mail box.

22. As with real world economies, the cost of goods fluctuates based on: (1) supply and demand; and (2) the supply of *World of Warcraft*® gold.

23. While not necessarily the case in all virtual worlds, in order to ensure the integrity of *World of Warcraft's*® virtual world, Blizzard Entertainment's EULA and ToU expressly prohibit the sale of virtual assets for real money. This prohibition protects the integrity of *World of Warcraft*®, ensures that the competitive playing field within *World of Warcraft*® is level, and makes certain that the time, energy and effort expended by Subscribers is not negatively impacted by others who use real money to purchase scarce and limited virtual resources.

24. Specifically, Blizzard Entertainment's ToU agreement with its Subscribers states that:

[Y]ou may not sell items for "real" money or otherwise exchange items for value outside of the [virtual world].

(See Exhibit "B" at p. 8)

B. IGE's Illicit Gold Marketing and Sales Scheme

25. Despite the fact that gold farming within *World of Warcraft*® is expressly prohibited by Blizzard Entertainment's EULA and ToU, Defendants, by and through their employees, agents

and affiliates, engage in the business of generating, marketing, distributing and selling *World of Warcraft*® gold for real money (the "Scheme").

26. Under the Scheme, a typical transaction with Defendants for the sale and purchase of gold within *World of Warcraft*® works something like this:

- a. The buyer visits Defendants' website, www.IGE.com. The buyer is then directed to a page on Defendants' website where he or she selects the particular server (called a "realm" in *World of Warcraft*®) where the buyer's avatar is located.
- b. The buyer then selects the amount of gold they wish to buy; there is a fixed price in real dollars for various amounts of gold listed on the IGE website. Buyers are given the option of purchasing as little as 50 gold, to as much as 24,000 gold per order. For example, on the *World of Warcraft's*® Durotan server, the current price of 24,000 *World of Warcraft*® gold is \$2,399.82.
- c. Once the buyer selects the amount of gold he or she wishes to buy, he or she must select the method of payment. Defendants' website gives several options for payment, including paying by credit card or PayPal.
- d. After selecting the method of payment and entering the appropriate payment information (i.e., name, address and credit card account number), the buyer must type in the name of the avatar to whom the gold should be delivered. Once the buyer gives Defendants this information, the buyer is given a receipt and told they will receive their gold within a few hours.

- e. Within the specified time period, Defendants deliver the newly purchased virtual gold to the buyer's avatar through *World of Warcraft's*® in-game mail system. To receive the gold, the buyer simply opens up the piece of mail delivered from an avatar controlled by Defendants and opens the attached virtual envelope containing the gold.

27. Since Blizzard Entertainment released *World of Warcraft*® on November 27, 2004, Defendants have sold massive quantities of *World of Warcraft*® gold for hundreds of millions of dollars.

28. Defendants engage in the fraudulent scheme and conspiracy to generate, market, distribute and sell *World of Warcraft*® gold through the efforts of hundreds of employees, agents and affiliates who work at the direction and control of, and/or for the benefit of, IGE. These employees, agents and affiliates, are commonly referred to as gold farmers ("IGE gold farmers"). IGE gold farmers are often citizens of developing third world countries who spend up to 14 hours per day, or more, logged into *World of Warcraft*® collecting resources and *World of Warcraft*® gold. IGE gold farmers log into *World of Warcraft*® through accounts paid for, and/or controlled, in whole or in part, directly or indirectly, by Defendants. At the direction of Defendants, through channels of distribution designed, established, maintained and/or controlled by Defendants, IGE gold farmers then deliver gold through the *World of Warcraft*® mail system to Subscribers who have paid real money as described above. IGE gold farmers are co-conspirators with Defendants in this fraudulent marketing and sales scheme.

C. IGE's Conspiracy

29. In addition to IGE's direct sale of *World of Warcraft*® gold through its website, IGE has entered into agreements with other individuals and/or entities not directly employed by IGE ("co-conspirators"), to:

- a. generate, or "farm" for, *World of Warcraft*® gold which IGE then sells to Subscribers for real money;
- b. promote and market the sale of *World of Warcraft*® gold owned or under the control of IGE through chat spam, virtual junk mail, pay per click campaigns, and search engine marketing;
- c. obtain labor to generate, or "farm" for, *World of Warcraft*® gold which IGE then sells to Subscribers for real money;
- d. distribute *World of Warcraft*® gold to Subscribers;
- e. sell *World of Warcraft*® gold to Subscribers for real money; and
- f. collect the proceeds from the sale of *World of Warcraft*® gold to Subscribers.

30. All the aforementioned agreements were made in furtherance of a fraudulent scheme and conspiracy to generate, market, distribute and sell *World of Warcraft*® gold in direct violation of: (1) Blizzard Entertainment's EULA; (2) Blizzard Entertainment's ToU; (3) Florida Statutory provisions; (4) consumer protection statutes of the remaining 49 states, the District of Columbia and Puerto Rico; and (5) other common law.

D. Irreparable Harm and Impact Caused by IGE's Illicit Marketing and Sales Scheme and Conspiracy

31. The volume of gold IGE sells in *World of Warcraft*® is so large that it causes irreparable harm to Subscribers by impairing and diminishing their use and enjoyment of the *World*

of *Warcraft*® virtual world. Defendants' conduct also causes substantial economic harm, above and beyond the purchase price paid by Subscribers for the software and subscription fees, including:

- a. **Lost Time.** IGE gold farmers strip out already scarce and limited virtual world resources and materials. *World of Warcraft*® is designed to have limited resources and materials, such as virtual metal ore, plants, leather and other items (“materials”). Subscribers must harvest, or “farm,” materials and sell them to earn virtual gold. “Farming” materials is one of the primary sources of revenue in the *World of Warcraft*® economy. IGE gold farmers, however, systematically harvest these materials on a massive commercial scale. The result is a shortage of materials for Subscribers who comply with the Blizzard agreements by not buying gold from IGE, making it vastly more time consuming for such Subscribers to earn the gold needed to participate. This loss of time, conservatively, amounts to hundreds of thousands of hours of Subscriber time and causes the irreparable harm of driving Subscribers away from *World of Warcraft*®. The economic harm incurred by this loss of time is in the millions of dollars.
- b. **Devaluation of Currency.** Because of IGE's infusion of gold from its unlawful “gold farming” activities, virtual currency held by Subscribers is constantly devalued. The devaluation of virtual currency has an economic value in real dollars, as reflected on Defendants' website. This devaluation of the *World of Warcraft*® gold currency, which is caused by Defendants' sale of gold in *World of Warcraft*®, is in the millions of dollars.

32. A virtual world like *World of Warcraft*® derives utility and benefit from the fact that it creates a fantasy world experience. Subscribers are willing to pay a substantial portion of their discretionary income for entertainment to participate in the *World of Warcraft*® fantasy. When Defendants engage in RMT, it impairs and diminishes the use, enjoyment and the fantasy experience Subscribers pay for. Such harm is irreparable and there is no adequate remedy at law to address it. Some examples of the ways the Subscriber experience is impaired and diminished include, but are not limited to, the following:

- a. **Chat Spamming.** Defendants, through IGE gold farmers and other co-conspirators within their direct or indirect control, constantly “spam” advertisements to promote their illicit Scheme. Subscribers are routinely sent un-invited messages by Defendants and their agents through the *World of Warcraft*® “chat” channel and mail system advertising the sale of gold for real dollars. During the last few months the amount of chat spam has increased substantially to the point where Subscribers can receive spam messages advertising *World of Warcraft*® gold five or six times every hour. This “chat spam” destroys the fantasy experience Subscribers pay for and has caused Subscribers to surrender their subscriptions.
- b. **Junk Mail.** Defendants, by and through their agents, employees, affiliates, IGE gold farmers and other co-conspirators within their direct or indirect control, routinely send junk mail advertisements to Subscribers advertising the sale of gold for real dollars. This junk mail takes up space in the Subscribers’ mail boxes and causes them to waste time sorting through it.

This junk mail impairs, interrupts and pollutes the use and enjoyment of the *World of Warcraft*® fantasy experience Subscribers pay for and has caused Subscribers to surrender their subscriptions.

- c. **Less Time for Content.** Subscribers, like Plaintiff, have a limited amount of time in a given week available to participate in *World of Warcraft*®. Because of the additional time required to collect materials and earn currency as the result of material shortages caused by Defendants, IGE gold farmers and their co-conspirators, Subscribers have less time to participate in, and experience other content in the virtual world. This other content consists of, among other things, raids, instances, quests, battlegrounds, arena contests and world PvP. The inability to experience such other content is caused by the additional time Subscribers expend as a result of Defendants' actions.
- d. **Competitively Disadvantaged.** Subscribers who do not buy gold are at a competitive disadvantage to Subscribers who purchase gold from Defendants ("Gold-Buying Subscribers") in certain aspects of *World of Warcraft*®, including, Arena competitions. These Subscribers who do not purchase gold from Defendants are held hostage by this dilemma: they must either continue to experience *World of Warcraft*® at an unfair competitive disadvantage or violate the EULA and the ToU by purchasing gold from the Defendants. This dilemma, and the resulting competitive disadvantage for Subscribers who do not buy gold from Defendants, impairs and diminishes the *World of*

Warcraft® experience Subscribers pay for by purchasing software and paying monthly subscription fees.

V. Class Action Allegations

33. Pursuant to Rule 23 of the *Federal Rules of Civil Procedure*, Plaintiff brings this action on behalf of himself, a Class, and a Sub-Class defined as follows:

Subscriber Class

All persons in the United States and its territories who, for purposes other than resale, purchased Blizzard Entertainment's *World of Warcraft*® software and paid subscription fees at any time from November 27, 2004 until the present.

Gold-Buying Subscribers Sub-Class

All persons in the United States and its territories who, for purposes other than resale, purchased Blizzard Entertainment's *World of Warcraft*® software and paid subscription fees at any time from November 27, 2004 until the present, and who bought any *World of Warcraft*® gold for real money.

Excluded from the Class are (a) Defendants and any entities in which any Defendant has a controlling interest, their legal representatives, officers, directors, assignees and successors; and (b) any co-conspirators, including any Subscribers who sold *World of Warcraft*® gold to IGE. Also excluded from the Class are any judges or justices to whom this action is assigned, as well as any relative of such judge(s) or justice(s) within the third degree of relationship, and the spouse of any such person, as well as any attorneys of record in this case.

34. Plaintiff contends that this suit is properly maintainable as a class action pursuant to Rules 23(b)(1), (b)(2), and (b)(3) of the *Federal Rules of Civil Procedure*.

