

EXHIBIT G

(MDY's SDF)

1 make direct reference to which graphs and which
2 page on the record?

3 Q. (By Mr. McGee) We'll looking at the
4 graph from Dr. Strumpf's report, page 5. Is that
5 corrects, Dr. Strumpf?

6 A. Yes.

7 Q. You said in June of 2005, Glider was
8 released. Isn't the sharpest growth in World of
9 Warcraft, according to this graph, just prior to
10 June, 2005?

11 A. No. In fact, I mean, in either
12 absolute -- well, in absolute terms, the answer
13 is surely no. In other words, by absolute terms,
14 I mean how many users were added per month. And
15 because of World of Warcraft was relatively small
16 at that point, the absolute changes later on are
17 more significant.

18 I would like to point -- unfortunately,
19 I can't give the precise month, I'm trying to get
20 the exact data right now --

21 Q. Okay, because I'm looking -- go ahead.

22 A. There's a jump -- let me try to get this
23 exact.

24 MR. VENABLE: For the court
25 reporter's sake, you guys are talking over each

1 other, so it's -- make sure one person speaks at
2 a time.

3 A. The sharpest increase, according to the
4 data that I have, and again these are the
5 numbers -- and all these numbers are on this site
6 that's linked, that's listed on the graph, is in
7 roughly the period of October through -- excuse
8 me, October of 2005 through January of 2006,
9 where World of Warcraft is adding approximately
10 500,000 users per month. There's another --

11 Q. Is that consistent with this graph,
12 because that's not my reading?

13 A. Well, that graph is literally from the
14 numbers I'm looking at. In fact -- yeah. And
15 there's another -- I'm trying to sort of
16 identify, there's another large jump. Ah. In
17 June of 2005 itself, there was a large jump in
18 the number of users.

19 Q. Do you see the segment that I'm talking
20 about, the longest segment in that --

21 A. Yeah. Right.

22 Q. -- train.

23 A. And as I am trying to parse from my
24 data, I believe that is actually June of 2005.
25 So right as Glider is introduced, the thing

1 spikes up?

2 Q. Do you know whether Glider was
3 introduced slowly or was introduced with a --

4 A. I do not know that. I would like to
5 say -- hold on. I have some numbers on this.
6 Unfortunately, I don't have the specific
7 information. But I think to sort of continuing
8 on with my answer if I could.

9 Q. Please.

10 A. The more -- it's difficult, I would
11 agree in some sense to really parse out what's
12 going on right as a game is being introduced
13 because of the sort of -- the game's grown quite
14 quickly, I think the more interesting example of
15 what one could look at as a social scientist is
16 the period in which Glider was banned from the
17 game after it had already been established. And
18 this is figure -- this is described -- well, the
19 figure is not numbered.

20 On page 20 of my -- excuse me, it's
21 described on page 18 through page 19 and then
22 there's -- well, that's the description of what
23 had happened, which just to read from my report,
24 Blizzard effectively banned all Glider users over
25 the period 16 November 2006 through 12 December

1 2006.

2 So the question would be, again, looking
3 at it from the perspective of what is the damage
4 of Glider on World of Warcraft, well, what
5 happened when Glider is removed from the system?
6 Okay, the claim of the defense report is that
7 Glider has significant harms.

8 Significant harm should therefor be
9 somehow evidenced in some change in the system in
10 terms of if Glider causing harms, removing Glider
11 should make things better. And again, we can
12 talk about the specifics, but there's no evidence
13 whatsoever on any aspect I've looked at of points
14 brought up by the defense report that the removal
15 of Glider had any effect whatsoever on the
16 general nature of World of Warcraft.

17 Q. Isn't it possible that the harm that
18 Glider does is more to some extent at least to
19 the integrity of the game and thus would not be
20 easily recoverable, even if Glider were at least
21 temporarily removed from the environment?

22 MR. VENABLE: Object to the form of
23 the question.

24 A. Right, again -- it's difficult for me to
25 answer a question when you say is it possible.

1 Almost anything is possible.

2 Whether as an economic analyst I find
3 that to be a plausible argument, no, I do not.
4 Again, I would like -- I mean, it would be -- the
5 claim is that Glider is something that players,
6 most players, both serious and potential players
7 know about and is /EPL /PWOERT he had to them in
8 terms of World of Warcraft.

9 When this thing is removed, presumably
10 if Blizzard knows this, Blizzard should publicize
11 this to their users and the change to reputation
12 should have occurred pretty much instantaneously.

13 Q. You said should have. What if they
14 didn't? What if it wasn't publicized to users
15 that there had been a massive ban of Glider
16 users?

17 A. Okay, can you ask a very specific
18 question?

19 Q. Sure.

20 A. I'll try to answer it, or I assume I
21 will answer it.

22 Q. You said that -- well, let me try to
23 rephrase. I'll try summarize your last statement
24 and you please tell me if I'm wrong and that's
25 the basis of my next question.

1 You said if Glider were removed from
2 World of Warcraft, World of Warcraft should
3 overcome any damages that it was suffering
4 because of Glider prior to its removal; correct?

5 A. Right.

6 Q. I introduced the concept of sort of game
7 integrity and asked whether game integrity could
8 have a lingering impact or the damages to game
9 integrity could have a lingering impact on the
10 reputation of the game. You said as an economic
11 analyst that was not plausible.

12 A. Right. And I should also say probably
13 just as importantly, and I think this is -- the
14 thing I want to stress about my report is that I
15 try to make statements based on data and numbers
16 as best as I can, because I think that's the most
17 objective way to analyze this. And in
18 particular, that's imminently passable.

19 Your claim is that there should be a
20 lingering effect. What I would say, let's look
21 at what goes on after the ban occurs. Was
22 there -- did things get better for World of
23 Warcraft because maybe for some reason it takes a
24 month to people to know about this. And again,
25 I'll be glad to talk about specific things, for

1 example, the effect of the ban on inflation or
2 things like that, but things don't -- there is no
3 evidence in the data that I have available to me
4 that suggests that things were noticeably
5 different at all in the month or so after the ban
6 even was put in place.

7 Q. Would you expect that if the ban weren't
8 publicized?

9 A. Could you state --

10 Q. Would you expect anything different in
11 the game after the ban if the ban were not
12 publicized?

13 A. I would agree that it would probably be
14 a more rapid -- there would be a more rapid
15 effect if it was announced, but that has actually
16 nothing to do with if Glider is causing the
17 problems, just the problems that are listed in
18 the defense report. People don't like
19 interacting with these bots, they don't like the
20 inflation that they're causing. Well, when
21 Glider is removed, if people actually care about
22 this, then they should say, oh, well Glider is
23 not here anymore, these problems aren't here
24 anymore, this is a better place to be, things
25 should be getting better for World of Warcraft,

1 and there's no -- there is no evidence that I
2 have seen that suggests that.

3 Q. Are you suggesting or assuming as a part
4 of that conclusion that players that have quit
5 the game because of problems related to Glider
6 would come back to the game after that -- after
7 Glider was eliminated?

8 A. No, I am not making that assumption at
9 all.

10 Q. Okay. Then what is the basis of your
11 statement that the problems noticeable, empirical
12 problems that Blizzard is claiming result from
13 Glider would disappear immediately following a
14 ban of Glider users?

15 A. Is this all problems or -- I mean, I
16 could give a very specific numerical type
17 response we could talk about just -- I can talk
18 about all of them, but for example, in the
19 context in which this is brought up in the
20 report, particularly thinking about the effect of
21 Glider bans on inflation. So the statement just
22 sort of, make sure I'm summarizing what you're
23 asking me appropriately, is well, maybe the ban
24 of Glider has a slow effect and so any effect on
25 inflation that one would see wouldn't occur until

1 after the ban. Okay, that's fine.

2 The question would be, well, that's --
3 that's a not completely unreasonable argument,
4 though I would say on basic economic principles,
5 that is not right. The basic reasoning is when
6 you -- we know from economics that when you
7 change a -- when there's a large change in
8 currents in markets, for example, yesterday or
9 two days ago, the federal funds rate was changed.

10 Responses to things like exchange rates
11 are almost instantaneous, but theory aside,
12 because I'm much more interest in data than
13 theory, there are other examples of bans we can
14 look at.

15 So, for example, as we've already
16 discussed, there were a series of bans of gold
17 farmers that Blizzard undertook in 2006. Okay.
18 And again, we can -- I can give you the specific
19 sources from the World of Warcraft news postings
20 on where I learned about these, but there was a
21 large ban of gold farmers of over 30,000 users in
22 May of 2006 --

23 Q. Can you tell me which document you're
24 looking at right now?

25 A. Oh, I'm sorry, this is a supplemental --

1 this was the part that I did not include in my
2 report that I had mentioned earlier when I was
3 learning about the nature of these alternative
4 bans.

5 Q. Okay.

6 A. And I can -- I would be more than glad
7 to read the specific websites where I found this
8 particular information.

9 Q. I would love to get a copy of that
10 document.

11 A. Okay. I guess we can do that later.
12 So, the -- so, to come back to this point, so the
13 claim would be that I looked at -- or sorry. To
14 go back to the specific example of the inflation
15 that I looked at, gold prices don't increase --
16 pews me, gold prices don't -- don't -- the price
17 of gold does not really significantly increase
18 until over a month after the Glider ban. Okay.
19 So if there's a lag, then there's a lag.

20 So let's look at these ban of these
21 supposed gold farmers, okay. In May of 2006, in
22 June of 2006 there were a large ban of gold
23 farmers. Let's look at the price. The price
24 data that's referenced in that figure. So again,
25 I'm using the exact same --

1 Q. Can we wait and actually revisit this
2 after lunch when I have a copy of it in front of
3 me too, this particular -- because --

4 MR. VENABLE: Sure.

5 Q. -- we are going to get into inflation
6 after lunch.

7 A. Okay.

8 Q. And you'll have a great opportunity --

9 A. Sure.

10 Q. -- to talk about that.

11 A. Sure. Sure.

12 Q. I want to sort of at the moment get back
13 to the basics of your argument that the Blizzard
14 success is inconsistent with its claims that it's
15 being damaged by Glider.

16 You know, you introduced the concept of
17 a counterfactual in your paper as well in
18 footnote 1. I believe you testified that -- or
19 at least in your paper, you say that you can
20 approximate the counterfactual here by looking at
21 Blizzard's competitors. Is that correct?

22 A. Right.

23 MR. VENABLE: What page are we on?

24 Q. (By Mr. McGee) It's footnote 1.

25 A. Page 3.

1 Q. (By Mr. McGee) Let's talk -- and you
2 also say -- why don't you read footnote 1 for me
3 to get it in the record.

4 A. Sure. Footnote 1 reads, to determine
5 economic damages, one should compare the observed
6 outcomes against the counterfactual of what would
7 have happened if Glider had never been
8 introduced. While the latter cannot literally be
9 observed, it can be approximated using the
10 performance of the competitors who are not
11 directly impacted by Glider.

12 Q. For me, a non-economist, let me
13 summarize my understanding of that and you tell
14 me if I'm right or wrong. One of the measure of
15 the damages to Blizzard to the extent there are
16 any damages is what Blizzard's performance is
17 now, financial performance is now versus what
18 would it have been in the absence of Glider; is
19 that correct?

20 A. Correct.

21 Q. So the delta between those two figures.

22 A. Uh-huh.

23 Q. How do you determine what Blizzard's
24 profits would have been or revenues would have
25 been in the absence of Glider?

1 to insure not only that these surveys are
2 anonymous, but that Blizzard itself could not
3 identify the individual users based on its
4 subscription key that I'm sure that they have.

5 Q. Assuming that there are reasons that
6 Blizzard could not or did not conduct a survey of
7 its customers, what would be your next suggestion
8 with respect to establishing damages in a case
9 such as this?

10 A. Sure. Well, I mean -- well, first of
11 all the next thing one could do, I guess I talked
12 specifically about customers, talking about the
13 quitting end of things, there are many claims in
14 the report about how Blizzard impacts key
15 players. So clearly there's no privacy agreement
16 when people are not yet customers of Blizzard.
17 One could conduct a survey, a phone survey,
18 internet survey, lots of different ways of doing
19 these surveys, and ask people are you interested
20 in playing an online game, do you know about this
21 game World of Warcraft, what concerns do you
22 have, leave it open ended.

23 What little -- again, what information I
24 have, which is from the defense report and what
25 I've learned from my review of the documents that

1 we've talked about, that study -- that survey was
2 never done. That would be the second thing I
3 would do.

4 Q. Do you believe that random people
5 surveyed in a survey such as the one you just
6 suggested would grasp the concept of online games
7 and bots and all the other issues that we've
8 discussed here today?

9 MR. VENABLE: Object. Object to
10 the form of the question.

11 A. Sure. It goes fundamentally to the
12 heart of the defense expert report. The defense
13 expert reports makes several statements about
14 claims about how people who potentially could be
15 World of Warcraft users are discouraged from
16 being World of Warcraft users because they're
17 heard or seen or have friends who tell them about
18 these horrible bots that populate World of
19 Warcraft to the extent that that's true, to the
20 extent what the defense report says that's true,
21 that surely should be present in the data.

22 Q. (By Mr. McGee) So assuming that data is
23 not available, surveys are not or cannot or
24 should not be conducted, what would be your next
25 method --

1 other sites, a site called ismods.com, www dot
2 I-S-M-O-D-S dot com, on which I found -- this was
3 last week, over 30 specific bots that were listed
4 that had been customized and were download bull
5 and I think you could customize them yourself.

6 Q. Would you be surprised to learn that Joe
7 Thaler and LavishSoft were also responsible for
8 the ISMods site?

9 A. But that's not relevant. The question
10 you said, am -- are there other bots that could
11 be out there that could be causing these
12 problems? Yes. Now, why -- in addition to the
13 shear number of these alternative options that
14 are out there, why do I think this?

15 Well, if you read on their site, they
16 talk about some things that you could use this
17 thing for. So this is a quote from the
18 LavishSoft website, it's actually from the site
19 www.LavishSoft.com/innerspace, one word,
20 I-N-N-E-R-S-P-A-C-E. It says -- there was a
21 question about could you use this for cheating.
22 Quote, for one year our customers have been using
23 and developing cheats of all types, automation,
24 radar, language detect -- excuse me, language
25 translation, other information display, etc.

1 whether records are kept. I can simply say
2 anyone who has received Ph.D. training in the
3 last extended period of time, at least 20 years,
4 I would say, would agree with the fact that when
5 one wants to establish damages, one needs to
6 analyze data.

7 Q. (By Mr. McGee) One of the things I hope
8 that you've seen today is that it's not just a
9 matter of analyzing data, it's the fact that the
10 data do not exist. What makes you think that
11 this data would exist at EVE Online or Second
12 Life?

13 A. I think the fact that they hire Ph.D.
14 economists seems to me to indicate they are more
15 aware, attune to these issues.

16 Q. Issues of damages in a lawsuit?

17 A. No, to understanding issues related to
18 the economics.

19 Q. But understanding issues isn't my
20 understanding of the problem. My understanding
21 of the problem is that the data that you want
22 doesn't exist. So how is having a Ph.D.
23 economist on staff going to solve that problem?

24 A. I'm going to answer the question as best
25 I can. To the extent that this person is a Ph.D.

1 economist and I'm a Ph.D. economist, if -- I can
2 again restate what I said before, if I had been
3 asked by my company, what do you think as our
4 staff economist on the benefit to us in terms of
5 our bottom line of doing this particular
6 activity, banning, for example, bot users, what
7 do you think, I would request this information.

8 Again, this is -- again, this -- what
9 does EVE Online do? I can't tell you. I do not
10 know. But the fact that they actually have an
11 economist on staff indicates to me that they're
12 probably -- if they listen to the guy, which I
13 assume that they do since they're paying him a
14 salary, he's going to tell them to keep this
15 information.

16 Again, economics or the study of damages
17 are bread and butter, everything is about data.
18 That's what we do. If he's doing anything for
19 them, he's analyzing data. He's telling them
20 collect more data.

21 Q. Do you have any firsthand knowledge of
22 that whatsoever?

23 A. Of.

24 Q. You just said if he's doing anything,
25 he's telling them to collect data.