



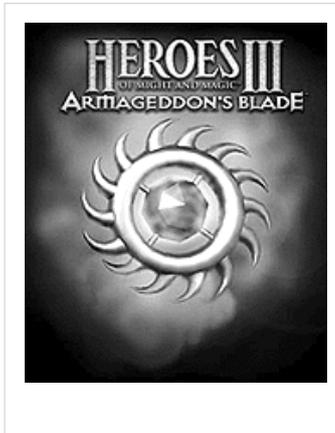
Pirates at the Dock

Sony, Electronic Arts sue, alleging Bay Area residents were part of international video game piracy ring

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Two of the video gaming industry's biggest players are shining lights into the murky corners of international video piracy through a joint San Francisco lawsuit against alleged members of "Paradigm," a sophisticated ring of Internet pirates who stole the latest games and posted them to the Web.



Filed by Electronic Arts Inc., the industry's largest entertainment software publisher, and PlayStation licensor Sony Computer Entertainment America

Inc., the lawsuit -- which has barely raised eyebrows outside the trade press -- alleges Bay Area residents Ensell Y. Lee and Michael S. Lewis used subterfuge to obtain pre-release copies of new video games, and then released them on the Web.



The case apparently is the first to target a group of alleged pirates working in concert. Normally, it is the less-than-razor-sharp lone wolf -- New Yorker Liam McLaughlin, for instance, who advertised pirated PlayStation games on his Web site -- who gets caught. But thanks to a clumsy ruse that backfired on Paradigm member Matthew Ferrari of Kennett Square, Penn., the scope and operating strategies of three alleged U.S. piracy rings -- Paradigm, Class, and Razor 1911 -- are beginning to come into public view. In the foreground of that view is Paradigm, a group known within the scene for "cracking" the anti-copying security codes for some of the industry's hottest new games.

Digital piracy -- the unauthorized copying and distribution of copyright-protected computer software -- has become an extraordinary international problem for video entertainment companies. According to the Interactive Digital Software Association, a watchdog trade organization, worldwide piracy cost the game industry -- which has annual revenues of about \$5.5 billion -- more than \$3 billion last year. Electronic Arts alone lost \$400 million due to counterfeiting, and the loss in revenue has led the company to use what some view as strong-arm tactics abroad, where pirated versions of Electronic Arts offerings often outsell the originals. In 1998, for example, Electronic Arts participated in more than a dozen police-led raids in Turkey and Singapore, successfully seizing bogus software valued at \$400,000. Within the United States, Electronic Arts' anti-piracy efforts have gone mainly into tracking and prosecuting civil lawsuits with the help of the IDSA. Other companies within the industry, such as the 3DO Co., Acclaim Entertainment, and Bethesda Softworks, have joined the IDSA's efforts to monitor and gather evidence against pirate groups.

Paradigm's activities came under suspicion in February, when Ferrari allegedly posed as a journalist from the *Philadelphia Inquirer*, soliciting pre-release copies of various games from 3DO, a video-game software distributor based in Redwood City. Journalists are routinely allowed to review games before they have been publicly released, and several copies of new games, including *Heroes of Might and Magic III* (also known as *Heroes III*), were sent by Federal Express to Ferrari's home in Pennsylvania. Ferrari had also requested a copy of *Army Men II*, a combat game, but because the software wasn't complete, 3DO's public relations director, Holly Hartz, offered to hand-deliver a copy to Ferrari at the New York City Toy Fair. According to a federal lawsuit 3DO filed in February, Ferrari cancelled the appointment, claiming his wife was going into labor, and instead sent his "intern" -- a girlfriend -- to pick up the advance copy.

Weeks later, after leaving repeated voice mail messages at Ferrari's work number, Hartz called a receptionist at the *Inquirer*, who told the 3DO executive that Ferrari wasn't listed in the newspaper's telephone directory. A few days afterward, according to sworn testimony, Ferrari left Hartz a rambling message saying he was no longer working at the *Inquirer*. "Um, but I am going to be on business for the next few weeks. Um, my future plans are in the dark, but I'll get back in touch with you, uh, from my new office when I'm back in a few weeks. Um, other than that ... (sigh) ... not much else going on." That same day, the suit says, 3DO discovered that *Heroes III* had been illegally posted on the Internet.

When 3DO's vice president, Mark Caldwell, downloaded a copy of *Heroes III* from the Web, the lawsuit claims, he found a file named "pdm99.nfo" inserted into its controlling software. This file was, supposedly, Paradigm's signature mark, a way of taking credit for having cracked the electronic protection that is meant to keep the software from being copied without authorization. Within the same cracked software was the name Matt Ferrari. Unluckily for Ferrari, who had secured games anonymously in the past, the *Philadelphia Inquirer* ruse had led straight to his door: From working with Matt Ferrari the "reporter," 3DO had Matt Ferrari the alleged pirate's real phone number and address.

Once 3DO was convinced of Ferrari's involvement, the company filed suit. In exchange for financial clemency, Ferrari eventually agreed to cooperate with 3DO and to identify other pirates. When grilled by the IDSA, Ferrari coughed up aliases and real names of people allegedly involved in several groups, including Class and Razor 1911. But his testimony focused on Paradigm. The Paradigm aliases were standard Internet fare: Zeus, Drizzt, Angwee, Grazer, Mr. Skill, The Punisher. The real people allegedly included Ensell Lee, an information department manager at a San Francisco pager and cell phone company, and Michael Lewis, whose current employment is not spelled out in court papers. Lewis, it turned out, had been a senior product technician at Electronic Arts, and, allegedly, Paradigm's inside man there. But Lee, who, according to the lawsuit, had previously worked as an intern at Electronic Arts, was alleged to have spearheaded Paradigm's pirating of Electronic Arts' games. Also, Ferrari indicated in sworn testimony for the lawsuit, Lee had been responsible for pirating four Sony games, including *Everquest*. Electronic Arts and Sony Computer Entertainment America, which is based in Foster City, subsequently filed a joint lawsuit against Lee and Lewis.

In early June, Electronic Arts and Sony hired private investigators, one of whom delved into Lee's curbside trash in an attempt to connect him to Paradigm and its reputed piracy efforts. According to court documents, the private investigator discovered two unauthorized copies of final versions of Electronic Arts video games. A court order was subsequently issued; it allowed U.S. Marshals and the plaintiffs' lawyers to swoop down on Lee's office and impound his computer and dozens of disks tagged with the handwritten label "GAMEZ."

At this point, Electronic Arts suspected, but had been unable to prove, that it had a leak that spewed completed but unreleased computer games into pirate circles. The firm's own internal investigation, conducted in tandem with the FBI, failed to identify a hacker. It did, however, lead to upped security measures that made it increasingly difficult for Lewis -- whose Paradigm

handle was "Grazer" -- to supply games to anyone outside the company. E-mail messages allegedly posted on Paradigm's bulletin board show Grazer complaining to other Paradigm members about heightened security. "... the bumbling redneck sheriff has been replaced by the Gestapo and his armed guards. I can't go anywhere or do anything without my actions being questioned and my pockets being searched," Grazer wrote. As information on the alleged connection between Lee and Lewis mounted -- a number of e-mail messages outlining Electronic Arts' security protocol and ways of cracking it were allegedly found on Lee's and Lewis' computers -- Electronic Arts fired Lewis, who, according to the lawsuit, admitted he was Grazer but denied any wrongdoing.

Lee, his lawyer, Lewis' lawyer, and Electronic Arts' lawyers have all refused to comment. (*SF Weekly's* attempts to contact Lee in person were rebuffed via telephone with the remark that "this is bordering on harassment.") There may be sound legal reason for defendants in the lawsuit to refrain from making public statements about it. It remains unclear whether the alleged instances of computer piracy will result in criminal charges.

The recent conviction of a University of Oregon student under the No Electronic Theft Act -- the first such conviction since the law took effect in 1997 -- could bode ill for even the least mercenary video game pirates. The NET Act makes it a crime to reproduce or distribute copyrighted digital works worth more than \$1,000 -- a low financial threshold -- even if the person doing the reproduction or distribution makes no money from the process. Ferrari claimed he received checks from Russia, via Western Union, for nearly \$10,000 from fellow pirates who were selling hard copies of the games that Paradigmers had swiped in the U.S. and posted to the Internet. Electronic Arts' lawyers say that law enforcement authorities are still investigating whether Lee and Lewis have hacked for financial gain. (Lewis has denied all the allegations in the EA/Sony lawsuit.) If the NET Act is enforced against any of the Paradigmers, they could face felony charges.

According to the 3DO and EA/Sony lawsuits, the process of "cracking" the anti-copying protection for a computer-based video game works like this: Once a pre-release copy of a game has been acquired, its copy protection is removed, and portions of the game are "ripped," or compressed, according to a predetermined set of rules established between competing piracy teams. Materials authored by the pirates, including a signature file, are then inserted into the work. The game is uploaded onto the Internet, often days or even weeks before the final product has been publicly released by the company that created it.

Computer piracy is an adrenalin-filled race, a see-who-gets-there-first competition often done simply for bragging rights. "It's a subculture of defying authority," says Mike Sabine, deputy editor in chief of *MCV* home computing magazine. "It's not unlike terrorists who blow up a plane and want to take credit for it. It may take months to crack, but if you do it, you're the best." Regular backslapping and posturing have been apparent in chat sessions among alleged pirates. "Enjoy another quality one [game] from la familia!" one group boasts.

But video game piracy can also involve money. Big money. Once on the Internet, a pirated game can be downloaded by fellow pirates overseas, who pay cash for the game files and stamp out hard copies that are sold locally. In Russia and other parts of Asia, this process happens so quickly that pirate versions of games usually outsell legitimate copies in the market, often undercutting retail prices significantly.

Kathlene Karg, director of intellectual property for IDSA, says that if the Internet makes it easy for consumers to access illegal software, Net surfing leaves tracks that aren't that hard for investigators to follow, and current laws, including the NET Act, are making piracy dangerous for pirates and customers alike. Many people, Karg says, are under the quite mistaken impression that they can browse and download anonymously from the Web. "It's easy to track who is talking in newsgroups and downloading," she says. "Piracy has its consequences. I hope that hits home."