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19-2-00262-14
CMP 1
Complaint
5290391



IN THE SUPERIOR COURT FOR THE STATE OF WASHINGTON
IN AND FOR GRAYS HARBOR COUNTY

Quinault Indian Nation,

Plaintiffs,

vs.

VALVE CORPORATION, a Washington
corporation;

Defendant.

NO. 19-2-262-14

PLAINTIFF'S COMPLAINT FOR
DAMAGES

PLAINTIFF'S COMPLAINT

Plaintiff Quinault Nation ("Quinault" or "the Nation") by and through counsel, brings this action against Defendant Valve Corporation and states as follows:

1. Quinault Nation is a federally recognized sovereign Indian Nation consisting of the Quinault and Queets tribes and descendants of five other coastal tribes: Quileute, Hoh, Chehalis, Chinook, and Cowlitz. It is comprised of over 3,120 tribal members, and has federal trust land in Grays Harbor and Jefferson Counties, tribal members who reside in these Counties, and a state-licensed casino in Grays Harbor County.

2. The Nation's tribal government headquarters is located in Taholah, Grays Harbor County Washington.

3. The Nation owns and operates an Indian gaming casino licensed by the State of

1 Washington and regulated by the Washington Gaming Commission.

2 4. Valve, a Bellevue, Washington-based video game and online content platform
3 corporation, does business in this county and in Washington through the internet and through
4 accounts of individuals who live in this County and throughout Washington.

5 5. Valve does not have a license to operate, facilitate or otherwise engage in any
6 form of gambling whatsoever.

7 6. Beginning in 2013, Valve began selling digital items called "Skins" that could be
8 and in fact were sold for and exchanged for real money and property.

9 7. Skins became the primary currency used by illegal, unregulated, and unlicensed
10 online gambling websites, and Valve profited handsomely from the use of its virtual items for
11 online gambling.

12 8. Valve facilitated illegal, unregulated and unlicensed online gambling of Skins in
13 numerous ways.

14 9. For instance, Valve sold to users a token called a "key" for \$2.50, the *only*
15 purpose of which was to allow users to engage in gambling through opening crates to win
16 virtual items that were worth much more than the value of the token, or to win virtual items
17 with virtually no value. The look, feel, sound and experience was basically an online slot
18 machine, as seen in the following YouTube videos:
19
20

- 21 a. <https://youtu.be/7Z4-s2VdpUE?t=72>
22 b. <https://www.youtube.com/watch?v=oqle-lQjac8>
23 c. <https://youtu.be/mDgTRd4mM9U>
24 d. <https://www.youtube.com/watch?v=eug9O6hXfWo&t=2s>
25 e. <https://www.youtube.com/watch?v=tWuE-n5pSGc>
26 f. <https://www.youtube.com/watch?v=4QExMwc9rW0>
g. <https://www.youtube.com/watch?v=pyeapEaSh3o>

10. In addition, from August 2013 - July 2016, the time period from when Skins

1 gambling began and before Valve took its first, incomplete and ineffective steps to address
2 Skins gambling, Valve had actual knowledge of the identity of the Valve accounts that
3 gambling websites used to effectuate gambling transactions, and chose not to take any action
4 against them.

5 11. At all times relevant to this Complaint, Valve allowed gambling websites to use
6 Valve accounts on Valve's servers and Valve's computers to effectuate gambling transactions.

7 12. Valve also provided technical support to gambling websites and real-money cash
8 out websites, despite those websites violating Valve's Steam Subscriber Agreement, and would
9 return control of gambling websites' Valve accounts back to the gambling website after being
10 hijacked or hacked by other third parties.

11 13. Valve also refused to shut down features of Valve's system - such as free trading
12 or one-way "gift" trading - that would eliminate the ability of Skins gambling websites to
13 operate on Valve's servers.

14 14. Valve also refused to use "blacklists" to prevent websites from accessing
15 Valve's servers through the OpenID authentication process and linking user's accounts to
16 gambling websites accounts.

17 15. Valve's actions described above and in more detail below violate Washington
18 law and harmed the Nation, providing Quinault Nation standing to bring the causes of action
19 below through this Complaint.

20 16. Specifically, Valve's conduct violates Quinault Nation's rights under the
21 Gaming Compact between the Quinault Nation and the State of Washington ("Compact")
22 (available at [https://www.wsgc.wa.gov/sites/default/files/public/searchable-](https://www.wsgc.wa.gov/sites/default/files/public/searchable-compacts/quinault/R-1996%20Compact%20%28s%29.pdf)
23 [compact/quinault/R-1996%20Compact%20%28s%29.pdf](https://www.wsgc.wa.gov/sites/default/files/public/searchable-compacts/quinault/R-1996%20Compact%20%28s%29.pdf)) a contract between the Nation and
24
25
26

1 the State of Washington which took effect in 1996.

2 17. Further, Valve is engaging in unfair competition with the legally licensed,
3 regulated gambling operation owned and managed by the Nation.

4 18. Individual consumers, including teenagers, brought class action lawsuits against
5 Valve in courts in Washington, but were sent to arbitration as individual cases, pursuant to a
6 class action waiver and arbitration clause buried in Valve's Subscriber Agreement.

7
8 19. After these arbitrations, with limited discovery, the consumers were told that,
9 because they, as teenagers, knowingly gambled online illegally with Skins, they could not
10 recover for their losses.

11 20. These arbitrators ruled that Skins were a thing of value in that what the users
12 were doing was gambling and was illegal, and therefore the teenagers could not recover as a
13 matter of law.

14 21. As a licensed operator of gaming facilities in Washington, the Nation must incur
15 costs, expenses, and effort to ensure strict compliance with all gaming laws and regulations.
16 Neither Valve nor internet gambling sites using Valve's virtual items abide by those gaming
17 laws and regulations, and consumers and the Nation have been harmed as a result. Valve's
18 actions to facilitate those websites and profit from it while its customers are scammed by
19 fraudulent websites shows the importance of strict regulation and the consequences of Valve's
20 conduct.
21

22 22. The Nation brings these causes of action strictly pursuant to Washington state
23 law. Nowhere herein does Plaintiff plead, expressly or implicitly, any cause of action or
24 request any remedy which is founded upon Valve's violation of federal law or the United States
25 Constitution. The issues presented in the allegations of the instant Complaint do not implicate
26

1 federal issues whatsoever; do not turn on the substantial federal interpretation of federal law;
2 nor do they raise a substantial federal question or any federal question at all. Indeed, Plaintiff
3 expressly avers that the only causes of action claimed, and the only remedies sought herein, are
4 for those founded upon Washington state law. None of Plaintiff's causes of action require the
5 application of federal law. This Complaint presents no federal question that is disputed and
6 substantial.

7
8 **PARTIES**

9 23. Quinault Nation is a federally recognized Indian nation, exercising rights of a
10 sovereign Indian nation. Quinault Nation is not a citizen of any state for purposes of diversity
11 jurisdiction.

12 24. Valve is a Washington Corporation headquartered at 10900 NE 4th St., Suite
13 500, Bellevue, Washington 98004, does business in Washington and specifically does business
14 in this County and through individual account holders living in and residing in Grays Harbor
15 County.
16

17 **VENUE**

18 25. Quinault Nation operates the Quinault Beach Resort and Casino, located in
19 Ocean Shores, Grays Harbor, Washington ("the Casino"). The Casino advertises across
20 Washington and provides legal, regulated gaming to the citizens and residents of Washington.

21 26. Revenues from the Casino help to fund the provision of essential governmental
22 services to members of the Nation who predominately live in Grays Harbor and Jefferson
23 Counties.
24

25 27. Valve operates in Washington and, upon information and belief, in Grays Harbor
26 through accounts held by users in Grays Harbor County, including members of the Nation, and

1 is available to any Grays Harbor County citizen over the age of 13 who wishes to open an
2 account with Valve.

3 28. Valve's conduct as described above occurred in Washington and specifically in
4 this County.

5 29. No mandatory venue provision is applicable to this case which would make
6 venue lie in any other county other than this County.

7
8 **FACTS**

9 **A. Quinault Nation's Compact, Rights and Damages**

10 30. In 1996, the Quinault Nation and the State of Washington executed the
11 Compact. The Compact gives Quinault the right to operate certain gaming in Washington
12 under heavily regulated circumstances.

13 [https://www.wsgc.wa.gov/sites/default/files/public/searchable-compacts/quinault/R-](https://www.wsgc.wa.gov/sites/default/files/public/searchable-compacts/quinault/R-1996%20Compact%20%28s%29.pdf)
14 [1996%20Compact%20%28s%29.pdf](https://www.wsgc.wa.gov/sites/default/files/public/searchable-compacts/quinault/R-1996%20Compact%20%28s%29.pdf). The Compact was amended in 1999 to authorize Tribal
15 Lottery Systems, which are gaming systems that simulate slot machines.

16
17 31. The Compact requires Quinault to take measures to engage in responsible
18 gaming, prevent fraud, prevent illegal gaming, and prevent underage gambling, and the
19 Quinault is subject to extensive oversight and the potential loss of gaming license for non-
20 compliance. *See, e.g.*, Compact at Section III, IV, V.

21 32. The Compact requires Quinault to hire certain types of security and safe and fair
22 gaming enforcement jobs, expend money and time training employees, and otherwise engage in
23 extensive activities to comply with Washington law and maintain its license. *See* Section VI.

24 33. The Compact limits gaming to those 18 and older. Section III.P.
25
26

1 34. Quinault Nation spends time, money and resources complying with these
2 provisions.

3 35. Specifically, the Quinault Tribal Gaming Agency (“QTGA”) employs agents
4 and auditors who monitor and enforce compliance with the Compact and applicable laws and
5 regulations through the conduct of round-the-clock video surveillance, the investigation of
6 complaints, participation in the physical inspection of gaming equipment, and the conduct of
7 audits of the Casino’s financial statements and related records. The QTGA’s budget, which is
8 funded entirely by the Nation, has averaged over \$1.15 million over the last five years.
9

10 36. The Casino hires management and other key employees whose responsibilities
11 include management of the Casino in compliance with the Compact and applicable federal and
12 Nation laws and regulations. Security guards are also hired to ensure the safety of patrons.

13 37. Casino Security is charged with checking ID’s to ensure that minors are not able
14 to participate in gambling within the Casino. Both Casino Security officers and QTGA agents
15 are authorized to check the ID of anyone who appears to be a minor, and minors who are
16 caught on the Casino floor can be excluded from the Casino until they reach the age of 21.
17

18 38. Quinault Nation pays the State of Washington a portion of the proceeds of its
19 gaming operations to the State of Washington to cover the costs of regulation and oversight by
20 the Washington Gaming Commission. *See* Section XIII.

21 39. Quinault Nation also pays 2% of proceeds from gaming operations in Impact
22 Mitigation Funds to reimburse Grays Harbor, Ocean Shores and other surrounding taxpayer-
23 funded support services for the work associated with the presence of the Casino.
24
25
26

1 40. Since 2013, Quinault Nation has paid \$1,219,863.45 to the State of Washington
2 in the form of regulatory fees, and since 2009, it has paid over \$382,500 to local governments
3 in the form of Impact Mitigation Funds.

4 41. The purpose of the Compact, the fees Quinault pays, and the governing statutory
5 framework for legal, regulated gaming in Washington is that Washington citizens are supposed
6 to have protection from illegal, unlicensed gaming because such gaming is ripe for fraud,
7 abuse, and unfair or misleading games.
8

9 42. By providing Washington residents with an illegal, online form of gambling,
10 Valve offers unlawful alternatives to gambling at the lawful and highly regulated Quinault
11 Casino, which takes away revenue from both Quinault and local governments.

12 43. Further, by operating illegal, unregulated gambling, Valve has subjected
13 Washington citizens to scam, unsafe and unfair gambling when they have legal, regulated, safe
14 and fair gambling options operated by Quinault.
15

16 44. Valve's actions, as described further herein, have damaged Quinault financially
17 through lost revenue and infringement of rights under a contract for which Quinault pays
18 financial remuneration.

19 45. Specifically, Valve has engaged in and facilitated illegal, unregulated,
20 unlicensed gambling in violation of Washington law.
21

22 **B. Valve's Virtual Items and Increase In Popularity**

23 46. Valve has manufactured video games for nearly 20 years. In 1999, it introduced
24 the Counter-Strike series, culminating in CS:GO's release in 2012.

25 47. CS:GO was one of many similar video games involving players who play as
26 either terrorists or counter-terrorists. Because the player views the video game through the

1 eyes of a character and shoots guns, it is known as a “first person shooter” game. When
2 CS:GO was released in 2012, the market was flooded with such franchises as Call of Duty,
3 Halo and Battlefield.

4 48. Seeking to differentiate itself, CS:GO introduced Skins. The announcement
5 made was August 14, 2013 through a post on its website titled “The Arms Deal Update”
6 (“Skins Announcement”).¹
7

8 49. The Skins Announcement told players that they could “experience all the illicit
9 thrills of black market weapons trafficking without any of the hanging around in darkened
10 warehouses getting knifed to death.” Specifically, “[t]he Arms Deal Update lets you collect,
11 buy, sell and trade over 100 all-new decorated weapons that you can equip in-game.”

12 50. The Skins Announcement discussed how the new marketplace would work:
13 “You can start collecting decorated weapons via timed weapon drops just by playing CS:GO on
14 official and community servers. You can also get them by opening dropped weapon cases with
15 the appropriate key, or by trading with other players through Steam’s Trading interface.
16 Additionally, any decorated weapons you’ve found, bought or traded can be sold on the Steam
17 Marketplace.” Players have to pay Valve for a key to open a weapons drop box, which could
18 contain Skins worth less or more than the cost of the key.
19

20 51. Valve directed players to Reddit (the “front page of the internet” forum website
21 with numerous sub-forums for specific interests), the Steam Community Discussions and the
22 CS:GO Forums on steampowered.com for more information and to discuss Skins.
23

24 52. Steam and steampowered.com are wholly owned properties of Valve. Steam
25 operates as a wholly enclosed ecosystem wherein players can play games, communicate with
26

¹ <http://blog.counter-strike.net/index.php/2013/08/7425/>

1 other players, initiate trades with other players, list items for sale, buy games, buy items,
2 deposit money into their "Steam Wallet," participate in forum discussions, and communicate
3 with Valve directly.

4 53. When items are bought and sold on the Steam Marketplace, Valve Steam takes a
5 5% cut on all total sales, and an additional percentage depending on the game the item is
6 related to. If a sale is related to CS:GO, Steam takes an additional 10%, resulting in a 15% fee
7 in all marketplace sales related to CS:GO.
8

9 54. The creation of Skins was a deliberate attempt by Valve to increase its sales and
10 profits by adding an element of gambling and market economies to its products. And it
11 worked: as a result of the gambling ecosystem, explained in depth below, that grew up around
12 CS:GO Skins, the number of players on CS:GO increased more than 1,500 percent, and CS:GO
13 became the subject of televised and monetized eSports. Despite its slow initial sales, Valve has
14 now sold more than 21 million copies of CS:GO, earned more than \$567 million in total
15 revenue from sales of CS:GO alone, and earned a percentage of gambling proceeds on CS:GO
16 through various websites and third parties.²
17

18 55. This was a deliberate strategy on Valve's part. One of its employees explained
19 at a developer's conference in 2014 that the company determined that the "best way to get
20 players deeply engaged in games...was to give away virtual items of random value and
21 encourage a robust market to trade them." That employee was quoted as saying: "This is not an
22 accident. This is by design. We see more blogs popping up and more and more emails from
23 our players saying, 'I'm not really sure what happened but I've been playing DotA for the last
24
25
26

² <http://www.bloomberg.com/features/2016-virtual-guns-counterstrike-gambling/>

1 week or two, and I made \$100 selling these items that I got.’ This is hugely successful for us.”³

2 “DotA” refers to Defense of the Ancients, another Valve game with a similar Skin gambling
3 ecosystem like CS:GO.

4 56. Valve went so far as to hire an internationally renowned economist to help it
5 develop currencies and cross-platform economies.⁴

6 57. There is an increase in betting — and therefore the purchase of Skins on Valve’s
7 website — during televised eSports. Since TBS debuted CS:GO matches, as many as 3.38
8 million Skins were bet on matches on Lounge. The average value of Skins traded across
9 various platforms was \$9.75. The total “handle” — that is, dollars wagered — is more than
10 \$33 million. The matches televised in TBS result in the highest amount of wagering.⁵

11 58. Valve receives a direct financial benefit from televised CS:GO matches.

12 59. Skins gambling websites are illegal in Washington and in the United States.
13
14 Neither Valve nor these websites had a license, permission or legal authority to create, sustain,
15 profit from or otherwise support an online gambling platform, and, as discussed more in depth
16 below, Valve’s affirmative actions, choices and failures to act created this online gambling
17 system and allows it to continue to this day.

18
19 **C. Valve’s Case-Opening System Looks, Sounds Like Gambling**

20 60. Valve intentionally imbued the process to purchase and “win” Skins with the
21 look, feel, sound and elements of gambling.

22 61. In addition to purchasing or trading Skins through the Steam Marketplace or
23 from third party websites like OPSkins, Valve provides CS:GO players with “cases” that
24

25
26 ³ <http://www.bloomberg.com/features/2016-virtual-guns-counterstrike-gambling/>

⁴ <http://www.bloomberg.com/features/2016-virtual-guns-counterstrike-gambling/>

⁵ <http://www.esportsbettingreport.com/eleague-handle-for-skin-betting/>

1 contain Skins during in-game play. These cases cannot be opened without purchasing a “key”
2 from Valve for \$2.50. Thus, even a “free” in game Skins provided by Valve requires users to
3 pay Valve \$2.50 to open the case.

4 62. When players open the cases, the value of the Skins inside could be less or more
5 than \$2.50, making the mere opening of cases a form of gambling. Even further, Valve created
6 a slot-machine experience and look and feel of gambling when opening cases, as seen in this
7 video: <https://www.youtube.com/watch?v=oqle-lQjac8>. These videos show how the look and
8 sound of the revealing what Skins are inside the cases is like a slot machine, but a screenshot
9 shows the red line that the different pictures of Skins rotate through until landing on the Skins
10 the user has “won”:
11



25 63. The way Valve had users obtain loot boxes constitutes illegal gambling without
26 a license.

1 64. Skins gambling websites copied the look and feel of case opening, and users
2 used Skins gambling websites to replace or supplement the feel and experience of crate
3 opening.

4 65. Valve does not have to disclose and in fact does not disclose the true odds of
5 receiving certain items or the rules governing the case opening system, and in fact affirmatively
6 misleads users as to the true probability of receiving more valuable items.

7 66. Specifically, each potential item available in a crate is listed for the user and has
8 a picture displayed to the user, all in the same size and indicating an equal chance of being in
9 the crate. The pictures of the items scroll by at the same speed and in the same sizes, meaning
10 the line indicating the winning item can seemingly land on any of the available items with an
11 equal chance. However, the actual odds of receiving more valuable items are much lower (as
12 low as less than 1 in 156 for the most valuable items) and Valve does not disclose this. Unlike
13 regulated gaming, Valve does not have to and therefore has gained an unfair advantage over
14 regulated gaming organizations like Quinault.
15

16
17 **D. The Mechanics of Gambling on CS:GO and How Valve Has Created,
18 Facilitated, Fostered and Affirmatively Allowed Skins Gambling**

19 67. Valve sells Skins through its website and Steam platform. Valve takes a 15%
20 fee on all CS:GO Skins sold through its website or sold on its Marketplace.

21 68. In addition to purchasing or trading Skins through the Steam Marketplace or
22 from third party websites like OPSkins, Valve provides CS:GO players with “cases” that
23 contain Skins during in-game play. These cases cannot be opened without purchasing a “key”
24 from Valve for \$2.50. Thus, even a “free” in game Skins provided by Valve requires users to
25 pay Valve \$2.50 to open the case.
26

1 69. These Skins can be won, bought, traded, sold, and otherwise have in-game value
2 through Steam's marketplace and the CS:GO game itself. It also sells versions of Skins called
3 Knives using the same system.⁶

4 70. Unlike apps and other computer games with such in-game purchases, Valve has
5 created and currently supports a secondary marketplace where these in-game purchases can be
6 gambled and cashed out.

7 71. Skins, in gambling terms, can be seen as casino chips.

8 72. "People buy skins for cash, then use the skins to place online bets on pro CS:GO
9 matches. Because there's a liquid market to convert each gun or knife back into cash, laying a
10 bet in skins is essentially the same as betting with real money."⁷

11 73. Players must link their Steam account to third-party websites such as OPSkins
12 and Skins Gambling Websites in order to be able to gamble or cash out their Skins on the third-
13 party sites.
14

15 74. OPSKins and Skins Gambling Websites such as Lotto have their own accounts
16 on the Steam marketplace that are used to facilitate transfers, sales and gambling. That is, if a
17 user logs into a Skins Gambling Website and wants to gamble, technically they transfer their
18 Skins to the Skins Gambling Website's own Steam account, or one of that Skins Gambling
19 Website's numerous "bot" accounts. If the user wins, the Skins Gambling Website transfers
20 Skins back to the user's Steam account. OPSkins does the same and has numerous Steam
21 accounts of its own to facilitate users turning Skins into real cash.
22

23 75. Valve easily identified these bot accounts, knew these bot accounts were in
24 place and knew they were being used for gambling and cashing out skins.
25

26 _____
⁶ <http://www.pcgamer.com/how-400-virtual-knives-saved-counter-strike/2/>

⁷ <http://www.bloomberg.com/features/2016-virtual-guns-counterstrike-gambling/>

1 76. Skins are a thing of value under Washington law. Users could sell Skins for real
2 money on third party websites that operated with Valve's knowledge, approval, and facilitation.
3 Skins can be used to place bets where money or other things of value can be won.

4 77. Skins are also a thing of value under Washington law because users could sell
5 Skins for money in their Steam wallets that could be used to purchase hardware, software,
6 movies, content, other virtual items, and video games directly from Valve:
7 <https://steamcommunity.com/market/>.
8

9 78. Two arbitrators ruled in January 2019 that Skins are a thing of value and that
10 illegal gambling occurred with Skins on third party websites with Valve's knowledge and lack
11 of swift, appropriate action to stop the illegal gambling websites.




12 79. In January 2015, Valve instituted a new security measure that required users to
13 prove they were real human beings known as a "Captcha" tool. Valve did this in order to
14 "prevent malware on users' machines making trades on their behalf." However, Valve
15 specifically "excluded a few of the existing third-party trading services from this requirement
16 so they can continue to function."⁸ Those third-party trading services are sites like OPSkins
17 and the Skins Gambling Websites that use hundreds and/or thousands of Steam accounts to
18 facilitate gambling.⁹
19

20 80. Valve is well aware of the Skins gambling that goes on, is well aware that Skins
21 have real world cash value, which has increased their popularity and value, and actively
22 encourages and facilitates Skins gambling.
23
24
25

26 ⁸ <http://steamcommunity.com/groups/tradingcards/discussions/1/622954023422884592/>

⁹ https://www.reddit.com/r/Steam/comments/3lrvao/how_safe_are_third_party_websites_that_allow_you/http://steamcommunity.com/id/drunkenf00l/

1 81. Valve is aware that these third-party gambling sites can and do cheat CS:GO
2 players betting Skins. An anonymous Valve employee told a reporter that “I don’t think the
3 rigged roulette sites in Russia give two f--ks” about the original lawsuit filed against Valve that
4 mentions third-party websites based overseas.¹⁰ The full context of that quote:

5
6   
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7
8 The alleged co-conspirators in the suit, skin
9 gambling sites CSGO Lounge, Diamonds, and
10 OPSkins, will also likely be unaffected.

11 Ward acknowledged that even reaching these sites
12 would be difficult. “Who are these sites?” he said.
13 “We know Lounge is a real business in Poland, but
14 for Diamonds, we have no idea ... this can be a
15 problem that prevents offshore-gambling suits from
16 going forward.”

17 The Valve employee added: “I don’t think the rigged
18 roulette sites in Russia give two fucks.”

19 Valve did not respond to requests for comment on
20 this article.

21 82. In addition to anonymous employees bashing lawsuits to reporters and
22 admitting Valve is aware that rigged third-party sites are taking money from Valve’s
23 customers, Valve has publicly discussed gambling on CS:GO in other forums. For instance, in
24 order to stem the increased hacking, fraud and other harms to consumers that had arisen out of
25 Skins gambling in 2015, Valve introduced new security measures. Valve announced these
26

¹⁰ <http://www.dailydot.com/esports/skin-betting-csgo-lawsuit-valve/>

1 measures on December 9, 2015, in a post called "Security and Trading" on the Steam
2 marketplace website.¹¹

3 83. In this post, Valve wrote: "Account theft has been around since Steam began,
4 but with the introduction of Steam Trading, the problem has increased twenty-fold as the
5 number one complaint from our users... This was an unacceptable status quo and we needed to
6 address it. In revisiting our strategy to stop it, we found two things of note. First, enough
7 money now moves around the system that stealing virtual Steam goods has become a real
8 business for skilled hackers. Second, practically every active Steam account is now involved in
9 the economy, via items or trading cards, with enough value to be worth a hacker's time.
10 Essentially all Steam accounts are now targets."¹²

11 84. Valve admitted that it knew Skins had real world cash value: "If hackers
12 couldn't move the stolen goods off the hacked account, then they couldn't sell them for real
13 money, and that would remove the primary incentive to steal the account."¹³

14 85. Indeed, in August 2016, the United Kingdom's Gambling Commission,
15 responsible for regulating and licensing gambling operations within the United Kingdom,
16 issued a whitepaper stating that "[w]here 'skins' are traded or are tradeable and can therefore
17 act as a de facto virtual currency and facilities for gambling with those items are being offered,
18 we consider that a [gambling] license is required."¹⁴

19 86. Valve thus knows and has admitted that its in-game Skins have real world
20 monetary and cash value through third-party websites it knowingly supports and assists on the
21 Steam Marketplace.
22
23
24

25 ¹¹ <http://store.steampowered.com/news/19618/>

26 ¹² <http://store.steampowered.com/news/19618/>

¹³ <http://store.steampowered.com/news/19618/>

¹⁴ <http://www.gamblingcommission.gov.uk/pdf/Discussion-papers/Virtual-currencies-eSports-and-social-gaming-discussion-paper-August-2016.pdf>

1 87. Valve could have stopped this hacking and theft perpetrated against consumers
2 — again, mostly teenagers — by “removing trading” – but chose not to.

3 88. Valve employees communicated directly with Lounge and provide technical
4 support to the website, according to a Lounge employee and spokesperson.¹⁵ Valve cannot
5 dispute this.

6 89. In a post on Valve’s forum, a moderator — that is, a Valve spokesperson who
7 manages the forums on behalf of Valve — told “younger” users who think they have been
8 scammed through third-party sites such as Lounge to not post on the forums about it. Rather,
9 those “younger” users who were scammed on a third-party gambling site should contact Valve
10 directly.¹⁶ In this post, the moderator on Steam’s own forums told users, including its
11 “younger” users: “Safe betting and trading!”¹⁷

12 90. Finally, once users have accumulated Skins they can convert them to cash
13 through OPSkins.
14

15 91. OPSkins, based in Canada, links directly to a user’s Steam account as well.

16 92. Users on OPSkins can cash out their Skins for real money through their PayPal
17 accounts.
18

19 93. Valve admits that it allows these third-party websites to have authenticated
20 Steam accounts and trade on the Steam marketplace.¹⁸

21 94. Valve has the power to stop these third-party sites from trading with user
22 accounts, which would eliminate illegal online Skins gambling.
23

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26 ¹⁵ <http://www.bloomberg.com/features/2016-virtual-guns-counterstrike-gambling/>

¹⁶ <http://www.bloomberg.com/features/2016-virtual-guns-counterstrike-gambling/>

¹⁷ <http://steamcommunity.com/groups/csgolounge/discussions/8/627456486705186974/>

¹⁸ <http://www.dailydot.com/esports/skin-betting-csgo-lawsuit-valve/>

1 95. And even when Valve took action, it took incomplete or ineffective action.
2 Skins gambling continued, and still continues. Valve took additional action on March 29,
3 2018, but there was nothing preventing Valve from having done this exact thing at any point
4 before.

5 96. In sum, users deposit real money on Valve's website, connect that real money
6 account to nominal third-party websites where users can participate in various forms of
7 gambling, and then cash out their account balances, converting Skins into real money. All of
8 these gambling transactions between users and third party gambling websites actually take
9 place on the Valve servers because Skins are never actually transferred from Valve's servers
10 and computer system.

11 97. Put another way: Valve's servers host the gambling website accounts and
12 OPSkins accounts, and the trades physically take place among these Valve accounts - users,
13 gambling websites and cash-out websites. In the bartender analogy, users buy chips from the
14 bartender, gamble in one backroom and cash out in another, all under Valve's roof.

15 98. This is an illegal scheme designed to bypass state-by-state gambling laws. And
16 this illegal gambling violates Washington law.

17 99. Valve has the technical capabilities to block access to any gambling site it
18 chooses to, but made an affirmative decision to instead work directly with third-party gambling
19 websites to give them access to Valve's computers in order to facilitate their gambling
20 transactions.
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23 100. Valve has always had the ability to modify, regulate, begin, and end the Skins
24 market and gambling as it saw fit.
25
26

COUNT I

**VIOLATION OF THE CONSUMER
PROTECTION ACT, RCW 19.86 ET SEQ.**

1
2 101. Plaintiff repeats, realleges, and incorporates by reference each of the foregoing
3 allegations as though fully set forth herein.

4 102. Valve is headquartered in Washington; its strategies, decision-making, and
5 commercial transactions originate in Washington; most of its key operations and employees
6 reside, work, and make company decisions in Washington; and Valve and many of its
7 employees are part of the people of the State of Washington. The conduct that Plaintiff
8 challenges directly affects the people of the State of Washington.

9 103. Valve engaged in commerce inside Washington.

10 104. Washington's Consumer Protection Act, RCW 19.86 *et seq.* ("CPA"), protects
11 consumers by promoting fair competition in commercial markets for goods and services.

12 105. To achieve that goal, the CPA prohibits any person from using "unfair methods
13 of competition or unfair or deceptive acts or practices in the conduct of any trade or
14 commerce. . . ." RCW 19.86.020.

15 106. Valve's acts, omissions, and practices, as alleged herein, constitute unfair
16 competition in violation of the CPA.

17 107. Defendant's acts, omissions, and practices constitute *per se* violations of the
18 CPA. As set forth above, Valve violated WAC 230-06-010 by permitting underage gambling
19 and violated the Gambling Act of 1973, RCW 9.46 *et seq.*, by facilitating and/or engaging in
20 professional gambling.

21 108. As a licensed gambling operator, Valve's actions constitute unfair competition
22 against Quinault.

23 109. The Legislature enacted the Gambling Act "to restrain all persons from seeking
24 profit from professional gambling activities in this state; to restrain all persons from patronizing
25 such professional gambling activities; to safeguard the public against the evils induced by
26 common gamblers and common gambling houses engaged in professional gambling." RCW

1 9.46.010. To these ends, the Legislature provided that the Gambling Act is to be liberally
2 construed. *Id.*

3 110. Valve's acts, omissions, and practices constitute unfair competition because they
4 are contrary to Washington's legislatively declared policies condemning unregulated gambling
5 and condemning the promotion or legitimization of gambling as entertainment for children. In
6 violation of the public policies of Washington, Valve created, maintained and facilitated an
7 unregulated gambling market, knowingly permitted minor children to gamble in this market,
8 and profited from these gambling activities.

9 111. Valve's crate opening process constitutes an online slot machine despite Valve's
10 lack of license to operate gambling in Washington.

11 112. The Washington Gaming Commission charged that Valve was operating
12 unregulated, unlicensed gaming. Valve took the position that the WGC did not regulate Valve
13 and therefore had no authority to enforce illegal gambling law against it or to require it to make
14 any business or technology practice changes, such as eliminating one-way trading, to stop
15 Skins gambling.

16 113. WGC ultimately worked with Valve to identify some websites where illegal
17 gambling was occurring, and Valve will take the minimum steps to stop specific gambling sites
18 identified by WGC from operating.

19 114. However, WGC did not review internal Valve documents, emails, or receive
20 under oath testimony from Valve employees about Skins gambling.

21 115. Valve's acts, omissions, and practices constitute immoral, unethical, oppressive,
22 and unscrupulous business conduct that caused substantial injury to Quinault.

23 116. The gravity of the harm resulting from Valve's conduct described above
24 outweighs any utility of this conduct. There are reasonably available alternatives that would
25 further Valve's legitimate business interests, such as ensuring that any lawful gambling
26 enterprises obtain proper licenses and implement suitable age verification protocols, or

1 eliminating a feature like one-way trading.

2 117. As a direct and proximate result of Valve's violations of the Consumer
3 Protection Act, Quinault sustained injuries, including lost revenue and lost profits.

4 **COUNT II**
5 **TORTIOUS INTERFERENCE WITH CONTRACT**

6 118. Plaintiff repeats, realleges, and incorporates by reference each of the foregoing
7 allegations as though fully set forth herein.

8 119. Quinault has a contract with the State of Washington in the form of the Compact
9 which provides legal right to engage in regulated gaming. In exchange for these rights,
10 Quinault pays portions of its revenue to the State of Washington and to surrounding local
11 governments and government agencies, including Grays Harbor County.

12 120. Valve maliciously interfered with Quinault's rights under the Compact by
13 operating and/or facilitating illegal online gambling in Washington without a license,
14 regulation, paying any fees or taxes to the State of Washington, or otherwise complying with
15 Washington law.

16 121. This interference is not justified, legal, privileged, nor excusable because
17 operation of illegal online gambling harms not just Quinault, but the citizens of Washington,
18 the State of Washington, and the citizens and public service providers in Grays Harbor County.

19 122. Valve is not a party to the Compact.

20 123. Valve's actions are intentional. Valve has profited handsomely for years from
21 illegal online gambling, and has made only token efforts to stop it. Valve's actions warrant
22 punitive damages allowable under and for violations of the Washington Consumer Protection
23 Act to punish it for its conduct and deter others who would operate illegal online gambling in
24 Washington.
25
26

- 1 f. For Plaintiff's costs incurred;
- 2 g. For pre-judgment and post-judgment interest at the maximum allowable
- 3 rate on any amounts awarded; and
- 4 h. For such other and further relief that this Court deems just and proper
- 5 under equity or law, including the award of punitive damages under the
- 6 Washington Consumer Protection Act.

7 DATED this ^{3rd} ~~2nd~~ day of April, 2019.

8 By:


9 Jasper D. Ward IV
10 **JONES WARD PLC**
11 Marion E. Taylor Building
12 312 S. Fourth Street, Sixth Floor
13 Louisville, Kentucky 40202
14 Tel. (502) 882-6000
15 Fax (502) 587-2007
16 jasper@jonesward.com

17 Michael G. Rossetti
18 LIPPES MATHIAS WEXLER
19 FRIEDMAN LLP
20 1900 K Street, NW Suite 730
21 Washington, DC 20006
22 Tel. 202.888.7610 ext. 1601
23 Fax 202.888.7615
24 MRossetti@lippes.com

25 Paul L. Stritmatter
26 Ray W. Kahler
STRITMATTER KESSLER
KOEHLER MOORE
413 8th Street
Hoquiam, WA 98550
Phone: 360-533-2710
pauls@stritmatter.com
ray@stritmatter.com