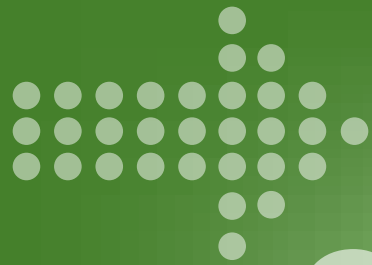




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ANNUAL REPORT


2011



contents



A Message From Michael D. Gallagher	ii
Federal Government Affairs	1
State Government Affairs	3
Communications & Industry Affairs	6
Legal & Regulatory Affairs	8
Intellectual Property & Technology Policy	10
Anti-Piracy	13
ESA Canada	17
Entertainment Software Rating Board	23
The ESA Foundation	26
ESA Member Listing	28



A Message From Michael D. Gallagher

Dear Friends:

I am proud to present the 2011 Entertainment Software Association (ESA) Annual Report. 2011 was a historic year for our industry, and ESA proudly maintained its commitment to representing the business and public affairs interests of computer and video game companies during this transformative period.

Just days after the conclusion of last year's E3, the U.S. Supreme Court in June vigorously affirmed the First Amendment rights of our industry's artists and creators in the case of *Brown v. Entertainment Merchants Association (EMA)/ESA*. The Court's landmark ruling declared that video games enjoy the same constitutional protections as books, movies, and fine arts. It was a tremendous victory for our industry, its artists, and consumers. The decision places video games where they belong – alongside other protected forms of speech – and provides a solid defense against future attempts to institute content-based regulations for media and other creative works.

We achieved this milestone because of the perseverance of our member companies, and critical contributions from an array of organizations and individual experts spanning fields from social science and law to art and media. Thank you for your support and resolve, and for helping to amplify our industry's strong voice.

While the Supreme Court case was a primary focus for our industry last year, ESA achieved a number of other accomplishments in 2011 that bolstered our industry's foundation and continued paving the way for its future success. Featured here are some of the achievements demonstrating our forward progress:

- ESA welcomed 38 Studios, Nival, Level 5, Mad Catz, and Rubicon as new members, further strengthening our association.
- Federal officials increasingly recognized the many ways video games improve the U.S. economy and Americans' daily lives. ESA worked with Reps. Kevin Brady (R-TX) and Debbie Wasserman Schultz (D-FL) to launch the Congressional Caucus for Competitiveness in Entertainment Technology (E-TECH Caucus). The caucus, which Reps. Brady and Wasserman Schultz co-chair, comprises Members from both sides of the aisle, and serves as the educational and advocacy portal to Congress on video game industry issues. ESA hosted a Capitol Hill event in February 2011 to celebrate the E-TECH Caucus' launch, which more than 200 congressional staff and private sector colleagues attended.
- Lawmakers in Florida, Puerto Rico, Texas and Utah acknowledged the industry's economic benefits by enacting bills creating new or improving existing tax incentives for computer and video game production. Twenty-two states currently provide incentives for game development.
- Approximately 45,000 attendees participated in E3 2011, which generated significant media coverage and consumer buzz for the industry. This event once again proved to be the launch pad for video game news and the world's preeminent video game event.
- Our intellectual property and anti-piracy teams worked closely with federal agencies, law enforcement officials, and international industry representatives to ensure robust protections for computer and video game companies worldwide. This effort included conducting training sessions on detecting and investigating game piracy for 1,500 law enforcement officials in the U.S., Canada, and Mexico, as well as promoting youth education emphasizing the importance of respecting intellectual property rights.
- ESA remained dedicated to promoting and encouraging the growing use of computer and video games as educational tools, particularly in teaching science, technology, engineering, and math (STEM). In November, we announced the second annual National STEM Video Game Challenge in collaboration with The Joan Ganz Cooney Center at Sesame Workshop, E-Line Media and the Corporation for Public Broadcasting/PBS KIDS Ready to Learn initiative. The competition launched in partnership with the White House Digital Promise initiative, a national program dedicated to supporting the development of technologies, such as educational games, that can transform learning. I also had the honor of representing ESA before the House Committee on Science, Space, and Technology. My testimony focused on games' dynamic potential to enhance STEM education.

A Message From Michael D. Gallagher

- ESA developed and released the *2011 Essential Facts About the Computer and Video Game Industry*, highlighting the growing diversification of the gamer audience and increasing popularity of game content delivered in digital formats. Among the findings, the research showed that more Americans than ever - 72 percent of U.S. households - play computer or video games. Of these gamers, 82 percent are adults, and 42 percent are women.
- The Entertainment Software Rating Board (ESRB) developed additional tools that empower parents to manage their children's game play. In November, the ESRB and CTIA partnered to launch a new mobile application rating system that extends the use of ESRB ratings to games developed for mobile platforms, providing parents with important content information about this rapidly growing and evolving segment of the interactive entertainment market. An updated version of ESRB's mobile rating search application now includes voice recognition technology, enabling users to access game rating summaries by simply saying a game's title into their smartphones. To further raise awareness and encourage use of its ratings, ESRB also launched new PSA campaigns featuring the Washington Capitals of the National Hockey League and the attorneys general of Oklahoma and Missouri.
- The ESA Foundation continued to provide valuable opportunities for America's youth and college students through its Computer and Video Game Scholarship Program, awarding 30 scholarships to students from 21 states and 21 different academic institutions. In addition, the annual Nite to Unite - for Kids event raised \$900,000, enabling the Foundation to distribute grants to organizations that contribute to a more digitally advanced generation.

These achievements, and the many others described in the following pages, demonstrate our industry's growing vitality and influence. Yet none of this would have been possible without the dedication and leadership of our member companies. I would like to express my gratitude to our Board members, ESA staff, and the ESRB. Together, we will enhance appreciation for games and increase understanding of the positive impact they have on the economy, education, healthcare, businesses, and the arts. I look forward to further developing our industry's critical and evolving role in positively shaping and advancing our society's future.



Michael D. Gallagher
President and CEO

FEDERAL GOVERNMENT AFFAIRS

ESA's Federal Government Affairs (FGA) program advances the computer and video game industry's policy priorities with the U.S. Congress and the Executive Branch. ESA harnesses the industry's economic success, technological prowess, spirit of innovation, and self-regulatory practices to positively influence Congress' legislative agenda. In 2011, FGA sought to build support for the industry by educating White House officials and policymakers about the positive role video games can play in education, fitness, innovation, and economic development. The FGA staff works with influential organizations and individuals in Washington, DC to ensure a positive policy environment.

VISIBILITY

- ESA President and CEO Mike Gallagher testified before the House Committee on Science, Space, and Technology at a hearing entitled, "STEM in Action: Inspiring the Science and Engineering Workforce of Tomorrow." His testimony on the growing use of computer and video games in education underscored the degree to which entertainment software can serve as an effective teaching tool. Seventeen Members of Congress participated in the hearing.
- Leading up to the launch of the E-TECH Caucus (discussed below), FGA rolled out a comprehensive ad campaign in *Politico*, a Capitol Hill publication, highlighting the video game industry's positive impact on jobs and innovation. Ads appeared online and in print, directing readers to a microsite: www.areweinyourstate.com.

THE E-TECH CAUCUS

- The E-TECH Caucus officially launched at an event on Capitol Hill, at which Caucus Co-Chairs Reps. Debbie Wasserman Schultz (D-FL) and Kevin Brady (R-TX), along with Rep. James

McGovern (D-MA) and Sesame Workshop Executive Director Michael Levine, gave remarks. To celebrate the launch of the E-TECH Caucus, ESA and 10 member companies exhibited their latest technology during an evening reception in Washington, DC. More than 230 distinguished guests from Capitol Hill and the private sector attended the event. To date there are more than 50 Members of Congress within the caucus, representing 20 states.

- Electronic Arts (EA) CEO and Chairman of the ESA Board John Riccitiello spoke at the U.S. Chamber of Commerce's renowned CEO Leadership Series. E-TECH Caucus Co-Chair Rep. Brady introduced Riccitiello and stressed the ongoing positive impact of the video game industry on the U.S. economy.

ESA President and CEO Mike Gallagher's testimony on the growing use of computer and video games in education underscored the degree to which entertainment software can serve as an effective teaching tool.

- The E-TECH Caucus co-chairs circulated a Dear Colleague letter inviting congressional staff to a briefing on Capitol Hill titled, "Serious Fun, Serious Business: The Economics of the Entertainment Technology Industry." More than 65 congressional staff attended and participated in the panel Q&A, which included Louisiana Economic Development Secretary Stephen Moret, BMO Capital Markets Analyst Edward Williams, The Guildhall at Southern Methodist University Founder and Executive Director Dr. Peter Raad, and EA Government Affairs Director Craig Hagen.

WHITE HOUSE OUTREACH

- In 2011, ESA, along with its partners The Joan Ganz Cooney Center at Sesame Workshop, Microsoft, Advanced Micro Devices (AMD), and E-Line Media, announced the second year of the National STEM Video Game Challenge at the unveiling of the Obama Administration's Digital Promise initiative at the White House. The challenge will build on the success of its first year by reuniting the original sponsors and outreach partners, and adding new partners such as the George Lucas Educational Foundation, the Girl Scouts of the USA, One Economy, and PBS Kids Ready to Learn. U.S. Secretary of Education Arne Duncan announced the initiative.
- During E3 2011, ESA convened its second annual "Games and Learning Summit." This high-level policy forum convened more than 60 leaders in the games and learning field, including officials from the Obama Administration, the philanthropic, nonprofit and education community, and executives from the entertainment software industry, to explore opportunities for private-public partnerships in education, entrepreneurship, and fitness. Mike Strautmanis, deputy assistant to President Obama, gave keynote remarks.
- FGA spoke on behalf of the entertainment software industry, highlighting active games on a panel entitled "Physical Activity and Inspiration" at this year's Partnership for a Healthier America Summit. First Lady Michelle Obama gave the keynote speech, focusing on ways to combat the growing childhood obesity problem in the United States.

INDUSTRY PROFILE

- ESA partnered with EA and the National Football League (NFL) to host an event kicking off the season and showcasing the newly released *Madden NFL 12* video game. More than 200 key congressional staff attended the event, which took place at the Verizon Center in Washington, DC.
- ESA also co-sponsored a STEM education policy briefing with *The Atlantic* and AMD in Washington, DC. *The Atlantic's* "Technologies in

Education Forum" was a full-day program focusing on the new policies, technologies and tools available to those working on the front lines to bolster American student learning and achievement, especially in the critically important STEM curricula.

- E-TECH Caucus Co-Chair Rep. Wasserman Schultz, U.S. Chief Technology Officer Aneesh Chopra, and ESA President and CEO Mike Gallagher spoke at the *Atlantic* event, which also featured an awards ceremony for the winners of the first annual National STEM Video Game Challenge and a video of the children's contest winners. More than 200 policymakers, journalists, congressional staff, and thought leaders attended.
- ESA hosted a holiday party to showcase the entertainment software industry's innovative products for congressional staff, Obama Administration officials, and other influencers. Ubisoft's *Just Dance 3* was featured as entertainment.

DATA BREACH/NOTIFICATION

- Data security and notification policy continued to be a top priority on Capitol Hill. Seven separate bills on data security and breach notification were introduced in Congress. These bills directed the Federal Trade Commission (FTC) to promulgate regulations requiring businesses to establish and implement information security practices, and would preempt equivalent state laws. These proposals would also create a federal standard for notification requirements in response to information security breaches.

R&D TAX CREDIT

- ESA sent a letter to Senate Finance Committee Chairman Sen. Max Baucus (D-MT) and House Ranking Member Rep. Orrin Hatch (R-UT) supporting their leadership in sponsoring the GROWTH Act, which would make permanent the Research & Development (R&D) Tax Credit. ESA noted that a simplified and permanent R&D Tax Credit would help fuel job growth, enable U.S. companies to compete more effectively in the world marketplace and ensure America's continued leadership in technological innovation.

STATE GOVERNMENT AFFAIRS

ESA's State Government Affairs (SGA) program developed positive relationships with legislative leaders, governors, and state attorneys general to enhance opportunities and environments for industry growth, job expansion, and innovation.

In 2011, ESA faced serious state legislative challenges, including some waning attempts to regulate the sale and distribution of computer and video games. A total of 171 bills affecting computer and video games were introduced in 39 states and Puerto Rico.

- Four bills seeking to regulate “violent” or “sexually explicit” video games, or access thereto, were introduced in 2011. SGA was successful in preventing activity on all of these bills.
- Twenty-five tax incentive proposals were introduced in 13 states and Puerto Rico. At the same time, in response to increased budget pressures, nine bills in three states were introduced to either reduce or eliminate incentives for game production. Four positive incentive bills for the industry passed in Florida, Puerto Rico, Texas and Utah in 2011. All of the bills proposing reduction or elimination of video game incentives were defeated.
- There were six bills in six states providing “right of publicity” protections for the commercial use of an individual’s identity. In 2011, SGA opposed every bill that treated video games differently than other expressive works.
- Seventeen bills in 13 states sought to impose stringent and unwieldy requirements for online subscriptions for products and services. This legislation could have ensnared online video game subscriptions. ESA worked to remove onerous requirements and add greater flexibility to these proposals.

BROWN V. EMA/ESA

- ESA President and CEO Mike Gallagher attended the National Association of Attorneys General Summer Meeting in Chicago, IL, on June 20-21, and met with eight attorneys general to highlight the key points in *Brown v. EMA/ESA*.
- Following the Supreme Court victory, SGA undertook a national outreach effort to highlight the Supreme Court’s decision. SGA met with lawmakers, attorneys general, and governors in key states, including Arizona, California, Colorado, Georgia, Indiana, Illinois, Louisiana, Maryland, Minnesota, New Jersey, Oregon, Utah, and Virginia.
- SGA participated in a number of meetings to brief various stakeholders, including the American Legislative Exchange Council (ALEC), Conference of Western Attorneys General, Council of State Retail Associations, National Conference of State Legislatures (NCSL), and Senate Presidents’ Forum.
- At the ALEC Annual Meeting on August 5 in New Orleans, ESA provided a comprehensive presentation on the *Brown v. EMA/ESA*

decision before corporate and legislative members of the IT & Telecom Task Force committee.

- SGA provided background information and key excerpts on *Brown v. EMA/ESA* to the Legal Service Staff Section (LSSS) at the NCSL Annual Meeting on August 11 in San Antonio, TX. The LSSS consists of legal staff responsible for drafting legislation in state houses across the country.

ESA President and CEO Mike Gallagher attended the National Association of Attorneys General Summer Meeting in Chicago, IL, on June 20-21, and met with eight attorneys general to highlight the key points in *Brown v. EMA/ESA*.

STATE-BY-STATE REPORT

CALIFORNIA: On February 18, Sen. Alex Padilla (D) introduced SB 550, which would empower law enforcement by authorizing warrantless inspections of disc replication facilities and increase fines for creating unauthorized discs. SB 550 passed the California Legislature on September 1 and was supported by the Recording Industry Association of America (RIAA), as well as the Hollywood and Los Angeles Area Chambers of Commerce. ESA sent a letter of support to Sen. Padilla and Gov. Jerry Brown (D). The bill was signed into law on October 2.

On April 8, ESA and EA hosted a studio tour for Los Angeles-area members of the California Assembly in Playa Vista, CA. Five legislators participated in the tour.

On May 18, SGA held a Sacramento lobby day, which included meetings with more than 20 key legislators and staff including Speaker of the House John Perez (D) as well as private meetings with Gov. Brown and staff from the office of Attorney General Kamala Harris (D). Representatives from EA, Konami Digital Entertainment, and Nintendo of America shared information on the economic impact of their facilities in California. That evening, 10 legislators participated in ESA's reception and dinner.

FLORIDA: On May 31, Gov. Rick Scott (R) signed HB 143 into law, which increases funding for the Entertainment Industry Financial Incentive Program by \$12 million over the next three years. ESA supported this legislation, which also provides an additional five percent tax credit for expenditures made at a qualified digital media production facility, as well as an additional 15 percent tax credit on compensation for hiring students and recent graduates enrolled full-time in a digital media course of study within the state.

ILLINOIS: On May 31, the Illinois House of Representatives approved HR 441, a resolution to encourage use of ESRB's rating system by parents and caregivers.

MICHIGAN: On July 13, Sen. Randy Richardville (R) introduced SB 569 to enhance Michigan's film and digital media incentive. SGA met with his deputy chief of staff to provide recommendations for improving the bill, ensuring it was inclusive of all forms of digital media, and that the incentives available for game production were analogous to those available for film production. These changes were included in the substitute for SB 569.

MISSISSIPPI: SB 2254 was introduced by Senate Judiciary Committee Chair Joey Fillingane (R) on January 10 to establish right of publicity protections for the commercial use of a living or deceased person's name or likeness. The bill failed to provide exemptions for computer and video games, and failed to require the person to be domiciled in Mississippi. Due to opposition from ESA, as well as other stakeholders, the bill died in the Judiciary Committee on February 1.

PUERTO RICO: The Puerto Rico Film Industry Incentives Act was enacted into law by Gov. Luis Fortuño (R) on March 4. The Act provides qualifying media projects, including video games, with a 40 percent tax credit on all payments to Puerto Rico residents and a 20 percent tax credit on all payments to non-resident talent.

On May 31, Florida Gov. Rick Scott (R) signed HB 143 into law, which increases funding for the Entertainment Industry Financial Incentive Program by \$12 million over the next three years.

TEXAS: On February 22, ESA hosted an Austin lobby day consisting of meetings with key legislators, Gov. Rick Perry (R) and Texas Film Commission Director Evan Fitzmaurice, as well as an evening reception for 100 state legislators and staff. EA, Konami Digital Entertainment, and Microsoft participated.

On June 29, the Texas Legislature finalized the state's biennial budget, which includes \$32 million to fund the Texas Moving Image Industry Incentive Program for the next two years. SGA successfully advocated for maintaining significant funding for this program in a year when the state faced a more than \$20 billion budget shortfall.

On August 28, amendments to the rules governing the Texas Moving Image Industry Incentive Program took effect. The new rules increase the grants available for digital interactive media productions from five percent of their in-state spending to 5-15 percent, depending on the spending level of each individual project. ESA advocated for this increase during numerous meetings with Gov. Perry and his staff, members of the Texas Legislature, Comptroller of Public Accounts Susan Combs (R), and Texas Film

Commission Director Fitzmaurice. The Texas Film Commission is now examining a rule change that would allow them to move high-impact productions to the front of the queue when applying for incentive funding.

UTAH: On January 13, SGA organized a tour for legislators of the EA Salt Lake facility. Four Utah state senators participated in the tour.

On March 28, Gov. Gary Herbert (R) signed HB 99 into law, which allows digital media companies to receive a 20 percent tax credit on new state revenues, including corporate income, in-state wages, and sales and use taxes. ESA worked directly with the Governor's Office of Economic Development on the legislation.

VIRGINIA: On January 24, ESA President and CEO Mike Gallagher met with Gov. Bob McDonnell (R), Attorney General Ken Cuccinelli (R), and Democratic leaders in the Virginia General Assembly in Richmond to highlight the potential of the computer and video game industry in Virginia. That evening, ESA hosted a dinner with eight Republican Virginia Assembly leaders.

On June 29, the Texas Legislature finalized the state's biennial budget, which includes \$32 million to fund the Texas Moving Image Industry Incentive Program for the next two years.

WEST VIRGINIA: ESA worked with the White House to secure Shellie Pfohl, executive director of the President's Council on Fitness, Sports & Nutrition, as keynote speaker at the July 28 West Virginia Childhood Obesity Summit and Konami *DanceDanceRevolution* Tournament Finals in Charleston. She was introduced at the event by ESA Senior Vice President for Government Affairs Erik Huey.

COMMUNICATIONS & INDUSTRY AFFAIRS

Through a program of media outreach, events, digital communications, and grassroots advocacy, Communications & Industry Affairs (C&IA) educated policymakers, members of the media, other opinion elites, and the general public about the continued evolution of the video game industry beyond entertainment. The department highlighted the important contributions games are making to the U.S. economy and in fields such as education, health, and social issues. C&IA also continued its aggressive communications campaign surrounding the U.S. Supreme Court case of *Brown v. EMA/ESA*, and publicized the Court's landmark decision, which reaffirmed that video games are fully protected free speech under the Constitution, as well as its broader significance to society to media and other influential audiences. Following are some highlights of C&IA's initiatives in 2011.

INDUSTRY COMMUNICATIONS

- C&IA continued to promote the positive impact of games on education. The department helped facilitate ESA's co-sponsorship of a "Technologies in Education Forum" with AMD and *The Atlantic*, which brought education experts, academics and policymakers together to discuss how to incorporate computer and video games into classrooms across the U.S. The department also released a report on the number of American colleges, universities, and art and trade schools offering game-related degrees during the 2011-12 academic year. In addition, C&IA publicized ESA President and CEO Mike Gallagher's testimony before the House Committee on Science, Space, and

Technology, in which he advocated for the growing use of video games in education.

- The department publicized ESA's continued collaboration with The Joan Ganz Cooney Center at Sesame Workshop, E-Line Media, and the Corporation for Public Broadcasting/PBS KIDS Ready to Learn initiative to host the annual National STEM Video Game Challenge. In the spring, C&IA distributed a press release in collaboration with challenge co-sponsors to announce the 2010-11 challenge winners. In the fall, C&IA worked with challenge partners to announce the second year of the competition, which launched in partnership with Digital Promise, a national center founded by President Obama and Congress to spur breakthrough technologies that can transform education.

C&IA released a report on the number of American colleges, universities, and art and trade schools offering game-related degrees during the 2011-12 academic year.

- C&IA supported ESA's legislative and legal efforts, particularly by providing media support for the launch of the E-TECH Caucus. The department also issued six statements and news releases around developments related to intellectual property protection, piracy and free trade agreements in 2011.
- The department developed and released the *2011 Essential Facts About the Computer and Video Game Industry*, highlighting the growing diversification of the gamer audience and increasing popularity of game content delivered in digital formats. In addition to providing updated sales and usage data, the research indicated that a record 72 percent of American households play computer or video games, 82 percent of gamers are adults, and 42 percent of gamers are women.

BROWN V. EMA/ESA COMMUNICATIONS

- C&IA developed and executed a comprehensive communications plan to publicize the Supreme Court's historic ruling in *Brown v. EMA/ESA*. On decision day, June 27, C&IA distributed a press release announcing the decision to game press as well as legal and Supreme Court reporters; conducted a press conference on the Court steps; hosted a teleconference with national media outlets including *The Wall Street Journal*, *USA Today* and *POLITICO*; modified the ESA website's Supreme Court portal to feature the Court's full opinion and a compilation of key excerpts from the opinion; and, on June 28, distributed a special edition of the ESA newsletter.
- An analysis of case-related media coverage published between June 27 and July 15 found that C&IA's media outreach efforts produced a high level of positive coverage. ESA garnered news and editorial coverage in nearly every top-tier media outlet, including *The New York Times*, *The Washington Post*, *USA Today*, *The Wall Street Journal*, *The Los Angeles Times*, CNN, FOX News, MSNBC, ABC News, CBS News, NBC News, and NPR. In addition, C&IA placed an editorial by ESA President and CEO Mike Gallagher in *The Seattle Times* and an op-ed by Christian Genetski, ESA's general counsel, in *The National Law Journal*.



VIDEO GAME VOTERS NETWORK (VGVN)

VGVN is the grassroots organization committed to ensuring that video games are fully protected speech under the Constitution, and that they receive the same First Amendment protection as books, movies, and music. It opposes efforts to regulate the content of entertainment media, including proposals to criminalize the sale of certain games to minors or regulate video games differently from other forms of media.

- In 2011, VGVN membership grew to more than 310,000 activists. The VGVN Twitter account now has almost 3,100 followers and its Facebook page has more than 18,000 friends, up from 4,600 in 2009.

- As part of continued membership recruitment efforts, VGVN launched its "Become an E3 Insider Correspondent" contest in the spring, encouraging VGVN members to audition to be part of the E3 Insider team and receive a trip to E3 2011. VGVN members selected the winner, announced on May 13, by a public vote.
- VGVN launched a College Ambassador program, which enlists college students to promote the mission of VGVN and educate fellow students on the civic issues surrounding the video game industry. Ambassadors also work to actively recruit new VGVN members in exchange for the chance to win prizes. The program now has ambassadors on more than 390 U.S. campuses.



E3

E3 2011 generated approximately 24 billion media impressions for the video game industry and E3's exhibitors. Through aggressive pitching and outreach, there was an increase in the number of mainstream consumer and international media outlets covering the event, including E3 stories from CNN, MSNBC, AP, and numerous others.

E3's VIP retailer program also had record participation with buyers from all major national retailers participating, including Walmart, Target, Best Buy, and Amazon.

Immediately following E3, ESA issued a survey to attendees and found:

- Ninety-three percent of attendees plan to participate in the 2012 event;
- Ninety-one percent of attendees would recommend participating in E3 to colleagues;
- Ninety percent of attendees plan to purchase products they saw at E3 2011; and,
- Ninety percent of attendees believe that attending E3 was a valuable use of their time.

LEGAL & REGULATORY AFFAIRS

ESA's Legal & Regulatory Affairs program represents the industry's legal and policy interests before U.S. courts and regulatory bodies. The program manages ESA litigation, amicus efforts and regulatory filings, as well as advocacy on issues including content regulation, intellectual property, privacy, energy, and accessibility.

U.S. SUPREME COURT (*BROWN V. EMA/ESA*)

On June 27, ESA achieved a historic First Amendment victory for the computer and video game industry and the creative freedom of artists at large. The U.S. Supreme Court issued a landmark decision, ruling in a vote of 7-2 that California law AB 1179, which would have banned the sale and rental of violent computer and video games to minors, was unconstitutional. The majority opinion was a robust endorsement of the legal arguments that ESA advanced in its brief. It holds that video games are protected expression, that their interactive nature makes them more, not less, worthy of that protection, and that the state does not have a "free-floating" power to censor speech to minors. Equally notable is the opinion's application of the strict scrutiny standard. It systematically reviews the various prongs of the doctrine, concluding that each one independently requires striking down the law. The opinion also praises the efforts of the industry, holding that the ESRB system "does much to ensure that minors cannot purchase seriously violent games on their own." Following the decision, on July 22, ESA filed a motion with the Supreme Court seeking to recover attorneys' fees and expenses in the amount of \$1.1 million in connection with the proceedings. California opposed the motion, asserting that ESA was entitled to less than half the fees sought. The Court remanded the fees motion to the Ninth Circuit with instructions to adjudicate it.

CALIFORNIA (*DATTEL HOLDINGS V. MICROSOFT*)

On July 15, 2011, ESA filed an amicus curiae brief in the U.S. District Court for the Northern District of California in response to the Digital Millennium Copyright Act (DMCA) arguments raised by Electronic Frontier Foundation (EFF) and Public Knowledge (PK) in their own joint amicus brief supporting Plaintiff Dattel's motion for summary judgment on Microsoft's DMCA anti-circumvention claims. In its brief, ESA demonstrated that each of EFF/PK's broad DMCA policy arguments was foreclosed by the plain language of the statute and binding precedent established by the Ninth Circuit in *MDY Industries, LLC v. Blizzard Entertainment, Inc.* The brief argued that EFF/PK's interpretation would undermine the legislative intent of the DMCA and harm publishers and consumers of entertainment software. In late December 2011, the case was resolved by settlement and stipulated dismissal without a decision on the DMCA issues.

The U.S. Supreme Court issued a landmark decision, ruling in a vote of 7-2 that California law AB 1179, which would have banned the sale and rental of violent computer and video games to minors, was unconstitutional.

FTC (*COPPA RULE REVIEW*)

On September 15, 2011, the FTC issued its proposed updates to the Children's Online Privacy Protection Act (COPPA), a major regulation on children's privacy that impacts numerous ESA members. The proposed rule includes several improvements that are consistent with points that ESA advocated in its June 2010 comments to the FTC. For example, the FTC's proposal would make it

easier to rely upon automated filtering technologies for complying with COPPA. The FTC solicited comments on its proposal through December 23 and ESA filed comments emphasizing the need for appropriate flexibility.

On February 18, ESA filed comments with the FTC in response to its proposed policy framework for protecting consumer privacy.

FTC (CONSUMER PRIVACY FRAMEWORK)

On February 18, ESA filed comments with the FTC in response to its proposed policy framework for protecting consumer privacy. ESA's comments underscored the need for any privacy framework to be sufficiently adaptable to different contexts and consumer expectations.

FEDERAL COMMUNICATIONS COMMISSION (CVAA IMPLEMENTATION)

On March 3, 2011, the Federal Communications Commission (FCC) issued a Notice of Proposed Rulemaking on "advanced communications services" (ACS), an important aspect of implementing the 21st Century Communications and Video Accessibility Act (CVAA). In the CVAA, Congress granted the FCC authority to issue waivers for equipment and services that do not have ACS as their primary purpose. On April 25, ESA filed comments proposing various factors that should apply to waiver requests. Then, on May 23, ESA followed up with reply comments seeking an exemption for video game industry products and services on the basis that the primary purpose of these offerings is game play and not ACS. On October 7, the FCC issued a Report and Order. Although that Order did not include a decision on the waiver request, it adopted several of ESA's proposed waiver factors and set out a special procedure for seeking waivers.

ENERGY EFFICIENCY

Both the U.S. Environmental Protection Agency (EPA) and the California Energy Commission (CEC) are evaluating energy efficiency proposals that would cover game consoles. On September 30, ESA filed comments with the CEC in response to a proposed scoping order that may result in the development of mandatory energy efficiency standards for game consoles. The filing highlighted the industry's good progress on energy efficiency and its ongoing work with the EPA to develop an energy efficiency recognition program for game consoles. Then, on October 14, ESA filed comments with the EPA on its revised proposal for an ENERGY STAR-like game console recognition program.

On September 30, ESA filed comments with the CEC, which highlighted the industry's good progress on energy efficiency and its ongoing work with the EPA to develop an energy efficiency recognition program for game consoles.

DATA SECURITY

Following several high-profile online data breaches, Congress took an interest in passing comprehensive data security legislation. In June, ESA provided members with a package of materials related to recent data security legislation, including a matrix comparing six data security legislative proposals and an analytical memo. ESA worked to ensure that views of the computer and video game industry would be taken into consideration as these bills were marked up in committee. ESA met with staff from sponsoring members and other committee members to advance its interests in the proposed legislation.

INTELLECTUAL PROPERTY & TECHNOLOGY POLICY

ESA's Intellectual Property (IP) and Technology Policy program advances pro-industry legal and regulatory reforms and enforcement improvements in the United States and major export markets, in areas including IP and trade policy. The program directs governments' attention to industry concerns through association and coalition advocacy, as well as coordination of common policy positions with international game industry representatives and other industry sectors.

In a leading accomplishment of 2011, ESA and ESA Canada (ESAC) took its appeal of Canada's Tariff 22 to the Supreme Court of Canada, where the case was argued on December 6. Tariff 22 would apply a copyright royalty to music contained in game downloads. ESA and ESAC argued that the proposed tariff should not apply to music in games delivered by download, because it would not apply to games sold on physical carrier media. A decision is expected in mid-2012.

ADVANCING ENFORCEMENT PRIORITIES WITH THE U.S. GOVERNMENT

ESA again leveraged opportunities to educate the U.S. and foreign governments about piracy problems in key foreign markets.

- In February, ESA and other members of the International Intellectual Property Alliance (IIPA) filed with the U.S. government the *IIPA 2011 Special 301 Report on International Copyright Protection and Enforcement*. ESA underscored, in the report and in follow-up

briefings, extraordinarily high levels of online piracy through peer-to-peer (P2P) protocols in Italy, China, Spain, and Brazil.

- In May, ESA joined with leadership of the Congressional International Anti-Piracy Caucus to name Canada, China, Russia, Spain, and Ukraine to its "Watch List" of high piracy countries.
- In October, ESA participated in the U.S. Trade Representative's (USTR) annual "Notorious Markets" review, identifying 19 online markets (linking sites, circumvention sites, BitTorrent indexing and tracker sites, etc.) and 15 physical markets (in Mexico, Brazil, Paraguay, and Malaysia) that deal openly in infringing products and circumvention devices.

STRENGTHENING INTERNATIONAL ONLINE REMEDIES

- Throughout 2011, ESA furnished to members and international industry representatives its quarterly Internet Service Providers (ISP) Responsibility Report, tracking legislative, judicial and negotiated developments regarding efforts by ISP and intermediaries to combat online piracy in more than 20 major commercial markets.
- ESA and IIPA also provided perspectives to USTR in August on shortfalls of regulations proposed by Italy's Communications Regulatory Authority to address Internet piracy.
- During 2011, Hong Kong officials expressed appreciation for comments provided by ESA on the Commerce & Economic Development Bureau's proposal for strengthening copyright protections in digital environments, and the government's proposed online service provider Code of Practice.
- In September, ESA staff met with Canada's Ambassador to the United States to highlight the importance of incorporating certain technical amendments into the soon-to-be-introduced copyright bill to strengthen enforcement efforts.

STRENGTHENING INTERNATIONAL CIRCUMVENTION DEVICE PROHIBITIONS

- In February, ESA and Sony Computer Entertainment America's (SCEA) enforcement counsel briefed trade negotiators from Australia, Chile,

Malaysia, New Zealand, Peru, Singapore, and Vietnam on the importance of maintaining strong prohibitions against circumvention devices as part of an effective IP enforcement regime. ESA also furnished a confidential assessment to USTR on the sufficiency of these countries' anti-circumvention laws.

- In March, ESA and the U.S. Chamber of Commerce's Trans-Pacific Partnership Coalition met with Embassy representatives of Association of Southeast Asian Nation countries (including Australia, Malaysia, and Vietnam) to underscore the need for strong IP protections, including online remedies and anti-circumvention provisions.
- In September, ESA hosted approximately 40 senior copyright officials from 18 countries as part of a U.S. Patent and Trademark/U.S. Copyright Office seminar on "Copyright in the Digital Age." ESA staff delivered presentations on how to craft enforceable prohibitions against trafficking in circumvention devices and updated the group on the industry's efforts to educate children with respect to copyright.

ADVANCING FAVORABLE POLICIES IN TRADE AGREEMENTS

- In January, ESA participated in meetings with the Obama Administration and congressional staff on priorities for negotiation of the Trans-Pacific Partnership Agreement, and why it is essential for the agreement to advance the highest levels of IP protection.
- In June, ESA partnered with technology industry associations to urge the U.S. government to expand product and country coverage of the Information Technology Agreement, which provides duty-free treatment for information technology products across 73 countries. ESA called for the agreement to include game consoles, console software, peripherals and accessories, including stored value cards and software activation cards. ESA also pressed the U.S. to facilitate entry into the agreement by key Latin American countries, particularly Brazil and Mexico, to ease high tariff problems.
- On October 1, the Anti-Counterfeiting Trade Agreement (ACTA) was signed in Tokyo by the United States, Australia, Canada, Japan, Morocco,

New Zealand, Singapore, and South Korea. ACTA clarifies parties' obligations to protect against circumvention of access control measures and to enforce against trafficking in circumvention devices (such as mod chips and game copiers).

- In October, ESA applauded congressional passage of free trade agreements with Panama, Colombia, and Korea, which guarantee high standards of IP protection and enforcement in those markets, including effective prohibitions on circumvention and clear rules for e-commerce and trade in digital products.

IMPROVING CUSTOMS PRACTICES

- ESA promoted better sharing of seizure information by U.S. Customs and Border Protection (CBP) to strengthen overall enforcement efforts. During August, ESA and member company representatives met with Obama Administration leadership and congressional staff to underscore serious deficiencies in proposals advanced by CBP that would have authorized only limited sharing of information relating to circumvention device seizures. ESA sought to advance more favorable provisions with the Senate and House Judiciary Committees and with Senate Finance and House Ways and Means Committees staff.

CLOSE-UP ON POLICY ISSUES IN BRAZIL

- During 2011, ESA monitored and engaged on two pieces of significant legislation for member companies. On May 30, ESA's newly retained local policy counsel responded to the Brazilian Ministry of Culture's request for comments on proposed amendments to its Copyright Act, coordinating recommendations with those of IIPA and ABES, the Brazilian software protection organization. In August, ESA learned that Brazil's president had transmitted comprehensive legislation to establish "principles, guarantees, rights, and duties" for the use of the Internet in Brazil ("Marco Civil"), which could considerably disrupt online enforcement efforts. ESA consulted with members and counsel, and are advancing a strategy for association and coalition engagement. Also during 2011, ESA staff commissioned a study of and discussed preliminarily with members various options for providing ongoing policy representation in Brazil, specifically in areas of copyright, online and content regulation.

intellectual property & technology policy

CLOSE-UP ON POLICY ISSUES IN KOREA

- Throughout 2011, members made ESA aware of the challenges in complying with legislative and regulatory measures facing game publishers in Korea. ESA coordinated with Korean industry representatives (KAOGI) to deliver guidance to the government on how policies could be implemented with the least detrimental impact. In February, ESA wrote to Korea's National Assembly expressing concern about legislation to set aside licensing requirements for the use of games in "eSports" broadcasts. ESA also sent a letter to Korea's National Assembly, joining KAOGI in opposing amendments to the Game Industry Promotion Act (GIPA) and the Juvenile Protection Act (JPA) that would limit access by juveniles to online games and require game operators to verify the identities of registered users.
- ESA worked with local counsel and consulted with members on threats posed to the industry by the GIPA and JPA. On October 13, ESA filed comments endorsing views advanced by KAOGI and requesting a two-year exemption for certain classes of games because of difficulties U.S. publishers would have in implementing JPA requirements. On December 5, ESA filed comments with the administrative body responsible for drafting and implementing regulations for the GIPA, requesting a narrowing of the scope of games subject to the law.
- During September and October, ESA mobilized in response to member reports that Korean Customs was requiring rights holders to file

criminal complaints in connection with border seizures of circumvention devices. ESA alerted USTR to a statutory drafting error, which was corrected. The complaint requirement will again be set aside when the U.S.-Korea Free Trade Agreement goes into effect in 2012.

INTERNATIONAL POLICY COORDINATION

- In June, the leadership and staff of nine international game industry associations (BIU (Germany); DATASPELBRANSCHEN (Sweden); ESA (US); ESAC (Canada); ESRB (US); iGEA (Australia, New Zealand); ISFE (EU); KAOGI (Korea); and PEGI (EU)) convened to discuss common issues relating to industry representation, policy, product protection, and game content and ratings. Member company representatives joined the session and underscored the benefits of more frequent exchanges of information among game industry associations.

COPYRIGHT INDUSTRY CONTRIBUTIONS TO THE U.S. ECONOMY

- On November 2, ESA President and CEO Mike Gallagher and IIPA member CEOs led a rollout of the IIPA report, *Copyright Industries in the U.S. Economy: The 2011 Report*. Leaders of the Congressional International Anti-Piracy Caucus - Sens. Orrin Hatch (R-UT) and Sheldon Whitehouse (D-RI), and Reps. Bob Goodlatte (R-VA) and Adam Schiff (D-CA) - delivered the report's major findings, including the copyright industries' positive contributions to economic growth and U.S. employment.



Sen. Sheldon Whitehouse (D-RI), ESA President and CEO Mike Gallagher and Rep. Adam Schiff (D-CA) at the November 2 rollout of the IIPA's *Copyright Industries in the U.S. Economy: The 2011 Report*.

ANTI-PIRACY

ESA's Anti-Piracy team works with member company representatives on the Piracy Working Group (PWG) to implement and manage IP enforcement efforts in the United States and select countries overseas. These efforts help protect members from different forms of game piracy, ranging from illegal game file downloads to the sale of pirated games and console circumvention technology and services, both online and in retail venues. ESA's primary anti-piracy efforts in 2011 included:

- Expansion of Internet monitoring and notice-sending with respect to downloadable copies of infringing game software hosted on websites;
- Conducting 45 training sessions for an estimated 1,500 law enforcement officials in the United States, Canada and Mexico about detecting and identifying game piracy;
- Managing industry anti-piracy programs in eight foreign countries; and
- Promoting education of younger age groups about the benefits of IP and the harms of piracy in order to preempt future infringing behavior in the United States and Mexico.

ONLINE MONITORING AND ENFORCEMENT

- ESA worked with PWG throughout the year to upgrade and expand ESA's online monitoring services to track the most significant threats to its members. These included the pirated game files available for copying via download on various host sites and the downloadable pirated game files available on P2P networks.
- In addressing P2P activity, ESA sent out takedown notices during the year to ISPs in the United States and three other key countries.
- ESA and PWG increased the frequency of monitoring infringements of downloadable files stored on websites.
- ESA changed monitoring vendors to enhance its monitoring of online marketplaces, such as eBay, craigslist, and Amazon, through which pirated games, game circumvention devices and console-modding services are being advertised for sale.

UNITED STATES

- On February 25, Carl Argabright was sentenced by a state court in Tacoma, WA to 39 months in prison after pleading guilty to state-level narcotics offenses and counterfeiting charges connected with his piracy of Wii games, for which he was arrested in 2010.
- On June 7, during E3 2011 in Los Angeles, ESA organized a training for law enforcement to highlight the problem of piracy and its impact on the entertainment software industry, and also to brief agents on different aspects of online game piracy. The event, attended by 130 law enforcement agents, featured sessions with ESA President and CEO Mike Gallagher, and federal and state law enforcement agencies. Following the event, ESA took agents on a tour of the show floor and exhibits.

United States Enforcement Actions

Date	Target and Location	Enforcement Agency	Items Seized
3/14/11	Gamestar Arcade, Tustin, CA, retail piracy	Immigration and Customs Enforcement	642 pirated games (Xbox 360 and Wii), 35 modified Xbox 360 consoles, 150 Xbox 360 hard drives, six computer hard drives containing pirated games, and two DVD burner towers
3/30/11	Javian-Jamal Moore, Hernando, FL, game piracy and sales of circumvention devices	Hernando County (FL) Sheriff's Office	Computers, hard drives, six Wii consoles, and pirated DVD copies of games and movies
8/9/11	Reginald Bourdeau, online game piracy via www.modsquadgames.com site operated by defendant	Aventura (FL) Police Department	Pirated Xbox 360 games
8/16/11	Hassib Abi Rafeh, North Hollywood, CA, online game piracy via Craigslist sales	Los Angeles Police Department	36 illegal copies of Xbox 360 games
8/22/11	Charles Laloma, Brooklyn, NY, online game piracy via Craigslist sales and personal website	New York Police Department	100 Xbox 360 games and laptop computer
11/30/11	Naman Cobb, online piracy through Craigslist sales	Irvine (CA) Police Department	68 pirated Xbox 360 games

CANADA

- ESA's Canadian program uses a combination of criminal enforcement referrals and civil cease and desist (C&D) actions against sellers of pirated games throughout the country, primarily in the provinces of Ontario, Quebec and British Columbia.
- The civil C&D actions were very effective. The most prominent was a C&D effort on November 2 against X2 Games, a store in the Splendid China Towers in Scarborough, ON, that resulted in the voluntary surrender of 614 pirated Wii and Xbox 360 game discs, and 11 hard drives containing a total of 1,730 copies of pirated Wii, Xbox 360, and PlayStation 3 games.

MEXICO

- On August 24, ESA's local anti-piracy counsel obtained an enforcement action by the

Procurador General de la Republica (PGR) against sellers of pirated games operating in the Bazar de la Computacion y El Video Juego in Mexico City, an important sales center for counterfeit electronics products. The PGR team, consisting of 20 prosecutors and 120 policemen, raided 22 booths in the shopping center, seizing 14,148 copies of pirated games across all platforms, including Wii, Xbox 360, PlayStation 2, and PC.

- On October 7-9, ESA hosted an anti-piracy booth at the annual Electronic Game Show in Mexico City to promote awareness of the harm caused by game piracy.
- On October 10, ESA launched its IP education campaign in Mexico City with the support of the Mexican Ministry of Education. The campaign invited students ages 8-15 to create short videos about the importance of acquiring and playing an original game instead of a

Canada Enforcement Actions

Date	Target and Location	Enforcement Agency	Items Seized
2/10/11	Thanh Van Nguyen, Windsor, ON, online game piracy	Royal Canadian Mounted Police (RCMP)	Six to eight hard drives, computers, Wii, Xbox 360, PS3, PSP, DS consoles and roughly 20 pirated game copies
3/24/11	Ninja Technology, Richmond, BC, retail outlet offering pirate games	RCMP	187 pirated games (DS, GBA, Wii), 1,614 video game covers, PS3, Wii and Xbox 360 consoles, mod chips, several DS game copiers and PlayStation 3 jailbreak devices
9/18/11	Jacques Maalouli, Scarborough, ON, retail sales through booth at Pickering's Market (flea market)	Durham Regional Police Service	More than 800 pirated Wii and Xbox 360 games, modified Wii and Xbox 360 consoles, game copiers and hard drives containing game copies
9/27/11	Yue Hu, Scarborough, ON, online game piracy via his website, www.gameterminal.ca	Toronto Police Service	Estimated 1,500 pirated games (Wii, PlayStation 2 and Xbox 360) and eight R4 game copiers
11/29/11	Shaun David Ledo, Toronto, ON, online game piracy involving sales of games via Facebook and Craigslist	Toronto Police Service	Several hard drives containing thousands of illegal copies of Wii games and two game copiers each containing more than 80 DS games

pirated copy. Winners were selected in February 2012 by a panel of local ESA member company representatives and announced in a televised awards ceremony.

BRAZIL

- Through the first 11 months of 2011, ESA's anti-piracy program procured actions resulting in the seizure of approximately 910,000 copies of pirated games on all major platforms, including regular enforcement efforts against street vendors in São Paulo and Rio de Janeiro. There were 84 separate enforcement actions against a variety of targets: 72 targeted retail outlets, six were aimed at burning labs and another six against storage or warehouse facilities. In addition, there were seizures of 1.4 million copies of pirated software during these actions that were not specifically categorized, but were believed to be mostly game products.
- On January 31, law enforcement authorities raided 59 pirated game sellers in the Camelodromo da Uruguaiânia market in Rio de

Janeiro, during which 413,000 pirated game discs were seized, with copies for all major platforms. Later in the year, on November 4, there was another major action in Rio de Janeiro's Camelodromo da Pavuna market that resulted in the seizure of roughly 215,000 pirated games. These results were matched by enforcement actions in São Paulo. A July 26 action targeting a major storage facility produced 471,000 copies of pirated game software. A few months later, an October 20 law enforcement sweep against 30 outlets in the Shopping Mercurio shopping center yielded 402,000 pirated copies of software, which were sequestered by the authorities before they could be categorized.

SINGAPORE

- In 2011, ESA's anti-piracy program in Singapore focused on enforcing provisions against individuals and entities selling game circumvention devices or console-modding services. In addition to the private criminal actions that ESA's local counsel filed against such targets, the program also

supported a number of criminal enforcement actions by the Singapore Police against purveyors of circumvention devices and pirated games.

- On April 13, the Criminal Investigations Department of the Singapore Police executed raids against three retail locations, arresting seven people and seizing a significant quantity of counterfeit game products, including PSP, Wii and DS products, as well as other electronics.

Through the first 11 months of 2011, ESA's anti-piracy program procured actions resulting in the seizure of approximately 910,000 copies of pirated games on all major platforms, including regular enforcement efforts against street vendors in São Paulo and Rio de Janeiro.

MALAYSIA

- On November 25, MFACT, the motion picture industry's local anti-piracy group which handles enforcement on behalf of ESA, provided support to agents of the Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC) in an enforcement raid against a clandestine factory on the outskirts of Kuala Lumpur where game products were being replicated. The authorities confiscated one DVD replication line, 100 stampers (master discs used in replication), 40 bags of polycarbonate, and 10,000 counterfeit DVD game discs (equal amounts of PlayStation 2 and Xbox 360 games).
- On April 6, MFACT representatives assisted five agents of the MDTCC and three police officers in executing a raid on a warehouse in Selangor, a few miles outside Kuala Lumpur,

resulting in the seizure of roughly 6,000 pirated game discs. MFACT estimated that 80 percent of the discs consisted of PlayStation 2 titles, with the balance representing Xbox 360 titles.

PARAGUAY

- On October 3, ESA's local investigative group provided support to local enforcement officials with the Economic Offenses Unit in executing a raid against a private residence that was identified as housing a cache of pirated games transferred from a storage facility. The action resulted in the seizure of more than 26,000 pirated games, including 18,100 PlayStation 2 games, 6,000 Wii games, and 2,000 Xbox 360 games.

HONG KONG

- On March 22, with support from ESA's local investigators, Hong Kong Customs executed raids against two shops in the Golden Shopping Arcade located in the Shamshuipo area of Kowloon, arresting two people and seizing roughly 1,000 counterfeit game discs, among other infringing items.

KOREA

- ESA participated in the Korean graduated response process, using a local monitoring company to identify posts of infringing game files on various websites and notifying the Korean Copyright Commission (KCC) about repeat posters and active or persistent infringers. More than 1,000 such notices were sent in 2011. ESA expects this activity to have an even greater impact due to pending legislation, scheduled to come into effect in May 2012, which will impose a stricter regulatory scheme on such websites.
- On April 5, the Ministry of Culture, Sports & Tourism issued orders to the operators of local websites to suspend 17 account holders that the KCC identified as egregious repeat infringers under the graduated response regime. ESA's local counsel obtained confirmation from the KCC that six of these 17 individuals previously received infringement notices.



ENTERTAINMENT SOFTWARE ASSOCIATION OF CANADA

The Entertainment Software Association of Canada (ESAC) is the voice of the Canadian computer and video game industry. ESAC works on behalf of its members to ensure the legal and regulatory environment is favorable for the long-term development of Canada's video game industry.

ESAC MEMBERSHIP



In May, ESAC welcomed Ludia as a new member. Located in Montreal, Ludia creates and distributes cross-platform interactive entertainment with mass consumer appeal. Ludia's innovative and high-quality product portfolio consists of original and branded properties including, *The Amazing Race*, *The Bachelor* and *The Bachelorette*, *Family Feud*, *Hell's Kitchen*, *Hollywood Squares*, *Press Your Luck*, *The Price Is Right*, *Pyramid*, *Where's Waldo?* and *Who Wants To Be A Millionaire?*



In July, ESAC welcomed Silicon Knights as a new member. Silicon Knights is an established game development studio based in St. Catharines, Ontario. Founded in 1992, the studio initially created real-time strategy/action hybrids for PC, Amiga, and Atari, and more recently turned its focus to developing new ways to make non-linear content in games. In 1996, Silicon Knights developed *Blood Omen: Legacy of*

Kain for Sony PlayStation and in 2000 became an exclusive second party developer for Nintendo, creating *Eternal Darkness: Sanity's Requiem* and *Metal Gear Solid: The Twin Snakes*. In 2008, Silicon Knights released *Too Human* with Microsoft on Xbox 360. Its latest project, *X-Men: Destiny*, was unveiled at E3 2011 and published by Activision.

GOVERNMENT CONSULTATIONS

ESAC prepared a submission for an expert panel review of federal support for R&D in February, outlining key challenges the Canadian video game industry faces in accessing risk capital and developing talent, and recommending specific improvements to federal R&D programs such as the federal scientific research and experimental development tax credit.

Also in February, the Standing Committee on Canadian Heritage released its final report on digital media stemming from its in-depth study entitled *Emerging and Digital Media: Opportunities and Challenges*. ESAC's participation increased awareness about the dynamic and growing Canadian industry, including number of jobs and economic impact. The report references ESAC's perspective and the testimony of ESAC Director of Policy and Legal Affairs Jason Kee on various issues ranging from international agreements to barriers to labor mobility. The committee adopted a number of ESAC's recommendations, including many issues that were included in ESAC's Digital Economy Strategy, indicating that the industry's policy positions are gaining traction on Parliament Hill.

In 2011, ESAC welcomed Ludia and Silicon Knights as new members.

In November, ESAC Director of Policy and Legal Affairs Jason Kee testified to the Standing Committee on Industry, Science and Technology's study of Canada's e-commerce market to provide the video game sector's perspective on the crucial role of e-commerce in the digital economy. His testimony emphasized the importance of sophisticated TPMs to allow new innovative business models and to help prevent piracy, and the importance of cost-effective access to a first-class broadband infrastructure as a



ESAC Executive Director Danielle Parr at the Empire Club.

critical component of e-commerce. He also urged the Committee to consider the broader range of legislation that will apply to Canada's digital economy and e-commerce market, which could have unintended consequences and adversely impact the development of the market.

TARIFF 22

In March, the Supreme Court of Canada (SOCAN) granted ESA's and ESAC's leave to appeal in the Tariff 22 case. ESA and ESAC opposed SOCAN's attempt to obtain a mandatory royalty on music in games that is communicated to the public by telecommunication after the Copyright Board approved SOCAN's tariff on game sites and services, and the Federal Court upheld the tariff. ESA and ESAC legal staff worked closely with Barry Sookman, one of Canada's foremost authorities in the area of information technology and intellectual property law, to prepare written submissions for the court. The appeal was heard on December 6.

INDUSTRY RESEARCH SURVEY

In March, ESAC and SECOR Consulting began research to quantify the size and makeup of the Canadian video game industry, providing a critical

piece in ESAC's advocacy arsenal. The project included an online survey that was distributed to a comprehensive list of entertainment software and middleware companies in Canada, developed from ESAC's existing contacts and through outreach to provincial governments and associations.

On May 30, ESAC Executive Director Danielle Parr unveiled the new research in a speech at the Empire Club in Toronto. The speech, entitled "A Digital Economy: The Rise of the Video Game Industry in Canada," highlighted how Canada is now a major player on the world stage. An audience of more than 100 people listened as Parr delved into some of the report's key findings, most notably that the Canadian video game industry employs approximately 16,000 artists, innovators, and designers at nearly 350 companies across the country. The research revealed that the industry contributes \$1.7 billion to Canada's economy and remains the third largest in the world. On a per capita basis, the Canadian video game industry ranks first among other countries in employment levels. Finally, the research noted that over the past two years, the Canadian industry grew by 11 percent and is projected to grow by 17 percent over the next two years.

FEDERAL ELECTION - MAY 2011

Over the writ period, ESAC was active on a variety of fronts. The reintroduction of copyright reform legislation and the importance of the digital economy shaped ESAC's message. ESAC requested platform statements from all parties on its issues, and was pleased that they recognized the importance of the digital economy. This exercise also ensured that the government planned on reintroducing the copyright bill as soon as Parliament resumed. ESAC prepared a guide entitled *#elxn41 - A Federal Election Guide* to provide members with tools and information on the electoral process, as well as main party positions on crucial issues for the industry. Letters were sent to candidates with studios in their riding to raise awareness of the video game industry. The letters generated interest by new Members of Parliament (MPs) and were instrumental in ensuring that the video game industry's concerns are top of mind among decision-makers.

CANADIAN VIDEO GAME AWARDS

On May 18, the video game industry celebrated excellence in Canadian games at the second annual Canadian Videogame Awards (CVAs). Leading up to the event, ESAC participated in planning committees and helped lay the groundwork to make the CVAs a national event. Hosted by Electric Playground's Victor Lucas, the awards show featured memorable performances by Video Games Live. Awards were handed out in a variety of categories, including innovation, audio, writing, best casual/mobile game, and best console game, which was presented by ESAC's Director of Public Relations Julien Lavoie, to Canadian-developed and published games. The event provided a great platform to showcase Canadian creativity and innovation. It also highlighted the incredible talent in the entertainment software industry from coast to coast. In addition, ESAC Executive Director Danielle Parr was a member of the adjudication committee and enlisted the help of ESAC staff to narrow the field of nominees to five finalists in each category.

KINSA: SPRING FOR KIDS GALA

As part of ESAC's support of online child safety, Executive Director Danielle Parr led the planning committee for Kids Internet Safety Alliance's (Kinsa) annual Spring for Kids Gala, a fundraiser for programs to protect, rescue, and heal child victims of sexual abuse on the Internet. More than 150 people,

including ESAC's board president Craig Hagen, were entertained by master of ceremonies Seamus O'Regan of CTV's *Canada AM*. ESAC members donated items included in the video game package for the live auction and helped raise more than \$60,000 in support of Kinsa programs.

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E3 EVENTS

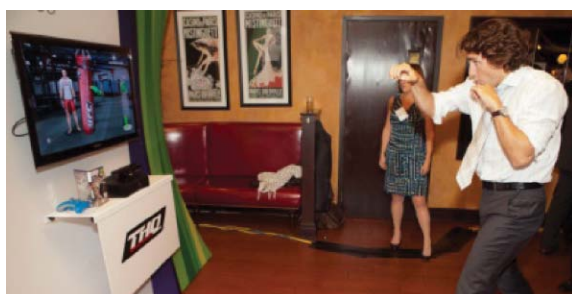
ESAC hosted a reception for reporters and members of the Toronto industry to celebrate Canadian games before heading to Los Angeles for E3 2011. This gathering was an excellent opportunity for ESAC to meet and interact with industry members. Most importantly, the event raised ESAC's profile among Canadian media, demonstrating its contribution to the North American video game industry. During E3, ESAC issued a news release listing Canadian-made video games and highlighting the Canadian presence at E3. ESAC Director of Policy and Legal Affairs Jason Kee and Director of Public Relations Julien Lavoie represented the Canadian industry at numerous policy and public relations meetings, including a meeting of international associations to discuss issues faced by the global industry.

ANTI-SPAM LEGISLATION

In December 2010, the Conservative government passed new Anti-Spam Legislation (CASL) that prohibits sending any commercial electronic message or installing any computer programs without consent, subject to a series of exceptions. In August, the government released proposed



Kennedy Stewart, MP for Burnaby-Douglas (Home of Electronic Arts Canada), with Jason Kee, ESAC director of legal and policy affairs, and Craig Hagen, ESAC's Board President.



Justin Trudeau, MP for the riding of Papineau.



Jay Aspin, MP for Nipissing-Timiskaming.

regulations for public comment, to which ESAC responded by submitting comprehensive comments to the government and recommending the inclusion of several new exceptions.

ESAC hosted a reception for reporters and members of the Toronto industry to celebrate Canadian games before heading to Los Angeles for E3 2011.

ESAC, as part of a large coalition of Canadian industry associations that share concerns about the broad scope of the legislation, submitted a joint letter to the Minister of Industry requesting that CASL not go into force until issues are resolved. As a result, the Minister suspended the regulatory process and instructed officials to revisit the proposed regulations. Most of ESAC's recommended changes were included in a list developed by the

coalition to ensure that any revised regulations properly addressed the concerns raised.

COPYRIGHT REFORM - BILL C-11

On September 29, the government introduced Bill C-11, the Copyright Modernization Act. While ESAC urged the government to include the industry's recommended amendments to the Act before re-introducing it, Bill C-11 was identical to Bill C-32, which died before the spring election. No changes were made to the bill for entirely procedural reasons, namely that the government did not wish to hear from witnesses that already appeared before the Committee on C-32. However, the government stated clearly that technical changes to the bill would be considered once it reaches the Committee stage. ESAC was again instrumental in organizing the venue for the launch of the bill at an Ottawa video game studio. The Ministers of Industry and Canadian Heritage were both on-hand to unveil the bill and answer questions; their remarks were positive for the industry and ESAC's help was publicly acknowledged. Given that this is the same bill as before, ESAC issued a news release expressing general support, subject to specific, technical changes.

OTTAWA LOBBY DAY

On October 4, ESAC took to Parliament Hill to raise awareness of the Canadian video game industry with MPs, Senators, and senior bureaucrats. Showcasing the industry's latest games, providing information about the size and economic impact of Canada's video game industry, and highlighting Canadian talent and ingenuity, ESAC helped decision-makers better understand the unique challenges faced by the industry, as well as its critical contribution to the digital economy. Relationships cultivated at these events are used by ESAC to help ensure laws and regulations are favorable to the industry, including areas like privacy, consumer protection, intellectual property, R&D and game ratings. During the day, ESAC members and staff attended a series of meetings with MPs and senior officials at Industry Canada, Citizenship & Immigration, and International Trade to present industry issues such as labor mobility and copyright reform. ESAC also hosted the inaugural meeting of the video game caucus, made up of MPs who have studios in their riding or have a general interest in the industry. In the evening, ESAC hosted a reception that was attended by nearly 300 guests, including 40 MPs.

Relationships cultivated at these events are used by ESAC to help ensure laws and regulations are favorable to the industry, including areas like privacy, consumer protection, intellectual property, R&D and game ratings.

ESAC showcased games on Xbox 360, Kinect, Playstation 3, Nintendo Wii and DS, including many Canadian-made games, such as *FIFA 12*, *NHL 12*, *Just Dance 3*, *X-Men: Destiny*, *Spiderman: Edge of Time*, and *Kinect Joy Ride*.

BRITISH COLUMBIA ENVIRONMENTAL REGULATION

In 2010, the government of British Columbia (BC) introduced regulations on electronic waste that require companies to implement disposal

programs for any "media" they distribute. ESAC partnered with the Motion Picture Association - Canada (MPA-C) to proactively engage the BC Ministry of the Environment to obtain an exception for pre-loaded or pre-recorded media. Although an exception wasn't acceptable to the Ministry, ESAC ultimately secured a compromise on the indeterminate liability that this regulation created for our industry. ESAC worked with the principle stewardship organization in BC on the funding of a disposal program for media by an environmental handling fee charged on hardware. Consequently, the impact on the computer and video game industry will be negligible.



ESSENTIAL FACTS

On October 20, ESAC launched its *2011 Essential Facts* and a new video on the Canadian industry that includes data from SECOR Consulting's research on the size, impact

and economic contribution of Canada's video game industry, as well as gamer demographics. Traffic to ESAC's website increased on the day of the release and the following day, with most users visiting the research page. The video was viewed more than 600 times on ESAC's YouTube channel. Throughout the day, ESAC tweeted facts from the research in both French and English. Hard copies of the *Essential Facts* booklet were sent to all MPs, Senators, and relevant provincial ministers in Ontario, Quebec, Alberta, and BC. ESAC's *Essential Facts* was widely consulted by media, researchers, and industry members, and elevated ESAC as a credible source for key information about the industry.

NATIONAL MEDIA LITERACY WEEK

On November 8, ESAC and the International Game Developers Association of Montreal hosted a panel discussion at the Society of Technological Arts in Montreal titled "Cyber Ethics: What Role Does the Video Game Industry Have in Fostering Digital Citizenship?" in celebration of National Media Literacy Week. The week encourages all Canadians to consider the role that media plays in their lives and to think critically about their digital citizenship. The panel, moderated by ESAC Director of Policy and Legal Affairs Jason Kee, also included Mia Consalvo, Canada research chair in game studies and design; Craig Morrison, faculty member, communications

studies at Concordia University; David Waddington, executive producer and creative director at Funcom, and assistant professor of educational studies at Concordia University; and Thiéry Adam, producer at Ludia.

On November 8, ESAC and the International Game Developers Association of Montreal hosted a panel discussion at the Society of Technological Arts in Montreal titled “Cyber Ethics: What Role Does the Video Game Industry Have in Fostering Digital Citizenship?” in celebration of National Media Literacy Week.

STUDIO TOURS

Andrew Saxton, MP for North Vancouver, toured EA's Burnaby studio in November. Following the tour, senior staff from EA briefed Saxton on issues impacting the video game industry. On November 10, Brian Masse MP for Windsor West and recently appointed New Democratic Party International Trade Critic, and Andrew Cash, MP for Davenport, toured Ubisoft Toronto. Following the tour, ESAC Director of Policy and Legal Affairs Jason Kee and Nathalie Verge of Ubisoft briefed them on labor mobility and other issues facing the industry. Peter Kent, MP for Thornhill and Minister of the Environment, toured a studio in his riding and Colin Carrie toured EA's Montreal studio.

FAKES & FORGERIES RECEPTION

ESAC spearheaded the planning and execution of a reception for MPs and senior government officials to view the “Fakes & Forgeries: Yesterday and Today” exhibition at the Currency Museum of the Bank of Canada on November 22. The event was co-hosted by the Canadian Anti-Counterfeiting Network (CACN), Canadian Intellectual Property Council (CIPC), Microsoft, and the Bank of Canada. Public Safety Minister Vic Toews, special guest for the evening, spoke about the work his department has done to address the problem of counterfeiting and piracy. Many rights holders and associations, including ESA, participated in the event. The reception was attended by more than 50 invited guests, including several MPs.



Minister of Public Safety Vic Toews delivering his speech at the Fakes & Forgeries reception.

The day also included a press conference at which CACN released an update to the *Report on Counterfeiting and Piracy in Canada: A Road Map for Change*. The update calls for the government to be stronger on IP crime, with a number of measures designed to address the issue head-on. In the afternoon, a series of meetings were held with key MPs and a top official in the Canadian Heritage Minister's office.



ENTERTAINMENT SOFTWARE RATING BOARD

The Entertainment Software Rating Board (ESRB) assigns age and content ratings, enforces industry-adopted advertising and marketing guidelines, and ensures responsible online privacy practices for the entertainment software industry. Aggressive public education efforts, including award-winning PSA campaigns and mobile rating search apps, help inform parents and consumers about the rating system and encourage them to use it when buying games. ESRB ratings enjoy high levels of awareness and use among parents, who regularly rely on them when making game purchase decisions for their children.

ESRB's enforcement system holds publishers accountable for full disclosure of pertinent content during the rating process, as well as compliance with the Advertising Review Council's (ARC) advertising and marketing requirements. In addition, ESRB's Privacy Online staff members help companies implement responsible online privacy practices through its seal certification program, which is sanctioned by the FTC as an authorized "Safe Harbor" under COPPA.

ESRB RATINGS AND RATING SUMMARIES

- Use of rating summaries increased by 50 percent in 2011, with more than 1.8 million rating summary page views on the ESRB website and mobile apps combined. Rating summaries are available online by searching game titles on ESRB.org and on mobile devices by using ESRB's free mobile app for Android, iPhone and Windows Phone.
- On April 18, ESRB began utilizing a streamlined rating process to rate games that will only be available for download through console and handheld storefronts. Submitters complete an online, multiple-choice questionnaire evaluating their game's content and context. All games rated through this process are tested shortly after release to ensure that disclosure was complete and ratings were appropriately assigned.
- CTIA-The Wireless Association® commissioned ESRB to develop and administer a new process for assigning ratings to mobile apps, a partnership that was announced on November 29 at a press event on Capitol Hill attended by Sens. Mark Pryor (D-AR) and Kelly Ayotte (R-NH). Based on the downloadable rating form, mobile apps are assigned ratings based on developers' responses to a series of questions designed to assess the app's content, context, and other pertinent elements like the sharing of user-provided personal information with third parties, sharing of a user's location with other users of the app and exchanging user-generated content. Storefronts committed to adopting the new rating system include AT&T, Microsoft, Sprint, T-Mobile, U.S. Cellular, and Verizon, each of which will implement the system on an individual basis, with the first storefront expected to begin using the newly devised rating system in early 2012.

ADVERTISING REVIEW COUNCIL (ARC)

- ESRB's Website Council (EWC), a partnership established in 2010 through which many of the top game enthusiast websites agree to a common set of standards regarding the display of ESRB rating information and use of ESRB compliant age-gates on videos for M or AO-rated games, added two new members in 2011. EWC members now include E3Expo.com, g4tv.com, GameFly.com, GameRevolution.com,

GameSpot.com, GameSpy.com, GamesRadar.com, GameTrailers.com, GamingIrresponsibly.com, IGN.com, and Machinima.com.

- In March, ESRB released an updated edition of its *ARC Manual*, which included stricter target marketing guidelines for M-rated game ads on the Internet. ARC also expanded the existing age-gate policy for online videos, introduced a Class A violation for “Failure to Comply with ESRB Age-Gate Policy,” established a “safe” list of third-party websites in order to assist publishers in complying with target marketing guidelines, and aligned the Teen marketing requirements with those already in place for M-rated games.

CONSUMER RESEARCH

- In June 2011, ESRB commissioned Peter D. Hart Research Associates to conduct an online survey of 502 parents with children between the ages of three and 17 that play video games. The results include:
 - Eighty-five percent of parents are aware of the ESRB rating system
 - Sixty-five percent of parents regularly check a game’s rating before purchasing
 - Seventy-five percent of parents are aware of content descriptors
 - Seventy-two percent of parents regularly read content descriptors before purchasing a game
 - Ninety-eight percent of parents say the ratings are helpful in choosing which games are appropriate for their children



The Washington Capitals PSA campaign features in-arena airings of the TV spot along with other promotional elements.

MARKETING, COMMUNICATIONS AND PUBLIC EDUCATION

- ESRB launched a new PSA campaign with the Washington Capitals, supporting ratings education and rating summaries. The ads, which feature Capitals stars Jeff Halpern and Tomáš Vokoun, encouraged parents to use the rating system and were distributed to TV and radio stations throughout the Washington, DC area and began playing at the team’s home games at the Verizon Center on October 18. Coverage of the campaign appeared on several websites, including WashingtonPost.com and USAToday.com.
- New state-level PSA campaigns were launched in Oklahoma, featuring Attorney General Scott Pruitt, and Missouri, with Attorney General Chris Koster. Distributed to TV and radio stations in their respective states in December,



Washington Capitals stars Tomáš Vokoun (L) and Jeff Halpern film a new TV PSA campaign to educate parents about ESRB ratings.

the ads were issued in time for the holiday shopping season. Brochures were also distributed to retailers in each state to educate consumers about the ESRB ratings and why they should use them when choosing games for their family.

- In July, ESRB added a Windows Phone version of its free mobile app to the existing versions available for Android and iPhone, and in November all three versions of the app were upgraded to enable users to search by voice recognition. The app now allows users to look up rating summaries by searching by text, saying a game title or snapping a photo of the game box. More than 33,000 users downloaded the app and collectively conducted 300,000 rating searches.



The newest version of the ESRB rating search app allows users to search for rating summaries by simply saying a game title. The free app is available for Android, iPhone, and Windows Phone.

- ESRB's holiday outreach efforts continued to promote the ESRB rating system, rating summaries, and mobile tools. The 2011 campaign included a radio media tour conducted with GameStop on November 15, which secured 17 interviews in major markets across the country and generated more than 3.5 million impressions. Other efforts included online video distribution, b-roll video assets offered to TV stations, a national radio news release, a matte article for newspapers, Facebook and Twitter outreach and events, and meetings with parent-focused reporters and bloggers.

- A radio PSA encouraging parents to use rating summaries was issued in November and put into 11-month rotation by Westwood One. This one placement includes more than 1,200 stations in the top 200 markets, such as nearly 800 CNN News stations and more than 500 CBS News stations. This PSA is expected to generate approximately 200 million audience impressions.
- The ESRB website continued to grow as a useful resource for consumers. Nearly 12 million visitors came to ESRB's website in 2011 and users conducted 3.2 million rating searches, increases of 27 percent and 15 percent, respectively. In April, ESRB launched a refreshed version of its homepage to simplify the rating search function and present a list of recently released games, providing additional exposure for the rating summaries of the newest games hitting store shelves.

ESRB AND RETAILERS

- ESRB's Retail Council (ERC) includes six national retailers in the United States: Best Buy, GameStop, Sears/Kmart, Target, Toys 'R' Us and Walmart. On behalf of ERC member companies, ESRB implemented two mystery shopper audits, measuring compliance with store policy enforcement and signage. The most recent audit was conducted in November 2011 and found, weighted by market share, that store policy among the 620 tested ERC store locations was enforced 93 percent of the time, and 85 percent displayed the correct rating signage. This is the highest level of store policy enforcement achieved in the 11 ERC audits conducted since 2006 and indicates continued improvement among retail members.
- ESRB refreshed its in-store signage in 2011 to support parental education about the rating system, rating summaries and mobile tools like the ESRB rating search app. GameStop was the first retailer to install the new signs, and a revamped online order form is making it easier for local retailers to obtain the new signs for their stores.



THE ESA FOUNDATION

The ESA Foundation (ESAF) was established by the American entertainment software industry to provide opportunities that can make a difference in the lives of America's youth. ESAF supports the development and distribution of technologies, especially computer and video games, which educate youth. Each year, ESAF awards grants to organizations that contribute to a more digitally advanced generation. Its Scholarship Program aims to increase the diversity of the computer and video game industry by supporting the education of women and minority students. ESAF is fully supported by proceeds from its limited edition charity game pack sales and Nite to Unite - for Kids (NTU), its annual fundraiser.

NITE TO UNITE - FOR KIDS

The 14th annual NTU event was held at the Westin St. Francis in San Francisco, CA on October 25. The industry honored Mike Morhaime, president of Blizzard Entertainment, Inc., with the 2011 ESA Champion Award for his leadership and philanthropic endeavors. NTU co-chairs included Laurent Detoc, president of Ubisoft Entertainment, Inc.; Shinji Hirano, president of Konami Digital Entertainment, Inc.; and Mike Fischer, president and CEO of Square Enix, Inc. The event raised \$900,000.



ESA President and CEO Mike Gallagher, 2011 ESA Champion Award Winner and President, CEO, and Founder of Blizzard Entertainment Mike Morhaime, and President for Interactive Entertainment Business of Microsoft Don Matrick.

ESAF GAME PACK

The ESAF PlayStation 3 charity game pack was sold from November 2010 to August 2011. It included SCEA's *Uncharted: Drake's Fortune*, Eidos Interactive's *Tomb Raider: Underworld* and EA's *Mercenaries 2*. The pack raised \$1.4 million to support ESAF's programming.

SCHOLARSHIP PROGRAM

ESAF received more than 3,300 applications for its 2011-2012 Computer and Video Game Scholarship Program. Awards were given to 15 freshmen, two sophomores, eight juniors and five seniors. Of the 30 winners, 23 were women and 10 were minorities. Recipients represent 21 states, 21 colleges, and a variety of majors including game design, game arts and animation, production animation, computer science, digital media, and interactive entertainment design.

GRANT PROGRAM

In 2011, ESAF received more than 160 proposals for its 2012 grant program. Among those proposals, ESAF selected 15 organizations as its 2012 grantees; three are recipients of multi-year awards.

Previously, ESAF selected 11 organizations for its 2011 grants. Descriptions of their work follows:

- **Case Western Reserve University** is a nationally ranked research university located in Cleveland, OH. ESAF supported the development of the Great Lakes Game Project Challenge, a competition for high school students to develop a game based on sustainable wind energy in the Lake Erie region.

- **Children's Health Education Center (CHEC)**, a member of the Children's Health and Hospital System of Wisconsin, is committed to keeping children healthy and safe. With support from ESAF, CHEC developed Act Now!, an e-learning and bullying prevention program for middle school students. The program was launched in several school districts across the state.
- **The Cooper Institute** is a nonprofit research and education organization dedicated to preventive medicine. The Institute created the NutriGram program to provide accessible nutrition information to elementary school students. This year, ESAF awarded the Institute a grant to develop *Quest to Lava Mountain*, a 3-D game that will empower kids to eat well and become more active.
- **Edheads** creates unique, educational web experiences designed to make hard-to-teach concepts understandable. ESAF provided Edheads with a grant to collaborate with the Ohio State University Nanoscience and Engineering Center to develop an online, interactive engineering design experience centering on nanoparticles. The experience will target young women, ages 15-18, considering medical careers.
- **Federation of American Scientists (FAS)** is a science policy organization that promotes humanitarian uses of science and technology. ESAF's three-year grant enabled it to create *Immune Attack*, an educational video game that teaches the basics of human immunology to students. In 2011, FAS distributed and evaluated the game, and developed *Immune Attack 2* in English and Spanish.
- **Hirshhorn Museum and Sculpture Garden of the Smithsonian Institution** is a collection of modern and contemporary art and culture. With funding from ESAF, the Hirshhorn created ARTLAB+, a series of digital media workshops for teens based on its collection; modalities include video, websites, animation and podcasts.
- **HopeLab** combines rigorous research with innovative solutions to improve the health and quality of life of young people with chronic illnesses. In 2006, HopeLab created *Re-Mission*, a groundbreaking video game for youth with cancer, which is shown to induce behaviors that enhance the effectiveness of medical treatment. ESAF awarded HopeLab with a grant in 2011 to continue distribution of the game.
- **iCivics** is a Web-based education project designed to teach students civics and inspire them to be active participants in our democracy. This year, with support from ESAF, iCivics launched *Crisis of Nations*, an interactive Web and Facebook game on international diplomacy for middle school students. The game teaches players about the intricacies of global politics.
- **ThanksUSA** mobilizes Americans of all ages to "thank" the men and women of the U.S. armed forces by providing scholarships to their families. Since 2009, ESAF has funded ThanksUSA's *Treasure Hunt*, an online trivia and puzzle game about American history, culture and values. *Treasure Hunt* generates donations to ThanksUSA's scholarship fund. The grant also supports the ESAF/ThanksUSA Scholarship for Military Youth; 25 youth received \$3,000 scholarships in 2011.
- **Web Wise Kids (WWK)** is a national nonprofit organization dedicated to preventing online child victimization by providing innovative tools that empower today's youth to make wise choices online. WWK implements interactive Internet safety programs in conjunction with school systems, law enforcement, teachers and community-based organizations. In 2011, ESAF's grant enabled WWK to launch and provide the translated Wired with Wisdom e-learning program to Latino parents.
- **World Wide Workshop Foundation** is committed to using computers and the Internet to enhance technological fluency among children and youth in economically disadvantaged and technologically underserved communities worldwide. Its *Globaloria* program prepares youth for jobs in the STEM and game industries. ESAF awarded the organization a grant to expand *Globaloria* throughout West Virginia, particularly in low-income, rural public schools.



ESA member listing

As of May 2012

38 Studios
345 Games
505 Games
Capcom USA, Inc.
Deep Silver
Disney Interactive Studios, Inc.
Electronic Arts
Epic Games, Inc.
Her Interactive, Inc.
Ignition Entertainment
Konami Digital Entertainment
LEVEL-5 Inc.
Little Orbit
Mad Catz Interactive, Inc.
Microsoft Corporation
Namco Bandai Games America Inc.
Natsume Inc.
NetDragon Websoft
Nexon America, Inc.
Nintendo of America Inc.
Nival
NVIDIA
O-Games, Inc.
Perfect World Entertainment
Rubicon Organization
SEGA of America, Inc.
Slang
Sony Computer Entertainment America
Sony Online Entertainment, Inc.
Square Enix, Inc.
Take-Two Interactive Software, Inc.
Tecmo Koei America Corporation
THQ, Inc.
Trion Worlds, Inc.
Ubisoft Entertainment, Inc.
Warner Bros. Interactive Entertainment Inc.
XSEED Games

