

Electronically FILED by Superior Court of California, County of Los Angeles on 12/03/2019 04:03 PM Sherri R. Carter, Executive Officer/Clerk of Court, by M. Barel, Deputy Clerk

1 BROWNE GEORGE ROSS LLP
 Keith J. Wesley (State Bar No. 229276)
 2 kwesley@bgrfirm.com
 Niloo Savis (State Bar No. 186809)
 3 nsavis@bgrfirm.com
 2121 Avenue of the Stars, Suite 2800
 4 Los Angeles, California 90067
 Telephone: (310) 274-7100
 5 Facsimile: (310) 275-5697

6 Attorneys for Plaintiff Ragnarok Game, LLC

7

8 SUPERIOR COURT FOR THE STATE OF CALIFORNIA
 9 FOR THE COUNTY OF LOS ANGELES, CENTRAL DISTRICT

10

11 RAGNAROK GAME, LLC, a Delaware
 12 limited liability company,

Plaintiff,

13 vs.

14 NINE REALMS, INC. dba HUMAN HEAD, a
 15 Wisconsin company; CHRISTOPHER J.
 16 RHINEHART, an individual; BEN GOKEY,
 an individual; PAUL MACARTHUR, an
 17 individual, and DOES 1 to 20, inclusive,

Defendants.

18

19

20

21

22

23

24

25

26

27

28

Case No.

COMPLAINT FOR:

1. **BREACH OF CONTRACT**
2. **FRAUDULENT CONCEALMENT**
3. **CONVERSION**
4. **FRAUDULENT MISREPRESENTATION**
5. **NEGLIGENT MISREPRESENTATION**
6. **UNFAIR BUSINESS PRACTICES (Cal. Bus. & Prof. Code § 17200)**

DEMAND FOR JURY TRIAL

INTRODUCTION

1
2 1. Over two-and-a half years ago, Ragnarok Game, LLC (“Ragnarok”) partnered with
3 Human Head Studios (“Human Head”) to create the long-awaited sequel to the classic video
4 game, *Rune*. Stemming from the original *Rune* intellectual property, the new game title would be
5 called *Rune II*.

6 2. Ragnarok and Human Head agreed to a long-term relationship together. In the
7 *Rune II* agreement between Ragnarok and Human Head, Human Head agreed to be responsible for
8 game development, live operations, and joint marketing. Human Head also agreed to handle
9 community management as part of the marketing effort for the game. Because Human Head
10 represented expertise is such a critical element of game production and marketing, Ragnarok was
11 willing to give Human Head a lucrative contract, including a substantial upside in the sales of
12 *Rune II*. Ragnarok, on the other hand, was to finance and provide milestone approval and general
13 direction for the game. All assets were to belong to Ragnarok, including a license to the *Rune*
14 intellectual property.

15 3. As a development studio, Human Head was interested in a deal with Ragnarok for
16 both immediate cash flow as well as a financial upside. Specifically, Ragnarok set up a milestone
17 schedule of development for Human Head, where Human Head would be paid for completed
18 milestones that were to be approved by Ragnarok, on a milestone by milestone basis. Initially,
19 there were 11 milestones. Because of Human Head delays, errors, and mismanagement, however,
20 23 milestones were required before *Rune II* would be ready for launch. To complete over twice
21 the anticipated milestones, Ragnarok stepped up with more funding. Human Head was paid for
22 every completed milestone.

23 4. In addition, Human Head was eligible for a share of potential profits to be made
24 when *Rune II* started selling to its fans, in part because Ragnarok wanted to foster a partnership-
25 style relationship with Human Head. Human Head accepted Ragnarok’s milestone payments of
26 approximately \$3.5 million, but failed to perform its contractual obligation to deliver a bug-free,
27 Cooperative Multiplayer, fully Localized and tested game. Moreover, Ragnarok ultimately had to
28 take over much of what Human Head had agreed to do itself, including product roadmap, live

1 operations, marketing, and community management.

2 5. As part of its long-term contract, Human Head was not only contractually
3 committed to support *Rune II*'s launch, but also to support the game beyond its launch, in
4 exchange for a \$110,000 fee to be paid by Ragnarok. Merely 5 days prior to the launch of *Rune II*,
5 however, Human Head told Ragnarok Human Head was shutting its doors and terminating all of
6 its employees, and if Ragnarok attempted to contact former Human Head employees, it would be a
7 problem. Going forward, Ragnarok would have to support *Rune II* on its own.

8 6. Despite Human Head's sudden, unexpected disappearance, *Rune II* launched on the
9 Epic Games Store on November 12, 2019. Thanks to Ragnarok's persistence over the past two-
10 and-a-half years, including in propping up Human Head where it had failed, the game was a
11 success. Indeed, unlike Human Head's past two projects, *Rune II* was met with positive reviews,
12 including the following review dated November 12, 2019, the day *Rune II* launched:

13 *RUNE II* is one of 2019's biggest surprises. Originally set for release in September
14 last year, the game was delayed and delayed again, with the result being a
15 product that proves Shigeru Miyamoto correct: "A delayed game is eventually
16 good, a bad game is bad forever." After *The Quiet Man* bombed and *Survived By*
17 failed to survive early access, gamers could be forgiven for doubting Human Head
18 Studios's ability to deliver on the long-awaited follow-up to the classic Norse
19 action-adventure, *Rune*. However, the team has come out swinging with one of
the most satisfying—if not necessarily best—adventures of the year.

20 7. Less than 24 hours after the launch, however, the headlines were no longer about
21 the success and bright future of *Rune II*. Rather, below is a sampling of the headlines the next
22 day:

23 ARTICLES




24 **I don't know which is more pathetic: Bethesda finally killing**
25 **Human Head Studios or HHS sending Rune 2 out to die**

26 NOVEMBER 13, 2019 | JOHN PAPADOPOULOS | 52 COMMENTS

1
2 Prey developer Human Head shuts down;
3 Bethesda hires team to open new studio

4 JEFF GRUBB @JEFFGRUBB NOVEMBER 13, 2019 7:43 AM

5
6 **Human Head Studios closes, is**
7 **reborn as Bethesda owned**
8 **Roundhouse Studios**

9
10  Aran Suddi  14/11/19  No Comments

11
12 8. Despite earlier assurances from Human Head that it would not do anything to
13 damage the *Rune II* launch or Ragnarok, less than 24 hours after the launch, Human Head publicly
14 announced its acquisition by Bethesda – Ragnarok’s competitor. *Human Head did not inform*
15 *Ragnarok at any time that Human Head was seeking an acquisition partner or otherwise looking*
16 *to make a corporate change.* Whether because of malice or greed or a nefarious attempt to regain
17 the valuable Rune intellectual property, or all of the above, there can be no question that Human
18 Head timed the announcement to maximize damage to Ragnarok and *Rune II*.

19 9. In summary: (a) Human Head entered into a long-term agreement with Ragnarok –
20 the whole goal of which was to launch *Rune II* and to provide the necessary support for its
21 commercial success, (b) Human Head accepted millions of dollars in payment, but failed to
22 perform, (c) instead of curing its deficient work, Human Head secretly conspired to abandon
23 Ragnarok and the *Rune II* community in an apparent attempt to defraud and harm Ragnarok and
24 the game, and (d) Human Head timed the unveiling of its plan to cause maximum damage.

25 10. But Human Head’s fraud and malice did not stop there. Human Head’s Principals -
26 - Ben Gokey, Christopher Rhinehart, and Paul MacArthur - tried one last stunt to damage
27 Ragnarok, *Rune II*, and the *Rune II* community. They held hostage certain game code and
28 property that unequivocally belonged to Ragnarok, refusing to transfer the property absent

1 additional payments for work that had never been completed.

2 11. By this time, Ragnarok had learned its lesson. Ragnarok refused to be blackmailed
3 and pay the ransom, repeatedly requesting the return of its property. What did Ben Gokey,
4 Christopher Rhinehart, and Paul MacArthur do? They made *unauthorized* alterations to the code
5 and attempted (unsuccessfully) to make public the unauthorized changes. Of course, since Human
6 Head no longer existed, Gokey, Rhinehart, and MacArthur were not altering the code on behalf of
7 Human Head. Regardless, alter the code they did.

8 12. Ragnarok brings this action to mitigate and remedy the substantial harm caused by
9 the fraud and other egregious misconduct perpetrated by Defendants Human Head, Chris
10 Rhinehart, Ben Gokey, and Paul MacArthur.

11 **PARTIES**

12 13. Plaintiff RAGNAROK GAME, LLC is, and at all relevant times was, a Delaware
13 limited liability company with its principal place of business in Los Angeles, California
14 (hereinafter “Ragnarok”).

15 14. Defendant NINE REALMS, INC. is, and at all relevant times was, a Wisconsin
16 corporation, doing business as “Human Head Studios” (hereinafter “Human Head”).

17 15. Ragnarok is informed and believes, and thereon alleges, that Defendant CHRIS
18 RHINEHART is, and at all relevant times was, an individual, residing in Wisconsin.

19 16. Ragnarok is informed and believes, and thereon alleges, that Defendant BEN
20 GOKEY is, and at all relevant times was, an individual, residing in Wisconsin.

21 17. Ragnarok is informed and believes, and thereon alleges, that Defendant PAUL
22 MACARTHUR is, and at all relevant times was, an individual, residing in Wisconsin.
23 RHINEHART, GOKEY, and MACARTHUR will hereinafter collectively be referred to as the
24 “Principals.”

25 18. The true names and capacities, whether individual, corporate, associate, or
26 otherwise, of defendant Does 1 through 20, inclusive, are presently unknown to Ragnarok, and for
27 that reason these defendants are sued by such fictitious names. Ragnarok is informed and
28 believes, and based thereon alleges, that each of the Doe defendants is in some way responsible for

1 the damages herein alleged. Ragnarok will seek leave of Court to amend this complaint when the
2 true names and capacities of said defendants are known.

3 19. Defendants Human Head, Ben Gokey, Christopher Rhinehart, Paul MacArthur, and
4 Does 1 to 20 will hereinafter collectively be referred to as Defendants.

5 FACTUAL ALLEGATIONS

6 The *Rune II* Development Agreements

7 20. On or about April 21, 2017, Ragnarok entered into a Game Development
8 Agreement with Human Head for development of a cooperative, survival-oriented role playing
9 game featuring a Viking warrior, set in Norse Mythology, and based on the original, action
10 adventure video game, “Rune” (hereinafter “Rune II Agreement”).

11 21. Ragnarok agreed to pay Human Head \$1.5 million as a “Development Fee,” in
12 exchange for Human Head’s development services, with payments to be triggered according to a
13 specific and explicit Deliverables and Milestone Schedule, which included 11 initial milestones.
14 The Rune II Agreement granted Ragnarok sole discretion to approve or disapprove of any of
15 Human Head’s deliverables and other work product submitted as part of each milestone. Human
16 Head represented that its work product would be accurate and “bug free” and *Rune II* would
17 function in accordance with the precise milestones and specifications outlined in the Rune II
18 Agreement. Because *Rune II* was the long-awaited sequel to Human Head’s flagship game (the
19 original Rune), Ragnarok believed Human Head when it said it was highly motivated to go above
20 and beyond the terms of the contract and to deliver an amazing game for its fans.

21 22. The Rune II Agreement granted Ragnarok an exclusive, unlimited, worldwide
22 license to use, market, promote and exploit the intellectual property rights associated with the
23 original Rune game (“Rune IP”) for at least five years after the launch. Moreover, Human Head
24 was precluded from exploiting the Rune IP during the term of the Rune II Agreement, except in
25 limited circumstances. The Rune IP was highly valued, both commercially and as Human Head’s
26 “baby.” And, upon information and belief, Human Head believed that if Ragnarok were to
27 terminate the Rune II Agreements, which it has not, the Rune IP would revert back to Human
28 Head.

1 23. Ragnarok also agreed to pay Human Head an additional \$110,000 as a “Support
2 Fee” in exchange for Human Head’s post-launch support and live-operations services. This
3 Support Fee was made with the understanding that the parties would enter into a further agreement
4 for a longer term Live Operations services after the launch of *Rune II*.

5 24. Despite Human Head’s claims to the contrary, Human Head was unable to build a
6 game ready for launch in 11 milestones. Therefore, on or about February 8, 2019, Ragnarok and
7 Human Head entered into the “First Amendment to Ragnarok Game Development Agreement”
8 (hereinafter “Rune II Amendment”). This was necessary in order to finance the delivery of a
9 game ready for launch. The additional investment was required in order to pay Human Head.
10 Ragnarok and Human Head agreed to amend the Rune II Agreement by expanding the scope of
11 work, in part to ensure delivery of an exceptional entertainment experience for fans of the original
12 Rune game and to meet the fans’ desire for a competitive, head-to-head “Death Match” in the
13 game.

14 25. By amending the Rune II Agreement, Ragnarok and Human Head intended to
15 extend development of *Rune II* by means of a distribution agreement with Epic Games, Inc. In
16 reliance on Human Head’s promise of cooperation in distribution of the game, Ragnarok agreed to
17 pay Human Head additional milestone payments, which would now equal approximately \$3
18 million in total for additional development services, specifically adding performance of Milestones
19 15 to 23, culminating in launching on the Epic Store.

20 26. The Rune II Agreement contemplated a long term relationship between Ragnarok
21 and Human Head, with a contract term that was to extend at least five years from the initial
22 launch, with an option by Ragnarok to extend the term for an additional five year term under
23 certain financial conditions. By entering into the Rune II Agreements and thereby agreeing to pay
24 Human Head \$3 million, Ragnarok sought to incentivize Human Head to deliver excellent work
25 product and to work with Ragnarok as a team to implement the vision of creating a dynamic,
26 engaging game in *Rune II*.

27 27. Human Head’s breach of the Rune II Agreement and its false promises precluded
28 both parties from achieving these contracted goals.

1 28. The Rune II Agreement provides that, in any dispute relating to that agreement, the
2 parties to that agreement would “admit venue and submit themselves to the exclusive jurisdiction
3 of the state or federal courts located in Los Angeles County, California.”

4 **Human Head’s Performance Fell Far Below the Contractual Standards, Despite**

5 **Diligent Efforts By Ragnarok**

6 29. Throughout the *Rune II* development process, Human Head consistently failed to
7 meet contractual milestones and specifications. Human Head’s original Lead Programmer on
8 *Rune II* left in Dec 2018 because his contract was not renewed. Human Head did not disclose this
9 to Ragnarok. The replacement Lead Programmer selected by Human Head left after the fourth
10 missed deadline to launch. As a result of its deficient performance and its failure of oversight (or
11 active participation in directing code to be damaged), Human Head missed four prior scheduled
12 launch dates, resulting in a year-and-a-half delay in the launch of *Rune II*. The Rune II Agreement
13 originally called for a launch date of April 23, 2018. This contracted launch date was adjusted and
14 postponed 4 times to September 2018, January 2019, August 2019, and finally to November 12,
15 2019, when the Game was finally launched on the Epic Games platform. Yet despite all this,
16 Ragnarok remained a committed partner to Human Head.

17 30. Ragnarok was forced to go above and beyond the industry norms for publishers as
18 well as the contractual requirements of the Rune II Agreements. The following are but a few
19 examples of the good faith actions that Ragnarok took to support Human Head in the development
20 of *Rune II*:

- 21 (a) After falling far behind schedule, Ragnarok lead an initiative to get Human
22 Head and *Rune II* back on track;
- 23 (b) Ragnarok was forced to get into the nitty gritty of game features and guide
24 Human Head based on changes in the gaming market (Human Head agreed
25 that these actions by Ragnarok were very beneficial to the project);
- 26 (c) Ragnarok led daily production calls to help keep Human Head on track;
- 27 (d) Ragnarok replaced *Rune II*’s community manager after poor E3
28 performance and lack of influencer engagement;

- 1 (e) Ragnarok directed Community Management to focus on influencers and
2 social community;
- 3 (f) Ragnarok was compelled to engage a marketing firm and use creative
4 techniques due to Human Head's development delays and *Rune II* not being
5 ready to show publically;
- 6 (g) Ragnarok hired a primary Human Head social content creator after Human
7 Head let him go despite the content creator's value to *Rune II*;
- 8 (h) Ragnarok secured a Russian Community Manager;
- 9 (i) Ragnarok managed community feedback from influencer tests and
10 channeled this feedback into actionable steps for their incorporation into the
11 development of *Rune II*;
- 12 (j) Ragnarok brought on additional testing services (Testronic) to test in
13 advance of *Rune II*'s launch and prepare for post-launch updates and fixes,
14 which Defendants inexplicably resisted;
- 15 (k) Ragnarok began and guided discussions for post-launch content (Human
16 Head and Ragnarok agreed that post launch was very important and critical
17 to the success to *Rune II*).

18 31. As the November 2019 launch date approached, Human Head's performance under
19 the *Rune II* Agreement began to worsen. From July to October 2019, Ragnarok repeatedly wrote
20 to Human Head itemizing the incomplete items on the contractual milestones, many of which
21 remain unaddressed to date, only to be met with evasion, false promises, and delay tactics.

22 32. For example, the *Rune II* Agreements required Human Head to deliver a "fully Co-
23 Op multi-player game by July 30, 2019" as part of Milestone 21. Human Head breached its
24 contractual duties by failing to timely deliver a Cooperative Multiplayer functionality that worked
25 with the Epic Online Store technology and was well-tested. In addition, Human Head conceded
26 that outstanding issues remained with the Loki Battle of *Rune II* as part of Milestone 22, yet
27 Human Head demanded payment for that milestone nevertheless. Ragnarok disapproved
28 Milestone 23 because Human Head failed to meet multiple contract specifications, including

1 fixing bugs, addressing balance issues, and ensuring polish and optimization. When asked to
2 complete Milestone 23, Human Head repeatedly sought to delay content and bug fixing until the
3 post-initial launch period. It became evident two weeks later that Defendants never intended to
4 complete the work at all.

5 33. As the final November 12, 2019 launch date approached, Ragnarok tried repeatedly
6 to motivate Human Head to embrace and implement the vision contemplated by the Rune II
7 Agreements for a dynamic and engaging *Rune II* game that would captivate gaming fans. Human
8 Head was uninterested in implementing that vision and now Ragnarok finally knows why: Human
9 Head was already in the process of being acquired by Bethesda. Human Head nevertheless
10 continued to invoice Ragnarok for *Rune II*'s Milestones 21, 22 and 23 and to insist on payment for
11 incomplete work product.

12 34. Despite Human Head's failures, Ragnarok, having agreed to team up with Human
13 Head over a period of many years, continued to make good-faith payments to Human Head, with
14 the understanding that Human Head would eventually complete the work and deliver in
15 accordance with the contract specifications.

16 35. Ragnarok was mistaken because Human Head had other plans after the launch on
17 the Epic platform, which Human Head and its Principals actively concealed from Ragnarok.

18 **Human Head Abandoned the Game Shortly Before its November 12, 2019 Launch**

19 36. During the development process, Ragnarok and Human Head communicated
20 regularly through daily production and development calls and regular emails. Since August 2019,
21 as the deadline for launch quickly approached, those communications only increased, with
22 Ragnarok and Human Head speaking by phone at 11 a.m. every day. A regular topic on the
23 agenda was the Live Ops Plans and Post-Launch Bug Fixes. In other words, based on the
24 discussions, Ragnarok had no reason to doubt at that time that Human Head was committed to the
25 project. Moreover, in discussions about post-launch plans, Chris Rhinehart reassured Ragnarok
26 that he was enthusiastic about continuing to develop the game.

27 37. Things changed, however, just a couple of weeks before launch. As an act of good
28 faith in order to ensure a smooth launch, Ragnarok had made an early payment of \$90,000 for the

1 final Milestone 23 in late October, 2019. Despite this gesture of good faith, Human Head and its
2 Principals and staff suddenly became uncommunicative and unavailable during the week prior to
3 launch. Against industry norms to have “all hands on deck,” the employee responsible for
4 reporting the status of outstanding bugs and daily issues disappeared on vacation. Chris Rhinehart
5 and Ben Gokey went silent and were unresponsive despite the existing daily meetings and calls.

6 38. On November 7, 2019 – just three business days before the launch -- Ben Gokey of
7 Human Head announced for the first time that, after over 20 years in existence, Human Head was
8 closing its doors and could not meet its obligations to provide live-operations support to *Rune II*.
9 No mention was made of an acquisition or future plans. Rather, Human Head was simply going
10 away for good.

11 39. Human Head thereafter announced that it would not make its offices and equipment
12 available to Ragnarok prior to the launch, despite earlier plans to do so. Human Head also
13 requested an additional half million dollars in order to “buy out” Human Head’s interest in the
14 game. Oddly, however, the request was accompanied by a request for a “release of liability.”

15 40. On November 8, 2019, a conference call was held between Ragnarok’s Matt
16 Candler, Sam Goldberg, and Sam Kim, on the one hand, and Human Head’s Christopher
17 Rhinehart, Ben Gokey, and Paul MacArthur, on the other hand, to discuss how to proceed given
18 Human Head’s closure. Ben Gokey explained that Human Head could no longer “continue as
19 Human Head.”

20 41. Sam Goldberg expressed Ragnarok’s shock and concern at this unexpected news,
21 especially given Human Head’s earlier enthusiasm about its commitment to the launch and
22 beyond. Ben Gokey reassured the Ragnarok team that the Human Head principals would use their
23 best efforts to support Ragnarok’s efforts to “move forward with these products.” After Sam
24 Goldberg emphasized how critical Chris Rhinehart was to the launch and marketing of *Rune II*,
25 Rhinehart again reassured Ragnarok that he would be available to assist.

26 42. It quickly became evident to Ragnarok, however, that it would have to shoulder the
27 responsibility of ensuring *Rune II* launched without Human Head’s support. Human Head failed
28 to attend any of prescheduled marketing and public relations events (live streams), despite a

1 commitment to do so and frequent requests by Ragnarok. Despite assuring Ragnarok he would be
2 available to support the launch, Chris Rhinehart said he was “traveling” when Ragnarok asked him
3 if he was available to attend a production call on November 14, 2019. It was as if Human Head
4 was taunting Ragnarok to terminate the Rune II Agreements (which Ragnarok did not do, instead
5 proceeding with another payment shortly thereafter).

6 43. Almost all of the launch management was left to Ragnarok, its marketing partner,
7 Reverb Communications, Inc., and its server company, Zuez. Together, they had to scramble to
8 ensure the launch of *Rune II* didn’t fail without Human Head’s promised support.

9 44. Despite Human Head’s failure to support the launch on the Epic Games platform,
10 and despite Human Head’s abandonment of *Rune II* and betrayal, Ragnarok dutifully paid Human
11 Head \$180,000 as Ragnarok had agreed to do as part of the Rune II Agreements.

12 **Human Head Fraudulently Concealed Its Plans To Join Bethesda**

13 45. On November 13, 2019, exactly one day after the *Rune II* launch, Chris Rhinehart
14 announced to the press that Human Head was being acquired by Bethesda: “Sadly, we had to
15 wind down the business of Human Head Studios and close its doors..... We reached out to our
16 friends at Bethesda for help..... With the formation of Roundhouse Studios, Bethesda offered
17 every employee of Human Head a position at the new company.”

18 46. On November 15, 2019, three days after the launch, Bethesda itself confirmed on
19 social media that it had acquired Human Head as part of its Roundhouse Studios. Peter Hines, the
20 Senior VP of Marketing and Communications at Bethesda, announced on Twitter that Bethesda
21 had opened a new studio in Madison, Wisconsin in collaboration with Chris Rhinehart and the
22 Human Head team.

23 47. Roundhouse Studios and Human Head have the same exact business address:
24 1741 Commercial Ave, Madison, Wisconsin. The same Human Head team of employees and
25 principals in the same physical location were reborn as Bethesda’s Roundhouse Studios within
26 days after the launch of *Rune II*.

27 48. Ragnarok was completely unaware of any of these developments and only learned
28 about them from the press, along with the rest of the gaming community. In fact, when Ragnarok

1 had asked Human Head on the November 8 call if Ragnarok could reach out to former Human
2 Head employees, Gokey said that “would be a problem.” The problem Gokey knew (but didn’t
3 mention) was that those employees were or would soon be Bethesda employees.

4 49. Human Head, Christopher Rhinehart, Ben Gokey and Paul MacArthur did not
5 disclose any of this information to Ragnarok during the multiple conversations they had about the
6 future plans for *Rune II* in October and November 2019, including the November 8th conversation
7 when Human Head announced its closure.

8 50. Ragnarok alleges, on information and belief, that during the weeks and months
9 preceding the *Rune II* launch, Human Head, Rhinehart, Gokey and MacArthur knowingly and
10 maliciously failed to disclose to Ragnarok that: (1) Human Head was “closing its doors” as soon
11 as *Rune II* launched if not before, (2) Defendants did not intend to continue operating as Human
12 Head after the *Rune II* launch, (3) Defendants had no intent to support the *Rune II* launch, (4)
13 Human Head intended to breach its long-term contractual relationship with Ragnarok to support
14 and further develop *Rune II*, (5) Human Head had no intention of entering into the Live-
15 Operations agreement contemplated by the *Rune II*, and (6) Defendants had been covertly making
16 plans to join Bethesda while purportedly working on *Rune II*.

17 51. As articulated by one journalist in a November 13, 2019 article, Human Head “was
18 also in talks with Bethesda for the past couple of months (this type of acquisitions don’t happen in
19 a matter of days). And if that was the case, the team has been basically lying to its Rune fans for
20 the past few months.....”

21 52. On information and belief, Human Head and its Principals intentionally failed to
22 disclose the truth because they wanted Ragnarok to continue to pay money to Defendants and
23 because they ultimately intended to try to sabotage the *Rune II* game that Ragnarok had actively
24 assisted Human Head to develop and support.

25 **Human Head Affirmatively Misrepresented Its Intent To Continue Its Relationship**
26 **With Ragnarok And To Grow the *Rune II* Game**

27 53. Prior to the launch of *Rune II* on November 12, 2019, Human Head and its
28 Principals repeatedly misrepresented to Ragnarok that they were invested in the future success of

1 *Rune II* and intended to follow through on the “future plans” for *Rune II* discussed between
2 Ragnarok and Christopher Rhinehart, Ben Gokey and Paul MacArthur.

3 54. On October 24, 2019, Matt Candler of Ragnarok emailed Christopher Rhinehart
4 and Ben Gokey, seeking to continue discussions about future plans for Live Operations Services
5 and Additional Content for *Rune II* and for growing *Rune II* together. That same day, after
6 receiving a \$90,000 payment from Ragnarok for Milestone 23, Ben Gokey responded, in an email
7 on which Chris Rhinehart was copied: “Great to hear streamer feedback is aligned with *our*
8 *future plans* – that should help us move forward efficiently.” Similarly, on November 5, 2019,
9 just two days before Ragnarok learned the truth that Human Head was closing its doors that same
10 week, Christopher Rhinehart told Matt Candler of Ragnarok in an email: “I’m super glad
11 streamers are digging it [the game]. Looking forward to seeing how the general public likes it.”

12 55. In October and November 2019, Christopher Rhinehart and Matt Candler had
13 several discussions about post-launch plans, during which Rhinehart assured Candler that
14 Rhinehart and Human Head were enthusiastic about and committed to continuing to develop and
15 grow *Rune II*.

16 56. Defendants’ representations were false and intended to induce Ragnarok to
17 continue to honor the payment schedules under the *Rune II* Agreements.

18 **Human Head Refuses to Transfer Certain *Rune II* Property to Ragnarok**

19 57. The *Rune II* Agreements expressly provide that Ragnarok exclusively owns all
20 right, title and interest in the content and materials developed by Human Head for *Rune II*,
21 including deliverables, software (including source and object codes), work product, and the *Rune*
22 *II* game (“*Rune II* Assets”).

23 58. On or about November 13, 2019, shortly after learning of Bethesda’s acquisition of
24 Human Head, Ragnarok asked that Human Head and its Principals turn over all *Rune II* Assets.

25 59. Since November 13, 2019, Defendants have refused and continue to refuse to
26 transfer the *Rune II* Assets, despite repeated requests by Ragnarok and its counsel.

27 60. Ragnarok believes that Human Head and its Principals are holding the *Rune II*
28 Assets hostage to coerce Ragnarok to make payments for Human Head’s incomplete deliverables.

1 In fact, Ben Gokey informed Sam Goldberg on November 18, 2019 that he was withholding
2 delivery of the assets until such time as Ragnarok makes additional payments for milestones
3 already disapproved by Ragnarok. Human Head disregarded Ragnarok's plea that withholding the
4 assets would harm not only Ragnarok, but also *Rune II*'s fans and community and Ragnarok's
5 business relationship with Epic, if Ragnarok is unable to support *Rune II* after its early launch.

6 61. To add insult to injury, Defendants continued to alter the source and object codes
7 for *Rune II*, despite repeated and explicit instructions from Ragnarok that Defendants immediately
8 cease all such alterations. On November 19, 2019, a week after Human Head "laid off" all its
9 employees and "closed its doors," and after months of deficiencies, Defendants now insisted on
10 altering the *Rune II* code despite demands that there be no changes to the code at all. Ragnarok
11 had understandably lost trust in Defendants; furthermore, Ragnarok reasonably believed that the
12 former Human Head employees were now working for Bethesda. Nevertheless, over Ragnarok's
13 express instructions to the contrary, Defendants not only continued to change the code, but even
14 uploaded and attempted to launch an altered, unapproved *Rune II* build to the Epic Games Store
15 Staging. This move could only have been driven by malice and a desire to undermine Ragnarok,
16 the success of *Rune II*, and the *Rune II* community.

17 62. Ragnarok, through counsel, has demanded that Human Head and its Principals
18 cease use of all *Rune II* materials and promptly return the *Rune II* Assets and all other property
19 belonging to Ragnarok or its affiliates. To date, Defendants have not complied with those
20 requests.

21 **FIRST CAUSE OF ACTION**

22 **(For Breach of Contract Against Defendant Human Head)**

23 63. Ragnarok incorporates by reference the allegations set forth above as though set
24 forth fully herein.

25 64. Plaintiff Ragnarok and Defendant Human Head entered into the *Rune II* Agreement
26 and the *Rune II* Amendment.

27 65. Plaintiff Ragnarok did all, or substantially all, of the significant things the *Rune II*
28 Agreement required it to do, except to the extent that its performance was excused by Human

1 Head's conduct.

2 66. As set forth in the preceding paragraphs, Defendant Human Head breached the
3 Rune II Agreement by, *inter alia*, failing to meet and satisfy the Milestones and Schedules set
4 forth in the Rune II Agreements and by failing to provide support and live-operations services in
5 connection with the launch of *Rune II*. Human Head also breached the Rune II Agreements by
6 failing to negotiate in good faith a LiveOps agreement after launch of *Rune II* on the Epic Store
7 platform and generally by failing to deal with Ragnarok in good faith.

8 67. Human Head further breached the Rune II Agreement by failing to return the Rune
9 II Assets to Ragnarok, despite repeated requests, and by altering the code without Ragnarok's
10 consent or approval.

11 68. As a proximate result of Human Head's breaches of contract, Ragnarok has been
12 damaged in an amount to be proven at trial.

13 **SECOND CAUSE OF ACTION**

14 **(For Fraudulent Concealment Against All Defendants)**

15 69. Ragnarok incorporates by reference the allegations set forth above as though set
16 forth fully herein.

17 70. Ragnarok alleges, on information and belief, that for no less than several months
18 prior to mid-November 2019, when Human Head "closed its doors," Defendants knew and
19 maliciously and actively concealed from Ragnarok their plans: (a) to cease operations as "Human
20 Head," (b) to not meet contractual obligations to Ragnarok, despite agreeing to a contractual term
21 of several years and making plans for further development of *Rune II*, (c) to not support the launch
22 of *Rune II* or otherwise support *Rune II*, and, (d) to be acquired by Ragnarok's competitor,
23 Bethesda.

24 71. Ragnarok was completely unaware of any of these developments until November
25 2019 and could not have discovered them. Ragnarok did not know that Human Head intended to
26 shut down operations until November 7, 2019. Ragnarok also did not learn about Defendants'
27 plans to join Bethesda until after the launch of *Rune II* on November 12, 2019.

28 72. Ragnarok alleges, on information and belief, that Defendants were concerned that if

1 they informed Ragnarok of their intentions, including to close down operations and become
2 acquired by Bethesda, it would result in financial harm to Defendants.

3 73. Ragnarok alleges, on information and belief, that Defendants intended to deceive
4 Ragnarok by concealing the facts identified in the preceding paragraphs.

5 74. Had Ragnarok known these facts about Defendants' future plans, Ragnarok would
6 have taken actions to mitigate the harm to it, including but not limited to retaining another
7 developer to support the launch of *Rune II* and issuing communications to the *Rune II* gaming
8 community to describe the transition from Human Head to an alternative developer.

9 75. As a proximate result of Defendants' fraud and deceit, Ragnarok has suffered
10 damages in an amount to be proven at trial.

11 76. Defendants engaged in the aforementioned acts and omissions with oppression,
12 fraud and/or malice, with the intent to injure Ragnarok. Accordingly, Ragnarok is entitled to an
13 award of punitive damages against Defendants in an amount to be proven at trial.

14 **THIRD CAUSE OF ACTION**

15 **(For Conversion Against All Defendants)**

16 77. Ragnarok incorporates by reference the allegations set forth above as though set
17 forth fully herein.

18 78. Plaintiff Ragnarok is the rightful owner of the Rune II Assets, pursuant to the Rune
19 II Agreement and the Rune II Amendment.

20 79. Defendants have intentionally and substantially interfered with Ragnarok's Rune II
21 Assets by preventing Ragnarok access to the Rune II Assets and by refusing to return the Rune II
22 Assets to Ragnarok, despite multiple requests over the course of weeks.

23 80. Plaintiff Ragnarok did not consent to Defendants' retention of the Rune II Assets
24 after Ragnarok demanded their return on or about November 13, 2019.

25 81. As a proximate result of Human Head's conversion of the Rune II Assets, Plaintiff
26 Ragnarok has been damaged in an amount to be proven at trial.

27 82. Defendants engaged in the aforementioned acts and omissions with oppression,
28 fraud and/or malice, with the intent to injure Ragnarok. Accordingly, Ragnarok is entitled to an

1 award of punitive damages against Defendants in an amount to be proven at trial.

2 **FOURTH CAUSE OF ACTION**

3 **(For Fraudulent Misrepresentation Against All Defendants)**

4 83. Ragnarok incorporates by reference the allegations set forth above as though set
5 forth fully herein.

6 84. Ragnarok alleges, on information and belief, that Defendants Human Head and its
7 Principals knew that the Rune II Agreements contemplated a long-term relationship between
8 Ragnarok and Human Head, whereby the contracting parties would continue to support and grow
9 the games for at least five years after the launch.

10 85. As set forth in the preceding paragraphs, Defendants represented to Ragnarok on
11 multiple occasions that they intended to remain contracting partners with Ragnarok, that they were
12 committed to supporting and further developing *Rune II* and they were invested in the “future
13 plans” for *Rune II*.

14 86. These representations were not true. Defendants knew these representations were
15 false at the time they made them and they made them recklessly and without regard to their truth.

16 87. Ragnarok alleges, on information and belief, that Defendants intended to defraud
17 Ragnarok and induce reliance by Ragnarok on these statements, in part to lull Ragnarok into
18 believing that Defendants Human Head and its Principals were committed to the future success of
19 *Rune II*.

20 88. Ragnarok reasonably relied on Defendants’ statements to its detriment.

21 89. As a proximate result of Ragnarok’s reliance on Defendants’ misrepresentations,
22 Ragnarok has suffered damages in an amount to be proven at trial.

23 90. Defendants engaged in the aforementioned acts and omissions with oppression,
24 fraud and/or malice, with the intent to injure Ragnarok. Accordingly, Ragnarok is entitled to an
25 award of punitive damages against Defendants in an amount to be proven at trial.

26 **FIFTH CAUSE OF ACTION**

27 **(For Negligent Misrepresentation Against All Defendants)**

28 91. Ragnarok incorporates by reference the allegations set forth above as though set

1 forth fully herein.

2 92. As set forth in the preceding paragraphs, Defendants Human Head and its
3 Principals represented to Ragnarok on multiple occasions that they intended to remain contracting
4 partners with Ragnarok, that they were committed to supporting and further developing Rune II
5 and they were invested in the “future plans” for *Rune II*.

6 93. These representations were not true and Defendants had no reasonable basis to
7 believe these representations were true at the time they made them.

8 94. Ragnarok alleges, on information and belief, that Defendants intended to induce
9 reliance by Ragnarok on these statements, in part to lull Ragnarok into believing that Defendants
10 were committed to the future success of *Rune II*.

11 95. Ragnarok reasonably relied on Defendants’ statements to their detriment.

12 96. As a proximate result of Ragnarok’s reliance on Defendants’ misrepresentations,
13 Ragnarok has suffered damages in an amount to be proven at trial.

14 **SIXTH CAUSE OF ACTION**

15 **(For Unfair Business Practices in Violation of California Business & Professions Code**
16 **Section 17200 Against All Defendants)**

17 97. Ragnarok incorporates by reference the allegations set forth above as though set
18 forth fully herein.

19 98. Defendants’ conduct described above constitutes unlawful, unfair and/or fraudulent
20 business practices in violation of Business and Professions Code Section 17200.

21 99. Ragnarok reasonably relied on, and were damaged by, Defendants’ unlawful,
22 unfair, and/or fraudulent business practices in that they hired and paid substantial sums to Human
23 Head based on Defendants’ misleading statements and fraudulent concealments.

24 100. Ragnarok is entitled to an Order restoring them all funds Defendants acquired by
25 means of their unlawful, unfair, fraudulent or deceptive business practices and injunctive relief
26 requiring return of the Rune II Assets, and all other property belonging to Ragnarok or its
27 affiliates, as well as prohibiting future unlawful business practices by Defendants.

28

1 **PRAYER FOR RELIEF**

2 WHEREFORE, Plaintiff Ragnarok Game, LLC prays for relief as hereinafter set forth:

- 3 1. For compensatory damages in an amount to be proven at trial, but no less than \$100
4 million.
- 5 2. For restitution of all monies paid by Ragnarok Game, LLC to Defendants.
- 6 3. For injunctive relief prohibiting future unfair business practices, and fraudulent and
7 deceitful conduct by Defendants, and requiring Defendants to return to Plaintiff Ragnarok Game,
8 LLC the property described above.
- 9 4. For punitive damages.
- 10 5. For attorneys' fees and costs.
- 11 6. For prejudgment and postjudgment interest.
- 12 7. For such other relief that the Court may award.

13
14 DATED: December 3, 2019

BROWNE GEORGE ROSS LLP
Keith J. Wesley
Niloo Savis

15
16
17
18 By: 

Keith J. Wesley

Attorneys for Plaintiff Ragnarok Game, LLC

19
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28


DEMAND FOR JURY TRIAL

Plaintiff Ragnarok Games, LLC hereby demands trial by jury.

DATED: December 3, 2019

BROWNE GEORGE ROSS LLP

Keith J. Wesley
Niloo Savis

By: 

Keith J. Wesley
Attorneys for Plaintiff Ragnarok Game, LLC