

Case No. **4:20-cv-05640-YGR**
Case Title ***Epic Games, Inc. v. Apple, Inc.***
Exhibit No. **DX-3451**
Date Entered _____
By: _____, Deputy Clerk
Susan Y. Soong, Clerk

From: Mark Rein <[REDACTED]>
Sent: Mon, 15 Apr 2019 14:23:43 +0000 (UTC)
To: Daniel Vogel <[REDACTED]>
Cc: Arjan Brussee <[REDACTED]>; Marc Petit <[REDACTED]>; Paul Meegan <[REDACTED]>; Tim Sweeney <[REDACTED]>; Andrew Grant <[REDACTED]>; Scott Nolfi <[REDACTED]>; Jeremy Mustard <[REDACTED]>; Jason West <[REDACTED]>; Adam Schrader <[REDACTED]>; Chris Dyl <[REDACTED]>; Nick Penwarden <[REDACTED]>; Greg Gobbi <[REDACTED]>; Bill Fine <[REDACTED]>; Arciel Rekman <[REDACTED]>; Joe Kreiner <[REDACTED]>; Steve Allison <[REDACTED]>
Subject: Re: Walmart meeting follow up
Attachments: Project Storm Epic.pdf

Daniel,

We did not have a meeting to align on vision. I think we should as these sorts of things are only going to grow. NVIDIA has done deals with mobile operators in Asia around their service. If these turn into rent-a-high-end-PC services and they're popular then supporting them from the launcher makes a lot of sense. One thing these guys want to offer is pre-loaded games such that the Fortnite client is running in the lobby app already but with player logged out. When they choose Fortnite we use single-sign-on to log them into that client so there's only a few seconds loading time as opposed to a few minutes today. Players get into the Fortnite game much faster so they get into the action, or into the item shop, faster.

Ed, Matt and I met with Walmart executives to hear their blind pitch (we didn't know they'd be pitching a streaming service) and it was intriguing.

I played Walmart's demo on an Android phone (with an Xbox controller) and the experience felt like playing on PS4 and superior to playing on Android or iOS. They also moved it over to a laptop in real-time (video stream hopped from phone to laptop instantly) and I played it there too. Again, it was VASTLY superior to playing it on my daughters Surface Pro laptop (the most expensive version no less!) or the crappy business laptop they brought. They're going to sell the clip for a crazy low amount, they were saying something like \$2. Here's what it looks like. That little kickstand is the killer part of this. With that the controller holds itself up nicely and it doesn't get in the way when you're using it. It was more comfortable than playing on a Nintendo Switch.

**Exhibit
0035**
Penwarden



Google Stadia is a lot different from what Walmart and Nvidia are doing. Walmart's and Nvidia's services runs on Windows and supports our launcher. I've attached their deck here but please everyone treat this a HIGHLY CONFIDENTIAL. Nvidia also runs on Windows and they said they already have 300,000 monthly active users playing Fortnite on their service. Google is a complete port over to a new operating system and platform with their own APIs etc.

I think these cloud services could act as a user acquisition funnel and amplify our marketing and reach. I like the idea of testing feasibility from a technical standpoint. I'm not sure we actually stop them anyway if they're just renting PCs to people over the cloud and supporting our launcher and I'm not sure we wouldn't want to enable single sign-on / authentication anyway. But I have some concerns about the business model. My main concern about the business model is that If customers feels they're paying \$10/month to play Fortnite they might think that's their spend on the game rather than buying in-game items and Battle Passes. But I think we can overcome that by partnering with these companies on promotions. Walmart is open to exploring all kinds of business models but I expect their service will be the least expensive of all of these because they're Walmart and that's their gig.

In addition Walmart said they're going to change their in-store gaming formats to get away from games being locked into sections for Sony, Microsoft and Nintendo and instead a big game like Fortnite would have all of it's content together in one place (PC, PS4, Xbox, Vbucks cards when we have them, merchandise) with signage and promotion. In addition we could sell Battle Pass/V-Bucks cards/codes to Walmart directly (at far lower than 30%) if we wanted to. Bottom line is there's a huge potential for wringing more Fortnite sales out of Walmart especially if we support their efforts on this.

Today we pay Sony, Microsoft and Nintendo 30% because they subsidize the hardware and do a lot of marketing for us. Clearly that's what Walmart wants to do but the hardware stays in the data centers rather than in customers' hands. Last I heard Google's Stadia business model is 30% of game purchases with no monthly charge to users. They don't currently accomodate free-to-play games but said they would consider Fortnite under some model where you buy \$X worth of V-Bucks to get Y months worth of service and they would take their 30% cut and promote the game like Microsoft and Sony do.

But the first step is figuring out, from a technical standpoint, if these cloud services can provide an equal or better experience, with more convenience, to our customers. With Walmart and NVIDIA we can do that with minimal disruption because they're already running our game.

Also - just to be clear that while I'm talking about Fortnite mostly, Walmart and NVIDIA are both also interested in supporting the Epic Games Store with these services which is why I've copied Joe and Steve on this.

On Mon, Apr 15, 2019 at 7:26 AM Daniel Vogel <[REDACTED]> wrote:

Did we already have a discussion around strategy for streaming services like Stadia and Project Storm?

Apologies if I'm late to the party -- I just want to make sure we are all aligned on high level vision before we talk with Walmart

-- Daniel, Epic Games Inc.

On Fri, Apr 12, 2019 at 6:18 PM Arjan Brussee <[REDACTED]> wrote:

yep, thanks for the callout, they also were asking to get builds as much in advance as possible, so they can distribute to all their machines. That's a thing to discuss also with our Release-teams. The tech behind is is LiquidSky.

Certainly a bunch of work here, many other things are perhaps higher priority but let's do the chat & basic evaluation and take it from there. Walmart is a huge power that can drive digital+retail both (remember those V-Bucks cards?)

They want to come over, i'm penciling in **Monday April 22nd for now** (after visits next week), will send invite when i know more.

-arjan

On Fri, Apr 12, 2019 at 5:30 PM Andrew Grant <[REDACTED]> wrote:

When we did this with NVidia (Geforce Now) the hurdles were less about the tech stack (integrating SDK, tuning scalability for their hardware etc) and more around deployment. E.g. for the first 2-3 months with Nvidia we were literally uploading giant (giant!) zip files to their backend during our release downtime and crossing our fingers that nothing would go wrong, which it often did at first.

There's a temptation to look at these as just another way of leveraging a PC SKU but it's effectively committing to an additional platform so understanding what facilities they have for QA and deployment is super important.

On Fri, Apr 12, 2019 at 5:06 PM Arjan Brussee <[REDACTED]> wrote:

Hi all

FYI

Per request from Mark Rein, we want to spin up a Evaluation of this Walmart Project Storm. They have Fortnite (PC) running on their Edge cloud, streaming to any platform. They're planning to very aggressively develop and roll this out.

In the evaluation, we should initially assess Gameplay & Technology and see how this performs, before diving into integration details separately. Interesting to see how our AWS server-locations play into this (w/ additional latency).

Idea is, when we engage early with them, we can steer the conversation (which they are open to) regarding SSO (link to Epic?), Commerce&Business (cross progression & items part of Epic account) etcetera. They already say it's an Open Platform approach which could integrate nicely.

I'll figure out with Walmart folks when/how we can evaluate, and will send you invite after. And please keep confidential.

-arjan

----- Forwarded message -----

From: **Mark Rein** <[REDACTED]>
Date: Fri, Apr 12, 2019 at 3:38 PM
Subject: Fwd: Walmart meeting follow up
To: Arjan Brussee <[REDACTED]>, Scott Nolfi <[REDACTED]>

Here's the Walmart Project Storm.

----- Forwarded message -----

From: **Mario Pacini** <[REDACTED]>
Date: Mon, Apr 1, 2019 at 1:58 PM
Subject: Walmart meeting follow up
To: Mark Rein <[REDACTED]>
CC: Ian McLoughlin <[REDACTED]>, Darren MacDonald <[REDACTED]>, Gary Tobey
<[REDACTED]>, Chris Nagelson <[REDACTED]>

Hi Mark,

Thanks for the very productive meeting and the great conversation last Friday. Given we have less than 3 months to E3 wanted to get the ball rolling right away. Attached you'll find the slides we presented. Pls only share with people under NDA as they are highly confidential. The LS team is working on a demo link they'll be able to share in a couple of weeks from now to run the service on Chrome. A mobile device with the app will be available in May. In a few weeks we will also be able to give you an idea of what the in-store experience will look like.

Ian would like to talk to someone on your team about the SSO integration work so that we can assess the level of effort that, as discussed, we expect it to be extremely low.

Looking forward to hearing back from you.

Cheers

Mario

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Mark Rein,
Epic Games, Inc.

Visit us at <http://www.epicgames.com>

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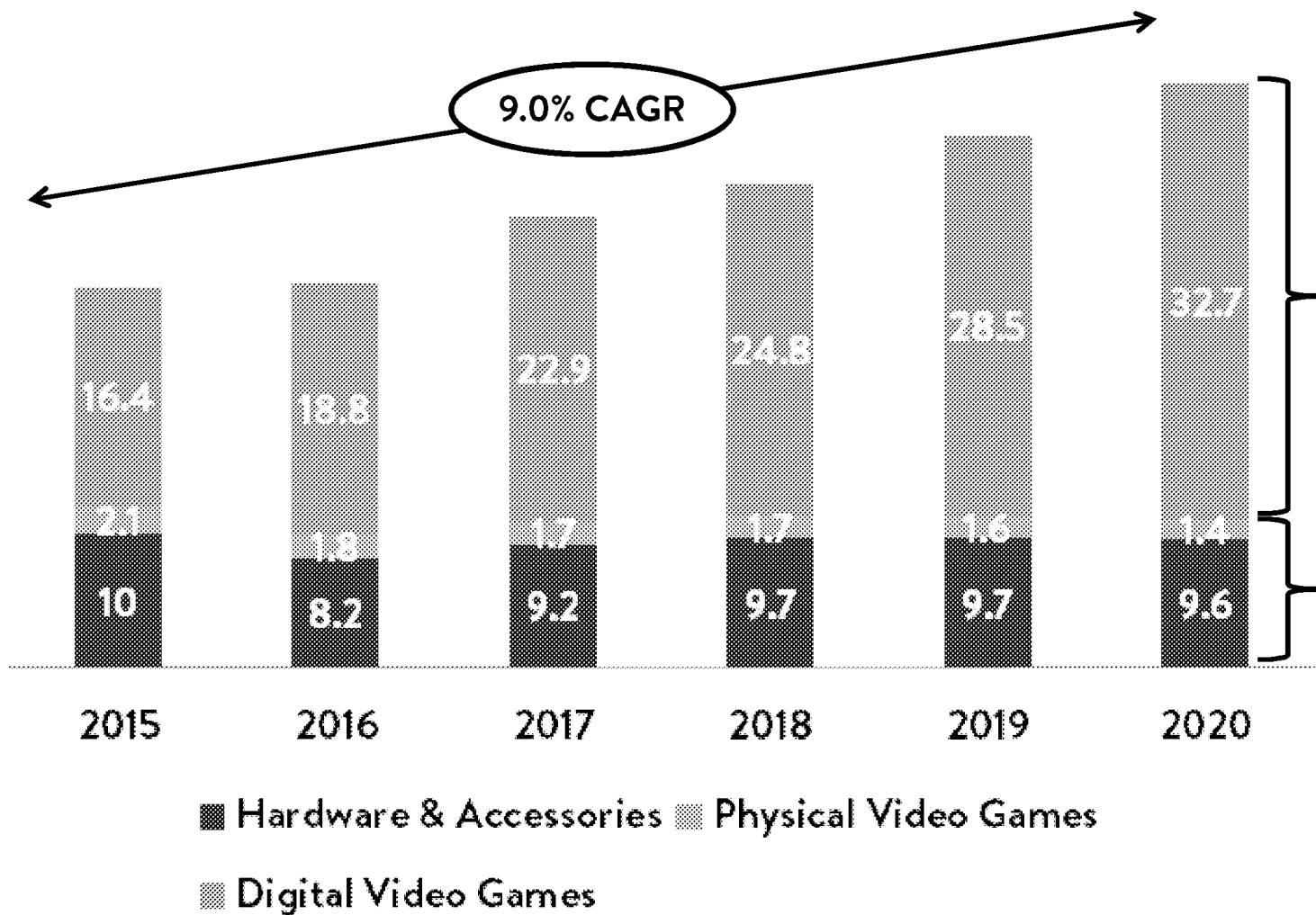
Project Storm

March, 2019



The Future Of Video Games Is In Digital Platforms

Digital Gaming Worth \$33B By 2020



Digital Gaming

- \$33B opportunity by 2020
 - 75% of total gaming market
 - 15% CAGR
- Walmart share = 2% (2018)

Physical Gaming:

- Declining at 2% CAGR
- Walmart share = 25%

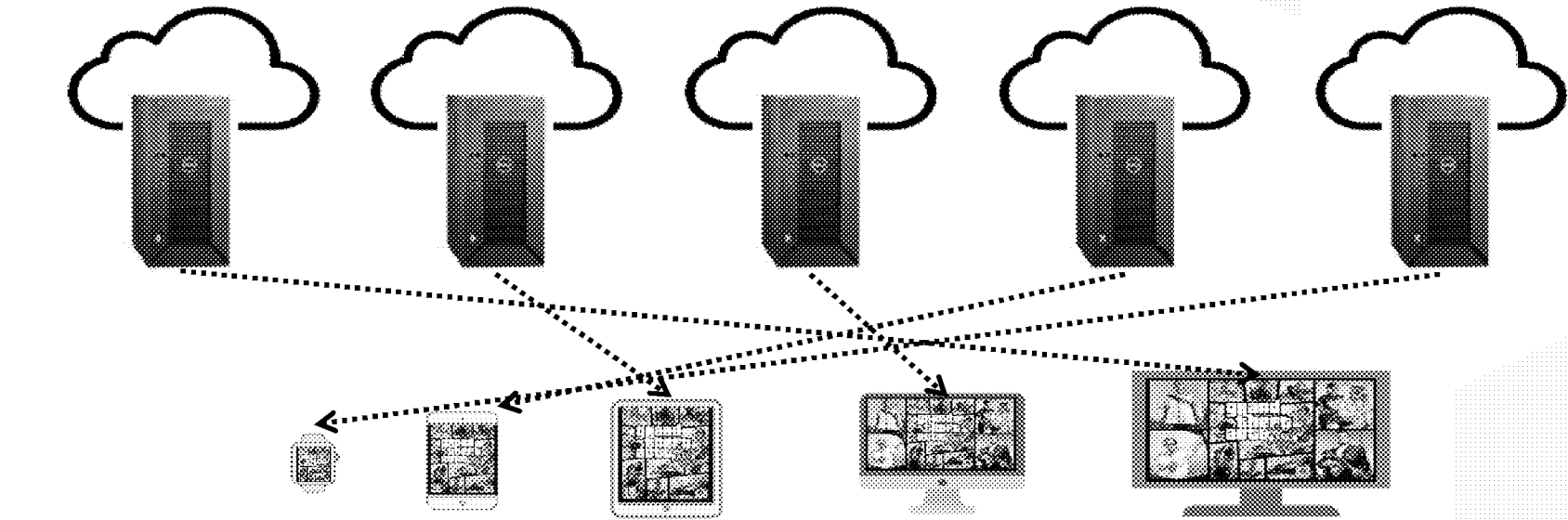
Tomorrow's Digital Gaming Will Allow Real-Time Streaming On Any Device

Edge Computing Brings Gaming Closest To The Customer

Tomorrow



Many Data Centers
(Edge Computing)



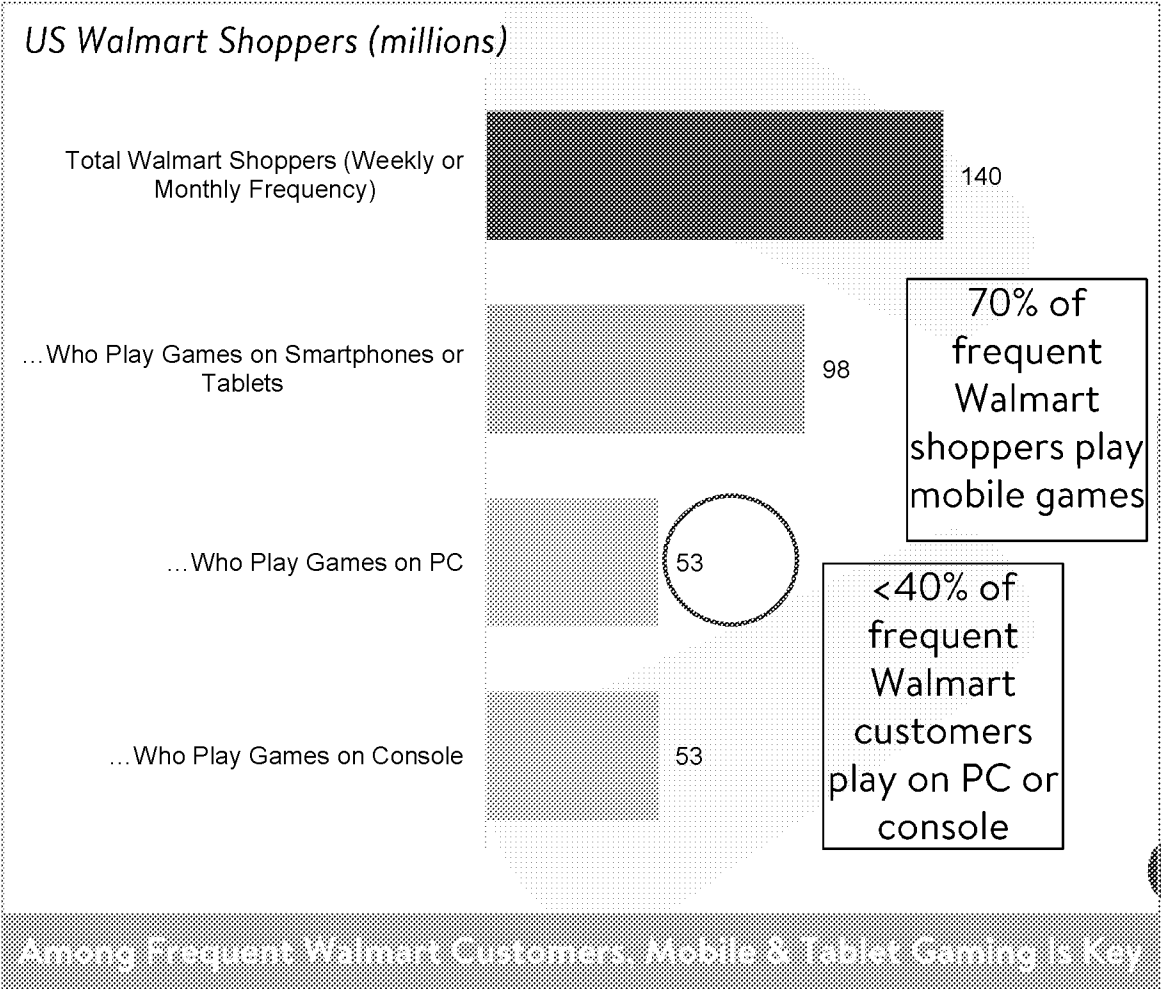
Content is streamed from the closest server to any device

Walmart Is Positioned To Win In Digital Gaming

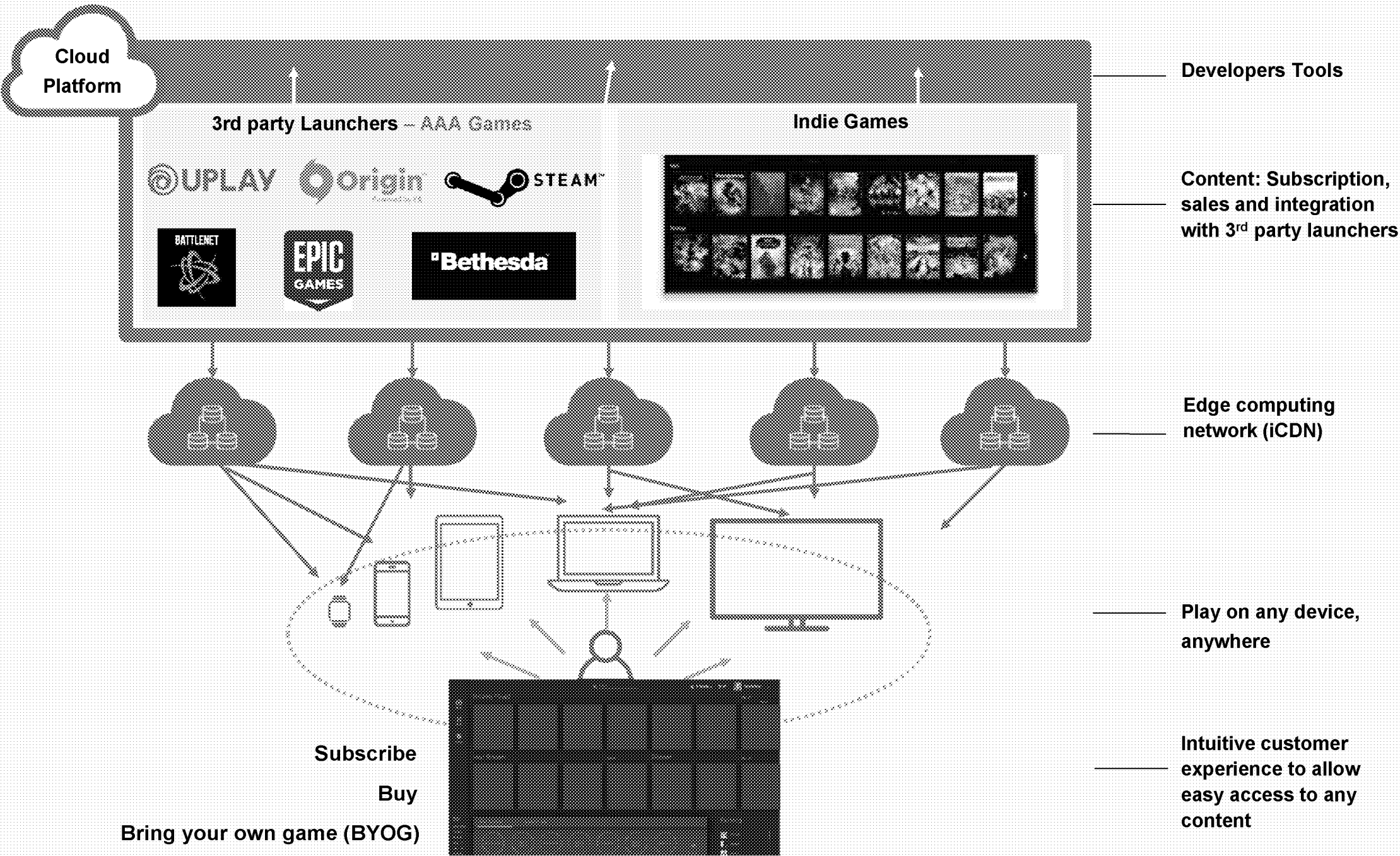
Walmart is uniquely positioned to win...

- Hardware/content agnostic value proposition
- Utilize scale of Walmart's traffic
- Relationship with publishers
- Trusted retailer in gaming for decades
- Established platforms have a cannibalization dilemma

...and our customers are asking for it.

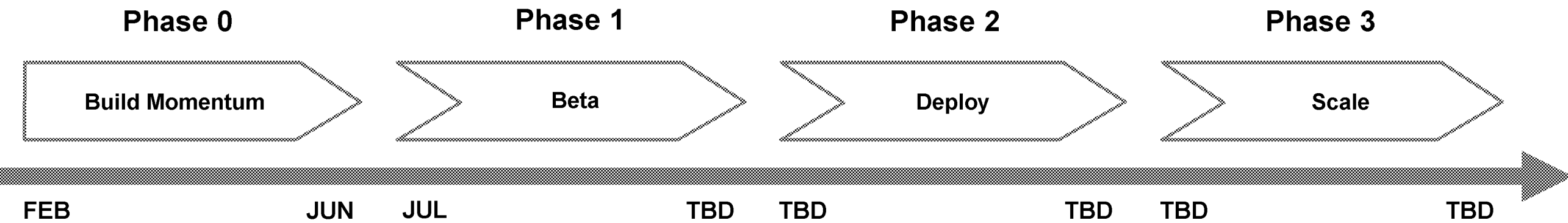


How we are building it

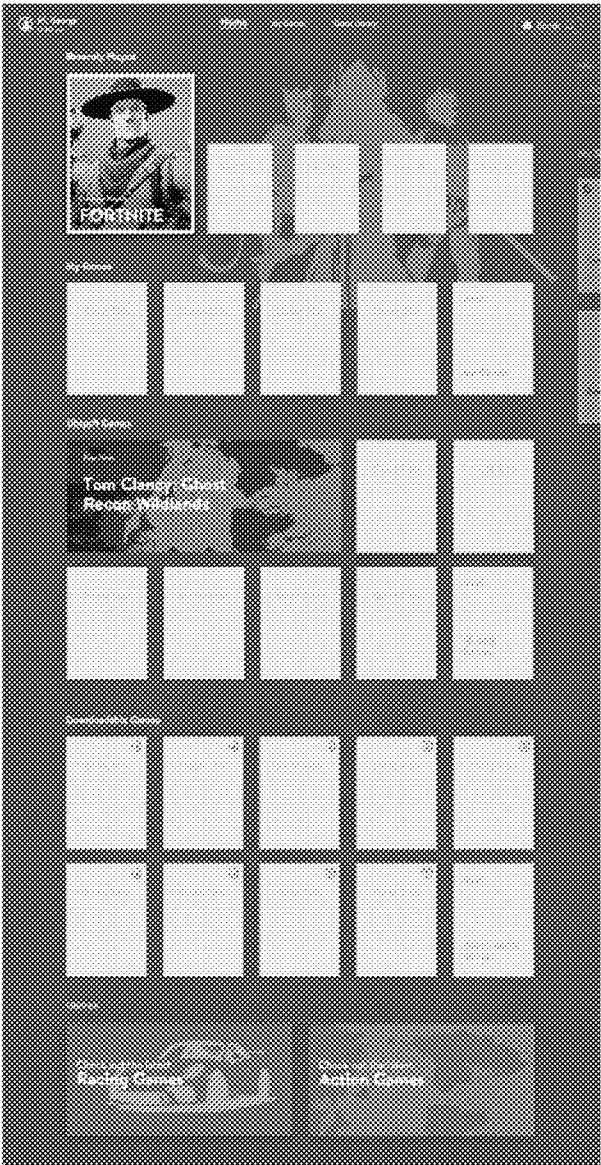
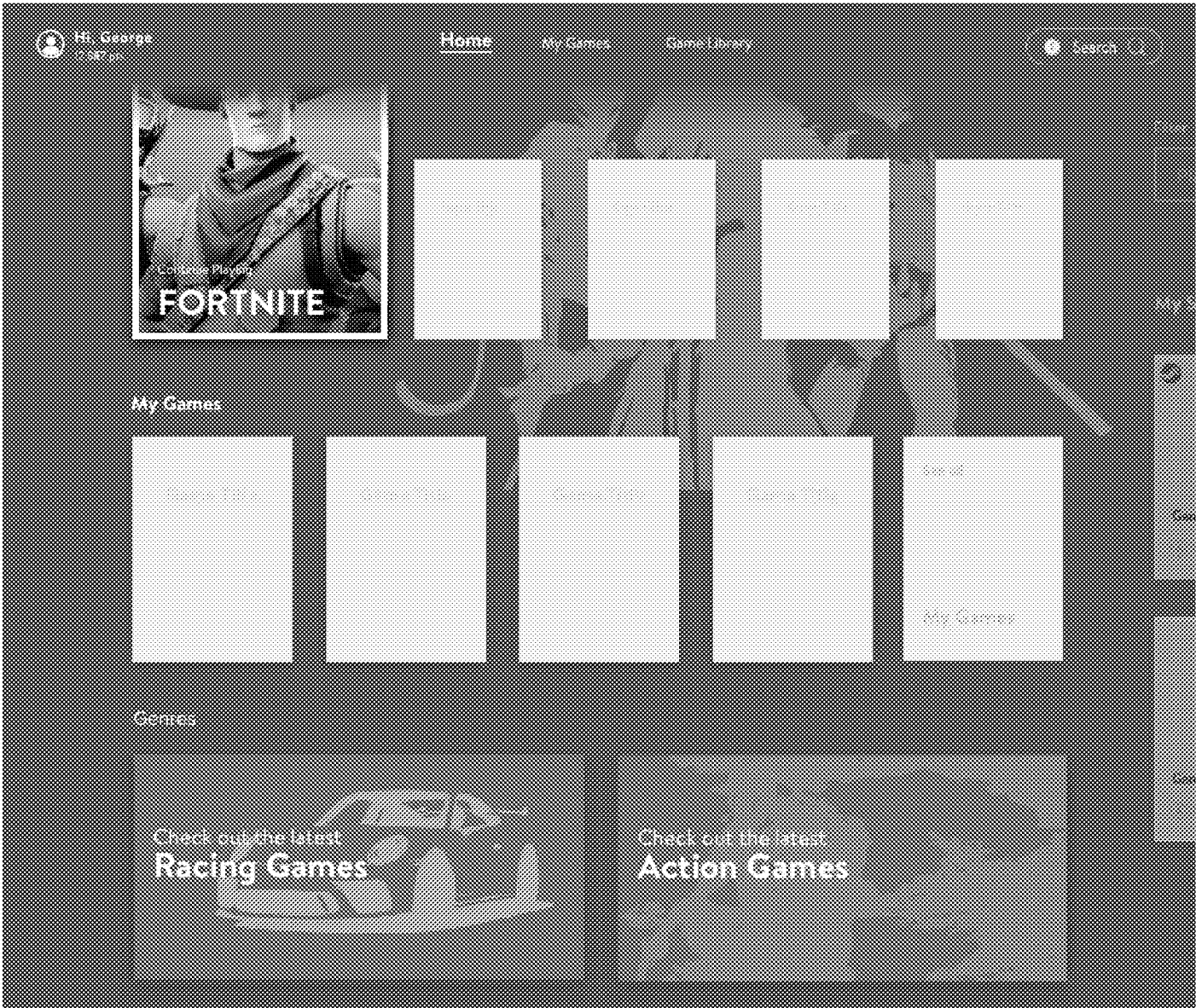


When will we launch?

Focus on a carefully managed ramp to full scale launch driven by the voice of the customer



Preliminary Beta User Experience concepts



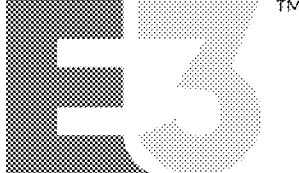
What sets us apart

- Open ecosystem: content and device agnostic - no walled garden
- One stop shopping: brings all launchers in one place - “channel” and catalog view
- Low touch: no work needed on the developer’s end
- 3rd party support: stream button option for partners available
- Flexibility: Stream from the cloud or download and play locally
- Physical stores: demos and trials to ~100M gamers that walk in a WM store weekly
- Merchandising: highly curated experience on .com, app and in-store
- Affordable: no HW investment required on the user’s end
- Reliability: we own the infrastructure and it is built at the edge (ultra low latency)
- The Liquidsky Team – our tech has been in the works for years: gaming at 120fps now!

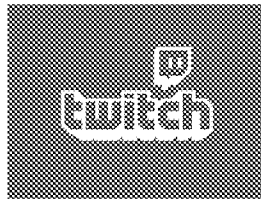
Awareness and acquisition marketing overview

Awareness marketing

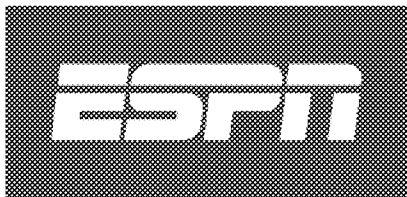
Influencer Marketing endorsements



Social Media



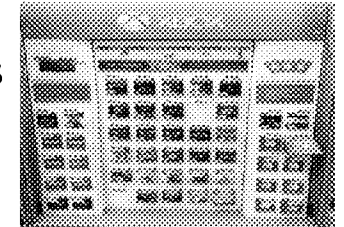
National Cable TV



Customer Acquisition

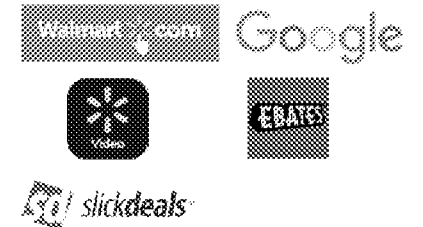
In Store

- Merch set next to existing platforms
- Free trial offers with purchase
- Training for Associates



Online

- Dedicated category page
- Free trial offers
- Walmart Video customers SSO



Partnerships

- Recruitment via eSports arena
- Pre-Installed apps with free trial on PCs, phones & tablets
- Free trial codes on CPG products

