LOOT BOXES AND THE LAW:
A CASE STUDY FOR THE REGULATION OF ALGORITHMS

HÉLÈNE BRUDERER
PHD CANDIDATE
DIGITAL LAW CENTER
UNIVERSITY OF GENEVA
DEFINITION

**In-Game Rewards** (customizing characters/weapons)

**Randomized Digital Content** (varying in-game value)

Bought or earned by players with in-game currency or real money

Form of monetization/microtransaction

By 2022, 50 billion in revenue

Images: Blizzard Entertainment
ISSUES TO BE TACKLED UNDER FOUR ANGLES

- GAMBLING
- CONSUMER PROTECTION
- DATA PROTECTION
- YOUTH PROTECTION
« the gambling-like features of loot boxes are specifically responsible for the observed relationship between problem gambling and spending on loot boxes [...] these results suggest that there may be good reason to regulate loot boxes in games »

SOURCE: ZENDLE David/ Cairns Paul, Video game loot boxes are linked to problem gambling: Results of a large-scale survey in PLOS ONE 14(3) 2019, available: https://doi.org/10.1371/journal.pone.0214, P. 1-12, P.1.
A system and method for varying the distribution probabilities of individual potential awards associated with probability item bundles depending on a purchase history of a user activating a probability item bundle.
Loot box engagement and problem gambling among adolescent gamers: Findings from a national survey

Seren Kristiansen R, Mads Christen Sevein B

Abstract
Loot boxes represent a form of microtransaction in many video games that have some resemblance with gambling. Research on this subject is still in its infancy, and particular there are few studies involving young people. Using cross-sectional survey data from a representative sample of 1,137 participants aged 12–16 years, this study examined loot box engagement patterns and links with problem gambling severity. Nearly half (45.6%) of the participants that were involved in gaming in the past year engaged in loot box activities at some level, and loot box users were predominantly male. The vast majority of the males (93%) had earned, bought, or
**Gambling Law**
- Variety of solutions across the globe - sometimes applicable (Belgium), sometimes not (France)
- Ban access to minor
- License to sell
- Overview by a Gambling commission

**Consumer/Data protection**
- USA: FTC: Roundtable and investigation
- EU: increased transparency if automated decision (GDPR)
- China: odd disclosure

**Youth Protection**
- US: no account below 13 / Bill introduced proposing to regulate and ban LB designed for minors
- China: prohibition below 8 years old / limitation below 18 years old to a certain amount
- Germany: State of Bavaria: published a new draft laws protecting minors vs. monetization practices
# CASE STUDY FOR THE REGULATION OF ALGORITHMS

| Why is it a good case study? | Fragmentation of legal answers to digital challenges  
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<th>Industry with a strong Level of self regulation</th>
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| Transparency is key         | Information (odds, price value)  
|                            | No marketing of Loot boxes under 18  
|                            | KYC for some games |
| Need a mechanism to prevent manipulation (oversight) | Information asymmetry  
|                               | Ensure effectivity of disclosed information |
| Power of co-regulation      | Platforms  
|                            | Certification  
|                            | Labels |
| Corporate social (digital) responsibility | Consumers have the power  
|                               | Video game industry is moving away |