



LOOT BOXES AND THE LAW:

A CASE STUDY FOR THE
REGULATION OF ALGORITHMS

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SELECT AN UNLOCK TO PREVIEW!

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

PREVIEW

DUPLICATE! +200 C

PREV

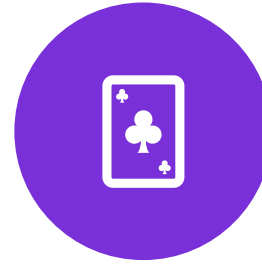
0 HALLOWEEN

OPEN LOOT BO



ESCAPE BACK

ISSUES TO BE TACKLED UNDER FOUR ANGLES



GAMBLING



CONSUMER
PROTECTION



DATA
PROTECTION



YOUTH
PROTECTION

GAMBLING

« 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 .



US010080972B1

(12) **United States Patent**
McLellan et al.

(10) **Patent No.:** **US 10,080,972 B1**
(45) **Date of Patent:** ***Sep. 25, 2018**

CONSUMER PROTECTION & DATA PROTECTION PATENT REGISTRATION

(54) **MYSTERY BOXES THAT ADJUST DUE TO PAST SPENDING BEHAVIOR**

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(73) Assignee: **Kabam, Inc.**, San Francisco, CA (US)

(*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 0 days.

This patent is subject to a terminal disclaimer.

(21) Appl. No.: **15/688,577**

(22) Filed: **Aug. 28, 2017**

Related U.S. Application Data

(63) Continuation of application No. 14/282,788, filed on May 20, 2014, now Pat. No. 9,744,446.

(51) **Int. Cl.**
A63F 13/798 (2014.01)
A63F 13/70 (2014.01)
A63F 13/69 (2014.01)
G06Q 50/00 (2012.01)
A63F 13/61 (2014.01)
G06Q 30/02 (2012.01)
A63F 13/67 (2014.01)

(52) **U.S. Cl.**
CPC *A63F 13/798* (2014.09); *A63F 13/61* (2014.09); *A63F 13/67* (2014.09); *A63F 13/69* (2014.09); *A63F 13/70* (2014.09); *G06Q 30/02* (2013.01); *G06Q 50/00* (2013.01)

(58) **Field of Classification Search**
None
See application file for complete search history.

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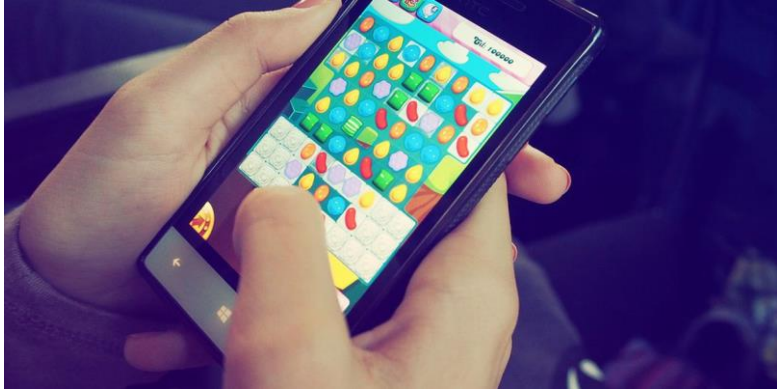
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(57) ABSTRACT

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.

18 Claims, 5 Drawing Sheets



YOUTH PROTECTION



Addictive Behaviors
Volume 103, April 2020, 106254



Loot box engagement and problem gambling among adolescent gamers: Findings from a national survey

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<https://doi.org/10.1016/j.addbeh.2019.106254>

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Highlights

- More than half of the young gamers have engaged with loot boxes during the last 12 months.
- Loot box users are predominantly male.
- Loot box engagement is linked to problem gambling.

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

UK gambling commission study of 2018: **31% of teenagers** (between 11 to 16) already have opened a Loot box

LEGAL ANSWERS

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
Industry with a strong Level of self regulation



Transparency is key

Information (odds, price value)
No marketing of Loot boxes under 18
KYC for some games



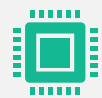
Need a mechanism to prevent manipulation (oversight)

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