

Counter-Strike Game Maker Faces Suit Alleging Gambling On Video Games

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A Connecticut video game player has filed a lawsuit against Valve, accusing the games developer and distributor of allowing illegal betting to occur on the first-person shooter game Counter-Strike: Global Offensive (CS:GO).

The plaintiff, Michael John McLeod, claims that Valve and third-party sites “knowingly allowed, supported, and or sponsored illegal gambling by allowing millions of Americans to link their individual Stream accounts to third-party websites.”

The lawsuit also alleges Valve engaged in racketeering with a handful of offshore gambling companies. Those third-party sites were CSGO Diamonds, CSGO Lounge and OPSkins.

Through those websites, the 31-page lawsuit says, skins for CS:GO, which can be purchased from Valve, “can ... easily be traded and used as collateral for bets.”



“In the e-sports gambling economy, skins are like casino chips that have monetary value outside the game itself because of the ability to convert them directly to cash,” the lawsuit claims.

Valve, the lawsuit alleges, directly profited from transactions tied to gambling. Bloomberg News has reported that the total value of such gambling is as much as \$2.3bn.

Skins betting gets around existing gambling laws by betting with virtual goods, such as decorative weapons or other items called skins, which in this case can be earned by playing CS:GO or purchased directly from Valve.

Players can bet those goods and collect their winnings on independent websites that take bets on the outcome of professional video game matches or that operate various casino-style games.

According to the complaint, Valve provided money, technical support and advice to CSGO Lounge and Diamonds, which take bets.

Based in Bellevue, Washington, Valve did not respond to requests for comment.

McLeod's suit alleges that some third-party CS:GO websites do not require age verification, "which allows minor users to place illegal bets."

McLeod, a Fairfield, Connecticut, man, who has been gambling on CS:GO since 2014 — both as a minor and adult — filed the lawsuit Thursday in U.S. District Court in Connecticut. He is asking for class-action status for the lawsuit.

"In sum, Valve owns the league, sells the casino chips, and receives a piece of the casino's income stream through foreign websites in order to maintain the charade that Valve is not promoting and profiting from online gambling, like a modern-day Captain Renault from *Casablanca*," according to the lawsuit.

"That most of the people in the CS:GO gambling economy are teenagers and under 21 makes Valve's and the other defendants' actions even more unconscionable," the suit says.

Jeff Ifrah, founder of Ifrah Law in Washington, D.C. , told GamblingCompliance he was not surprised by the lawsuit. He went on to describe the lawsuit as "frivolous" and said "it is likely to be dismissed."

The complaint, which was first reported by Polygon, does not give a specific request for damages and does not spell out exactly how much money McLeod lost by betting on the site.

"Whether or not skin betting is legal, this suit claims the consumer — who entered into a wager with his eyes open — was injured by Valve," Ifrah said. "Valve created a platform for play, and on this platform, virtual items were played in a virtual world for virtual rewards."

Ifrah added that the lawsuit does not meet the standard for a RICO violation.

Secondly, he said based on the recent *Mason v Machine Zone* ruling in the Maryland courts, virtual gambling under those conditions is not illegal."

The lawsuit by a Glen Burnie, Maryland, woman named Mia Mason said she lost more than \$100 and claimed the free-to-play Game of War was an unlawful "slot machine or device."

In his ruling dismissing Mason's suit, U.S. District Court Judge James K. Bredar wrote that this case "ends up being more about the need to draw clear and distinct lines between real and virtual worlds."

He said losing money playing Game of War's virtual spinning wheel is not a real-world problem. The game's manufacturer is Machine Zone in Palo Alto, California.

“The court does not sit in judgment of the entertainment choices that [Mason] and others have made — but it will not allow [Mason] to foist the consequences of those choices onto an entertainment purveyor, at least on the face of this complaint, appears to have done nothing wrong,” Bredar wrote in his opinion released in October.

The Android and Apple iOS game is free to play, but players can purchase virtual “gold” to “improve their virtual towns and hasten their advancement in the game.” Real money is required to buy the digital gold, from \$4.99 for 1,200 pieces to \$99.99 for 20,000 pieces.

Ifrah said beyond the Mason case, it is “pretty easy to illustrate” why Valve is unlikely to be held complicit in the sale and trading of skins.

“It’s the same as the government releasing currency,” Ifrah said, “just because you release something legally doesn’t mean that you have to anticipate and expect to be held liable for all illegal uses that might flow from it.”

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