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Cheating And Gambling In Esports: Reform Is Needed

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Law360, New York (April 18, 2017, 1:06 PM EDT) -- Performance-enhancing drugs. Prohibited in-game adjustments to gain a decisive edge over an opponent. Use of banned technology to win. Match-fixing and insider information to beat the odds in Las Vegas. Esports has now joined the ranks of billion-dollar sports industries confronting these and other cheating and gambling issues that threaten the viability of the sport.

The International Monetary Fund reports that by the end of 2017, esports will have the equivalent of the country with the 29th largest gross domestic product in the world.

Forbes reports that esports fans spent more than \$250 million gambling on esports in 2015, and some industry experts predict gambling on esports will be worth over \$23 billion by 2020. Some esports athletes report they can earn up to \$20,000 for fixing a game. As demand for esports gambling increases, states want in on the action. Gambling on esports currently is legal in Nevada, and additional jurisdictions are giving serious consideration to liberalizing anti-sports gambling legislation. (For example, high-profile Las Vegas sports books routinely offer betting on Riot Games' "League of Legends.")

As more money is poured into and generated by esports, the financial incentives to cheat increase, as does the demand for gambling on the sport. Forward-thinking industry experts argue that legalized gambling on esports will be a central revenue stream for the sport in the near future. Opponents argue that gambling and cheating threaten the integrity of the sport and the industry's long-term viability. The truth very likely lies in the middle of these positions, but it is becoming clear to many industry leaders that reform is necessary.

New federal laws, such as the Better Online Ticket Sales Act, are beginning to draw attention to reform of federal gambling laws, which prohibit states from regulating sports betting. Led Rep. Frank Pallone Jr., D-N.J., a handful of members of Congress are advocating reform of federal gambling laws to address the bypassing of existing gambling laws through use of virtual "skins" (most commonly cosmetic game elements that have no direct influence on game outcomes, but are very frequently used as betting currency) instead of cash by legalizing sports betting. (Rep. Pallone held a hearing in May 2016 on the potential legalization of daily fantasy sports.) Finally, states such as New Jersey and Massachusetts, largely motivated by the potential revenue from legalized gambling, are likely to become "laboratories of democracy," providing much-needed



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laws on gambling and cheating in esports, for the benefit of esports fans across the world.

Cheating in Esports — Expected Industry Growing Pains

The worldwide esports community brings different ethics and values to the sport, making consensus on what does and does not constitute cheating difficult. Leagues and teams have resorted to self-policing, relying on extreme punishments such as banishment and public embarrassment (cheaters often then create fake profiles or move on to cheating in a different game produced by a different developer) without support from the legal system. Despite these efforts, between a quarter and half a billion dollars is spent annually on video game cheating software. (Such cheat software is legal in most states.)

Riot Games has begun requiring "League of Legends" professional players to maintain an unopened set of equipment at a Riot Games facility to prevent players from installing cheat software prior to a match. A cottage industry of technology startups offer anti-cheating software, such as Game:ref, which uses data to verify that a player is making moves in a match that adhere to what the computer is physically producing. A small number of companies monitor betting markets in real time and can alert a league or competition of unusual market betting by using in-game data to generate predictive outcomes. The arms race between the developers, who address the current generation of hacks, and the companies who facilitate the cheating shows no signs of dissipating.

Solutions

Currently, esports is a loosely organized sport that is operated by numerous media companies, international conglomerates and video game publishers.

Until the establishment of the National Basketball Association and Major League Baseball, there was no central organizing and governing body to generate and enforce anti-gambling and anti-cheating rules in basketball and baseball, respectively.

In the early days of football, the sport experienced very similar problems as esports; it lacked uniform, specific rules and adequate enforcement. Similarly, many of the largest tournaments in esports lacks even a rulebook, much less in-game, real-time rules enforcement. Grassroots efforts such as the Esports Integrity Coalition are a valuable addition to the dialogue, but in order for wholesale change to occur, the wealthiest and most powerful entities in esports must coalesce around a shared governing body and anti-cheating rules.

At stake is the credibility and, perhaps, the viability of the industry. Fans may abandon the sport if it becomes perceived as lacking credibility and rife with cheating. As such, unionization may be inevitable. Unions should be welcome by investors and leagues, many of which are seeking stability in the industry. A single collective bargaining or governing body for esports can help ensure that uniform reform and rules are implemented across games, league, and even countries.

Companies also are expected to get more litigious. For example, Riot Games recently was awarded \$10 million from LeagueSharp (which also was forced to shut down as part of the settlement), based on allegations that LeagueSharp was in violation of the Digital Millennium Copyright Act for circumventing "League of Legends" anti-cheating software.

Absent a built-in arbitration system, lawsuits in esports very commonly go to the court system, where there are very few attorneys who practice esports law and even less precedent upon which courts can rely. Esports companies should utilize more anti-cheating technology and provide greater reward for whistleblowing. More esports companies should offering nonprofessional

players cash rewards for detecting and proving cheating by another player and hire undercover players to detect cheating and illegal gambling.

Esports reformers currently face a daunting challenge, and timely reform implemented by elected officials and courts are far from a foregone conclusion. Until then, esports leagues and companies are forced to combat gamblers and cheaters who are content with the status quo. For example, a Ukrainian developer exposed for selling cheat software explained, "It's just a game. It was fun and it's still fun looking at the tweets, no harm done to anyone so what's the problem."

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