

## Fair Play – Legal Considerations in Esports Consumer Protection

*Harshitha JS*

*02nd Year, B.B.A.LL.B., ISBR Law College, Bengaluru*

---

### Abstract

The growth of the esports industry has raised significant concerns regarding consumer protection, particularly in areas such as in-game purchases, loot boxes, and virtual currencies. This paper explores these challenges by examining how consumer rights are affected within the esports environment. The question surrounding the research is **“How does consumer law protect esports players?”**

This study evaluates existing regulatory frameworks, focusing on their effectiveness in addressing the unique issues posed by esports, and compares these approaches across different regions, including India, the United States, and Canada. The study aims to identify deficiencies in current regulations and propose strategies to enhance transparency, fairness, and legal recourse for consumers. By addressing these concerns, the paper seeks to contribute to the development of more effective consumer protection mechanisms that are well-suited to the dynamic and rapidly evolving esports landscape.

## Introduction

As technology around the world is advancing and inventing multiple dynamic opportunities for the global economy e-sports has been an emerging gaming industry since 2010. The concept of e-sports is to setup a virtual platform for players across the globe to engage in similar interest video games with competitive nature in return for prize, recognition and sometimes financial rewards. The esports industry has experienced exponential growth over the past decade, transforming from a niche market into a global phenomenon. The rise of high-speed internet, advanced gaming technologies, and the proliferation of streaming platforms like Twitch and YouTube gaming have fuelled this growth, making esports accessible to a worldwide audience.

## Economy Market of Esports

As of 2023, the global esports market was valued at over \$183.9 billion<sup>1</sup>, reflecting its rapid growth. The global esports audience has surpassed 500 million viewers<sup>2</sup>, with significant viewership spikes during major tournaments like The International (Dota 2), League of Legends World Championship, and the Fortnite World Cup. The industry has professionalized, with players and teams sponsored by major corporations, receiving salaries, and engaging in rigorous training similar to traditional sports athletes.

---

<sup>1</sup> Last looks: The global games market in 2023 (2024) Global Games Market Report 2023.

<https://newzoo.com/resources/blog/last-looks-the-global-games-market-in-2023> (Accessed: 20 July 2024)

<sup>2</sup> Gough, C. (2024) Global eSports audience size by Viewer Type 2025, Statista.

<https://www.statista.com/statistics/490480/global-esports-audience-size-viewer-type/> (Accessed: 20 July 2024)

## Importance of Consumer Protection in Esports

The rapid expansion of the esports industry brings with it an innumerable challenge, particularly in the realm of consumer protection. As esports becomes more mainstream, the financial stakes and the volume of transactions within the industry have hiked. This has heightened the need for robust consumer protection mechanisms to safeguard players, spectators, and other stakeholders.

- **In-Game Purchases:** Many esports games rely on free-to-play model with limits the company's profit. Hence, the companies rely on revenue generated through in-game purchases, including cosmetic items, character skins, and power-ups. This can lead to issues such as impulse buying, overspending, and the targeting of younger audiences who may not fully understand the financial implications.
- **Loot Boxes:** Loot boxes are virtual items that can be purchased or earned and contain random rewards. The random nature of loot boxes has drawn comparisons to gambling, raising ethical and legal concerns about their impact on players, particularly minors.
- **Virtual Economies:** Some games have complex virtual economies where virtual goods can be bought, sold, and traded. The value of these virtual goods can fluctuate, and there have been instances of fraud, scams, and market manipulation, necessitating consumer protection interventions.
- **Transparency and Fairness:** Ensuring that esports platforms and organizers maintain transparency and fairness is crucial. This includes clear communication about game mechanics, odds of winning loot boxes, and fair play regulations to prevent cheating and exploitation.

- **Legal Remedies:** Consumers need access to legal remedies in cases of fraud, unfair practices, or disputes with game developers and platforms. This includes the ability to seek refunds, file complaints, and receive compensation where appropriate.

These are few of the crucial factors that concerns the consumers protection in the realm of esports.

## Research Objectives

- To analyse the application of consumer protection laws to esports, focusing on in-game purchases and virtual currencies.
- To evaluate regulatory approaches to loot boxes and virtual economies.
- To propose guidelines for transparency and fairness in esports platforms and virtual economies.
- To identify legal remedies and mechanisms for consumer protection in esports.

## Research Questions

- How do consumer protection laws apply to esports, particularly concerning in-game purchases and virtual currencies?
- What are the ethical and legal considerations regarding loot boxes?
- How can esports organizations and platforms ensure transparency and fairness in virtual economies?
- What are the legal remedies available to consumers in cases of fraud or unfair practices in esports?

# KnowLaw

KnowLaw Journal on Socio-Legal and Contemporary Research

A Publication of KnowLaw

---

Volume 03

KnowLaw

## **Research Methodology**

This research employs a multi-method approach to comprehensively analyse consumer protection in the esports industry. Initially, a qualitative analysis of existing literature, legal texts, and industry reports is conducted to understand current regulations and consumer protection mechanisms. This includes reviewing relevant consumer protection laws, regulatory guidelines, and industry practices in various jurisdictions. Additionally, a comparative analysis is performed to evaluate how different countries, such as India, the United States, and Canada, address consumer protection in esports. The findings from these methods are synthesized to propose actionable recommendations for enhancing consumer protection in the esports sector.

## Consumer Protection Law in Esports

### In-Game and Virtual Currencies

*In-game purchases* refer to transactions where players buy virtual items or enhancements within a game. These can include cosmetic items, character upgrades, in-game currency and power-ups that enhance the gaming experience without providing a competitive edge. However, issues arise when these transactions target minors or involve misleading marketing practices.

*Virtual currencies* are digital assets used within games to purchase in-game items or services. These can be earned through gameplay or purchased with real money. Examples of virtual currencies are V-Bucks in Fortnite, Gold in World of Warcraft, etc.

### Consumer Protection Rights in Esports

- **Transparency** - *The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021*<sup>3</sup> were introduced to regulate digital content and online platforms in India, enhancing accountability and transparency. These rules apply to a range of online platforms, including social media and gaming platforms. Under this rule the platforms are required to clearly disclose the nature of their services, including comprehensive information about in-game purchases and virtual goods available for purchase. This transparency extends to pricing information, where platforms must state the cost of in-game items, detailing the price

---

<sup>3</sup> The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 (2021)

in real currency and any associated costs or subscription fees to ensure users are fully informed before making a purchase. Additionally, advertisements and promotional content related to in-game purchases must be transparent and not misleading, with clear communication of any offers, discounts, or special deals. The terms and conditions of such transactions must be easily accessible, providing clear information about refund policies and the nature of virtual goods. To protect minors, platforms must offer parental control features to manage and monitor in-game purchases, with notifications for guardians about any purchases made by minors. Age verification mechanisms are encouraged to prevent unauthorized or unintended purchases by younger users. In terms of user consent, the rules require users to provide informed consent before completing transactions, ensuring they are fully aware of what they are purchasing and any associated costs. Platforms must offer clear options for users to opt-in or opt-out of additional features or subscription services related to in-game purchases.

- **Unfair Trade Practices** - Under *Section 2(1)(r) of the Consumer Protection Act, 2019*<sup>4</sup>, unfair trade practices encompass deceptive advertising and the sale of goods that do not imitate to their description. This provision is crucial for protecting consumers in the context of in-game purchases. For instance, if a game misrepresents the benefits of in-game purchases or hides additional costs, such actions could be deemed unfair trade practices. This includes scenarios where games advertise features or enhancements as offering specific advantages or value but fail to deliver on these promises, or where there are hidden charges that players are not made

---

<sup>4</sup> The Consumer Protection Act, 2019 (2019)

aware of upfront. Such practices undermine consumer trust and violate the principles of transparency and fairness mandated by the Act.

In summary, while Indian consumer protection laws cover many aspects of in-game purchases and virtual currencies, specific regulations and guidelines for these areas are still developing. The existing framework provides some protection against unfair trade practices and ensures transparency but there is a stronger need for new stronger effective laws to be adapted as the industry evolves and new issues arise.

## **Loot Boxes**

Loot boxes are virtual items in video games that players can purchase or earn, which contain random rewards. The legal scrutiny of loot boxes centres on whether they are classified as gambling. In India, gambling is regulated under the *Public Gambling Act, 1867*<sup>5</sup>, which prohibits gambling activities unless specifically allowed by state law. The Act defines gambling as an activity involving money or money's worth and a game of chance.

## **Similarities Between Gambling and Loot Box**

- a. Element of Chance:** Loot boxes involve an element of chance, as the rewards are randomly generated. This randomness can be compared to the element of chance found in traditional gambling.

---

<sup>5</sup> Public Gambling Act, 1867 (1867)



- b. Monetary Stake:** Players often spend real money to acquire loot boxes, creating a direct financial stake. This element can be equated with betting or wagering found in gambling activities.
- c. Value of Rewards:** The value of items obtained from loot boxes can range from insignificant to valuable, similar to prizes in gambling activities. If these rewards can be traded for real money or used to gain advantages in the game, the stakes are considered higher.

## Ethical Concerns

- **Exploitation of Vulnerable Groups:** One of the primary ethical concerns with loot boxes is their impact on minors. The random nature of rewards and the potential for significant financial expenditure can exploit young players who may not fully understand the risks involved. The players are often fallen prey to spend more of finance in hopes of receiving valuable items which in turn can lead to encouraging gambling like behaviour among minors.
- **Transparency and Fairness:** A significant ethical issue is the lack of transparency regarding the odds of winning specific items from loot boxes. Without clear disclosure, players may not be aware of the low probability of receiving high-value items, leading to misleading practices. The design of loot boxes can incentivize excessive spending, particularly if players are encouraged to purchase more boxes to get desired items. This practice can lead to financial harm and exacerbate issues of addiction.

## Regulatory Approach in India

*The Public Gambling Act, 1867*<sup>6</sup>, provides a foundational framework for gambling regulation in India but lacks specific provisions for digital and virtual contexts. The regulatory ambiguities surrounding loot boxes highlight the need for updated legislation to address the unique challenges posed by virtual currencies and chance-based rewards in online gaming. As the industry evolves, it is crucial for lawmakers and regulatory bodies to develop a clear and comprehensive legal framework that protects consumers while fostering a fair and transparent gaming environment.

## **Comparative Analysis**

The primary aim of comparing regulatory approaches across different jurisdictions is to understand how various countries address similar issues related to consumer protection in the context of esports. As the esports industry continues to grow and evolve, it presents unique challenges and opportunities for regulatory frameworks. By examining and contrasting these approaches, we can gain insights into their effectiveness, identify successful strategies, and highlight potential areas for improvement. This comparative analysis helps to build a comprehensive understanding of the regulatory landscape, providing a basis for recommending best practices and identifying gaps in existing regulations.

## **The United States of America**

The regulatory framework for consumer protection in esports in the United States is multifaceted, involving federal agencies, state governments, and industry-specific regulations. Key regulatory bodies include the

---

<sup>6</sup> Public Gambling Act, 1867 (1867)

*Federal Trade Commission (FTC)*, which oversees various aspects of consumer protection, and state-level authorities that handle more localized issues.

The FTC enforces regulations related to advertising practices, ensuring that ads are not misleading or deceptive. This includes monitoring advertising for in-game purchases and virtual currencies to prevent deceptive marketing practices that could mislead consumers. It provides guidelines for transparent advertising and disclosure regarding in-game purchases and virtual currencies. This includes ensuring that consumers are adequately informed about the costs and nature of virtual goods and currency transactions.

The FTC has investigated and taken action against practices related to loot boxes. For example, in recent years, the FTC has held workshops and issued reports on the impact of loot boxes on consumers, particularly minors. The agency has explored issues such as the potential for loot boxes to function as gambling and the need for clear disclosure and transparency in their design.

While the U.S. has a more developed regulatory framework for consumer protection in esports, with specific agencies and state-level regulations addressing various aspects of the industry, India's regulatory approach is still developing and lacks specific provisions for many of the nuanced issues faced by consumers in the esports sector. This comparison highlights the need for more targeted regulations in India to address emerging challenges in the esports industry effectively.

## **Canada**

Canada's regulatory framework for esports is shaped by both federal and provincial laws, addressing various aspects of consumer protection, gaming, and digital economies. The regulatory environment in Canada is

distinct from that of India in several key ways, reflecting differences in legal traditions, industry practices, and regulatory priorities.

- **Regulatory Framework**

Regulation of esports in Canada involves both federal and provincial levels, with provinces like Ontario and British Columbia having specific laws governing gaming and esports activities. For example: *The Gaming Control Act*<sup>7</sup> in Ontario and *the Gaming Control Act*<sup>8</sup> in British Columbia set clear guidelines for gaming activities, including esports, within their jurisdictions. India has a more centralized approach with federal laws such as the *Public Gambling Act, 1867*<sup>9</sup>, and varying state regulations. Some states have established frameworks for regulated gaming, while others have stricter prohibitions. For example: States like Sikkim have specific regulations for gaming, whereas others have no clear framework for esports.

- **Consumer Protection**

Canada has comprehensive consumer protection laws at both the federal and provincial levels, including *the Consumer Protection Act*<sup>10</sup> in Ontario and *the Competition Act*<sup>11</sup>. These laws cover various aspects of digital transactions and consumer rights, including those in esports. India's *Consumer Protection Act, 2019*<sup>12</sup>, provides a foundation for consumer rights but is less specific about digital gaming and esports. *The Information Technology Act, 2000*<sup>13</sup>, addresses

---

<sup>7</sup> Gaming Control Act, S.O. 1992, c. 24 (Can.)

<sup>8</sup> Gaming Control Act, S.B.C. 2002, c. 14 (Can.)

<sup>9</sup> Public Gambling Act, 1867 (1867)

<sup>10</sup> Gaming Control Act, S.O. 1992, c. 24 (Can.)

<sup>11</sup> Competition Act, R.S.C. 1985, c. C-34 (Can.)

<sup>12</sup> The Consumer Protection Act, 2019 (2019)

<sup>13</sup> Information Technology Act, No. 21 of 2000, India Code (2000)

data privacy but does not fully cover consumer protection in digital gaming. The regulatory framework is still evolving with ongoing discussions about more specific rules for esports.

- **Advertising and Transparency**

Advertising standards in Canada are well-regulated to ensure transparency and fairness. *The Advertising Standards Canada*<sup>14</sup> sets guidelines that apply to digital and in-game advertising, including esports-related promotions. Enforcement of these standards helps prevent misleading advertising practices and ensures that consumers are well-informed about in-game purchases and loot boxes.

*The Advertising Standards Council of India (ASCI)* oversees advertising practices but has less specific regulation for esports. The focus is more general, and enforcement related to digital gaming and in-game purchases is still developing. There are fewer specific guidelines and less stringent enforcement mechanisms compared to Canada, leading to potential gaps in transparency.

Canada's regulatory approach to esports is characterized by a combination of federal and provincial regulations that provide a structured framework for consumer protection and gaming activities. In comparison, India's regulatory landscape for esports is still developing, with a central focus on broader gambling laws and emerging consumer protection measures. Understanding these differences helps to identify best practices and potential areas for improvement in India's regulatory framework for esports.

## **Suggestions to Enhance Consumer Protection in Esports**

---

<sup>14</sup> Canadian Code of Advertising Standards, Advertising Standards Canada (2019)

- **Develop Comprehensive Regulatory Framework**

Existing consumer protection laws should be reviewed and updated to specifically address the unique aspects of esports, such as in-game purchases, loot boxes, and virtual economies. Regulatory bodies should introduce specialised regulations that address the nuances of digital transactions and virtual goods. For instance, integrating provisions within *the Consumer Protection Act, 2019*<sup>15</sup> and *the Information Technology Act, 2000*<sup>16</sup> to cover digital gaming contexts more explicitly would ensure that these laws remain relevant and effective in protecting consumers.

It is essential to establish dedicated regulations or amendments within existing legal frameworks to cover esports comprehensively. This could involve the creation of specific guidelines for the sale of virtual goods, the operation of loot boxes, and the management of virtual currencies. These regulations should be aligned with international standards and best practices to provide robust protection for consumers.

- **Enhance Transparency and Disclosure**

Implement regulations necessitating clear and comprehensive disclosure of in-game purchases, loot box probabilities, and virtual currency transactions. This includes mandating that game developers and platforms disclose the odds of receiving specific items from loot boxes and provide detailed information about the costs associated with virtual goods and subscriptions.

---

<sup>15</sup> The Consumer Protection Act, 2019 (2019)

<sup>16</sup> Information Technology Act, No. 21 of 2000, India Code (2000)

Transparency should extend to all forms of advertising and promotional content related to in-game purchases.

Establish standards for presenting pricing information for in-game purchases and virtual currencies to ensure consistency and clarity. Platforms should be required to clearly state the cost in real currency, including any potential additional fees or charges, to help consumers make informed decisions.

- **Strengthen Consumer Protection Mechanism**

Introduce mandatory parental control features to enable guardians to manage and monitor in-game purchases and virtual transactions. These controls should include options for setting spending limits, receiving notifications of every transaction, and restricting access to certain features. Age verification mechanisms should also be implemented to prevent unauthorized purchases by minors.

Establish clear and accessible procedures for consumers to seek refunds and resolve disputes related to in-game purchases, loot boxes, and virtual goods. This includes setting up dedicated customer service channels and creating standardized processes for handling complaints and refund requests.

- **Address Ethical Concerns Related to Loot Boxes**

Develop regulations to address the ethical concerns associated with loot boxes, including their potential classification as gambling. This could involve setting limits on the monetary value of rewards, requiring disclosure of odds, and implementing measures to prevent excessive

spending. Consideration should be given to the impact of loot boxes on minors and vulnerable consumers.

Encourage esports organizations and game developers to adopt responsible gaming practices, including providing resources and support for players who may be affected by problematic spending behaviour. This could involve integrating features that promote self-regulation and providing educational materials on responsible gaming.

- **International Collaboration**

Promote international cooperation to develop and harmonize global standards for consumer protection in esports. Engaging with international regulatory bodies, industry groups, and consumer protection organizations can help to share best practices, address cross-border issues, and create a unified approach to regulating the esports industry.

Establish mechanisms for the regular review and adaptation of regulations to keep pace with the evolving nature of the esports industry. This includes monitoring technological advancements, industry trends, and emerging challenges to ensure that consumer protection measures remain effective and relevant.

In summary, enhancing consumer protection in esports requires a multi-faceted approach that includes updating legal frameworks, improving transparency, strengthening protection mechanisms, addressing ethical concerns, and fostering international collaboration. By implementing these suggestions, regulatory bodies and industry stakeholders can better safeguard consumers and promote a fair and transparent esports environment.



## **Conclusion**

As the esports industry continues its rapid growth, the necessity for effective consumer protection becomes increasingly critical. The rise of in-game purchases, loot boxes, and virtual currencies introduces complex challenges that existing legal frameworks in India and other jurisdictions are not fully equipped to handle. This paper has explored the current regulatory landscape, highlighted gaps and proposing measures to enhance consumer protection. Recommendations include developing specific regulations for digital transactions, improving transparency in game-related purchases, and addressing ethical concerns surrounding loot boxes. Strengthening these areas will not only protect consumers but also foster a fair and transparent esports environment. Additionally, international collaboration is essential to create unified standards and address cross-border issues. As the esports industry evolves, ongoing adaptation of regulations and proactive measures will be crucial in safeguarding consumer interests and maintaining industry integrity. By implementing these suggestions, stakeholders can contribute to a more equitable and consumer-friendly esports sector.

# KnowLaw

KnowLaw Journal on Socio-Legal and Contemporary Research

A Publication of KnowLaw

---

Volume 03

KnowLaw

## References

- Advertising Standards Council of India. (2023). Guidelines for Digital and In-Game Advertising.
- Consumer Protection Act, 2019. Government of India.
- Federal Trade Commission. (2021). Loot Boxes and Consumer Protection: An FTC Report.
- Gaming Control Act. (2023). Government of Ontario.
- Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021. Government of India.
- Public Gambling Act, 1867. Government of India.