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### Video Game Loot Boxes: FTC Workshop on the Role of Virtual Rewards in Game Play



On August 7, 2019, the Federal Trade Commission convened an all-day [workshop](#) to discuss consumer protection issues associated with "loot boxes"—randomized virtual items players can purchase or earn in video games.

While the production cost of video games has increased significantly, the average price of console games has largely not changed since the 1970s, and many mobile games are free to download. Panelists observed that loot boxes have helped bridge the gap between this high cost of video game production and their relatively flat sale price. Some panelists raised concerns, however. For example, David Zendle of York St John University and Keith Whyte of the National Council on Problem Gambling compared loot boxes to slot machines based on the variable nature of the rewards. Anna Laitin of Consumer Reports questioned whether disclosures associated with loot boxes are adequate. Michael Warnecke of the Entertainment Software Association (ESA) announced that major console manufacturers would begin to require games with paid loot boxes on their platforms to disclose information on the relative rarity or probability of obtaining randomized virtual items. To further ease any concerns, the Entertainment Software Rating Board, established by the ESA, assigns "in-game purchases" labels to boxed games to inform consumers, including parents, of interactive elements in games, and offers educational material on parental controls to help parents manage video game use in the home. The workshop likely marks only the beginning of the FTC's interest in this issue. The head of the FTC's Division of Advertising Practices acknowledged the advantages of loot boxes but also concerns about a possible association between loot boxes and gambling and the challenges that busy parents face in using parental controls. It is highly likely that the FTC will recommend industry best practices, and it is possible that the agency will also use its investigative and potentially enforcement powers in this arena, likely looking for any games that make misleading or unsubstantiated claims about loot boxes.

## **Authors**

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