ESPORT: PROBLEMS OF THE LEGAL REGULATION

Abstract. The article deals with the development of a new sphere of eSports in Ukraine and with the problem of the expediency of its special regulation. For a more detailed consideration of the issue there were used comparative-legal, historical and formal-logical methods. Attention is paid to the existing ways of settling civil law relations in the sphere of eSports using the regulatory framework available to date. The article also raises the issue of intellectual property rights to products in the field of eSports, the issues of setting up contracts in the field of cyber sports in general, and with juvenile eSportsman in particular. The problem of the exclusive right to broadcast cyber-tournaments is analyzed. It is established that one of the problems of legal regulation of relations in the eSports field is a complex model of distribution of rights to broadcast tournaments. And the conclusion of exclusive agreements on the broadcast of eSports tournaments between game developers and tournament organizers will solve this problem.

Keywords: eSports, eSportsman, eSports tournaments, intellectual property law, broadcast eSports competitions, civil law regulation, contracts.

INTRODUCTION

Cyber sports (eSports, computer sports) is virtual competitions in computer games involving teams or individual players. Unofficial eSports competitions have started over 20 years ago, when the first network shooter – Doom 2 has been launched, allowing for simultaneously playing of numerous gamers. And the first official tournament was arranged in 1997 when the Computer Players League (CPL) was founded in USA, members of which competed in Quake. Nowadays, one of the most large-scale tournaments is “The Internationals” involving Dota 2 players. In 2017 prize pool of this competition hosted by US Seattle reached $ 20 million. The winners from the Wings Gaming Chinese team, received $ 9.1 million [1].

Consequently, eSports is rapidly developing globally and is already becoming tough competitor for traditional sports. Today, cyber sport is officially recognized as a sport in many countries all over world. Millions of fans watch eSports competitions in North America, Asia (especially in South Korea and China) and the European Union (in particular, in Germany and the United Kingdom).

eSports market growth dynamics is impressive. In 2015 aggregate profit of the entire eSports industry amounted to approximately $ 325 million, in 2016 – $ 463
million, in 2017 – $1 billion [2; 3]. According to experts, in 2020 global market of eSports will reach $1.5 billion [4].

In our country eSports is also gradually developing. In particular, one of the best computer centers in Europe operates in Kyiv. It is called Kiev ESPorts Arena, and it continuously hosts eSports competitions of various complexity and significance. Ukraine also has its own Star Ladder eSports League with Dota 2 and C-S: GO [5].

It should be emphasized that cyber sports is not an entirely new phenomenon: the first stages of its development have been passed in 1990s and 2000’s. Thus, the very first stage of eSports development was connected with Nintendo tournaments and popularization of StarCraft – one of the first large-scale games in eSports. The second stage of eSports development is connected with sophistication of the modern computer and handheld games, as well as high-speed broadband gaming platforms expansion.

The third stage of eSports development is taking place at the moment, and as a result it has already acquired the official status of the sport, and has become a unique strong industry.

It is worth to be noted that the general base of eSports is similar to traditional sports: high skilled athletes (players) supported by fans and sponsors compete with each other in live performances. Surely eSports system is under formation at the moment, however even now it is possible to detach its constituent elements including as follows: skilled players; amateur and professional teams participating in leading “types of cyber sports” tournaments; organizers of the events (mainly – the leagues); fans; videogame developers (they create and distribute videogames that are used in cyber sports); broadcasters; and, finally, sponsors and other entities (in particular, advertisers), etc.

It is interesting to note that, being a sport, cyber sport is also an umbrella term for many different video games that also claim to be a separate sport. The most popular cyber sports games are: League of Legends, Dota 2, Counter-Strike: Global Offensive, StarCraft II, Hearthstone, etc.

So, consequently logical question occurs – how to create a solid structure to regulate relation in eSports which will be in line with the unique features of this one-off-a kind area?

1. MATERIALS AND METHODS
The article uses general scientific and special scientific methods of learning of legal phenomena, namely: comparative legal, historical, formal-logical, dialectical, and others.

The comparative legal method was used to identify the optimal model of legal regulation of relations in the eSports area. In particular, the authors have analyzed several approaches to such legal regulation: depending on the priority of international, national or local regulation of these relations; depending on the degree of state
intervention into the named processes; depending on the expediency of special legal regulation, etc.

Using historical method the genesis of eSports in Ukraine and the world was demonstrated and main stages of scientific thought and the practice development concerning applying law rules and self-regulation acts to formalize relations in eSports field have been analyzed.

The formal logic method has been used to analyze legal concepts and categories arising in eSports, and their relationship with each other. In addition, by using the above method, the main principles and directions of legal regulation in eSports have been formulated.

The dialectical method has allowed to consider pending issues of eSports’ relations’ legal regulation along with main directions for further improvement of legal regulation of these relations.

The papers of the following academic researchers have formed theoretical and methodological basis of the present research: S. M. Bratus’, O. S. Ioffe, N. S. Kuznetsova, V. V. Luts’, R. A. Maidanyk, Ie. O. Sukhanov, Ie. O. Kharytonov, I. I. Kharytonova, R. B. Shyshka, Tom Serbi, Katarina Pietlovych, Brandy Schvab, and others.

2. RESULTS AND DISCUSSION

2.1. Analysis of organizations regulating legal relations in eSports

One of the first organizations decided to deal with legal relationships in eSports regulation was the International e-Sports Federation, international sports organization holding the eSports World Championship and integrating 48 national federations from various countries (established in 2008) [6;7]. At the same time, for the time being regulation of the certain types of relations in eSports is carried out by the video streaming service – the platform which provides streaming of various events in real time mode. In particular, such services (companies) as Twitch, FACEIT, ESL participate in eSports rules and specific rules of certain eSports tournaments development. Special activity has been shown by ESL company, which became a co-founder of the World eSports Association in 2016 (this organization has founded first professional cyber sports clubs). Among the active members of the cyberspace, Esports Integrity Coalition company (ESIC) (nonprofit organization created to prevent cybercrime fraud in eSports) [8] should be mentioned. Esports Integrity Coalition has already created Code against Corruption, targeting CS: GO, Dota 2, League of Legends and Starcraft. Local gaming bodies, such as Nevada Games Board (USA), have agreed to exchange information with the ESIC and contribute to suspicious bets investigations in eSports.

It should be mentioned that the fraud issue is rather important for eSports. First of all, cases of fraud involve possibility to bet in eSports. In addition, game falsifications (contractual matches) take place from time to time. Also, the issue whether the player has the right to bet on his/ her own result or against himself/ herself needs to
be resolved. Thus, Esports Integrity Coalition does its best to develop the best possible model for these relationships regulation. In addition, named organization also arranges matches in partnership with sports clubs and local state gaming authorities.

In such a way, nowadays various organizations that will have a regulatory impact on eSports are coming to the stage practically simultaneously. Given the rapid scaling up of cyber-sports, there is even a point of view that it is necessary to create a separate system of control bodies for each eSports game following the example of CS: GO players regulator. Its supporters hope that the creation of such a detailed administration system is likely to contribute to the further development of eSports.

2.2. Particularities of the foreign experience in eSports regulation sphere

Referring to foreign experience of eSports regulation, it should be noted that there is still no unity of views concerning legal regulation of eSports at the national level. In particular, France has recently adopted a series of laws focused on digital technologies regulation, known as the “Digital Republic”. eSports has also became the subject of legal regulation of the said legal acts [9]. Instead, for example, in Germany there is no unity of views at the state level even concerning eSports recognition as specific sport.

It can also be noted that specific rules of cybersport game, as a rule, are currently regulated by the developer (publisher) of the video game itself. So, “League of Legends” from Riot Games has the most up-to-date regulatory model for eSports regulation. Given the fact that national and international authorities and commercial companies are also creating their own rules for eSports tournaments, disputes occurrence between these entities is avoidable.

Taking into account all of the above, inference should be drawn that it is necessary to introduce clear principles of legal regulation of eSports in order to ensure its development on a stable and long-term basis. For example, even now there is a necessity to introduce clear rules to bring under regulation the relations arising between professional eSports club and a player. In addition, cyber sports fraud, paid-for (contracted) matches [10], and use of performance-enhancing substances [11] require clear legal qualification.

Currently, eSports is featured with cut and trust is taking place on how far this area requires detailed regulation, and if so, who and how should provide it. Same with “traditional” sport, there are supporters of state regulation idea for Esports and supporters of the idea of Esports development on free market principles without external interference. In addition, there are disputes over the necessity for special legislation introduction to regulate the relations in eSports or “traditional” models of legal regulation use, which proved to be efficient in other areas, in particular – in “traditional” sports.

It should be also noted that there is no unambiguous decision to which of the above approaches is better, however, it should be stated that cyber sports has already
entered into the period of regulatory experiment. As noted above, steps taken for regional, national, international and special regulations in cyber sports are taken almost simultaneously. Right now it is still not clear yet how these different approaches will be formed into a single integral model, however it remains to be seen.

Provided that certain part of the sports relationship is governed by domestic laws of each country, it remains unclear for the time being how eSports will qualify for state grants, subsidies, and tax benefits that have been applied to “traditional” sports in many countries all over the world for decades. Thus, it is necessary to find answers to a broad range of issues, containing in particular as follows: can cyber sport be recognized as an Olympic sports? Is it necessary to have specially established rules for eSports player transfer from one professional club to another? Is it allowed for eSports club to exist in the status of a nonprofit organization? Moreover, the legal status of videogames in terms of intellectual property rights is not yet finally determined. For example, in the United Kingdom, video games are considered as computer software, while in the United States and South Africa they are currently considered as literary works and movies, respectively. However, practice evidences that video games are separate intellectual property items requiring specific legal regulation.

Getting around to the issue of eSports funding sources, it should be emphasized that the main source is Internet broadcasting (on-line broadcasting) of eSports tournaments. As for TV broadcasts, they are also available, however their scope for the time being is still relatively small. This is due to the fact that TV broadcasts arrangement is rather complicated, along with the fact that there is relatively small number of sponsors willing to support eSports events arrangement. Meantime, there is a global tendency of eSports commercial opportunities growth. Meanwhile, not all major global brands are ready to invest in eSports, taking into consideration lack of clear legal regulation, in particular, in intellectual property rights protection sphere. It should be brought to light that intellectual property sphere is especially relevant for eSports. Certain issues of legal regulation are unique and inhere to eSports only. For example, how does the game’s owner (publisher) transfer legal control over such a game use in eSports? Who owns the rights for eSports tournament broadcasting (organizers of the tournament, broadcasters, producers, commentators, teams and players) or how are these rights distributed? What model of relations regulation concerning trademarks in eSports is the most appropriate, taking into account the combination of video games, traditional sports, online broadcasting and information technology?

Currently, game developers and tournament organizers make contracts to solve the issues arising while large-scale tournaments organizing. These contracts cover such matters as licensing and intellectual property use in eSports games, including the way matches are played and broadcasted. However, the issue of what intellectual property rights belong to the game developers and what to other interested parties,
including organizers, broadcasters, clubs and players, need to be addressed at the regulatory level.

The next pending issue for eSports is legal protection of trademark owners. In particular, neither of the players has yet registered trademark for his/ her game tag, which is the basis of his/ her personality as professional player. In such a way, eSports’ future is highly correlated with proper legal regulation of intellectual property relations.

Another key issue for eSports is legal protection of professional players. To our opinion, one of the most important steps in this direction should be minimal standards introduction for eSports regulation. In particular, cyber-players’ legal status should be clearly defined: they are individuals providing services to professional eSports club or individuals who are working as an employed persons. The first option, which is the most appropriate option for modern sports, has already been practically implemented in the United States of America. The majority of eSportsmen in this country are considered to be contractors rendering services to eSports clubs. Also, an option is acceptable when both the first and the second ways of eSportsman’s legal status legalization are acceptable.

2.3. Pending issues of eSports analysis

It is apparent that certain mechanisms for legal relations regulation in eSports can be borrowed from traditional sports, but there is a number of legal aspects specific eSports sphere. Currently, key issues to be solved in eSports are the clarity with respect to contractual obligations; e-doping issue; intellectual property rights in eSports issues, in particular, the rights to broadcast game tournaments.

As for contracts in eSports, they are similar to those that are made in “traditional” sports. In particular, contracts are made between the organizers of tournaments and participants, between sportsmen and sports clubs, between organizers of tournaments and sponsors, etc.

Concerning the personal contracts of cyber-sportsmen with cyber-sport clubs, first of all they should be focused on the rights sportsmen protection, since many of them are of minor age. Accordingly, the procedure entering into such contracts requires clear regulation and harmonization with national statutory provisions.

Case at point of sportsman’s rights violation is situation happened with Counter-Strike player: Global Offensive (CS: GO) by Owen Butterfield (“Smooya”) [12]. In particular, Butterfield explained that after having signed a personal contract with the Epsilon team, he lost his playing practice, since he was not released to participate in game. This led to his salary reduction from $2,000 to $700 a month; he has also lost social benefits. Non-admission of Butterfield for the game, in fact, deprived him of a professional career as he would not play for the period of the contract, thus his value as a player without game practice would reduce with time. [13]. Butterfield also said that, although his contract amounted to $36,000 only, ransom warning has been
three times higher, so probability of his contract redemption by another club is minimal. Thus, this case shows that there is an urgent need to provide greater awareness of the players about the consequences of signing them contracts in eSports sphere, especially in case such a contract is made by under age person.

The second issue refers to obligations between the organizers of the tournament and the players and / or teams. The cases are known when organizers do not enter into written contracts with participating teams, causing failure to discharge mutual agreements. As an example, 2nd season of the Red Bull Coliseum in Malaysia [14] can be taken, in the course of which there were issues with travel costs reimbursement and accommodation of players, as well as appropriate quality laptops provision for teams. In addition, cases when organizers of the tournament do not pay the claimed prize funds are also not uncommon. For example, winners of ASSAN Games for Esports (AGES) tournament in Malaysia in 2016 have never received their winnings [15]. Another issue is that young players often can not afford qualified legal aid to protect their rights.

The issues referred to above are often exacerbated by the international specificity of eSports. Thus, quite often German organization signs a contract with a team of Malaysians, Koreans and Lebanese, which is based in North America and stands in tournaments in Peru. In case any dispute arises between any of the listed entities, the question of jurisdiction and applicable law is arising. Consequently, the contracts should clearly define the jurisdiction and regulatory legal enactments that should be followed in case of disputes or disagreements.

In general, properly executed contracts play very important role in eSports. High-quality product, which is cybershop tournament held in a proper way, can only take place subject to a clear definition of the mutual rights and obligations of the parties to such tournament. In particular, teams, players, tournament organizers and leagues conduct negotiations on all aspects of the tournament, resulting in an appropriate contract. At the moment, certain game developers are working to better address the issue of eSports’ contracts making and signing.

One of these companies, called Blizzard, which is the developer of the Overwatch game, has offered its own rules for eSports clubs and players using this game and has founded its own league (Overwatch League (OWL).) OWL is an analogue of “traditional” sports leagues with home and away games, “transfer windows” for players, etc. In addition, OWL has introduced strict requirements for contracts with players. [16] In particular, each contract made between eSports club and a cyber-sportsman, shall be approved and registered by the league itself [17] These requirements facilitate better protection of the rights of players and assist to avoid unnecessary conflicts between clubs and sportsmen. With time OWL plans to develop rules for disciplinary measures taking against those violating the rules.

The next coming challenge of eSports relations’ legal regulation is a complex model of tournaments broadcast rights distribution. Some tournament organizers,
which do not have copyright for the game itself, receive the right to “stream” (broadcast) on online platforms. At the same time, such broadcasts may be banned at any time due to incompliance of legislation. As an example, ESL tournament One Genting 2018 Dota 2 in Malaysia, during which some streamers on the Twitch platform have been banned due to intellectual property rights violation under US law (namely, due to the 1998 Digital Rights Protection Act) [18]. So while intellectual property rights are exclusive to game developers, the rights of tournament organizers, players and sponsors may be violated at any time.

As for sponsorship contracts in cyber sports, they play really important role. First, no tournament can exist without sponsors. For cyber sports, where the broadcast is done predominantly online, the organizers of the tournament as a rule need to protect their broadcasters and sponsors. Regardless of whether there is an exclusive broadcasting right or brand to be displayed for certain time, the organizers of the tournament must warrant fulfillment of their obligations. The situation is complicated by the fact that in addition to the official broadcast, in fact any broadcasters and / or streamers may broadcast the tournament by themselves.

Accordingly, such broadcasts deprive the organizers of the possibility to fulfill their obligations to sponsors, resulting in loss of profits. Consequently such a situations require clear legal regulation of relations referring to eSports tournaments broadcasting. At the same time, organizers of the tournaments may not just simply sell the rights to broadcast, since they themselves are not cyberstort game intellectual property rights owners. In this case, formally, any person can freely use the game, which has been purchased meeting all formalities.

Possible solution to the issue of games use is exclusive contracts making for cyber sports tournaments broadcasting between game developers and tournament organizers. Thus, game developers would provide to the organizers of the tournaments an exclusive license to broadcast the tournament. However, such mechanism is acceptable for certain games only. For example, Activision Blizzard company has signed an exclusive two-year contract for Twitch platform broadcast to become an exclusive third-party streaming partner for the regular season, playoffs and championships in England, Korea and France [19].

CONCLUSIONS

Thus wise, settlement of the relations related to intellectual property rights distribution in cyber sports is the major issue to be solved in the earliest possible timeframe.

As for domestic cyber sports, the key issue here is its official status recognition by the state, as well as adoption, at least at the general principles levels, the rules of cyber sports tournaments conducting. Surely, national legislation improvement in order to regulate the entire sphere of modern computer technology, based on the model taken by France, would allow to take domestic cyber-sports, as well as the entire industry of sophisticated technologies in general to the new qualitative level.
In general, it should be noted that eSports is a new, powerful industry that needs proper legal regulation. Currently, in the absence of unified approaches to legal regulation of eSports, its development is somewhat chaotic, under logic borrowing of some regulatory models from “traditional” sports. However, there is no doubt that in the near future we will observe the viable concept development and implementation concerning all significant aspects of cyber-sport activities regulation.

REFERENCES
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