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Loot Boxes - What Exactly Are They, and Do They Constitute Gambling?

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Introduction to Loot Boxes in Video Games

A loot box is generally defined as a virtual chest within a video game whose contents are not predetermined and depend on random chance.

Players can receive various digital rewards from loot boxes, ranging from functional in-game advantages to purely cosmetic modifications like skins.

Games offer multiple acquisition channels for obtaining loot boxes, including direct real-money transactions, earning in-game currency, or gameplay efforts.

Surprisingly, despite years of legal debate regarding their regulation, the term "loot box" still lacks an explicit statutory definition under German law.

The central regulatory question is whether loot boxes legally qualify as games of chance that require a formal gambling license.

Legal Criteria for Gambling Under German Law

In Germany, the administrative law definition of gambling is derived from Section 3(1) of the Interstate Treaty on Gambling (GlüStV).

To legally constitute gambling, a game must require players to pay a fee or consideration in exchange for obtaining a chance of winning.

The determination of whether a player wins or loses must depend entirely or predominantly on random chance rather than skill.

The legal interpretation of what actually constitutes a legally relevant "chance of winning" remains a central point of debate.

Traditional legal opinions argue that a winning outcome must represent a financial asset of non-trivial monetary value.

Monetary Value, In-Game Currencies, and Secondary Markets

Broad legal interpretations argue that non-monetary digital benefits should also qualify as wins to fulfill the addiction prevention goals of the GlüStV.

The statutory requirement of payment is met when loot boxes are bought with virtual currency that was previously purchased with real money.

Conversely, the payment element is likely absent if the required virtual currency can only be earned through active gameplay.

If virtual items cannot be traded in-game and lack a secondary market, they generally fail to constitute a non-trivial financial asset.

However, it remains legally disputed whether the mere absence of a secondary market is sufficient to completely exclude a gambling classification.

Regulatory Stance and Administrative Practice

The Joint Gaming Authority of the German States (GGL) is the competent administrative body overseeing online gambling offerings in Germany.

As early as March 1, 2024, the GGL officially advocated for stricter regulatory rules regarding loot boxes and similar gaming mechanics.

Regulatory authorities emphasize that loot box mechanics cannot be broadly generalized and always demand a careful case-by-case assessment.

A persistent legal tension exists between strict statutory financial asset standards and broader public policy goals of player protection.

Game operators face increasing regulatory scrutiny as supervisory authorities actively seek to expand their oversight.

Risk Mitigation and Legal Compliance Recommendations

1. Game developers incorporating loot box mechanics should always conduct a thorough legal feasibility review prior to market launch.
2. Restricting item tradability and strictly preventing secondary market transfers helps counter claims of non-trivial financial asset value.
3. Incorporating genuine, free gameplay options to earn loot boxes can favorably alter the legal evaluation of the payment element.
4. Engaging legal counsel specializing in gambling law is crucial to properly structure in-game monetization models.
5. Operators must continuously monitor evolving GGL enforcement practices and administrative court rulings to ensure ongoing compliance.

Contacts

Dr. Lutz Auffenberg LL.M. (London)

German Attorney at Law,
Partner at FIN LAW,
Specialist Attorney in Banking
and Capital Markets Law



FIN LAW

Rechtsanwaltsgesellschaft
mbH

Senckenberganlage 19
60325 Frankfurt am Main

E. info@fin-law.de

I. https://fin-law.de

T. +49 69 87 000 1320