



Steam Bans NFT and Cryptocurrency Games: Implications and Ramifications for the Videogame Industry

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Steam, the world's largest gaming platform^[1], quietly banned the use of blockchain games and NFTs on its platform on October 15, 2021.^[2] Steam's decision raises new questions about the ramifications of NFTs for videogame companies.

STEAM, NFTS, AND THE NEW BAN

After launching in 2003, Steam ended 2020 with 120 million active daily players, more than 60 million daily players, and huge audiences in the United States and China.^[3] It is estimated that Steam holds 75% of the market share for PC games, demonstrating its outsized dominance in the videogame industry.^[4]

NFTs, or "Non-Fungible Tokens," are the latest innovation in blockchain technology. Generally, NFT's are "digital certificates" stored on the blockchain that commonly represent digital assets and media.^[5] As we have written previously, NFTs have caused disruptions across multiple industries, with multimillion-dollar prices for digital tokens raising concerns over fraud, copyright issues, and more.^[6]

NFTs have changed gameplay. For example, *Loot* allowed users to freely "mint" items in a virtual game.^[7] Although the company allowed free minting to the first 7,777 users, the limited "Loot" bags were later resold for more than \$40,000.^[8] Creators also have utilized NFTs to change game development and payment. Axie Infinity developed "Pokemon on the blockchain" by utilizing NFTs to have players develop characters, win battles, and then later sell their earnings on crypto exchanges for real income.^[9]

For Steam, the use of NFTs posed challenging questions for the platform. On October 14, 2021, SpacePirate, a gaming developer, tweeted:

"Steam's point of view is that items have value and [Steam doesn't] allow items that can have real-world value on their platform. While I respect their choice, I fundamentally believe that NFTs and blockchain games are the future. It's why I started this journey with all of you."^[10]

SpacePirate tweeted this after its NFT-based game *Age of Rust* was removed from Steam.^[11] As this tweet suggests, Steam had concerns over the real-world commercial implications of having NFTs on its platform.^[12]

Ultimately, Steam banned the use of cryptocurrencies and NFTs on its platform. In new platform guidelines released on October 15, 2021, Steam stated that users could not publish “[a]pplications built on blockchain technology that issue or allow the exchange of cryptocurrencies or NFTS.”^[14]

NFT BANS RAISES NEW QUESTIONS FOR THE VIDEOGAME INDUSTRY

Steam’s ban of cryptocurrency and NFTs sent shockwaves through the videogame industry raising questions over the ban, its reasoning, and its implications for platforms. As Steam’s ban demonstrates, NFTs raise a plethora of concerns for platforms, specifically fraud, volatility, and consumer perceptions of innovation.

FRAUD CONCERNS

Fraud and liability exposure from NFT scams is one major concern for videogame industries.^[14] NFTs have been used to scam people in the past, as was the case with the *Evolved Apes* debacle.^[15] *Evolved Apes* allowed NFT owners to battle one another in fighting competitions and were available for purchase on the NFT marketplace OpenSea.^[16] One week after *Evolved Apes* went live, the head of the project disappeared, taking 798 Ether—approximately \$2.7 million—with him.^[17]

These schemes could put videogame companies in legal trouble.^[18] After the scandal, OpenSea showed a decreased floor price of 0.005 ETH, substantially lower than the original minting cost.^[19] Members of the community then united to continue the project’s development under the name “Fight Back Apes,”^[20] hoping to build a more community-centric model for the project, including a multisig wallet, to prevent another scam from recurring.^[21]

For videogame companies, fraud concerns can raise significant issues. Operationally, companies may be concerned about how best to implement security features and provisions to prevent fraud from occurring. For example, companies might consider implementing additional verification features, actively monitoring accounts, or creating financial limits on NFT-use in games. This is especially pressing given that blockchain mechanisms, especially Ethereum, may be decentralized and promote anonymity among all users, including scammers.

Yet, these actions implicate legal concerns with consumer fraud protections and privacy concerns for users. Companies should be aware of federal or state regulations that could implicate misleading advertising, sales, or selling processes that mislead consumers.^[22] Regulatory agencies, such as the FTC, have already raised concerns with operations that involve cryptocurrencies. Videogame companies should be wary of the fraud concerns NFTs raise for their platforms.

NFT VOLATILITY CONCERNS

A second concern for videogame companies is the volatility of the NFT market.^[23] This past June, the NFT market suffered a 90% dip from its peak.^[24] On May 3, 2021, the NFT market hit its peak of \$100 million in *crypto-collectible* sales in just one day. During the final week of May, sales were as low as \$19.4 million.^[25]

As described above, many publishers are now implementing NFTs within their games as a way for players to earn money. These games often allow players to convert their NFT earnings in the game into real currency.

However, videogame companies must be aware of the challenges that NFT volatility brings to these mechanics. If a player wins or invests NFTs within a game, but the underlying price of the cryptocurrency drops tremendously, this could lead to players suffering real financial losses overnight.

For gaming companies, these risks pose legal challenges that must be addressed. Companies may need to utilize extensive disclaimers, thorough terms of use, and clear guidance to their users regarding NFT volatility. Failure to do so could lead to conflicts with users, and possible legal action.

NFTS AS TECHNOLOGICAL “GENERATIONAL DIVIDE”

A third concern for videogame companies is recognizing that NFT use represents a “generational divide” among their users for how technology and innovation is implemented. By banning the use of NFTs and cryptocurrency, Steam took an affirmative stance to shield itself from potential liability.

However, Steam’s actions are not being mirrored by other platforms. Epic, a rival platform that launched the popular game *Fortnite*, announced that it would be open to games that support blockchain.^[26] Smaller developers are even more adamant about their support for NFT use in videogames. Sky Mavis, an NFT developer, responded with a tweet stating, “[o]ur Mavis Hub represents a different path—a future where gamers have property rights and economic freedom. We will win. The future of gaming is stake.”^[27] Commenting on @SpacePirate’s original tweet, many users criticized Steam’s decision and asked the game to move its operations to other platforms, such as Ultra, a gaming platform built on the NFT.^[28]

For videogame companies, NFT games and cryptocurrencies are creating a “generational divide” between gaming platforms.^[29] Although NFTs do raise a plethora of concerns, videogame companies need to be discerning about their consumers. For many companies, NFTs may provide new ways to engage with consumers and expand their markets. In fact, NFTs may become increasingly used to allow interactions between users and platforms of different games, such as trading valuable “skins,” graphics, or upgrades.^[30]

Videogame companies must be mindful of these dynamics and balance them with the real economic and legal risks NFT pose. To that end, videogame companies interested in implementing NFTs should work with legal experts to ensure that this new technology is safely implemented to protect consumers and the companies themselves.

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^[3] *Id.*

^[4] Arthur Zuckerman, *75 Stream Statistics: 2020/2021 Facts, Market Share & Data Analysis*, CompareCamp (May 15, 2020), <https://comparecamp.com/steam-statistics/>.

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^[6] *Id.*

^[7] Casey Newton, *Loot Is A Viral Social Network That Looks Like Nothing You’ve Ever Seen*, The Verge (Sept. 3, 2021), <https://www.theverge.com/22655077/loot-social-network-open-source-nft>.

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^[9] Casey Newton, *How Axie Infinity is Turning Gaming on Its Head*, The Verge (Oct. 3, 2021), <https://www.theverge.com/2021/10/13/22725083/axie-infinity-sky-mavis-blockchain-economy-game-pokemon>.

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^[11] *Id.*

^[12] *Id.*

^[13] *Onboarding, SteamWorks*, *supra* note 1.

^[14] Joseph Knoop, *Steam Bans All Games with NFTs or Cryptocurrency*, PCGAMER (October 15, 2021), <https://www.pcgamer.com/steam-bans-nfts-cryptocurrencies-blockchain/>.

¹⁵ *Id.*

¹⁶ Andy Chalk, 'Evolved Apes' NFT Creator Evil Ape Disappears with \$2.7M, PCGAMER (October 6, 2021), <https://www.pcgamer.com/evolved-apes-nft-creator-evil-ape-disappears-with-dollar27m/>.

¹⁷ *Id.*

¹⁸ See Joseph Knoop, *supra* note 14.

¹⁹ Osato Avan-Nomayo, 'Evolved Apes' NFT Creator Allegedly Absconds with \$2.7 Million, Cointelegraph (Oct. 6, 2021), <https://cointelegraph.com/news/evolved-apes-nft-creator-allegedly-absconds-with-2-7-million>.

²⁰ *Id.*

²¹ *Id.*

²² Sumeet Chugani, et. al., *The Notorious NFT: Consumer Protection issues Raised by Non-Fungible Tokens (NFTs)*, Practical Law Finance (April 15, 2021), [https://uk.practicallaw.thomsonreuters.com/w-030-4989?originationContext=knowHow&transitionType=KnowHowItem&contextData=\(sc.DocLink\)&firstPage=true](https://uk.practicallaw.thomsonreuters.com/w-030-4989?originationContext=knowHow&transitionType=KnowHowItem&contextData=(sc.DocLink)&firstPage=true).

²³ Sisi Jiang, *Good Riddance: Steam Bans Games That Feature Crypto And NFTs*, Kotaku (Oct. 15, 2021), <https://kotaku.com/good-riddance-steam-bans-games-that-feature-crypto-and-1847874385>.

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²⁵ Luke Plunkett, *The NFT Market Has Collapsed, Oh No*, Kotaku (June 2, 2012), <https://kotaku.com/the-nft-market-has-collapsed-oh-no-1847021181>.

²⁶ Mathew Di Salvo, *supra* note 1.

²⁷ Mathew Di Salvo, *supra* note 1.

²⁸ See Age of Rust (@SpacePirate_io), Twitter (Oct. 14, 2021, 11:14 AM), https://twitter.com/SpacePirate_io/status/1448713803680473089?ref_src=twsrc%5Ftfw%7Ctwcamp%5Ftweetembed%7Ctwterm%5E1449180593367896068%7Ctwgr%5E%7Ctwcon%5Es3_&ref_url=https%3A%2F%2Fdecrypt.co%2F83657%2Fsteam-bans-crypto-games-while-epic-games-welcomes-them; A Blockchain for Mainstream Adoption, Ultra, <https://onultra.io/> (last accessed on Oct. 21, 2021).

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³⁰ Victor Kao, *How NFTs Can Disrupt Gaming*, builtin beta (Sep. 8, 2021), <https://builtin.com/blockchain/how-nfts-can-disrupt-gaming>.

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