

Game Publisher Race to Blockchain Technology: Square Enix

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It is no secret that gaming companies have been increasingly keen to integrate or express enthusiasm for blockchain technology. From late 2021 to early 2022, many industry leaders announced in-game NFT integration for a play-to-earn experience despite widespread fan opposition.^[1] Recently, there has been a race in acquisitions of what leaders see as the next frontier for the industry—and of course, it involves blockchain.

Square Enix, the well-known Japanese gaming publisher behind the legendary “Final Fantasy” series, announced the sale of its Western studios.^[2] Swedish media holding company Embracer Group will purchase Crystal Dynamics, Eidos Montreal, and Square Enix Montreal for \$300 million, including the IP assets for successful franchises such as “Tomb Raider,” “Deus Ex,” “Legacy of Kain,” and “Thief.”

With the sale, President Yosuke Matsuda reinforces his stance that the company must invest in emerging technologies, particularly blockchain, AI, and the cloud, instead of focusing solely on traditional gaming. Matsuda emphasized blockchain games’ “potential to enable self-sustaining game growth” which could manifest in the form of play-to-earn gaming in which players have a greater hand in shaping the gaming experience.^[3]

The Square Enix sale is one of many large-scale transactions as of late—Netflix purchased independent development studios Hight School, Boss Fight Entertainment, and Next Games to build Netflix Games, targeting 50 mobile game releases by the end of 2022. In 2021, Epic Games purchased Harmonix—which developed pioneering music games such as “Rock Band” and “Guitar Hero.”^[4]

As expected, both fans and industry leaders have expressed concern and disdain for the \$300M Square Enix sale, questioning whether blockchain can truly enhance gaming experiences and criticizing the relatively small transaction size for historic IP assets like “Tomb Raider,” which sold 15 million copies alone in 2013.

Collectively, the gaming industry is expected to pass a global revenue of \$200 billion, due to investments, mergers, and IPOs fueled by widespread interest in blockchain and cryptocurrency applications.^[5] In Q1 2022, 84 deals totaled \$7.9 billion in value, with investments and M&A deals totaling \$11.4 billion.^[6]

The takeaway: activity in the gaming industry points to the rapid adoption of blockchain technology. Expect more acquisitions, sales, integrations, as well as community pushback.

Our attorneys proactively follow and advise on trends in this quickly evolving space. We invite all those interested in recent developments to sign up to receive emails with links to new posts by clicking [here](#).

About Winston's Videogame, Gaming & Esports Group

Recognizing that emerging industries require bespoke lawyering, David Enzminger formed Winston's Videogame, Gaming & Esports Group to provide comprehensive legal solutions to companies in these industries. This multidisciplinary group includes more than 60 lawyers across 10 practices working seamlessly to assist companies in these industries in all areas, including managing IP portfolios, assisting esports companies to establish global sports leagues, selling franchises, and developing proactive legal solutions for issues that arise from league operations. We represent videogame publishers in antitrust matters and represent both rights owners and gaming companies in licensing issues for game content. In addition, our team helps electronic game clients prepare for all types of regulatory and public scrutiny issues, such as corporate governance, data privacy, and harassment/discrimination claims that are sure to come as the industry continues to grow in both size and influence. Our offices in New York, Silicon Valley, Los Angeles, Shanghai, and Hong Kong provide gaming clients with a global platform for their complex and evolving legal needs.

¹ <https://www.winston.com/en/the-playbook/ubisoft-is-first-major-gaming-company-to-embrace-in-game-nfts-what-does-this-mean-for-the-industry.html>; <https://www.winston.com/en/the-playbook/pay-to-play-in-game-nfts-proceed-with-caution.html>

² Microsoft, Epic, Netflix: The Buying Spree in Video Games Continues, The Charlotte Observer, <https://www.charlotteobserver.com/news/business/article260976732.html>, (last accessed May 5, 2022).

³ Id.

⁴ Id.

⁵ Blockchain Boosts Record Dealmaking In Game Industry, Forbes, <https://www.forbes.com/sites/dbloom/2022/05/17/game-industry-dealmaking-continues-record-pace-in-first-quarter-boosted-again-by-blockchain/?sh=26a739c31f22>, (last accessed May 23, 2022).

⁶ Id.

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