CALLING UPON DIGITAL GAME DEVELOPERS AND PUBLISHERS TO CEASE PREDATORY PRACTICES WHICH EXPLOIT CONSUMERS THROUGH LOOT BOXES AND GAMBLING-LIKE MECHANISMS IN DIGITAL GAMES AND GAME CONTENT.

WHEREAS, digital and physical variable reward mechanisms such as casino slot machines and digital loot boxes are designed to exploit human psychology to cause repetitive consumption which maximizes player spending; and

WHEREAS, on numerous occasions studies have found negative psychological impacts from extended exposure to exploitive variable reward mechanisms which can lead to addiction, as well as cognitive developmental problems in particularly vulnerable youth; and

WHEREAS, governmental departments and agencies heavily regulate variable reward mechanisms in casino games to minimize negative impacts to mental health and particularly developing youth, as well as ensure transparency by requiring strict disclosure to consumers of the odds of winning possible rewards contained within those games; and

WHEREAS, gaming industry developers have begun to employ variable reward mechanisms such as loot boxes which operate similarly to slot machines in digital games often marketed to adults and children of all ages in recent years, through which players can pay real money for a chance to win randomized virtual items; and

WHEREAS, especially concerning, there is no requirement for digital game developers and publishers to disclose to consumers the specific inclusion of variable reward gambling-like mechanisms in games being sold to the public, including children of all ages, making it impossible for parents to know which games contain these mechanisms and which games do not; and
WHEREAS, through regular online updates, game developers and publishers can insert variable reward loot boxes or gambling-like mechanisms into games at any time often without meaningful player or parental knowledge; and

WHEREAS, hiding the odds of winning is not permitted at any casino, yet there is currently no legal requirement for digital game developers and publishers to disclose to consumers the odds of winning any rewards within variable reward loot boxes and gambling-like mechanisms, and it has already been discovered that in some games the odds of winning particular items frequently advertised to consumers were deceivingly just fractions of a single percent; and

WHEREAS, in 2017 game developers filed patents to further expand predatory game designs by raising or lowering the odds of winning items within variable reward loot boxes and gambling mechanisms to match the likelihood that specific players continue to spend money, potentially lowering the odds of winning valuable items to players identified as likely to continue purchasing chances to win; and

WHEREAS, seeing opportunity to further compel in-game purchases, game developers have begun designing games to increase difficulty, increase the time required to achieve in-game objectives, and increasingly stack players of mismatched strength against one another in multiplayer games to encourage greater numbers of consumers to purchase variable reward loot boxes and gambling-like mechanisms to win items that would more easily enable successful play; and

WHEREAS, the American Psychological Association has identified "internet gaming disorder" in the Diagnostic and Statistical Manual of Mental Disorders as an emerging diagnosis that warrants further study; and

WHEREAS, the World Health Organization has identified "gaming disorder" alongside gambling as a pattern of gaming behavior that appreciably increases the risk of harmful physical or mental health, and included "hazardous gaming" as a threat to
public health in the latest draft of its International
Compendium of Diseases; and

WHEREAS, with no legal requirements for disclosure,
transparency, or basic protection against predatory and
exploitative practices, countless families, individuals, and
particularly vulnerable youth have been harmed by exposure to
predatory variable reward loot boxes and gambling-like
mechanisms now included in many digital games; and

WHEREAS, the gaming industry has refused to acknowledge or
meaningfully address the negative impacts that variable reward
loot boxes and gambling-like mechanisms are now having on
countless American families; and

WHEREAS, the Entertainment Software Association is a
private organization whose mission is to serve the business
interests and public relations of companies that publish digital
games; and

WHEREAS, the Entertainment Software Association established
the Entertainment Software Rating Board in 1994 to serve as a
self-regulatory body that assigns age and content ratings and
adds labels to video games and applications so that parents can
make informed choices about their purchases; and

WHEREAS, neither the ratings nor age restrictions on
purchase employed by the Entertainment Software Association
meaningfully address predatory variable reward loot boxes and
gambling-like mechanisms that in recent years have begun to be
used in video games and applications; and

WHEREAS, the lack of a meaningful response by the
Entertainment Software Ratings Board to the countless American
families and children being harmed by exposure to variable
reward loot boxes and gambling-like mechanisms invalidates the
credibility of ratings issued by this board and any trust
families may place in it; and

WHEREAS, without significant changes to the current rating
and labeling system administered by the Entertainment Software
Rating Board, no meaningful protections currently exist to
shield the general public, and in particular, vulnerable youth, from exploitation by predatory variable reward loot boxes and gambling-like mechanisms in digital games that are now aggressively marketed to consumers of all ages on personal computers, gaming consoles, and mobile phones; now, therefore,

BE IT RESOLVED by the House of Representatives of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2018, that game developers and publishers are respectfully called upon to cease predatory practices which exploit consumers through loot boxes and gambling-like mechanisms in digital games and game content; and

BE IT FURTHER RESOLVED that the Entertainment Software Ratings Board should, at a minimum, rate all games which contain in-game purchases of content through variable reward loot boxes or gambling-like mechanisms as adult only; and

BE IT FURTHER RESOLVED that the Entertainment Software Ratings Board should require a disclosure label, separate and distinct from any other label for in-game purchases so as not to hide the inclusion of variable reward loot boxes and gambling-like mechanisms, on all games which contain in game purchases of content through variable reward loot boxes and gambling like mechanics, to inform consumers and parents specifically concerned about the psychological, addictive, and financial risks of those mechanisms; and

BE IT FURTHER RESOLVED that the Entertainment Software Ratings Board should require the disclosure of the odds of winning any and all items contained within variable reward loot boxes and gambling like mechanisms to consumers at the time of purchase and activation of those variable reward mechanisms so as to meaningfully inform consumers prior to purchase; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Governor, the Director of Commerce and Consumer Affairs, the Director of Health, the members of the Hawaii congressional delegation, the

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President of the Entertainment Software Rating Board, and the President of the Entertainment Software Association.

OFFERED BY: [Signature]

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