

PIXELS, PROFITS, AND POLICY: SHAPING THE FUTURE OF ESPORTS BETTING WITH ETHICAL REGULATION, RESPONSIBLE GAMING, AND STRATEGIC INDUSTRY INNOVATION

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Abstract

As the global popularity of esports surges, the parallel growth of esports betting demands a nuanced regulatory approach. The current legal landscape, with pioneering efforts from states like New Jersey and Nevada, illustrates both the potential and the pitfalls of incorporating esports betting into traditional sports betting frameworks. This Note analyzes the unique regulatory, ethical, and consumer protection challenges that esports betting presents, particularly given its appeal to younger audiences. Drawing on case studies, industry trends, and comparative legislation, it proposes a robust regulatory approach that balances economic opportunity with social responsibility. This Note argues that states should not only tax esports betting revenue but also reinvest a portion into industry integrity initiatives, educational campaigns on responsible gambling, and technological advances to combat match-fixing and underage betting. In doing so, states can create a sustainable, ethical model for esports betting that aligns with evolving digital engagement while safeguarding consumer welfare. Through informed regulation and reinvestment, the esports betting industry can advance as a legitimate and accountable sector in the broader sports betting ecosystem.

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I. INTRODUCTION

The digital revolution has not only changed how we communicate, shop, or entertain ourselves, but it has also drastically altered the sports landscape.¹ Today, what was once dismissed as mere “video gaming” has risen to become esports—a professional competition of video games watched by millions worldwide.² Esports, often takes the form of organized, multiplayer video game competitions, particularly between professional players on an individual or team level.³ Esports has become a part of the mainstream gaming industry, with revenues from advertising, sponsorship, and media rights providing significant income streams.⁴

The esports industry now rivals traditional sports in viewership, sponsorships, and economic impact,⁵ with projections that attest to its long-term viability and potential for growth.⁶

1. Haozhou Pu et al., *Can Esports Substitute Traditional Sports? The Convergence of Sports and Video Gaming during the Pandemic and Beyond*, 11 *SOCIETIES* 129, 129 (2021); see also David Panhans et al., *Gaming & Esports: Media’s Next Paradigm SHIFT*, BCG (Dec. 15, 2021), <https://www.bcg.com/publications/2021/gaming-and-esports-sector-are-the-next-shift-in-media> [<https://perma.cc/9NHE-VNKB>] (exploring the transformation of sports through digital innovation, highlighting e-sports’ rise as a major media trend driven by technology, and its significant impact on entertainment and competitive sports).

2. Karol Laskowski & Marcin Przybysz, *Legal State of Play in the Video Games Industry: Current Trends and Issues Across Jurisdictions*, *DENTONS* 6 (Apr. 2023), <https://www.dentons.com/en/insights/guides-reports-and-whitepapers/2023/april/17/video-games-industry-report> [<https://perma.cc/7NY6-UU8E>].

3. Franca Quarneti, *What Are Esports and Where Is the Industry Going? Everything You Need to Know*, *BENZINGA* (Dec. 20, 2022), <https://www.benzinga.com/general/entertainment/22/12/30142764/what-are-esports-and-where-is-the-industry-going-everything-you-need-to-know> [<https://perma.cc/P3G4-7QFU>].

4. *Id.*

5. Uta Allenstein et al., *Esports as a Sponsorship Asset? What CMOs Should Know*, *MCKINSEY* (Mar. 6, 2020), https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Marketing%20and%20Sales/Our%20Insights/E%20sports%20and%20the%20next%20frontier%20of%20brand%20sponsorships/esports_wHITEpaper_03_06_2020_vfinal.pdf [<https://perma.cc/24E4-K7TQ>].

6. Simon Read, *Gaming is Booming and is Expected to Keep Growing. This Chart Tells You All You Need to Know*, *WORLD ECON. FORUM* (July 28, 2022), <https://www.weforum.org/agenda/2022/07/gaming-pandemic-lockdowns-pwc-growth/> [<https://perma.cc/Q2GB-RX8M>].

Yet, as with any industry experiencing rapid growth, there are ancillary sectors that grow alongside it.⁷ Esports gambling is one such sector, and its emergence has been sudden.⁸ Governments and stakeholders are intrigued by its untapped revenue potential, especially through taxation.⁹ However, these financial opportunities come with significant responsibilities.¹⁰ Particularly, the young age demographic of esports enthusiasts raises compelling ethical questions around exposure to gambling, requiring careful and considered regulation.¹¹

While some states, like New Jersey and Nevada, have swiftly recognized the potential of esports gambling, venturing into regulatory and taxation endeavors,¹² others remain hesitant.¹³ This reluctance is rooted in legitimate concerns about the industry's appeal to a young demographic and the subsequent implications of premature exposure to gambling.¹⁴ Yet, the conversation is not binary.¹⁵ The middle ground, potentially, is a well-regulated system that acknowledges both the revenue prospects of esports gambling and its socio-ethical responsibilities.¹⁶

This Note explores the evolving landscape of esports gambling regulation, offering comprehensive analysis and forward-looking recommendations. Part II examines the legislative frameworks and taxation models of pioneering states like New Jersey and Nevada, assessing both their financial outcomes and socio-ethical implications.¹⁷ Part III evaluates the impact of current regulatory practices on the esports gambling industry, highlighting the financial benefits and lessons learned from leading states.¹⁸ It also proposes a blueprint for future regulation.¹⁹ Part IV provides strategic recommendations for states considering

7. See *Classifying the World's Businesses: A Guide to Industry Sectors*, FIDELITY, <https://www.fidelity.com/learning-center/trading-investing/markets-sectors/guide-to-industry-sectors> [<https://perma.cc/3BCY-WC8P>] (last visited Oct. 8, 2024) (describing how businesses are categorized into 11 sectors and “are broken down further into 25 industry groups, 74 industries, and 163 sub-industries”).

8. Jake Bland, *Gambling on Video Games: The Global Esports Betting Market and the Dawn of Legalized Esports Gambling in the United States*, 29 U. MIAMI INT'L & COMP. L. REV. 1, 4–6 (2022).

9. *Id.* at 10.

10. Christopher C. Schwarz, *Has the Supreme Court's Sports Gambling Decision Opened the Door for Corruption in eSports*, 35 ENT. & SPORTS LAW. 42, 42 (2019).

11. Nerilee Hing et al., *Adolescent Betting on Esports Using Cash and Skins: Links with Gaming, Monetary Gambling, and Problematic Gambling*, PLOS ONE 1, 1 (May 5, 2022), <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0266571> [<https://perma.cc/22AG-GZ37>].

12. S.B. 165, 81st Leg., Reg. Sess. (Nev. 2021); A.4397, 220th Leg., Reg. Sess. (N.J. 2023).

13. Daniel E. Schnapp et al., *What the Future Holds for Esports Gambling*, THE NAT'L L. REV. (Mar. 31, 2022), <https://www.natlawreview.com/article/what-future-holds-esports-gambling> [<https://perma.cc/E6LX-J8X9>].

14. *Id.*

15. Gregory Lu, *Esports Enforcement: How Criminal Sentencing Philosophy Can Stop Esports Match-Fixing*, 59 HOUS. L. REV. 945, 945 (2022).

16. John T. Holden & Kathryn Kisska-Schulze, *Taxing Sports*, 71 AM. U. L. REV. 845, 904 (2022).

17. Cody Luongo, *Esports Betting Bill Passes in New Jersey*, ESPORTS INSIDER (July 1, 2021), <https://esportsinsider.com/2021/07/esports-betting-bill-passes-in-new-jersey/> [<https://perma.cc/3B72-PQSH>]; Jacob Wolf, *Nevada Governor Approves Esports Betting Bill*, ESPN (June 3, 2017), https://www.espn.com/sports-betting/story/_/id/19512317/chalk-nevada-governor-approves-esports-betting-bill [<https://perma.cc/PC5Y-3BLJ>].

18. See *infra* Part III (discussing financial benefits and lessons learned from leading states).

19. *Id.*

esports gambling regulation, envisioning the industry as one requiring careful nurturing, regulation, and foresight.²⁰

II. BACKGROUND

The transition from traditional sports to a digital frontier, known as esports, marks a transformation where video game championships parallel conventional athletic pursuits internationally.²¹ This section navigates esports' monumental rise and its convergence with gambling, anchored by the momentous verdict in *Murphy v. National Collegiate Athletic Assn.*²²

A. *The Meteoric Rise of Esports*

Esports, once a niche entertainment industry sector, has catapulted to mainstream attention in recent years, largely due to technological advancements and the growth of online streaming platforms.²³ Innovations such as Virtual Reality (VR), Augmented Reality (AR), Artificial Intelligence (AI), haptic feedback technology, and advancements in biometrics have significantly enhanced the gaming experience, making it more immersive and engaging.²⁴ These technological improvements have broadened the appeal of esports, attracting a larger and more diverse audience.²⁵ Additionally, sponsorships from major mainstream corporations have played a pivotal role in legitimizing and propelling esports into the global spotlight.²⁶ For example, Microsoft and AMD's partnership with Skyesports for a franchised Counter-Strike league exemplifies the growing alignment of the esports industry with leading technology brands.²⁷

Likewise, Mobil 1's collaboration with Gen.G has introduced motor sports expertise into the esports arena, fostering unique cross-industry opportunities that appeal to both traditional and digital sports audiences.²⁸ Multiple other collaborations have further fueled its rise, offering validation and attracting non-traditional audiences.²⁹

These sponsorships go beyond mere financial support; they serve as endorsements from well-established brands, signaling to the broader market that

20. See *infra* Part IV (discussing details of strategic recommendations for e-sports gambling regulation).

21. Pu et al., *supra* note 1.

22. *Murphy v. Nat'l Collegiate Athletic Ass'n*, 584 U.S. 453, 486 (2018).

23. Pu et al., *supra* note 1.

24. See *The Future of Esports Technology: Where Virtual Meets Reality*, YELLOWBRICK (Nov. 13, 2023), <https://www.yellowbrick.co/blog/gaming/the-future-of-esports-technology-where-virtual-meets-reality> [<https://perma.cc/3WKD-B6ZK>] (discussing how technologies like VR, AR, AI, haptic feedback, and biometrics are improving the e-sports gaming experience).

25. *Id.*

26. See Milica Stojanovic, *10 Biggest Esports Sponsors of 2022 and 2023*, PLAYTODAY.CO, <https://playtoday.co/blog/guides/esports-sponsors-of-2022-and-2023/> [<https://perma.cc/5GYV-SB5G>] (last updated Feb. 23, 2024) (examining "some of the biggest esports sponsors who help make the industry lucrative").

27. *Id.*

28. *Id.*

29. See *id.* (highlighting Mountain Dew's sponsorship of Envy Gaming, and Ally Financial's support for women's Rocket League tournaments).

esports is a serious and profitable industry.³⁰ The involvement of such sponsors helps attract non-traditional audiences and encourages further investment from other sectors, thereby accelerating the growth and mainstream acceptance of esports.³¹ This has contributed to the industry's rapid increases in both viewership and revenue, with esports now surpassing many traditional sports in key metrics.³²

The COVID-19 pandemic, which saw a global shift towards online activities, significantly bolstered the esports industry.³³ With traditional sports events canceled or postponed, fans gravitated towards esports, bringing about a surge in viewership.³⁴ Traditional sports leagues, including MLB, NFL, and NASCAR, embraced esports to maintain fan engagement during this period, showcasing tournaments that attracted considerable viewership numbers.³⁵

Streaming platforms such as Twitch observed a 23% increase in viewership.³⁶ This fusion of audiences and the inherent advantages of online streaming positioned esports as a viable alternative to traditional sports.³⁷ The benefits of online streaming have established esports as a compelling counterpart to conventional sports, reflecting a broader trend rather than a pandemic-specific phenomenon.³⁸ This shift underlines the growing appeal and accessibility of esports fueled by technological advancements and changing consumer preferences.³⁹

Moreover, the shift towards remote broadcasting served as a lifeline for esports, ensuring the continuity of league schedules with little to no disruption.⁴⁰ This adaptation was notably successful for the League Championship Series, which not only maintained but significantly boosted its viewership.⁴¹ It emerged as the third most popular professional sports league in the United States among

30. See Caroline Shalabi, *Esports: What Is It and How It Benefits Marketers*, EMARKETER (July 26, 2024), <https://www.emarketer.com/insights/esports-ecosystem-market-report/> [https://perma.cc/43LK-LVCG] (“Brands like Honda, Totino’s, and Puma have sponsored esports teams, while the gaming hardware company HyperX holds the naming rights to an esports arena in Las Vegas.”).

31. See John Davidson, *Brands are Shifting to Esports Sponsorships and Attracting New and Younger Audiences*, MARKET SCALE (Apr. 30, 2024), <https://marketscale.com/industries/sports-and-entertainment/brands-are-shifting-to-esports-sponsorships-and-attracting-new-and-younger-audiences/> [https://perma.cc/4FZ6-QXS5] (“Brands are increasingly recognizing the potential of esports to capture the attention of a global, youthful audience that traditional sports and television broadcasts are missing.”).

32. Pu et al., *supra* note 1; see also *Fourth Annual Esports Survey Report*, FOLEY & LARDNER (Jan. 10, 2022), <https://www.foley.com/insights/publications/2022/01/fourth-annual-esports-survey-report/> [https://perma.cc/YCV3-GLJS] (explaining COVID-19 friction at live events as a driver of growth).

33. Anser Haider, *CES 2021: Esports Growth 'Turbocharged' in 2020 Due to COVID-19 Pandemic*, S&P GLOBAL (Jan. 14, 2021), <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/ces-2021-esports-growth-turbocharged-in-2020-due-to-covid-19-pandemic-62108738> [https://perma.cc/E8QQ-FQRB].

34. Pu et al. *supra* note 1; see also FOLEY & LARDNER, *supra* note 32.

35. Tony Allen, *COVID-19 and the Rise of Esports*, UNLV (May 5, 2020), <https://www.unlv.edu/news/release/covid-19-and-rise-esports> [https://perma.cc/U3WA-6SVX].

36. *Id.*

37. Pu et al., *supra* note 1.

38. *Id.*

39. *Id.*

40. Haider, *supra* note 33.

41. *Id.*

the crucial 18-to-34-year-old audience bracket during this phase.⁴² This demographic's engagement underscores the sector's potential for further growth and its solidifying position in the competitive sporting landscape.⁴³

The pandemic did not merely provide a temporary boost to esports but initiated a fundamental shift in media consumption and consumer behavior.⁴⁴ Notably, non-English language broadcasts, particularly in Spanish and Portuguese, experienced exponential growth in 2020, reflecting the global reach and appeal of esports content.⁴⁵ Twitch, the media leader, dominated the esports market, with 6.34 billion hours watched in the latter half of 2020, indicative of the industry's growing market share and resilience amid global disruptions.⁴⁶

B. *The Growth and Expansion of Esports Gambling*

The industry's growth is not just limited to player engagement.⁴⁷ The financial side of esports, particularly esports betting, has also seen exponential growth.⁴⁸ Factors such as increased viewership, engagement, and blending traditional sports models with esports have attracted entrepreneurs, investors, and even legislators to tap into this emerging market.⁴⁹ Investment patterns within the sector also shifted, with a significant increase in esports-dedicated funds, signifying the market's recognition of esports as a viable and distinct sector.⁵⁰

Notable projects in this domain include the formation of Kappa Meltdown Group, which underscore the growing social infrastructure around esports culture.⁵¹ This formation was a result of the merger of Swedish Kappa Bar and French Meltdown Bars, which created the largest esports focused bar franchise globally.⁵² Similarly, Galaxy Racer's expansion into North America through its HER Galaxy brand represents a critical efforts to address gender inequality in

42. *See id.* (highlighting that this age bracket is a key indicator the growing appeal and acceptance of esports as a mainstream entertainment option).

43. *Id.*

44. Werner Geysler, *The Incredible Growth of eSports [+ eSports Statistics]*, INFLUENCER MARKETING HUB (Jan. 30, 2024), <https://web.archive.org/web/20240106034519/https://influencermarketinghub.com/esports-stats/> [https://perma.cc/3XRS-S6QM].

45. *Id.*

46. *Id.*

47. *See generally* Bland, *supra* note 8 (“Like traditional sports such as football and basketball, eSports have garnered significant attention in the gambling market.”).

48. *See id.* at 3 (“eSports have started to gain traction in the global gambling industry. . . . eSports gambling is by no means a new concept internationally, but its popularity and presence in the United States is a recent development.”) (footnotes omitted).

49. *See Esports Betting Sites to Join in 2024: Find the Best Esports Bookmakers Online*, ESPORTS.NET, <https://www.esports.net/betting/sites/> [https://perma.cc/D5TD-45XR] (last visited Oct. 20, 2024) (listing various platforms and explaining regulated versus non-regulated books).

50. *See* FOLEY & LARDNER, *supra* note 32 (“COVID-19 has helped accelerate the wider public consciousness of esports and placed it higher on the priority list for many industry stakeholders . . .”).

51. *See* Kerry Waananen, *Kappa Bar Acquires Meltdown Bars, Forms World's Largest Esports Bar Chain*, ESPORTS INSIDER (Mar. 28, 2022), <https://esportsinsider.com/2022/03/kappa-meltdown-group> [https://perma.cc/HN5Y-GHX9] (detailing the strategic move by Kappa Bar to expand its presence in the esports industry through the acquisition of Meltdown Bars, highlighting the significant growth and potential impact on the esports community).

52. *Id.*

the industry.⁵³ Additionally, the substantial funding rounds for platforms like Ignite Tournaments⁵⁴ and Loco⁵⁵ highlight investor confidence in the potential of competitive gaming platforms to revolutionize the industry.⁵⁶

The impact of esports' growth is multifaceted.⁵⁷ While players and teams see increased opportunities and revenues, fans benefit from a richer, more immersive experience.⁵⁸ The DraftKings Sportsbook at Wrigley Field, in partnership with the Chicago Cubs, exemplifies the innovative blending of food, drinks, and sports betting in a single venue, appealing not only to traditional bettors but also attracting a broader audience beyond the regular users of sports betting apps.⁵⁹ This venue emphasizes a sophisticated experience that integrates sports viewing with interactive betting opportunities, showcasing a modern approach to sports entertainment.⁶⁰

The venue utilizes its proximity to Wrigley Field to foster a connection with the neighborhood, featuring extensive glass facades that create a welcoming, open environment conducive to immersive sports experiences.⁶¹ The two-level sportsbook is equipped with a massive 2,000-square-foot video screen, capable of showcasing up to 25 sports games simultaneously, representing one of the largest screens in the Midwest and highlighting the immersive potential of modern sportsbook designs.⁶² Through such innovations,

53. See Henrieta Hyrliková, *Galaxy Racer Expands into North America with HER Galaxy Brand*, ESPORTS INSIDER, (Mar. 1, 2022), <https://esportsinsider.com/2022/03/galaxy-racer-establishes-her-galaxy-brand-na> [<https://perma.cc/67UH-DY2B>] (detailing the strategic initiatives of Galaxy Racer in introducing a new women-focused esports brand to the North American esports arena).

54. See Ivan Šimić, *Ignite Tournaments Raises \$10m for Mobile Play-to-Earn Esports Platform*, ESPORTS INSIDER (Mar. 4, 2022), <https://esportsinsider.com/2022/03/ignite-tournaments-10m-funding> [<https://perma.cc/4KQD-NSDF>] (discussing the fundraising efforts of Ignite Tournaments to support their mobile esports platform).

55. See Tom Daniels, *Indian Streaming Platform Loco Raises \$42m in Latest Funding Round*, ESPORTS INSIDER (Mar. 14, 2022), <https://esportsinsider.com/2022/03/loco-funding-round> [<https://perma.cc/2NDL-V5BE>] (discussing Loco's strategic plans for utilizing the funding to expand its user base and enhance its content offerings).

56. See, e.g., *id.* ("Indian esports and gaming streaming platform Loco has raised approximately \$42m . . . Hashed, KRAFTON, Makers Fund, Korea Investment Partners and Hiro Capital are some of the investors featured in the latest funding round.")

57. See Bland, *supra* note 8, at 3 ("eSports have started to gain traction in the global gambling industry. . . . eSports gambling is by no means a new concept internationally, but its popularity and presence in the United States is a recent development.") (footnotes omitted).

58. See Jason Sirotn, *The Rise of The ESPORTS Industry: A Glimpse into Competitive Gaming's Explosive Growth*, ECG PROD. (Jan. 8, 2024), <https://www.ecgprod.com/the-rise-of-the-esports-industry/> [<https://perma.cc/GF7P-3TJH>] (illustrating how the esports industry's expansion enhances player and team opportunities while offering fans deeper engagement).

59. See *Welcome to DraftKings Sportsbook at Wrigley Field*, DRAFTKINGS, <https://draftkingsportsbook.wrigleyfield.com/> [<https://perma.cc/CU6D-DUZQ>] (last visited Feb 11, 2024) (showing the variety of non-gambling related amenities).

60. Lisa Hay, *DraftKings Sportsbook to Open at Wrigley Field June 27th with Bar and Restaurant Service*, WHAT NOW CHICAGO (June 21, 2023), <https://whatnowchicago.com/draftkings-sportsbook-to-open-at-wrigley-field-june-27th-with-bar-and-restaurant-service/> [<https://perma.cc/K9MY-GBSB>].

61. *DraftKings Sportsbook*, GENSLER, <https://www.gensler.com/projects/draftkings-sportsbook> [<https://perma.cc/YJ7Y-6RRH>] (last visited Feb 11, 2024).

62. Hay, *supra* note 60.

the DraftKings Sportsbook at Wrigley Field broadens the appeal of sports betting.⁶³

Esports betting looks to deepen this experience.⁶⁴ Industry proponents and analysts predict a sustained growth trajectory for the sector.⁶⁵ As esports continues its global march, betting on it is expected to become an integral part of the broader sports betting industry.⁶⁶

Esports betting is rapidly evolving, with a significant distinction between the legal, regulated market and the unregulated, illegal market.⁶⁷ The overall market for esports betting is indeed growing, but much of this activity currently occurs outside the regulated space due to the nascent stage of esports betting and the varied regulatory approaches globally.⁶⁸

The regulated esports betting market operates under strict governmental oversight, ensuring compliance with laws designed to protect consumers and support fair play.⁶⁹ These regulations include measures to prevent match-fixing, ensure financial transparency, and protect minors.⁷⁰ For instance, South Korea has established a comprehensive regulatory framework, including the Korean Electronic Sports Association, which oversees the integrity of the industry.⁷¹

63. *See id.* (“The development opens with a focus on optimized design for the enjoyment of both sports viewing and elevated fan favorites”); *see also id.* (“A scrolling ticker displaying odds, scores and player information coupled with a state-of-the-art sound system will ensure that fans won’t miss a moment of the action. Guests also will have the ability to listen to audio of any game being shown through an app on their smartphone.”).

64. *See* Bland, *supra* note 8, at 7 (“[T]he eSports gambling market is beginning to boom across the globe Monetary sports wagering is synonymous with nearly any form of live sporting competition”).

65. *See id.* at 9 (“With skyrocketing demand due to the pandemic, eSports global gambling revenue is set to double to US\$14 billion in 2020, and research shows this global growth should persist in coming years.”) (footnote omitted); *see also* BUS. RSCH. INSIGHTS, *infra* note 66 (“The global esports betting market size was valued at USD 0.43 billion in 2023 and is projected to touch USD 2.03 billion by 2032, exhibiting a CAGR of 18.5% during the forecast period.”).

66. *See* *ESports Betting Market Report Overview*, BUS. RSCH. INSIGHTS, (Sept. 16, 2024) <https://www.businessresearchinsights.com/market-reports/esports-betting-market-100204>

[<https://perma.cc/3EJC-ENC2>] (“Esports are becoming progressively widely held in recent years [E]sports betting is likewise on the upsurge, and a substantial number of gamblers are creating it as the main effort of their betting.”).

67. *See* AM. GAMING ASS’N, *SIZING THE ILLEGAL AND UNREGULATED GAMING MARKETS IN THE UNITED 1* (2022) (“The legal gaming industry is among the most highly regulated industries in America Illegal and unregulated gambling operators do not follow any of these standards”).

68. *See id.* (“[F]indings estimate that Americans bet more than \$510 billion a year with illegal and unregulated operators. . . . “By defying regulations, illegal and unlicensed operators capture revenue from the regulated market.”); Daniel Collins, *Legal vs Offshore Sportsbooks: Spotting the Difference*, BETTING NEWS (Apr. 25, 2024, 09:39 AM), <https://www.bettingnews.com/guides/legal-vs-illegal-sportsbooks/> [<https://perma.cc/Q673-N9CR>] (articulating which jurisdictions have esports betting regulations).

69. *See* AM. GAMING ASS’N, *supra* note 67 at 1 (“Whether it is financial solvency and other licensing requirements, know your customer or anti-money laundering regulations, legal gaming operators and suppliers comply with thousands of laws and regulations designed to ensure consumer protections and confidence in the gaming market.”); *see also* Collins, *supra* note 68 (providing examples of the benefits of legal gambling).

70. *See* Collins, *supra* note 68 (describing the types of esports betting regulations in different jurisdictions); *see also* AM. GAMING ASS’N, *supra* note 67 at 1 (“Whether it is financial solvency and other licensing requirements, know your customer or anti-money laundering regulations, legal gaming operators and suppliers comply with thousands of laws and regulations designed to ensure consumer protections and confidence in the gaming market.”).

71. *See* Bland, *supra* note 8, at 6 (“South Korea’s role in expanding eSports’ legitimacy and popularity worldwide cannot be understated.”); *see also id.* (“In 2000, the South Korean government founded the Korea

In contrast, the illegal betting market is large and operates without oversight, posing significant risks to consumers.⁷² The American Gaming Association (AGA) estimates that illegal and unregulated operators handle over \$510.9 billion in wagers annually, costing the legal industry billions in revenue and depriving governments of substantial tax income.⁷³ Offshore sportsbooks, a common venue for illegal esports betting, often provide better odds and bonuses than their regulated counterparts due to lighter tax burdens, but they also expose bettors to higher risks of fraud and lack consumer protection.⁷⁴

As esports continues to grow, the focus on regulating this betting space is expected to intensify, aiming to shift more of the market into the legal and regulated domain.⁷⁵ The projected increase in the esports betting market, from \$9.96 billion in 2023 to over \$18 billion by 2028, highlights the importance of this regulatory transition.⁷⁶

The esports betting market is further expected to grow “at a compound annual growth rate (CAGR) of 12.6%,” driven by the escalating popularity of video games, enhanced live streaming, and expanding league infrastructures.⁷⁷

Europe leads in market share, attributed to technological advancements and a supportive regulatory framework, while the Asia Pacific, spearheaded by China’s dominant gaming market, is poised to capture a significant share due to technological advancements and an expanding gamer demographic.⁷⁸

It is important to note that while China boasts a robust and growing esports industry, gambling—including betting on esports betting, is prohibited in mainland China.⁷⁹ This prohibition extends to all forms of gambling, both online and offline, except for state-run lotteries, such as the Sports Lottery, which allow for limited forms of sports betting but do not include esports events.⁸⁰ This

eSports Association (KeSPA) with the intention of managing eSports in the country. KeSPA were responsible for regulating and sanctioning eSports competitions in South Korea” (footnotes omitted).

72. See AM. GAMING ASS’N, *supra* note 67 at 1 (“The legal gaming industry is among the most highly regulated industries in America. . . . Illegal and unregulated gambling operators do not follow any of these standards”).

73. See *id.* (“[F]indings estimate that Americans bet more than \$510 billion a year with illegal and unregulated operators. This costs the legal industry \$44.2 billion in gaming revenue and state governments \$13.3 [billion] in lost tax revenue.”).

74. See *id.* (“[I]llegal and unregulated operators prey on vulnerable consumers, offer no commitment to responsible gaming, give no recourse to bettors if something goes wrong, encourage money laundering and generate no economic benefit to states or tribal nations.”); see also *id.* at 1–2 (“These operators entice often-unsuspecting customers with advantageous odds”).

75. *Id.* at 2 (“The AGA urges state and federal law enforcement to educate consumers . . . and investigate and prosecute operators who openly violate the law. It is also incumbent upon policymakers at all levels of government to clarify and strengthen laws and regulations”); see also BUS. RSCH. CO., *infra* 76 (discussing the growing e-sports betting market).

76. See *E-Sports Betting Global Market Report 2024*, BUS. RSCH. CO. (Aug. 2024), <https://www.thebusinessresearchcompany.com/report/e-sports-betting-global-market-report> [<https://perma.cc/BTP8-V5ZZ>].

77. *Id.*

78. *Id.*

79. See CONVENTUS L., *infra* note 80 (“Almost all forms of gambling in Mainland China have been illegal since 1949”).

80. See *Gambling Laws in China*, CONVENTUS L. (Sept. 26, 2023), <https://conventuslaw.com/report/gambling-laws-in-china/> [<https://perma.cc/4TSY-KAGR>] (“In China, the law makes it clear that physical casinos are prohibited. . . . The truth is that even online gambling is wholly prohibited”); see also *id.* (“The

contrasts with the United States, where the legalization of esports gambling in states like New Jersey signifies the sector's growing legal and regulatory acceptance.⁸¹

The integration seems inevitable, given the increasing number of bookmakers offering diverse betting options for esports events.⁸² These betting options include traditional bets like point spread, totals, and moneyline bets, along with more specific propositions, like game or player props, parlays, and over/under bets.⁸³ This growing interest from the betting industry is a testament to esports' popularity and its potential as a revenue generator.⁸⁴ There's a collective realization, among lawmakers, economist, and industry stakeholders that if harnessed properly, esports betting can bring substantial economic benefits.⁸⁵ The legalization of sports betting could contribute as much as \$14 billion to the U.S. GDP annually and create 125,000 to 152,000 jobs.⁸⁶ Given the market parallels legalization of esports betting only looks to increase these figures.⁸⁷ This potential stream of tax revenue and job creation makes states keen to develop a conducive environment for its growth.⁸⁸

C. *The Legal Landscape of Esports Betting*

The 2018 landmark decision of *Murphy v. National Collegiate Athletic Association* provided the impetus for states to regulate sports betting, including esports.⁸⁹ In *Murphy*, the United States Supreme Court held that the Professional and Amateur Sports Protection Act (PASPA),⁹⁰ which prohibited state authorization of sports gambling schemes, violated the anti-commandeering rule

lottery is the one form of gambling permitted in the country, but it is limited to two state-run games. . . . [T]he Sports Lottery . . . has let players predict the outcome of upcoming sporting events”)

81. See STEPHEN CRYSTAL, ESQ. & JEREMY SMITH, *ESPORTS BETTING THE PAST AND FUTURE* 14 (Kelly Segovia ed., Sept. 2017) (“Over time though gambling has become more accepted and laws and regulations are becoming more relaxed and soft, and even in states where there are harsh laws they are rarely prosecuted.”) (citation omitted).

82. See Bland, *supra* note 8, at 8 (“[S]ome bookmakers now provide numerous odds for different types of monetary wagers on eSports.”) (footnote omitted).

83. See, *A Guide to the Different Types of Esports Bets*, ESPORTS.NET, <https://www.esports.net/wiki/guides/guide-to-different-kind-of-esports-bets/> [<https://perma.cc/KBF4-8DJ6>] (last visited Oct. 20, 2024) (describing the various types of bets that are available for eSports).

84. See BUS. RSCH. INSIGHTS, *supra* note 66 (“The global esports betting market size was valued at USD 0.43 billion in 2023 and is projected to touch USD 2.03 billion by 2032, exhibiting a CAGR of 18.5% during the forecast period.”).

85. See ESPORTS.NET, *supra* note 49 (listing various platforms and explaining regulated versus non-regulated books); see also Patrick Hauf, *The Economic Benefits of Legalized Sports Betting in the U.S. Would Be Huge*, FEE (Aug. 31, 2018), <https://fee.org/articles/the-economic-benefits-of-legalized-sports-betting-in-the-us-would-be-huge/> [<https://perma.cc/4VLK-KTME>] (discussing the significant positive impact of legalized sports betting on the U.S. economy, including potential contributions to the GDP and job creation).

86. Hauf, *supra* note 85.

87. See, *e.g.*, *id.* (“[M]obile betting via smartphones apps could bring an additional \$9 billion worth of revenue—a well over 50 percent increase to the total sports gambling revenue”).

88. See, *e.g.*, *id.* (“Americans can now gamble on sports in Nevada, Delaware, New Jersey—and many more states to come.”).

89. *Murphy v. Nat'l Collegiate Athletic Ass'n*, 584 U.S. 453, 486 (2018).

90. Professional and Amateur Sports Protection Act of 1992, 28 U.S.C. § 3702 (1992).

of the Tenth Amendment.⁹¹ Prior to *Murphy*, PASPA effectively made sports betting illegal in most states, with certain exceptions like Nevada.⁹²

As a result of the Supreme Court's decision in *Murphy*, states like New Jersey⁹³ and Nevada⁹⁴ have started to shape their laws to accommodate esports betting. These laws transfer black-market betting into a secure and regulated environment to protect the public.⁹⁵ The decision in *Murphy* not only struck down PASPA but also opened the door for states to enact their own sports betting legislation, acknowledging the changing landscape of sports betting in the digital era, including the expanding field of esports.⁹⁶

1. *New Jersey and Nevada's Pioneering Regulatory Framework*

New Jersey's Assembly Bill A.4397, introduced in the 220th Legislature's regular session on June 27, 2022,⁹⁷ aimed to include esports as a category of internet gaming, thereby expanding the scope for esports gambling.⁹⁸ This bill proposed to authorize electronic sports wagering at certain locations, redefining 'internet gaming' to encompass wagers on esports placed with casino licensees by individuals with a wagering account and physically present in the state.⁹⁹

Before this bill, New Jersey's legal landscape for gambling, established after the *Murphy* decision, did not explicitly recognize esports under gambling regulations, focusing primarily on sports betting at the state's casinos and racetracks.¹⁰⁰ The taxation policies for gambling revenues in New Jersey are structured with an 8.5% tax rate for retail revenue and 14.25% for online

91. *Murphy*, 584 U.S. at 480 (“[T]here is simply no way to understand the provision prohibiting state authorization as anything other than a direct command to the States. And that is exactly what the anticommandeering rule does not allow.”).

92. *Id.* at 458 (“[T]he Professional and Amateur Sports Protection Act, generally makes it unlawful for a State to ‘authorize’ sports gambling schemes.”) (citation omitted); *see also id.* at 462 (“At the time of PASPA’s adoption, a few jurisdictions allowed some form of sports gambling. In Nevada, sports gambling was legal in casinos, and three states hosted sports lotteries or allowed sports pools. PASPA contains ‘grandfather’ provisions allowing these activities to continue.”) (footnotes omitted) (citation omitted).

93. *See* New Jersey Sports Wagering Law, N.J. STAT. ANN. § 5:12A-4.1.a. (2024) (“Notwithstanding the provisions of any other law to the contrary, the Division of Gaming Enforcement may authorize the use of mobile gaming devices approved by the division within an approved hotel facility that operates a sports pool . . . to enable a player to place wagers on sports or athletic events . . .”).

94. *See* Nevada Gaming Control Act, NEV. REV. STAT. ANN. § 463.830. (2024) (“1. There is hereby created the Esports Technical Advisory Committee. . . . 3. The Committee shall provide recommendations to the Board on any guidelines and parameters that are necessary to safeguard the integrity of Esports when wagers are placed at such competitions.”).

95. *See, e.g., id.* (“The Committee shall provide recommendations to the Board on any guidelines and parameters that are necessary to safeguard the integrity of Esports when wagers are placed at such competitions.”); *see also* AM. GAMING ASS’N, *supra* note 67 (“[I]llegal and unregulated operators prey on vulnerable consumers, offer no commitment to responsible gaming, give no recourse to bettors if something goes wrong, encourage money laundering and generate no economic benefit to states or tribal nations.”).

96. *See* Staff Editor, *Murphy v. NCAA: The Fall of PASPA and the Rise of Sports Gambling*, NYU J. INTELL. PROP. & ENT. L. (Jan. 2, 2019), <https://jipel.law.nyu.edu/murphy-v-ncaa-the-fall-of-paspa-and-the-rise-of-sports-gambling/> [<https://perma.cc/8FY4-FU5F>] (Examining the impact of *Murphy v. NCAA* on state sports betting laws post-PASPA, emphasizing the shift towards legalizing sports and e-sports betting).

97. A.4397, 220th Leg., Reg. Sess. (N.J. 2022).

98. *Id.*

99. *Id.*

100. *See* AM. GAMING ASS’N, AGA GAMING REGULATORY FACT SHEET: NEW JERSEY 1, 4 (2022) (describing New Jersey’s regulations and laws on gaming in 2022).

betting.¹⁰¹ The term ‘retail’ in New Jersey gambling typically refers to retail sports books only permitted at physical casinos and racetracks.¹⁰²

Nevada, a pioneering state for gambling, softened its approach towards esports, when its Governor established an advisory committee.¹⁰³ This move aligns with the state’s forward-thinking approach to esports, emphasizing its importance in the modern betting arena.¹⁰⁴ In addition to the Governor’s initiative, Nevada’s Legislature introduced Senate Bill 165, aiming to create an official commission to regulate esports competitions.¹⁰⁵ This legislation, the first of its kind in the U.S., demonstrates Nevada’s progressive stance, recognizing esports as a significant growth opportunity and a potential dominant force in entertainment.¹⁰⁶ Senator Ben Kieckhefer, the bill’s sponsor, emphasized Nevada’s potential to become a thought leader in esports, attracting companies, organizers, and fans.¹⁰⁷ This approach also addresses concerns about competitive integrity in esports, offering a model for future regulatory frameworks.¹⁰⁸

This Esports Technical Advisory Committee (ETAC) provides recommendations to the Nevada Gaming Control Board (NGCB) on establishing guidelines and parameters necessary to safeguard the integrity of esports when wagers are placed on competitions.¹⁰⁹ The ETAC, consisting of members from the esports industry, aims to facilitate the regulation of esports gambling in the state, without directly regulating the events themselves.¹¹⁰ While the ETAC does not directly regulate themselves, it seeks to ensure the fairness and integrity of esports competitions that are bet on within the state.¹¹¹

The committee’s recommendations have resulted in significant amendments to Regulation 22, which oversees race books and sportsbooks in Nevada.¹¹² These amendments explicitly include esports within the scope of events on which wagers can be placed, treating them similarly to traditional sports.¹¹³ Regulation 22 now mandates that sportsbooks carry out

101. N.J. REV. STAT. § 5:12A-16 (2023).

102. N.J. ADMIN. CODE § 13:69A-9.4(e) (2024).

103. Ethan R. Aronson, *Nevada Moves to Create Esports Commission*, NAT’L L. REV. (Mar. 19, 2021), <https://www.natlawreview.com/article/nevada-moves-to-create-esports-commission> [<https://perma.cc/2322-TXDA>].

104. *Id.*

105. *Id.*

106. *Id.*

107. *Id.*

108. *Id.*

109. Joseph H. Dimont et al., *Nevada’s Governor Softens Esports Bill Creating Advisory Committee*, MONDAQ (June 23, 2021), <https://www.mondaq.com/unitedstates/gaming/1081984/nevadas-governor-softens-esports-bill-creating-advisory-committee> [<https://perma.cc/ZCF9-R4ZE>].

110. *Id.*

111. *Id.*

112. *Esports Betting Regulations Move Forward in Nevada*, VIXIO (Oct. 25, 2022), <https://www.vixio.com/insights/gc-esports-betting-regulations-move-forward-nevada> [<https://perma.cc/ZXA6-LVPR>]; See *Nevada: Committee Passes Regulatory Esports Betting Proposal*, YOGONET (Oct. 25, 2022), <https://www.yogonet.com/international/news/2022/10/25/64759-nevada-committee-passes-regulatory-esports-betting-proposal> [<https://perma.cc/K2D6-VTWJ>] (“The [ETAC], tasked with guiding the board on developing regulations for wagering on esports, recommended Monday amendments to Regulation 22, the board’s regulation overseeing race books and sports pools.”).

113. Reg. 22 Race Books and Sports Pools § 22.1202 (Rev. Oct. 23, 2023).

comprehensive due diligence before accepting wagers on esports events, ensuring the legitimacy and fairness of these competitions.¹¹⁴ The amendments also grant the NGCB Chair the authority to revoke or suspend a sportsbook's decision to accept wagers on event conducted by certain esports operators if any concerns arise regarding their integrity.¹¹⁵ Additionally, the NGCB Chair is authorized to place esports event operators on a list of sanctioning organizations.¹¹⁶

2. *Subsequent State Interest in Esports Betting*

State interest in esports betting is evident in recent movements across various state legislation.¹¹⁷ For example, Vermont and North Carolina have scheduled the introduction of mobile sports betting for 2024, indicating their readiness to participate in this growing market.¹¹⁸ Vermont's move to start mobile sports betting follows Governor Phil Scott's bill signing in June 2023, marking the state's entry into this profitable sector.¹¹⁹ Meanwhile, despite some delays, North Carolina is on track to launch sports betting by June 2024, reflecting a commitment to making sports betting available to its citizens.¹²⁰

Moreover, in Georgia, there's a clear momentum toward legalizing sports betting, evidenced by the Senate Regulated Industries Committee's approval of Senate Bill 172.¹²¹ This legislation, aiming to authorize sports betting through a constitutional amendment, highlights the state's proactive stance in establishing a legal sports betting framework.¹²² The bill enjoys bipartisan support, underscoring a broad agreement on the anticipated economic advantages of sports betting, including job creation and new revenue for educational initiatives like Georgia's HOPE Scholarships and pre-kindergarten programs.¹²³

114. *Id.*

115. *Id.*

116. *Id.*

117. See, e.g., Dave Garofolo, *Sports Betting Industry News and Updates - What's Coming in 2024*, DIMERS, <https://www.dimers.com/news/sports-betting-industry-news-and-updates-whats-coming-in-2024> [https://perma.cc/B2C9-6CVM] (last updated Dec. 29, 2023) (describing new states launching sports betting, including Maine, Massachusetts, Ohio, and Kentucky, as well as upcoming legislation in Vermont and North Carolina).

118. *Id.*

119. *Id.*

120. *Id.*

121. See Sarah Kallis, *State Senators Push to Revive Sports Betting Bill*, GPB NEWS (Jan. 10, 2024, 8:36 PM), <https://www.gpb.org/news/2024/01/10/state-senators-push-revive-sports-betting-bill> [https://perma.cc/RHN7-ENW8] ("Senate Bill 172 would allow sports betting in the state with the help of a constitutional amendment and set up a governing body for the industry.").

122. *Id.*

123. Romero Moura, *Sports Gambling in Georgia*, THE SIGNAL (Sept. 25, 2024), <https://georgiastatesignal.com/sports-gambling-in-georgia/> [https://perma.cc/DR4X-65ZP]; Maya Homan, *Bipartisan Sports Betting Bill Passes in Georgia Senate, but Late Amendment Might Capsize It*, THE AUGUSTA CHRON. (Feb. 2, 2024, 11:59 AM EST), <https://www.augustachronicle.com/story/news/politics/state/2024/02/02/sports-betting-bipartisan-georgia-gambling-bill-passes-in-the-senate-constitutional-amendment/72351436007/> [https://perma.cc/5RWC-4MH5].

These legislative initiatives illustrate a broader trend of states actively courting investors and enhancing their economies through the legalization and regulation of sports betting.¹²⁴

Legislation, while pivotal for structured growth, also embodies the challenges and responsibilities that come with it.¹²⁵ States are not only looking at revenue generation, but are also focused on ensuring fair play, protection against malpractice, and ensuring all stakeholders' interests are addressed.¹²⁶ The complexities in modern sports, including traditional athletic events, esports, and daily fantasy sports (DFS), exemplify these challenges.¹²⁷ Sports have evolved into a multi-billion dollar enterprise, significantly impacting U.S. tax law across various domains.¹²⁸ This includes professional and collegiate sports, the video gaming world, and the growing sports gambling industry.¹²⁹ This growth and evolving dynamics in these sectors demand a more adaptive and inclusive approach to tax law, reflecting the broader legislative objectives of balanced growth and equitable regulation.¹³⁰

D. Challenges in the Esports Landscape

While impressive, the growth trajectory of esports brings forth its own challenges, with match-fixing emerging as a particularly pressing issue.¹³¹ Match-fixing in esports involves intentionally losing a competition, often for monetary gain through betting.¹³² This phenomenon poses a serious risk to the legitimacy and growth of the industry.¹³³ A notable example is the case of Lee “Life” Seung Hyun, a Starcraft world champion, who received a lifetime ban for throwing a game at the age of 19.¹³⁴ The impact of such actions is significant; in esports, a four-year ban can effectively end a player's career due to the rapid evolution of games and the typically young retirement age of professionals.¹³⁵ Furthermore, the perception of cheating in esports, including match-fixing, corrupts the integrity of wagers and undermines the stability of betting markets, which rely on the game's integrity.¹³⁶ In terms of scale, in 2020, the volume of

124. See generally Garofolo, *supra* note 117 (providing an overview of the expected developments in the sports betting industry for 2024, highlighting legislative efforts across various states to attract investment and boost their economies by legalizing and regulating sports betting).

125. Schwarz, *supra* note 10 at 11.

126. *Id.*

127. See Holden & Kiska-Schulze, *supra* note 16, at 900–04 (discussing the evolving landscape of sports and its implications on U.S. tax law).

128. *Id.* at 846–54.

129. *Id.*

130. *Id.* at 905–09.

131. See Natalie Bruzda, *Quick Take: Match-fixing in Esports*, UNLV (Oct. 29, 2021), <https://www.unlv.edu/news/release/quick-take-match-fixing-esports> [<https://perma.cc/5LAD-4R55>] (“But a phenomenon known as match-fixing—the purposeful intent to lose a competition, such as a soccer match or even an esports competition—has recently been identified as the most serious risk to the legitimacy and growth of the nascent esports industry.”).

132. *Id.*

133. See *id.* (explaining how this form of cheating could “chip away at the integrity of professional video game play” and that less people will want to participate if they question the creditability of a sport).

134. *Id.*

135. *Id.*

136. *Id.*

esports bets was estimated to be around 107 times higher than the volume of prize money, which suggests a considerable incentive for players and teams to engage in match-fixing.¹³⁷

Cheating, doping, and other unethical practices also impair the industry.¹³⁸ As the stakes in esports tournaments rise, so do the temptations to employ underhanded tactics to secure victory.¹³⁹ In esports, common doping substances include Amphetamine and Dextroamphetamine Salts, notably Adderall, which is often used for its ability to enhance focus and reduce fatigue during extended gaming sessions.¹⁴⁰

This phenomenon in esports is paralleled by the use of performance-enhancing drugs, like anabolic steroids, in traditional sports such as weightlifting and athletics.¹⁴¹ These steroids, designed to mimic the effects of testosterone, are taken by athletes to increase muscle mass and strength, thereby improving their performance in physical competitions.¹⁴²

Both in esports and traditional sports, the use of such substances represents a significant challenge to the fairness and integrity of competitions.¹⁴³ In esports, drugs like Adderall can give players an unnatural edge in terms of concentration and endurance, while in traditional sports, steroids enhance physical capabilities beyond natural limits.¹⁴⁴ This unfair advantage can skew competition results and undermine the spirit of fair play.¹⁴⁵

Integrity in sports betting ensures fairness and unpredictability essential to the industry's credibility and consumer trust.¹⁴⁶ Bettors' faith in the fairness of

137. Timo Schöber & Georg Stadtmann, *The Dark Side of E-Sports – An Analysis of Cheating, Doping & Match-Fixing Activities and Their Countermeasures*, 1 INT'L J. OF ESPORTS 1, 5 (2022) <https://www.ijesports.org/article/98/html> [<https://perma.cc/67K6-WNLH>].

138. See generally John T. Holden et al., *A Short Treatise on Esports and the Law: How America Regulates Its Next National Pastime*, 2020 U. ILL. L. REV. 509, 570–72 (2020) (highlighting the multiple facets of unfair play that permeate e-sports).

139. See *id.* (discussing how doping which has traditionally been an issue in sports has become increasingly prevalent in esports in addition to match-fixing).

140. *Id.* at 571.

141. *Id.* at 570–71.

142. *Performance-Enhancing Drugs: Know the Risks*, MAYO CLINIC (June 27, 2023), <https://www.mayoclinic.org/healthy-lifestyle/fitness/in-depth/performance-enhancing-drugs/art-20046134> [<https://perma.cc/MHZ8-BBT7>].

143. Schöber & Stadtmann, *supra* note 137 (“The fight against doping is fundamentally important in sports in order to protect the economic system and provide consumers of sporting events with a clean sport, maintaining the credibility of the sport and, as a result, the consumers as well.”).

144. See MAYO CLINIC, *supra* note 142 (discussing steroids in traditional sports); see also Jordan Ashley, *Adderall in Esports – How Big Is the Problem and Can It Be Fixed?*, ESPORTS.NET (June 15, 2021), <https://www.esports.net/news/adderall-esports-use-how-big-is-the-problem/> [<https://perma.cc/GD67-7QRE>] (analyzing the prevalence and implications of Adderall use among esports athletes, and discussing potential solutions to address this challenge).

145. Ashely, *supra* note 144; see also Justin W. Bogle, *Trying to Think Faster: Doping in Esports*, VILL. UNIV.: JEFFREY S. MOORAD CTR. FOR THE STUDY OF SPORTS L. (Oct. 6, 2020), https://www1.villanova.edu/villanova/law/academics/sportslaw/commentary/mslj_blog/2020/TryingtoThinkFasterDopinginEsports.html [<https://perma.cc/24KM-89SP>]; *What is Fair Play?*, INT'L FAIR PLAY COMM., <https://www.fairplayinternational.org/what-is-fair-play-> [<https://perma.cc/G6VH-Z7BD>] (last visited Oct. 8, 2024) (“Fair play means not cheating by taking drugs or doping. Anyone who does this ruins the game for everyone else.”).

146. See Stephen Crystal, *Maintaining the Integrity of Sports Betting: Promoting Responsibility to all Parties Involved*, SCCG MGMT. (Apr. 27, 2023), <https://web.archive.org/web/20240212134719/https://sccgmanagement.com/sccg-articles/2023/4/27/maintaining-the-integrity-of-sports-betting-promoting->

sports contests underpins their willingness to participate in betting.¹⁴⁷ Unlike casinos, where a known “house edge” may not deter gambling, the perception of fixed sports events can significantly deter betting engagement due to a breach of trust and fairness.¹⁴⁸ If bettors believe an event is fixed, it directly undermines the premise that skill or knowledge can influence their betting success, leading to significant loss of trust.¹⁴⁹ This perception breach impacts willingness to engage, as the foundational belief in a level playing field is essential for bettors’ participation and trust in the betting ecosystem.¹⁵⁰

Unchecked malpractice in esports, including prevalent doping, pose a significant risk by potentially eroding trust among fans, sponsors, and stakeholders.¹⁵¹ This erosion of trust threatens to severely impede the industry’s future growth and its reputation as a legitimate competitive arena.¹⁵²

The involvement of minors in esports betting presents a critical issue.¹⁵³ The ease with which these online platforms can be accessed, and the allure of rapid financial gains pose a significant risk.¹⁵⁴ Young individuals attracted by the prospect of easy money may find themselves ensnared in a cycle of betting, leading to potential addiction and financial distress.¹⁵⁵ This scenario underlines the importance of stringent regulations and protective measures to shield minors from these dangers.¹⁵⁶

Gambling addiction stems from its effect on the brain’s reward system, akin to drug addiction, by stimulating increases in dopamine levels, leading to

responsibility-to-all-parties-involved [https://perma.cc/4ALG-JF6Y] (arguing that integrity is foundational to sports betting, ensuring fairness and unpredictability essential for consumer trust and participation, while cautioning that perceptions of fixed outcomes or bettor influence could severely undermine long-term trust and engagement in the industry).

147. *Id.*

148. See John Holden, *Match Fixing and Other Manipulations in Sports Betting: A Primer*, LEGAL SPORTS REPORT (June 4, 2018), <https://www.legalsportsreport.com/20922/match-fixing-primer-sports-betting/> [https://perma.cc/QK2A-BUBD].

149. See TRANSPARENCY INT’L, STAYING ON SIDE: HOW TO STOP MATCH-FIXING 6 (2014) (“If the millions of visitors to stadiums and the many more who watch football on television know the results of a match are fixed, they will lose interest in the game.”).

150. Egle Tekutyte, *Sports Betting: Driver of Fan Engagement for Sports Brands*, EUROMONITOR INT’L (Sept. 6, 2023) <https://www.euromonitor.com/article/sports-betting-driver-of-fan-engagement-for-sports-brands> [https://perma.cc/CHD9-NK26] (“Prioritising fan experience and trust will be essential to retaining sports brands’ integrity and capitalising on the commercial opportunities associated with betting.”).

151. See Schöber & Stadmann, *supra* note 137, at 11 (“In addition, further measures would have to be taken against fraud, such as comprehensive doping controls. Existing measures would have to be intensified.”); *Stimulant Abuse in Sports: Doping and its Consequences*, PAC. CREST TRAIL DETOX (July 28, 2023), <https://www.pctdetox.com/blog/stimulant-abuse-in-sports-doping-and-its-consequences> [https://perma.cc/UK2K-7FSG] (“[D]oping not only compromises the credibility of individual athletes but also erodes the trust and faith of fans, sponsors, and governing bodies in the sporting world.”).

152. See Schöber & Stadmann, *supra* note 137 at 3 (“There is, therefore, an interest in clean competition, especially to support the economic system of esports through its credibility.”).

153. See Hing et al., *supra* note 11, at 2 (“Several researchers have expressed concerns about underage betting on esports but there is little empirical research on this topic.”).

154. *Id.*

155. *Id.*

156. Samantha Thomas et al., *Protecting Children and Young People from Contemporary Marketing for Gambling*, 38(2) HEALTH PROMOTION INT’L 1, 10 (Mar. 18, 2023) (“Any regulatory efforts to protect children from gambling marketing should be part of a comprehensive approach to the prevention of gambling harm.”).

compulsive behaviors.¹⁵⁷ Adolescents, due to their developmental stage, are particularly susceptible to gambling addiction, as they are more prone to risk-taking behaviors and have less capacity to assess consequences.¹⁵⁸ The accessibility of online gambling platforms, offering the lure of quick gains, significantly entices teenagers.¹⁵⁹

Studies suggest that gambling's addictive nature is multifaceted, involving psychological, social, and financial consequences that profoundly impact adolescents.¹⁶⁰ The excitement of potential wins, the social engagement of betting with peers, and gambling as an escape from stress or depression intensify its allure.¹⁶¹ Adolescents engaging in gambling face risks of developing problem gambling behaviors, leading to significant financial, social, and psychological issues.¹⁶² The combination of gambling's inherent risk-reward appeal, adolescents' predisposition toward risk-taking, and the easy access to online betting creates a potent mix that can lead to addiction.¹⁶³

The reality is that minors, particularly from Generation Z, are increasingly turning to online gambling, including esports betting, due to its convenience and accessibility from devices like phones and tablets.¹⁶⁴ Moreover, minors can access online gambling sites with ease, exacerbating risks such as credit damage before maturity and legal issues, as gambling is illegal for minors.¹⁶⁵

Industry stakeholders, including organizers, teams, and sponsors, are coming together to address these issues.¹⁶⁶ Collaborative efforts and stringent regulations can mitigate these challenges and ensure a fair, transparent ecosystem.¹⁶⁷ For instance, PandaScore, a major player in the esports betting data sector, has highlighted the necessity for all parties to work together to establish frameworks that protect both competitors and bettors, particularly

157. Emily Sohn, *How Gambling Affects the Brain and Who is Most Vulnerable to Addiction*, AMERICAN PSYCHOLOGICAL ASS'N (July 1, 2023), <https://www.apa.org/monitor/2023/07/how-gambling-affects-the-brain> [<https://perma.cc/TKP5-7YV5>].

158. *Id.*

159. *Id.*

160. Goran Livazović & Karlo Bojčić, *Problem Gambling in Adolescents: What Are the Psychological, Social and Financial Consequences?*, 19 BMC PSYCHIATRY 308 (2019).

161. *Id.*

162. *Id.*

163. *Id.*

164. See generally Chris Foy, *The Odds That More Teens Gambling a Problem*, FHE HEALTH (Sept. 9, 2022), <https://therehab.com/learning/teen-gambling-changes> [<https://perma.cc/CN9L-BREG>] (discussing the trends among teens for quick financial gains through online gambling platforms and the resulting addiction and financial troubles).

165. See *FTC Warns Consumers about Online Gambling and Children*, FED. TRADE COMM'N (June 26, 2002), <https://www.ftc.gov/news-events/news/press-releases/2002/06/ftc-warns-consumers-about-online-gambling-children> [<https://perma.cc/9GTP-WSYM>] (illustrating the legal and financial risks associated with minors' involvement in online gambling).

166. Contessa Brewer & Jessica Golden, *Largest U.S. Sportsbooks Join Forces to Tackle Problem Gambling*, CNBC (Mar. 27, 2024, 12:54 PM), <https://www.cnbc.com/2024/03/27/largest-us-sportsbooks-join-forces-to-tackle-problem-gambling.html> [<https://perma.cc/253M-4GTQ>] (discussing large sportsbooks strategies for combatting underage gambling and problem gambling, especially among its youngest customers).

167. Hing et al., *supra* note 11, at 12 (“These trends suggest that underage esports betting, including the use of skins, is likely to continue growing, and it is already an issue of regulatory and community concern.”).

focusing on the complexities of player age verification in different markets.¹⁶⁸ This is crucial as participants in the video games being bet on can be under 18, requiring specific attention to regulatory compliance.¹⁶⁹ In certain countries, such as Spain and Sweden, strict rules are in place, like the 50% participation threshold, where events are not offered for betting if more than half of the players are underage.¹⁷⁰

Domestic and foreign operators are concerned about the complexity of the regulatory environment.¹⁷¹ At the same time, they acknowledge the importance of further education for both operators and regulators.¹⁷² This education is crucial to address issues such as match-fixing and underage gambling effectively.¹⁷³ The commitment to regulation and education is further supported by efforts from industry leaders, who invest in understanding the legal landscapes of different markets, to foster discussions at the regulator level to create protective frameworks.¹⁷⁴ Notably, states like New Jersey and Nevada have relied on organizations such as the Esports Integrity Commission (ESIC) to ensure integrity in esports betting.¹⁷⁵ In Nevada, the partnership between the NGCB and ESIC, formalized through a Memorandum of Understanding, has been pivotal.¹⁷⁶ This agreement allows real-time information sharing on suspicious betting activities, which has enhanced the state's ability to address integrity issues.¹⁷⁷ Similarly in New Jersey, the Esports Entertainment Group (EEG) became the first to obtain esports betting approval, with the state's Division of Gaming Enforcement, emphasizing the need for stringent regulatory processes model after the "gold standard" set by these collaborative efforts.¹⁷⁸

Other prominent organizations, like the eSport-Bund Deutschland e.V. (ESBD) and the International eSport Federation (IeSF), have developed codes of conduct and regulations specifically aimed at combating unethical practices

168. See Amelia Martinez, *Addressing Esports Betting Regulation and Compliance with PandaScore*, IGAMING FUTURE (July 21, 2022), <https://igamingfuture.com/addressing-esports-betting-regulation-and-compliance-with-pandascore/> [<https://perma.cc/QC4V-8F9D>] (examining collaborative efforts in esports betting to tackle regulatory challenges, especially in age verification).

169. *Id.*

170. *Id.*

171. *Id.*

172. *Id.*

173. *Id.* ("Most consider esports to be something that younger generations engage with, and this immediately sets off alarm bells when it comes to responsible gambling and underage play. . . . Ultimately, if there is demand. . . operators are going to want to offer it and regulators are therefore going to have to regulate it.").

174. *Id.*

175. *New Initiatives Set New Jersey on Path to Lead Us Esports Industry*, N.J. ECON. DEV. AUTH. (Sept. 1, 2020), <https://www.njeda.gov/new-initiatives-set-new-jersey-on-path-to-lead-us-esports-industry/> [<https://perma.cc/2SAE-Z7AW>]; Wolf, *supra* note 17.

176. Oliver Ring, *Esports Integrity Coalition Sign Information Sharing Memorandum of Understanding with NGCB*, ESPORTS INSIDER (Mar. 2, 2017), <https://esportsinsider.com/2017/03/ngcb-sign-mou-esic> [<https://perma.cc/6Q2E-P632>].

177. *Id.*

178. Anthony Birritteri, *Esports Entertainment Group First in NJ To Get Esports Betting Approval*, N.J. BUS. MAG. (Jan. 24, 2022), <https://njbmagazine.com/njb-news-now/esports-entertainment-group-first-in-nj-to-get-esports-betting-approval/> [<https://perma.cc/EJ5L-W4XN>].

such as match-fixing.¹⁷⁹ These efforts by the ESIC, ESBD, and IeSF mark a critical step towards maintaining the integrity of esports, underscoring the collective movement towards a more transparent and fairer competitive environment.¹⁸⁰

III. ANALYSIS

The analysis begins by examining the regulatory and tax frameworks in esports betting, highlighting legislative advances in New Jersey and Nevada.¹⁸¹ It explores New Jersey's classification of esports in internet gaming and its tax consequences, and Nevada's creation of an esports advisory committee.¹⁸² The discussion then shifts to consumer safety, evaluating the effectiveness of state measures in protecting bettors from fraud and illegal betting. This section also assesses the impact on the future of the esports betting industry, emphasizing consumer protection and industry integrity.

A. Current Regulatory and Tax Schemes

New Jersey has been progressive in its approach to esports betting, by considering a bill classifying esports as internet gaming.¹⁸³ This move acknowledges the unique nature of esports, which are distinctly different from traditional sports, thus providing it with a separate legal status.¹⁸⁴ Through Bill S2986, which acknowledges esports as a unique domain separate from traditional sports, integrating it within the realm of internet gaming.¹⁸⁵ This legislation offers additional internet gaming permits and specific esports-only permits for sports wagering.¹⁸⁶ The introduction of the bill is a part of the state's deliberate strategy to promote the development of the sector.¹⁸⁷ It permits casinos in Atlantic City to include esports in their online offerings without surpassing the state-imposed cap of five online permits for each retail operator.¹⁸⁸

Moreover, this bill distinguishes between retail and mobile sports wagering, as mobile wagering is encompassed under the broader umbrella of internet gaming.¹⁸⁹ By doing so, the state ensures that esports betting can be

179. Leonid Shmatenko, *Navigating the Murky Waters of Match-fixing in Esports: A Legal Perspective*, ESPORTS LEGAL NEWS (Oct. 12, 2023), <https://esportslegal.news/2023/10/12/navigating-the-murky-waters-of-matchfixing-in-esports-a-legal-perspective/> [https://perma.cc/CAJ9-Y3C3].

180. *Id.*

181. *See infra* Part III.A (describing the legislative approaches of New Jersey and Nevada in regulating online gambling on esports).

182. *See infra* Part III.A (detailing the individual approaches of New Jersey and Nevada).

183. G.A. 4397, Leg., 220th Sess. (N.J. 2023).

184. Bland, *supra* note 8, at 16.

185. S. 2986, Leg., 220th Sess. (N.J. 2022).

186. *Id.*

187. *See* Viktor Kimble, *New Jersey Sports Betting to Soon Include Esports Wagering?*, COVERS (Sept. 27, 2022), <https://www.covers.com/industry/new-jersey-considering-esports-expansion-september-27-2022> [https://perma.cc/R3YJ-38YB] (explaining New Jersey's strategy, especially in Atlantic City, in permitting new forms of gambling to remain competitive among the states).

188. *Id.*

189. S. 2986, Leg., 220th Sess. (N.J. 2022).

offered both through traditional retail venues and mobile platforms, expanding access and flexibility for bettors.¹⁹⁰ This dual approach not only aligns with the state's goal of fostering innovation in the gaming sector but also maximizes revenue potential by tapping into the rapidly growing esports market through multiple channels.¹⁹¹

The global audience for esports, estimated at nearly 500 million people, with industry revenues reaching \$1–2 billion, underscores the significant potential for revenue generation through regulated betting platforms.¹⁹² The state's taxation policies for gambling revenues are bifurcated into 8.5% for retail revenue and 14.25% for online betting.¹⁹³ New Jersey's two-tier taxation system for gambling revenues, while not specifically designed for esports, could be particularly beneficial for this sector given its emphasis on the digital space, where online engagement dominates.¹⁹⁴ This structure allows the state to capitalize more effectively on the online esports audience while also aligning with the general trends in digital gaming.¹⁹⁵

The debate on the effect of higher tax rates on online betting deterring gamblers and investors is complex.¹⁹⁶ Evidence shows that the impact differs depending on the tax rates applied and the broader regulatory context of the jurisdiction being considered.¹⁹⁷

High tax rates, such as those implemented in Pennsylvania at 36%, have indeed raised concerns among industry CEOs about the economic viability of operating in such environments.¹⁹⁸ These concerns highlight the potential for high tax burdens to affect the attractiveness of a market to investors and operators alike.¹⁹⁹ However, the actual impact on investment decisions can be complex, depending on factors like market size, the potential customer base, and the overall regulatory framework.²⁰⁰

Research suggests that while high tax rates can present challenges, they do not necessarily preclude the success of sports betting ventures.²⁰¹ For instance,

190. Kimble, *supra* note 187.

191. *Id.*

192. Alexander Schudey et al., *Let the Game Begin: How Esports Is Shaping the Future of Live Entertainment*, BCG (Sept. 28, 2023), <https://www.bcg.com/publications/2023/how-esports-will-become-future-of-entertainment> [<https://perma.cc/L2E8-HJBG>].

193. N.J. ADMIN. CODE § 13:69L-1.1 (2023); *see also* N.J. ADMIN. CODE § 13:69O-1.1 (2023) (defining online betting).

194. *See id.* (describing extensive requirements for online gambling).

195. *Id.*

196. *See, e.g.*, Bill King, *High 51% N.Y. Tax Rate Concerns CEOs as Online Betting Nears*, SPORTS BUSINESS J. (Nov. 15, 2021), <https://www.sportsbusinessjournal.com/Journal/Issues/2021/11/15/Upfront/Sports-betting.aspx> [<https://perma.cc/JNG3-TQ7Q>] (“Gaming analysts predicted that higher rates would lead sportsbooks to spend less on marketing and promotion and offer less favorable odds in those states, but that generally hasn’t happened, as sportsbooks have aggressively chased higher-value early adopters. Operators say that is likely to slow as markets mature.”).

197. *Id.*

198. *Id.*

199. *Id.*

200. Allenstein et al., *supra* note 5 at 7–12 (describing the e-sports audience and market).

201. Geoff Zochodne, *US Sports Betting: Promo Deductions Saving Operators Millions in Taxes*, *Report Says*, COVERS (Aug. 24, 2022, 11:07 AM), <https://www.covers.com/industry/us-sports-betting-lower-taxes-august-2022> [<https://perma.cc/BBY8-C6P8>] (“The business of legal sports betting in the United States may not be as taxing for gaming operators as it could be.”).

in Pennsylvania, despite a high tax rate of 36%, the state allows for the deduction of promotional credits and bonuses, which has led to an effective tax rate of just 24.6%.²⁰² This demonstrates that while the nominal tax rate is high, the actual burden on operators can be mitigated through specific provisions within the tax code, making the market more attractive than it might initially appear.²⁰³

Moreover, the impact of taxes on the sports betting market must be considered alongside other factors that drive investment decisions, such as market potential and regulatory stability.²⁰⁴ For example, New Jersey has seen considerable success in generating tax revenue from sports betting with its bifurcated tax rate reflecting a regulatory environment that, despite taxation, remains attractive to investors due to the state's large and engaged customer base.²⁰⁵

New Jersey's distinct taxation for online and retail venues, with a higher rate for online platforms, potentially maximizes revenue from a predominantly online audience.²⁰⁶ Meanwhile, Nevada's establishment of a dedicated advisory committee ensures that the state remains at the forefront of esports betting innovations, poised to capitalize on emerging trends.²⁰⁷ Both states protect consumers from fraudulent schemes and ensure fair play by transferring betting from potentially unregulated environments to structured platforms.²⁰⁸

However, recent developments in other states highlight growing criticism of tax hikes in the sports betting sector.²⁰⁹ In Illinois, for example, Governor J.B. Pritzker's proposal to increase the sports betting tax rate from 15% to 35% has sparked significant backlash from industry operators who argue that such an increase could stifle the market by reducing promotional offers and worsening odds for bettors.²¹⁰ Similarly, Ohio recently doubled its sports betting tax rate from 10% to 20%, leading to concerns that operators might pass these costs onto consumers, potentially driving them to offshore or illegal betting platforms.²¹¹ These developments underscore the delicate balance regulators must maintain

202. *Id.*

203. *See id.* (stating that deductions may enable operators to "acquire customers early on with the state benefiting in the long run.").

204. AM. GAMING ASS'N, *supra* note 67; Aronson, *supra* note 103.

205. *See* Robert Linnehan, *New Jersey Bill Aims to Increase Both Sports Betting, iGaming Tax Rates*, SPORTS BETTING DIME (Apr. 15, 2024, 6:58 AM), <https://www.sportsbettingdime.com/news/betting/new-jersey-increasing-sports-betting-igaming-taxes/> [<https://perma.cc/M9NF-X2JV>] (stating that New Jersey has a 13% tax rate for sports betting, but still has "one of the most robust sports betting and iGaming markets in the country.").

206. *See id.* (providing New Jersey's tax rates for iGaming bets and regular online sports betting).

207. Aronson, *supra* note 103.

208. *Id.*

209. Justin Byers, *Sports Betting Alliance Contests Proposed Illinois Tax Rate Hike*, SBC AMERICAS (May 22, 2024), <https://sbcamericas.com/2024/05/22/sports-betting-alliance-illinois-tax/> [<https://perma.cc/9TBA-JLVZ>] (noting Illinois' tax increase for online betting).

210. *Id.*

211. Marese O'Hagan, *Ohio's Sports Betting Tax Rate Doubles to 20%*, iGAMINGBUS (July 4, 2023), <https://igamingbusiness.com/sports-betting/ohios-sports-betting-tax-rate-doubles-to-20> [<https://perma.cc/JDN3-3B5E>].

between generating state revenue and fostering a competitive, consumer-friendly market.²¹²

Domestically, the American Gaming Association estimates that Americans bet over \$510.9 billion annually with illegal and unregulated operators, significantly impacting legal gaming revenues and state tax collections.²¹³ This reveals a vast market for black market esports betting in unregulated states, underlining the potential benefits of regulating such activities to ensure consumer protection and fair play while recapturing lost tax revenue.²¹⁴

The creation of global entities like the ESIC to regulate esports betting has been a crucial step towards safeguarding consumer interests and combating match-fixing.²¹⁵ The ESIC enforces a comprehensive Anti-Corruption Code, actively investigates violations, and maintains a partnership with law enforcement to uphold the integrity of esports competitions.²¹⁶ However, the effectiveness of these regulatory measures is inherently limited by the fragmented nature of esports governance and the industry's reliance on self-regulation.²¹⁷

Looking outside the esports industry, historically, the domestic food industry's attempts at self-regulation highlight significant challenges, echoing similar failures in other sectors like tobacco.²¹⁸ While self-regulation can offer benefits, it often falls short when protecting the public interest against industry priorities, necessitating stronger government oversight to ensure consumer protection and ethical practices.²¹⁹ While current efforts by organizations such as ESIC provide a layer of protection against illicit activities, they may not represent the pinnacle of consumer protection and anti-match-fixing efficacy.²²⁰ The dynamic and rapidly evolving esports and betting ecosystem necessitates ongoing refinement of regulatory frameworks to fully address consumer protection and match-fixing concerns.²²¹ Enhanced cooperation between

212. See generally Mike Taylor, *Rolling the Dice: How Sports Betting Tax Revenue is Impacting States Across the US*, ATS (Aug. 14, 2024), <https://ats.io/sportsbooks/sports-betting-tax-revenue-is-impacting-states/> [<https://perma.cc/C2SY-M34F>].

213. *Sizing the Illegal and Unregulated Gaming Markets in the U.S.*, AM. GAMING ASS'N (2022), <https://www.americangaming.org/resources/sizing-the-illegal-and-unregulated-gaming-markets-in-the-u-s/> [<https://perma.cc/FS3H-YFW3>].

214. *Id.*

215. See generally John T. Holden et al., *The Future Is Now: Esports Policy Considerations and Potential Litigation*, 27 J. LEGAL ASPECTS SPORT 46, 67–68 (2017) (explaining why e-sports needs to make a “compelling case for sustainable self-regulation.”). See also *ESIC Gold Standard Regulation Principles*, ESIC, <https://esic.gg/esic-gold-standard-regulation-principles/> [<https://perma.cc/9KCZ-A24P>] (last visited Oct. 10, 2024) (outlining the ESIC's recommended practices for e-sports betting).

216. *Anti-Corruption Code*, ESIC, <https://esic.gg/codes/anti-corruption-code/> [<https://perma.cc/5JC9-JLHN>] (last visited Oct. 6, 2024).

217. Holden et al., *supra* note 215 at 67.

218. See Lisa L. Sharma et al., *The Food Industry and Self-Regulation: Standards to Promote Success and to Avoid Public Health Failures*, 100 AM. J. PUB. HEALTH 240, 244–45 (2010) (discussing the self-regulation of the tobacco industry and its failures).

219. *Id.* at 240. (“Self-regulatory pledges by the food industry are relatively new and may, as industry claims, benefit public health, or they may be self-serving and deceptive . . .”).

220. See generally NORTON ROSE FULBRIGHT, *infra* note 332 (describing various areas of potential legal liability from illicit e-sports activities).

221. *Id.*

regulatory bodies, law enforcement, and legislative initiatives is essential for bolstering these protections.²²²

Domestically, in addition to New Jersey and Nevada, eleven other states and the District of Columbia have legalized esports betting, each with specific regulations or interpretations by state gaming commissions.²²³ The regulatory landscape for esports betting across the United States varies significantly from state to state, reflecting differing legislative perspectives and objectives.²²⁴ Unlike New Jersey and Nevada, where esports betting regulations were among the first to be established, other states have adopted unique stances based on specific local criteria or legislative foresight.²²⁵

For instance, Arizona's SB 1797 broadly defined "sports event" to include esports, reflecting a proactive approach to encompass a variety of competitive activities.²²⁶ Colorado's introduction of its sports betting market also utilized a broad definition of "sports event," but specifically listed exclusions to clarify what constitutes a bettable event.²²⁷

Also, Colorado has a specific body, the Colorado Limited Gaming Control Commission, to regulate types of esports competitions and wagers.²²⁸ This five-member regulatory body is tasked with overarching governance of all forms of gaming, including esports.²²⁹ This broad and structured oversight ensures a comprehensive regulatory environment, emphasizing diversity in commissioner backgrounds to maintain balanced decision-making.²³⁰ Nevada, on the other hand, has pursued a more specialized and flexible regulatory approach, particularly evident in the formation of the Esports Technical Advisory Committee (ETAC) and the proposal of Senate Bill 165.²³¹

Nevada's efforts aim to streamline esports betting regulations and establish a dedicated commission for esports, drawing parallels to Nevada's successful regulation of mixed martial arts.²³² Such measures signify Nevada's intent to foster the esports sector, positioning itself as a leader in this fast-evolving

222. *Id.*

223. Kimble, *supra* note 187; *see also* Charlie Horner, *Nevada Gaming Commission Adopts New Esports Betting Rules*, SBC AMERICAS (Oct. 30, 2023), <https://sbcamericas.com/2023/10/30/nevada-commission-esports-betting/> [<https://perma.cc/25JN-RLAW>] ("The Nevada Gaming Commission has introduced new regulations for esports betting, making it easier for operators to offer wagering on video game events.")

224. *See* Horner, *supra* note 223 ("Nevada now joins five other states that specifically regulate esports betting . . . The other states that have specific regulations around esports betting are Illinois, Michigan, Mississippi, New York and Rhode Island.")

225. *See id.* ("The other states that have specific regulations around esports betting are Illinois, Michigan, Mississippi, New York, and Rhode Island.")

226. ARIZ. REV. STAT. §§ 5-1301 (2021) ("'E-sport' means an organized, multiplayer video game competition, particularly between professional players, individually or as teams.")

227. COLO. REV. STAT. § 44-30-1501 (2020) (defining what qualifies as a "sports event.")

228. Schnapp et al., *supra* note 13.

229. COLO. REV. STAT. § 44-30-401.

230. *Limited Gaming Control Commission*, COLO. DEPT. REV., <https://sbg.colorado.gov/limited-gaming-control-commission> [<https://perma.cc/C9TH-UM3J>] (last visited Oct. 5, 2024).

231. *See* Aronson, *supra* note 103 ("[T]he current draft of the bill calls for a three person commission which would promulgate regulations in areas such as integrity of competition, testing for controlled substances, qualifications for those hosting and participating tournaments, and approval of venues hosting competitions.")

232. Kyamil Nasuf, *Nevada Committee Finalized Esports Expansion Regulations*, GAMBLINGNEWS (Oct. 25, 2022), <https://www.gamblingnews.com/news/nevada-committee-finalized-esports-expansion-regulations/> [<https://perma.cc/S3PF-KV7J>]; Aronson, *supra* note 103.

entertainment domain.²³³ The contrast between Colorado’s adoption of a comprehensive approach and Nevada’s focus on flexibility and industry growth to capitalize on esports’ mainstream appeal underscores the dynamic nature of esports regulation.²³⁴

Other states like Connecticut are seen as early adopters of esports betting by explicitly including it within its legislative framework, indicating an understanding of esports’ growing popularity and its potential economic benefits.²³⁵ Louisiana and Maryland similarly adopted inclusive language, authorizing gambling on “competitive video game” events, signaling an acknowledgment of the sector’s significance to the sports betting industry.²³⁶

Further, innovators like New Jersey have amended its sports betting legislation to specifically expanding coverage to include “professional electronic sports and competitive video game events,” showing an intention to cater to the evolving interests of bettors and to support the growth of the esports industry.²³⁷

The variation in regulations across states like Tennessee, which explicitly named esports as a permissible activity, highlights a growing recognition of esports’ legitimacy as a competitive and bettable event.²³⁸ This diversity in regulatory approaches stems from each state’s unique legislative process, priorities, and the degree of recognition of esports’ potential within the broader sports and entertainment landscape.²³⁹

One of the main priorities for states is revenue generation.²⁴⁰ The draw of hosting major esports events and recognizing esports is not just about the glitz of being an early adopter; it translates into tangible economic benefits.²⁴¹ A prime case is Atlanta, which, under the endorsement of Georgia Gov. Brian P. Kemp, has emerged as a growing hub for esports.²⁴² Kemp’s proclamation of

233. *Id.* (“Esports has been gaining popularity throughout the world at a pace never seen before in its history, and Nevada has been trying to get ahead of it for some time now.”).

234. *See* Aronson, *supra* note 103 (“The proposed commission would be tasked with creating regulations overseeing esports competitions within the state. Such a move is the first of its kind in the US, and a major step as esports continues to move into the mainstream.”); *See* COLO. DEP’T REV., *supra* note 230 (“By statute, the Commission is responsible for promulgating all the rules and regulations governing limited gaming in Colorado, including the establishment of the gaming tax rate.”); *see also* Schnapp et al., *supra* note 13 (“Pursuant to Colorado HB 1327, the Colorado Limited Gaming Control Commission decides which esports competitions can be bet on and the type of wagers that can be made.”).

235. *See* 2021 Conn. Pub. Acts No. 21-23 (“sporting event means any . . . e-sports event.”).

236. *See* LA. REV. STAT. § 47:9001 (2021) (including “competitive video games” under the definition of “sports event” for purposes of regulating sports betting); MD. CODE ANN., COM. LAW § 12-114 (2019) (defining “eSports competition” and permitting organizations “conducting an eSports competition” to award players).

237. *See* N.J. STAT. ANN. § 5:12A-1-10 (2022) (excluding “electronic sports or competitive video game events” from being a “prohibited sports event”).

238. *See* TENN. CODE ANN. §§ 4-49-102 (2020) (“‘E-sport’” means any multiplayer video game played competitively for spectators, either in-person or via remote connection, in which success principally depends upon the superior knowledge, training, experience, and adroitness of the players.”).

239. *See* Bland, *supra* note 8, at 15–19 (outlining different states’ approaches to regulating e-sports gambling).

240. *See id.* at 10 (“[B]oosting the local economy and collecting immense tax revenues is arguably some governments’ biggest motivation for the emphasis on legalized online gambling.”).

241. *Id.*

242. Jack Dunn, *The Rise of Esports*, FED. RESERVE BANK OF ST. LOUIS (Aug. 24, 2022) <https://www.stlouisfed.org/open-vault/2022/aug/rise-of-esports-industry> [https://perma.cc/TAS2-EU5V].

Atlanta as the “esports capital of the nation” during the inauguration of DreamHack 2019, an event attracting 35,000 participants and spectators, underscores the city’s strategic embrace of esports.²⁴³ This sector has not only provided employment for approximately 12,000 Georgians but also injected an impressive \$500 million into the local economy.²⁴⁴ This example, alongside the “Six Major Raleigh” in North Carolina, which alone infused \$1.45 million into its local economy, showcases the substantial economic and social incentives that hosting and recognizing esports can bring to cities.²⁴⁵

States with a more profound understanding and familiarity with digital technologies might be more inclined to support and integrate esports into their economic strategies, recognizing its potential to attract investments and modernize their entertainment and sports sectors.²⁴⁶ This strategic embrace reflects a nuanced appreciation of esports’ role within the broader landscape of competitive events and its capacity to stimulate economic growth and technological advancement.²⁴⁷

These differences underscore the complexity of the regulatory environment for esports betting in the United States, driven by a combination of legislative foresight, economic considerations, and the evolving nature of esports as a mainstream form of entertainment.²⁴⁸ As the industry continues to grow, these regulations reflect an ongoing process of adaptation and refinement to accommodate the specific needs and concerns of each state while recognizing the potential of esports betting as a source of revenue and entertainment.²⁴⁹

While the regulatory steps taken by these states are commendable, they do not lack challenges.²⁵⁰ For example, New Jersey’s higher tax rate for online betting might deter some operators from entering the market, potentially limiting consumer choices.²⁵¹ This could inadvertently push some bettors towards unregulated, offshore platforms.²⁵² On the other hand, while Nevada’s advisory committee is a progressive step, the state must ensure it does not become merely a symbolic entity but actively shapes policies and regulations.²⁵³ The committee’s recommendation to shift from requiring individual event approval to a pre-approved event model simplifies the betting process, indicating a

243. *Id.*

244. *Id.*

245. Victor Frascarelli, *The Economic Spillover of the Esports Industry*, ESPORTS INSIDER (June 7, 2022), <https://esportsinsider.com/2022/06/economic-spillover-esports-industry-isfe> [<https://perma.cc/SM7C-BLPH>].

246. *See id.* (discussing the layered economic benefits localities and companies can reap through e-sports digital infrastructure).

247. *Id.*

248. *Id.*; Bland, *supra* note 8, at 12–13.

249. *Id.*

250. Bland, *supra* note 8, at 35; Harry Jackson, *Five Lessons From New Jersey’s Esports Gambling Experience*, FOX ROTHSCHILD (Oct. 27, 2021), <https://news.bloomberglaw.com/us-law-week/five-lessons-from-new-jerseys-esports-gambling-experience> [<https://perma.cc/9D39-H5GD>].

251. *See* Bland, *supra* note 8, at 33 (“[T]he current most prominent sports betting states enforce GGR tax rates anywhere between 6.75% – 51%.”).

252. *See id.* at 11, 33 (noting the existence of illegal offshore e-gambling in the U.S., which could be mitigated through favorable licensing and regulatory legislation).

253. Aronson, *supra* note 103.

proactive and pro-business approach to regulatory adaptation.²⁵⁴ This change is poised to bolster Nevada's esports betting market by streamlining operations for both operators and bettors.²⁵⁵

However, an underlying issue remains: the actual consumer demand for esports betting within the traditional sports betting framework.²⁵⁶ Despite the promising growth of the esports betting market, the inherent unpredictability and dynamic nature of esports create challenges in risk management.²⁵⁷ Unlike traditional sports, where extensive historical data allows for more accurate odds setting, the rapidly evolving landscape of esports can deter some operators from fully embracing this market.²⁵⁸ The lack of familiarity with esports among traditional sports betting operators further exacerbates this issue, leading to hesitance in adopting esports betting despite favorable regulations.²⁵⁹

While regulatory frameworks are crucial, they must be paired with efforts to educate and equip operators with the tools needed to manage risks effectively.²⁶⁰ Without this, regulatory advances could become moot if operators do not feel comfortable or adequately prepared to participate in the esports betting market.²⁶¹ Ongoing collaboration between regulators, betting operators, and esports organizations is essential to address these challenges²⁶² and ensure that the regulatory environment not only supports but actively encourages the sustainable growth of the esports betting industry.

B. *Consumer Safety in a Regulated Esports Betting Landscape*

1. *General Domestic Approach*

Approaches by states like New Jersey and Nevada paint a promising picture of the potential of regulated esports betting.²⁶³ At the heart of this evolution is the enhanced protection for consumers, a critical factor in the rapidly growing digital age.²⁶⁴ Esports betting platforms within a state-sanctioned framework are subject to rigorous checks, providing a secure

254. Devin O'Connor, *Nevada Sportsbooks Cleared to Offer Esports Odds Without Receiving Event Approval*, CASINO.ORG (Oct. 20, 2023, 7:57 AM), <https://www.casino.org/news/nevada-sportsbooks-cleared-to-offer-esports-odds/> [<https://perma.cc/4PL6-G9FH>].

255. *Id.*

256. *The Rise of eSports Betting: What You Need to Know*, TRYSPEED (July 10, 2024), <https://www.tryspeed.com/blog/the-rise-of-esports-betting-detail-guide/> [<https://perma.cc/8U5V-WAAJ>].

257. Malik Sanwal, *The Rise of eSports Betting: Opportunities and Challenges*, WHAT'S TRENDING (May 7, 2024, 1:37 PM), <https://whatstrending.com/the-rise-of-esports-betting-opportunities-and-challenges/> [<https://perma.cc/W9FD-KJGU>].

258. *Id.*

259. Erin-Marie Gallagher, *Bayes Esports: Challenges in Marketing Esports to the 'Traditional' Sports Bettor*, SBCNEWS (Apr. 21, 2022), <https://sbcnews.co.uk/features/2022/04/21/bayes-esports-challenges-in-marketing-esports-to-the-traditional-sports-bettor/> [<https://perma.cc/N3RA-LVCZ>].

260. *Id.*

261. Tom Mace, *Bridging the Regulatory Gap*, IAGR (Oct 4, 2024), <https://iagr.org/conference/bridging-the-regulatory-gap/> [<https://perma.cc/DLM7-M269>].

262. *Id.*

263. Kimble, *supra* note 187; Jackson, *supra* note 250.

264. Cory Aronovitz, *The Regulation of Commercial Gaming*, 5 CHAP. L. REV. 181,190 (2002).

environment for bettors.²⁶⁵ The checks referred to in the context of esports betting platforms encompass a comprehensive range of regulatory, legislative, and operational safeguards designed to ensure a secure and fair betting environment.²⁶⁶ This concept extends beyond merely requiring bipartisan state legislative support for the approval of new online vendors, involving a detailed regulatory framework that spans licensing, operational standards, and adherence to ethical and integrity standards.²⁶⁷

For example, in Connecticut, the regulations for sports betting and online gambling are extensive, touching upon everything from the licensing process to operational mandates, such as the obligatory placement of problem gambling resources signage adjacent to ATM machines at sports betting locations.²⁶⁸ This demonstrates the regulatory emphasis on both operational integrity and consumer protection.²⁶⁹

Similarly, in New Jersey, a rigorous approach is adopted, wherein licensing for esports betting is contingent upon fulfilling stringent criteria, ensuring operators adhere to high standards of integrity, financial stability, and operational security before being granted permission to operate.²⁷⁰ In the context of esports betting in New Jersey, operational security (OPSEC) goes beyond physical security measures like bodyguards at physical locations.²⁷¹ OPSEC is a comprehensive risk management process that aims to protect sensitive information from unauthorized access or theft.²⁷² This includes monitoring employee behaviors and social media habits, discouraging the sharing of login credentials, and implementing robust data protection measures.²⁷³ It encompasses five key steps: identifying sensitive data, identifying potential threats, analyzing vulnerabilities, appraising risk levels, and implementing countermeasures to mitigate risks.²⁷⁴ Best practices involve access restrictions, change management, and incident response planning.²⁷⁵

265. *Id.* at 205, 207.

266. *Id.*

267. *Id.*

268. Devin O'Connor, *Connecticut Sports Betting, iGaming Regulations Gain Legislative Approval*, CASINO.ORG (Sept. 1, 2021, 12:03 PM), <https://www.casino.org/news/connecticut-sports-betting-igaming-regulations-gain-legislative-approval/> [<https://perma.cc/F7JP-JFGT>].

269. *Id.*

270. *See generally* Birritteri, *supra* note 178 (discussing NJ's regulatory framework for online sports betting).

271. *What is Operational Security? The Five-Step Process, Best Practices, and More*, DIGITAL GUARDIAN, <https://www.digitalguardian.com/dskb/what-operational-security-five-step-process-best-practices-and-more> [<https://perma.cc/JBC8-8C4K>] (last visited Oct. 6, 2024). *See Division of Gaming Enforcement Highlights*, N.J. OFF. OF THE ATT'Y GEN., <https://www.njoag.gov/about/divisions-and-offices/division-of-gaming-enforcement-home/division-of-gaming-enforcement-highlights/> [<https://perma.cc/USN8-BLC6>] (last visited Oct. 7, 2024) (discussing online gaming cybersecurity including authentication and Responsible Gaming Best Practices).

272. *Id.*

273. *Id.*

274. *Id.*

275. *Id.*

2. *General International Approach*

Brazil's recent legislation on sports betting, including e-sports, highlights sports, highlight a global trend towards comprehensive regulatory frameworks.²⁷⁶ Brazilian law specifies a set of requirements for operators to secure authorization, focusing on corporate governance, match-fixing prevention, and the safeguarding of minors, among other aspects.²⁷⁷

Brazil's recent legislation includes a broad corporate governance framework that prioritizes transparency, integrity, and social responsibility.²⁷⁸ The Ministry of Finance's Ordinance No. 1,330/2023 specifies strict requirements for operators to secure authorization for fixed-odds sports betting, encompassing responsible gaming, advertising standards, anti-money laundering measures, and obligations towards shareholders and bettors.²⁷⁹

Operators must implement responsible gambling measures, such as daily time limits and loss limits, to protect bettors, especially minors; they are also subject to rigorous advertising regulations to prevent misleading claims and discourage irresponsible betting.²⁸⁰ They are also required to report any suspected money laundering activities to Brazil's Financial Activities Control Board (Coaf), highlighting the legislation's commitment to combating financial crimes.²⁸¹

The legislation ensures that sports betting licenses are highly personal, non-negotiable, and non-transferable, with a clear preference for companies incorporated and managed locally.²⁸² It outlines a detailed vetting process for operators, including the necessity of sufficient share capital, proven experience in gaming, and robust customer service and technical security standards.²⁸³

This underscores a commitment to fostering a competitive yet secure betting ecosystem, with a significant focus on supporting sports integrity and encouraging responsible gambling.²⁸⁴ This level of regulation is particularly vital for age verification, an increasingly challenging issue in an era of abundant digital access.²⁸⁵

276. Mark Knighton, *Brazilian Gambling Regulatory Framework: 2025 & Beyond*, IDVERSE (July 10, 2024), <https://idverse.com/brazilian-gambling-regulatory-framework-2025-beyond/> [<https://perma.cc/M9AD-Y3JY>].

277. Victor Galante et al., *The Corporate, Tax and Regulatory Aspects of Brazil's Sports Betting Law*, MAYER BROWN (Feb. 7, 2024), <https://www.mayerbrown.com/en/insights/publications/2024/02/the-corporate-tax-and-regulatory-aspects-of-brazils-esports-betting-law> [<https://perma.cc/XFM2-YMSU>].

278. *Id.*; *The Sports Betting Market in Brazil: A Tale of Promise and Disillusionment*, GAMBLING INSIDER (Sept. 12, 2024), <https://www.gamblinginsider.com/in-depth/26773/the-sports-betting-market-in-brazil-a-tale-of-promise-and-disillusionment> [<https://perma.cc/9GJF-HQ7L>].

279. *Brazil's Ministry of Finance Publishes Ordinance Regulating Sports Betting*, MATTOS FILHO (Nov. 1, 2023), <https://www.mattosfilho.com.br/en/unico/ordinance-regulating-sports-betting/> [<https://perma.cc/Y5DR-MYBK>]; Charlie Horner, *Brazil Finance Ministry Publishes Sports Betting Operator Requirements*, SBC AMERICAS, (Oct. 30, 2023), <https://sbcamericas.com/2023/10/30/brazil-sports-betting-requirements/> [<https://perma.cc/8VBJ-XZPF>].

280. Horner, *supra* note 279.

281. *Id.*

282. *Id.*

283. *Id.*

284. Sanwal, *supra* note 257; MATTOS FILHO, *supra* note 279.

285. Hing et al., *supra* note 11, at 2–3.

3. *Mental and Economic Consumer Impact*

The need to protect minors from gambling activities is more important than ever.²⁸⁶ A regulated environment achieves this by leveraging advanced technology and administrative checks to meticulously verify the age and identity of bettors.²⁸⁷ An example of such innovation is seen with GameScorekeeper, an esports betting provider.²⁸⁸ They have developed a comprehensive age verification system that covers over 95 percent of all CS:GO teams.²⁸⁹ This system enables operators to suspend bets involving teams with a majority of underage players.²⁹⁰ Similarly, the Betway Group employs the Player Age Service from GameScorekeeper to maintain responsible betting practices and ensure compliance with regulations concerning athletes' ages.²⁹¹

Beyond consumer protection, the legalization of esports betting in certain states has significant economic implications.²⁹² It naturally diminishes the appeal and operations of illegal betting dens.²⁹³ In contrast, in states where esports betting remains illegal, the absence of a regulated market inadvertently supports the use of unregulated, often offshore, illegal marketplaces.²⁹⁴

Many offshore sportsbooks operate in a legal gray area, existing outside regulated markets while targeting U.S.-based consumers.²⁹⁵ Examples of jurisdictions hosting such illegal online sportsbooks include Antigua, Costa Rica, Latvia, and Panama, known for their lax or non-existent laws on online gambling.²⁹⁶ These operations are illegal under U.S. law, particularly because they bypass U.S. regulatory standards and protections.²⁹⁷

Regulatory bodies in offshore jurisdictions, such as Curaçao, Costa Rica, and Panama, license gambling sites; however, the oversight and consumer protections they provide often fall short of those in regulated markets.²⁹⁸ This discrepancy raises concerns about payment processing, dispute resolution, and potential exposure to unfair practices for consumers.²⁹⁹

286. *Id.* at 3.

287. Tom Daniels, *GameScorekeeper Launches Esports Age Verification System*, INSIDER SPORT (Mar. 23, 2020), <https://insidersport.com/2020/03/23/gamescorekeeper-launches-esports-age-verification-system/> [<https://perma.cc/6JMS-WN45>].

288. *Id.*

289. *Id.*

290. *Id.*

291. *Id.*

292. Andy Uhler, *Tax Revenue vs. Temptation: Legalized Online Sports Betting Creates a Dilemma for Problem Gamblers*, MARKETPLACE (Sept. 6, 2022), <https://www.marketplace.org/2022/09/06/legalized-online-sports-betting-tax-revenue-vs-temptation-problem-gamblers/> [<https://perma.cc/T2NH-CBUE>].

293. *Id.*

294. *See Illegal Sports Betting: How Offshore Operators – and Those Who Support Them – Break U.S. Law*, AM. GAMING ASS'N, (May 31, 2022), <https://www.americangaming.org/illegal-sports-betting/> [<https://perma.cc/96YQ-G4VU>] (detailing the operations of illegal bookies in jurisdictions like Antigua, Costa Rica, Latvia, and Panama).

295. *Id.*

296. *Id.*

297. *Id.*

298. *See* Luke Thompson, *Is Offshore Gambling Illegal?*, GAMBLING NEWS, (Aug. 10, 2023), <https://www.gamblingnews.com/blog/is-offshore-gambling-illegal/> [<https://perma.cc/3ZZG-YYRR>] (discussing the regulatory environment in offshore jurisdictions and the implications for consumer protection).

299. *Id.*

This not only leads to a loss of potential tax revenue but also exposes bettors to the risks associated with these unregulated bookmakers.³⁰⁰ Illegal operations expose bettors to rigged games and unfair practices, with online platforms exacerbating addiction by making it easier for individuals to gamble without limits and in isolation.³⁰¹ The case involving Legendz Sports highlights the risks of illegal operations in defrauding bettors and outlines the legal consequences for the perpetrators.³⁰² In this case, 23 individuals and two companies were found guilty of several charges.³⁰³ These charges included racketeering conspiracy, the operation of an illegal gambling business, and money laundering conspiracy.³⁰⁴

Personal accounts highlight the devastating impact of gambling addiction, including stealing to fund addiction, lying to loved ones, financial ruin, and contemplating suicide as a way out of their situation, and underscore the importance of seeking help and support for gambling addiction.³⁰⁵ The hidden risks of online gambling, such as the use of “free bets” and the manipulation of odds, can lure individuals into gambling with real money, leading to a cycle of chasing losses and spiraling into debt.³⁰⁶ The combination of easy access to online gambling and the potential for impaired judgment due to substance use can lead to decisions with long-term negative consequences.³⁰⁷

Moreover, the easy accessibility of online betting in an unregulated or loosely regulated environment can exacerbate gambling addiction.³⁰⁸ This issue is compounded by the rise in compulsive gambling behaviors, particularly the phenomenon known as “chasing,” where individuals persistently gamble in an attempt to recover their losses.³⁰⁹ The immersive nature of online gambling platforms and the convenience they offer suggest a potentially higher risk of addictive behaviors compared to traditional forms of gambling.³¹⁰

Regulatory expectations play a crucial role in mitigating these risks.³¹¹ The rapid growth of the online gambling industry, particularly in sports betting has prompted increased scrutiny and regulatory efforts.³¹² For example, some

300. Uhler, *supra* note 292.

301. Julien Chopin et al., *Defining and Estimating the Illegal Gambling Market: A Scoping Review*, J. OF ECON. CRIMINOLOGY, May 22, 2024, at 5.

302. John Holden, *Breaking Down the Rise and Fall of Legendz Sportsbook, Part I*, LEGAL SPORTS REPORT (July 31, 2019), <https://www.legalsportsreport.com/32869/legendz-sportsbook-sports-betting/>.

303. *Id.*

304. *Id.*

305. Melanie Porter, *Top 10 Worst Gambling Addiction Stories*, GAMBLING NEWS (Mar. 25, 2021), <https://www.gamblingnews.com/blog/gambling-addiction-stories/> [<https://perma.cc/JVJ4-4HQY>].

306. *The Hidden Risks of Online Gambling*, ALGAMUS (Apr. 7, 2020), <https://www.algamus.org/blog/the-hidden-risks-of-online-gambling> [<https://perma.cc/4DP3-UXSU>].

307. *Id.*

308. *The Dangers of Online Gambling: Stay Informed*, ALGAMUS, <https://www.algamus.org/blog/the-dangers-of-online-gambling-stay-informed> [<https://perma.cc/DEQ3-K9QA>] (last visited Oct. 4, 2024).

309. Timothy W. Fong, *The Biopsychosocial Consequences of Pathological Gambling*, PSYCHIATRY (Mar. 2005).

310. Sally M. Gainsbury, *Online Gambling Addiction: The Relationship Between Internet Gambling and Disordered Gambling*, 2 NAT'L. CTR. FOR BIOTECHNOLOGY INFO. 185 (2015).

311. Virve Marionneau et al., *Gambling Harm Prevention and Harm Reduction in Online Environments: A Call for Action*, HARM REDUCTION J. (July 22, 2023).

312. *Id.*

countries, such as Sweden and the Netherlands, have introduced a ‘duty of care’ policy, focusing on monitoring player behaviors to prevent harm.³¹³ However, there is a growing consensus that such regulations must also address product characteristics that are inherently addictive, such as in-play betting and gaming-like features that enhance user engagement.³¹⁴

The expansion of online gambling following the legalization of sports betting in many U.S. states has been linked to a significant increase in the risk of gambling addiction, with studies suggesting a 30% rise in just three years.³¹⁵

Furthermore, the pervasive nature of online gambling raises public health concerns.³¹⁶ Gambling disorders are increasingly recognized as chronic mental health issues, comparable to substance abuse disorders.³¹⁷ The stigma associated with gambling addiction, along with its high suicide attempt rate—up to 20% among those with severe gambling problems—underscores the severe impact this addiction can have.³¹⁸ As access to online gambling grows, it becomes imperative that regulatory frameworks not only enforce strict guidelines for operators but also provide resources for prevention and treatment of gambling-related harm.³¹⁹

Thus, while direct statistical comparisons between online and traditional forms of gambling addiction may be complex, the characteristics of online gambling—such as its accessibility, anonymity, and the continuous nature of betting—likely contribute to a higher risk of addictive behaviors.³²⁰ Regulatory efforts must evolve to address these unique challenges, ensuring that the industry does not merely shift the responsibility of ‘responsible gambling’ onto consumers but also holds operators and products to a higher standard of safety.³²¹

Considering the substantial amounts of money involved, the relative infancy of the esports betting industry presents dangers of malpractices like match-fixing and fraud.³²² Without adequate regulation, the esports industry risks becoming mired in skepticism and scandal.³²³

States thus play a crucial role in combating the danger of match-fixing and fraud.³²⁴ By implementing and enforcing strict regulatory measures, they can

313. *Id.*

314. *Id.*

315. Erica Sweeney, *A Ticking Time Bomb’: Gambling Addiction Is at an All-Time High (and It’s About to Get Worse)*, MONEY (Feb. 9, 2023), <https://money.com/gambling-addiction-all-time-high/> [<https://perma.cc/X5J3-5BXQ>].

316. *Id.*

317. *Id.*

318. *Id.*

319. Marionneau et al., *supra* note 311.

320. Sweeney, *supra* note 315.

321. See generally Michela Ghelfi et al., *Online Gambling: A Systematic Review of Risk and Protective Factors in the Adult Population*, 40 J. OF GAMBLING STUD. 673 (2023) (discussing the need for targeted interventions for vulnerable groups in online gambling and suggests that existing preventive strategies can be adapted rather than creating new ones, emphasizing coordination among research, agencies, and institutions to support an unfavorable social culture towards gambling).

322. Gregory Lu, *E-sports Enforcement: How Criminal Sentencing Philosophy Can Stop E-sports Match-Fixing*, 59 Hous. L. Rev. 945, 950 (2022).

323. *Id.*

324. *Id.* at 964–65.

safeguard the integrity and credibility of esports.³²⁵ A structured legal environment ensures that all stakeholders, including players, teams, and betting platforms, operate with transparency and fairness.³²⁶ Substantial penalties are in place for those who deviate from these standards.³²⁷

The state penalties and costs associated with fraudulent activities in esports betting are not insignificant.³²⁸ They include financial repercussions from chargebacks³²⁹ and potential scheme fines, as well as the resource costs involved in investigating and challenging a high volume of these chargebacks.³³⁰ Consistently high rates of fraud could also jeopardize relationships with payment partners.³³¹

Furthermore, non-compliance with the evolving liability frameworks in different jurisdictions can lead to various legal and financial consequences.³³² These might include issues related to Anti-Money Laundering (AML) regulations and tax obligations on prizes.³³³

The violation of AML statutes and tax obligations on prizes can result in severe penalties, including both civil and criminal consequences, depending on the nature and severity of the offense.³³⁴ The Anti-Money Laundering Act of 2020, part of the National Defense Authorization Act, specifies that intentionally providing deceptive information to banks regarding the ownership or control of assets, or the source of funds in transactions involving entities of primary money laundering concern, may lead to up to 10 years' imprisonment and/or a \$1 million fine.³³⁵ This Act also increases penalties for repeat and egregious violators of the Bank Secrecy Act (BSA), introducing higher civil penalties and restrictions on serving on the boards of financial institutions.³³⁶

325. *Id.*

326. *Id.* at 966.

327. *Id.* at 965–68.

328. Warren Tristam, *The Role of Payments in Fighting Fraud in Esports Betting*, NUVEI, <https://nuvei.com/insights/articles/the-role-of-payments-in-fighting-fraud-in-esports-betting/> [https://perma.cc/SRD9-BEVC] (last visited Oct. 10, 2024).

329. Troy Segal, *What Is a Chargeback? Definition, How to Dispute, and Example*, INVESTOPEDIA, <https://www.investopedia.com/terms/c/chargeback.asp> [https://perma.cc/NBG5-SKX3] (last visited Feb. 12, 2024) (defining chargeback as “when the card issuer returns funds to the account due to a disputed charge.”).

330. Tristam, *supra* note 328.

331. *See id.* (explaining the necessity for robust fraud prevention strategies in esports betting, highlighting the sector’s vulnerability to fraudulent activities due to its rapid growth and the resultant 270% surge in suspicious betting activities from 2019 to 2020; underscoring the critical balance needed between fostering growth and ensuring security to maintain trust with payment partners).

332. *Money Laundering, Gambling in E-Sports M&A: Costs of Non-Compliance*, NORTON ROSE FULBRIGHT, <https://www.nortonrosefulbright.com/en-us/news/91df5d6c/the-lawyers-daily-money-laundering-gambling-in-e-sports-ma-costs-of-non-compliance> [https://perma.cc/2R6X-9S6Z] (last visited Oct. 2, 2024, 5:02 PM).

333. *Id.*

334. *See generally* *Key Components of US Anti-Money Laundering Law*, COOLEY (Jan. 31, 2023), <https://www.cooley.com/news/insight/2022/2022-12-31-key-components-of-us-anti-money-laundering-law> [https://perma.cc/JU2V-ZFXF] (describing how violations of anti-money laundering and tax laws on prizes lead to serious legal consequences based on the offense’s gravity).

335. *Id.*

336. *Id.*

Despite these regulatory risks, the esports industry has not yet experienced a significant decline in investment due to credibility issues.³³⁷ However, the integrity of the esports betting industry remains a major concern.³³⁸ Issues such as substandard gambling licenses and match-fixing controversies are prevalent.³³⁹ These business risks, while not directly deterring investors, could potentially influence their confidence and decision-making processes.³⁴⁰

The regulation of esports betting presents a multifaceted opportunity.³⁴¹ It provides enhanced consumer protection, diminishes illegal betting activities, and ensures the integrity of the industry.³⁴² While there are significant challenges to be addressed, particularly in maintaining the credibility of the industry and managing the risks associated with gambling addiction, the proactive approach of states like New Jersey and Nevada offers a template for other jurisdictions.³⁴³ As the industry continues to evolve, the role of stringent regulations and the development of innovative technologies will be pivotal in shaping the future of esports betting.³⁴⁴

C. Educational Foundation

The realm of esports betting, an increasingly prominent segment of the gaming industry, has undergone significant growth in recent years.³⁴⁵ This surge in popularity calls for the development of comprehensive educational programs, which are not only vital for promoting responsible betting habits and upholding the integrity of the industry but also for educating the broader public on the complexities and risks associated with gambling.³⁴⁶

337. *Trends and Threats in the Esports Betting Industry*, ESPORTS NEWS UK (Dec. 22, 2021), <https://esports-news.co.uk/2021/12/22/trends-and-threats-in-the-esports-betting-industry/> [<https://perma.cc/S3CL-6ZPE>].

338. *Id.*

339. *Id.*

340. *See id.* (“[s]ome say the industry needs to invest better in anti-fraud mechanisms and the likes, to ensure it can grow.”).

341. *Understanding Illegal betting is Key to Maintaining the Integrity of Sport*, WORLD LOTTERY ASS’N, <https://www.world-lotteries.org/insights/editorial/blog/understanding-illegal-betting-is-key-to-maintaining-the-integrity-of-sport> [<https://perma.cc/E6UA-V4CD>] (last visited Oct. 2, 2024). *See* Diane Taylor, *Esports Regulation: Legal and Ethical Considerations in the Industry*, THE HAVOK J. (June 10, 2024), <https://havokjournal.com/fitness/sports/esports-regulation-legal-and-ethical-considerations-in-the-industry/> [<https://perma.cc/4UWQ-BUGE>] (“[w]ith this rapid expansion comes the necessity for robust regulation to ensure fair play, protect stakeholders, and address the unique challenges posed by this digital domain.”); *see* ESPORTS NEWS UK, *supra* note 337 (discussing various ways in which e-sports betting could be utilized).

342. *Id.*

343. Jackson, *supra* note 250; *Esports Betting Regulations Move Forward in Nevada*, VIXIO (Oct. 25, 2022), <https://www.vixio.com/insights/gc-esports-betting-regulations-move-forward-nevada> [<https://perma.cc/U7M6-R5DV>].

344. *See generally* Bland, *supra* note 8, at 8 (discussing how present regulations will affect the future of sports betting).

345. *Supra* section II (explaining the connection between e-sports and gambling through *Murphy v. National Collegiate Athletic Assn.*).

346. *See* Dejan Zalik, *Competitive Esports Make the Grade as New Educational Programs Emerge*, ESPORTSBETS (Sept. 26, 2022), <https://www.esportsbets.com/news/esports-catching-on-in-schools/> [<https://perma.cc/J2JS-ZPDC>] (discussing the integration of e-sports into educational curriculums and the emergence of new training programs that blend gaming skills with academic learning, reflecting the growing recognition of e-sports in the educational sector).

The significance of educational programs in esports cannot be overstated.³⁴⁷ These initiatives are essential for equipping individuals, especially young gamers, bettors, and legislators, with the knowledge and skills needed to engage in esports betting responsibly.³⁴⁸ Education plays a critical role in mitigating the risks associated with gambling, such as addiction and financial loss, by fostering an understanding of the potential dangers and promoting ethical and fair play.³⁴⁹

Educational initiatives in esports betting should not be limited to awareness campaigns³⁵⁰ but should be embedded within the broader esports ecosystem. This approach would involve incorporating modules on gambling awareness and responsible betting within the existing educational programs, such as those at Garnes High School in Norway, which combines traditional academics with specialized esports training.³⁵¹ By integrating these topics into the curriculum students can develop a well-rounded understanding of both the gaming industry and the associated betting practices.³⁵²

In the United States, higher education institutions like Robert Morris University and the University of Pikeville have incorporated varsity esports programs into their athletic departments, there is a unique opportunity to introduce educational initiatives that address the nuances of esports betting.³⁵³ These programs could include courses on the ethical considerations of betting, the psychological effects of gambling, and the legal frameworks that govern the industry.³⁵⁴

Research has shown that participation in high school esports programs does not negatively impact students' health or psychological well-being.³⁵⁵ These programs often mirror the benefits of traditional sports, contributing to mental and physical wellness and fostering skills such as teamwork, strategic thinking, and problem-solving.³⁵⁶ Importantly, esports programs also contribute to building community among participants, enhancing their social skills by providing platforms for interaction, collaboration, and shared experiences.³⁵⁷ Utilizing this community, esports educational programs that incorporated

347. *See id.* (highlighting how some educational institutions believe that e-sports should be taken more seriously).

348. *See id.* (explaining how e-sports classes can help foster an understanding of game "mechanics, strategy, tactics, teamwork, and theories about the motivations of professional players and how teams work.").

349. *See id.* (illuminating how e-sports curriculum can be transferred to other activities).

350. *See* Ammar Shahid, *Educating the Public: Promoting Awareness & Responsible Behavior in Sports Betting*, BLEEDING FOOL (Feb. 5, 2024), <https://bleedingfool.com/technology/educating-the-public-promoting-awareness-responsible-behavior-in-sports-betting/> [<https://perma.cc/Y27L-F2R8>] (explaining that raising awareness is currently a major part in educating safe habits for e-sports betting).

351. *Id.*

352. *Id.*

353. *Id.*

354. *Id.*

355. *See* Michael G. Trotter et. al, *Examining the Impact of School Esports Program Participation on Student Health and Psychological Development*, 12 FRONT. PSYCHOL. 1, 1 (2022) (analyzing how involvement in school e-sports programs influences students' physical health and mental growth, with a focus on psychological aspects and overall well-being).

356. *Id.* at 6–8.

357. *See id.* (describing a study which suggested that e-sports gaming was associated with social health benefits).

discussions on responsible gambling, which can help mitigate the social harms associated with gambling, such as addiction and financial distress, by encouraging informed decision-making among participants.³⁵⁸

Moreover, the integration of educational resources focused on esports betting can contribute to building a more informed community.³⁵⁹ A study in Wood County, Ohio, revealed a concerning correlation between esports betting and problem gambling, problematic video gaming, and externalizing behaviors among adolescents.³⁶⁰ This finding underscores the urgent need for regulatory bodies to ensure that esports betting operators adhere to best practices, particularly when it comes to underage individuals.³⁶¹

While detailed case studies focusing on esports education and betting are scarce, the expansion of esports programs in colleges and universities provides a valuable area for analysis.³⁶² Since 2014, over 175 higher education institutions have initiated varsity esports programs, facing challenges such as organizational structure, resource management, and financial support.³⁶³

These institutions must consider several factors when implementing esports programs.³⁶⁴ These include determining student eligibility, devising recruitment and marketing strategies, selecting competitive games, and integrating esports with STEM education to maximize its educational value.³⁶⁵ Nevertheless, issues like gender disparities, gaming addiction, and intellectual property concerns pose challenges that need addressing.³⁶⁶

The integration of esports into academia signals the potential for growth and innovation, demanding constant reevaluation and adjustment of educational tactics to match the sector's rapid evolution.³⁶⁷ Educational bodies face the task of leveraging esports' advantages while mitigating any adverse impacts, ensuring an appropriate blend of developing programs and traditional academic

358. Sarah Marko et al., *Gamblers' Perceptions of Responsibility for Gambling Harm: A Critical Qualitative Inquiry*, 22 BMC PUB. HEALTH 1, 9–10 (2022); Alyssa Froehling, *Using Video Games to Foster Financial Literacy*, FILAMENT GAMES, (Nov. 22, 2023) <https://www.filamentgames.com/blog/using-video-games-to-foster-financial-literacy/> [<https://perma.cc/R9ZQ-CB96>] (explaining how in game economies and forced decision-making can effectively develop children's financial literacy).

359. See Marchica Loredana et al., *Between Two Worlds: Exploring Esports Betting in Relation to Problem Gambling, Gaming, and Mental Health Problems*, 10 J. BEHAV. ADDICT. 447, 448 (2021) (examining the complex relationship between esports betting and its potential impact on mental health issues, including problem gambling and gaming disorders).

360. *Id.* at 449, 451.

361. *Id.* at 452.

362. See Karissa Tirinzoni & Ryan Berezansky, *Esports in Higher Education: Key Considerations for Starting a Program at Your College or University*, BAKERTILLY (May 9, 2021), <https://www.bakertilly.com/insights/esports-in-higher-education-key-considerations> [<https://perma.cc/2CGQ-ARML>] (examining the strategic and logistical factors involved in launching and managing collegiate e-sports programs, including student recruitment, game selection, and integration with educational goals).

363. *Id.*

364. *Id.*

365. *Id.*

366. *Id.*

367. See Zalik, *supra* note 346 (discussing the integration of e-sports into educational curriculums and the emergence of new training programs that blend gaming skills with academic learning, reflecting the growing recognition of e-sports in the educational sector).

values within the educational framework.³⁶⁸ Institutions must balance the benefits of esports programs with the need to address potential negative outcomes.³⁶⁹

The imperative of integrating educational initiatives within the growing esports betting landscape cannot be overstated. These educational programs are not merely supplemental but foundational in sculpting a culture of responsible betting behavior, ensuring the sector's integrity remains clear as it matures.³⁷⁰ They serve as a critical infrastructure for disseminating comprehensive knowledge about the nuances of esports and the intricacies of betting within this field.³⁷¹ Crucially, these programs extend their utility beyond the immediate community of participants to encompass legislators, educating them on the industry's significant potential to contribute to tax revenues and drive social betterment through robust consumer protections.³⁷² Such a holistic educational approach³⁷³ promises to safeguard participants and foster an environment where regulatory frameworks are informed, balanced, and conducive to the industry's sustainable growth and its affirmative impact on society.

VI. RECOMMENDATION

The regulation of esports betting presents a unique opportunity for states to pursue a broader vision beyond merely setting guidelines and collecting revenue.³⁷⁴ By reinvesting a portion of the revenue generated from regulated esports betting back into the esports ecosystem, states can foster a safer, more responsible gaming environment that benefits both the industry and its participants. This reinvestment can take many forms, such as funding educational campaigns that raise awareness about gambling addiction or

368. See *id.* (displaying Games High School in Norway choosing to blend e-sports classes with traditional methods by offering exams and grades).

369. Hillary Pettegrew, *Esports in Higher Education: Prepare Your Institution*, UNITED EDUCATORS (June 2021), <https://www.ue.org/risk-management/athletics/esports-in-higher-education-prepare-your-institution/> [https://perma.cc/L98C-FLF5]. See Loredana et al., *supra* note 359 at 452 (“[r]egulators must be vigilant to ensure codes of best practice are applied to esports”); see also Tirinzoni & Berezansky, *supra* note 362 (discussing the important considerations when forming an e-sports team at a higher learning institution).

370. Erik Gibbs, *ROGA Launches National Responsible Gaming Education Program for College Students*, CASINO REPORTS, <https://www.casinoreports.com/roga-responsible-gaming-program-college-students/> [https://perma.cc/ELV3-CT4S] (last updated Sept. 10, 2024). See Zalik, *supra* note 346 (stating that e-sports curriculum builds foundational and applicable skills including the ability to cooperate and communicate).

371. Gibbs, *supra* note 370. See Trotter, *supra* note 355 (describing a study which suggests that playing video games under pedagogical supervision can identify early signs of unhealthy gaming issues).

372. Gibbs, *supra* note 370. See Justin M. Jacobson and Jason Feingertz, *Esports Tax Law: A Look at Tax Considerations for Professional Gamers*, THE JACOBSON FIRM (Nov. 16, 2017), <https://thejacobsonfirm.com/esports-tax-law-look-tax-considerations-professional-gamers/> [https://perma.cc/T64N-SCLS] (outlining the several tax implications applicable to professional gamers).

373. Gibbs, *supra* note 370. See Zalik, *supra* note 346 (highlighting the formal inclusion of e-sports into the educational curriculums in several institutions globally).

374. David B. Hoppe, *Timeout! States Struggle to Provide an Effective Framework for Esports Regulation*, MONDAQ (Mar. 18, 2022), <https://www.mondaq.com/unitedstates/gaming/1173692/timeout-states-struggle-to-provide-an-effective-framework-for-esports-regulation> [https://perma.cc/JVM8-VFJ9]. See Charis Georgiades, *The Regulatory Landscape of Esports*, SFLA (June 30, 2021), <https://moneysmartathlete.com/esports/the-regulatory-landscape-of-esports/> [https://perma.cc/DQ2C-YS2A] (discussing how the regulation of e-sports can tackle issues such as match-fixing, gambling, and doping).

supporting technological advancements that enhance the integrity of esports competitions.

The esports industry has already made significant strides in leveraging technology to support fairness and integrity in competitive gaming.³⁷⁵ For example, companies like Anybrain are at the forefront of combating cheating through AI-driven analysis of behavioral biometrics, detecting bots and other unfair practices with remarkable accuracy.³⁷⁶ By supporting these technological innovations, states can further ensure that regulated esports betting is conducted in a fair and transparent environment, reducing the likelihood of fraud and enhancing consumer confidence.³⁷⁷

Moreover, states could adopt a comprehensive approach to esports regulation that integrates best practices from global examples.³⁷⁸ For instance, establishing organizations similar to the Esports Integrity Commission (ESIC) could help monitor and enforce standards of fairness and integrity in esports, directly impacting the reliability and legitimacy of esports betting.³⁷⁹ Similarly, implementing a licensing system for professional e-athletes, as seen in South Korea,³⁸⁰ would not only professionalize the industry but also establish clear standards for participation, which would indirectly support the integrity of esports betting by ensuring that only qualified and ethical players are involved in competitions.³⁸¹

In addition to these measures, states should establish a national esports educational body designed to prepare younger generations for responsible engagement with esports and esports betting. By incorporating esports training and education into the academic curriculum, this initiative could equip students with the knowledge and skills needed to navigate the complexities of esports responsibly, including an understanding of the risks associated with gambling.³⁸²

375. Hoppe, *supra* note 374. See *How AI is Eliminating Cheaters in Gaming*, MEDIUM (Mar. 19, 2022), <https://medium.com/@Alphapack24/how-ai-is-eliminating-cheaters-in-gaming-da706146f7bf> [<https://perma.cc/7MN8-V8WQ>] (exploring how AI technology is utilized for eliminating in-game cheaters).

376. Dom Sacco, *This Company Is Using AI to Track Players' Inputs and Detect Bots, Boosters, Cheaters and Smurfs in Games Like Valorant, Aims to Go Beyond Traditional Anti-Cheat Setups Like Riot Vanguard*, ESPORTS NEWS UK (Mar. 2, 2022), <https://esports-news.co.uk/2022/03/02/ai-tech-detect-bots-boosters-cheaters-smurfs-valorant-anybrain> [<https://perma.cc/AQD7-F4WH>].

377. See *id.* (discussing how cheater-detecting tools ensure that esports players feel safer on the platforms).

378. *Navigating Esports Regulations in a Global Industry*, JUS CORPUS L. J. (Oct. 3, 2023), <https://www.juscorpus.com/navigating-esports-regulations-in-a-global-industry/> [<https://perma.cc/366L-UBWL>]. See generally ESIC, *infra* note 379 (describing the Esports Integrity Commission, an association created to deter match fixing and betting fraud within esports).

379. See generally *Esports Integrity Commission*, ESIC, <https://esic.gg/> [<https://perma.cc/JXX8-UWCK>] (last visited Oct. 11, 2024) (“ESIC takes responsibility for the disruption, prevention, investigation and prosecution of all forms of cheating and malpractice, including, but not limited to, match manipulation and doping with the overarching objective of protecting youth, promoting industry professionalism, commerciality and the safeguarding of competitive integrity.”).

380. See Georgiades, *supra* note 374 (detailing South Korea’s esports regulatory structure which is responsible for licensing and regulating professional players); See generally *Esports Around the World: South Korea*, ESPORTS INSIDER (July 25, 2023), <https://esportsinsider.com/2023/07/esports-around-the-world-south-korea> [<https://perma.cc/2VCS-MFPF>] (explaining the guidelines of betting in South Korea).

381. See Taylor, *supra* note 341 (stating integrity issues, such as match-fixing, as an area of immediate regulatory concern).

382. *The Surprising Educational Benefits of Esports*, USAEL (June 6, 2024), <https://www.usacademicsports.com/post/the-educational-benefits-of-esports> [<https://perma.cc/QD54-MHPN>].

This approach would help create a generation of informed and ethical gamers and bettors, thereby supporting the long-term sustainability and growth of both the esports industry and the regulated betting market.³⁸³

By pursuing a broader vision that reinvests esports betting revenue into the esports ecosystem, states can create an ethical cycle that not only enhances the integrity of esports competitions but also promotes responsible betting practices. This comprehensive approach ensures that the growth of the esports industry is not only rapid but also sustainable and responsible, benefiting all stakeholders.

V. CONCLUSION

The rapid growth of esports betting offers both economic potential and ethical challenges, particularly given its appeal to younger audiences.³⁸⁴ States must adopt a regulatory framework that goes beyond mere taxation, focusing on consumer protection, industry integrity, and responsible gaming.³⁸⁵ By reinvesting betting revenues into the esports ecosystem—supporting technological innovation, enhancing transparency, and integrating gambling awareness into education—states can ensure the sustainable and ethical growth of the industry. This approach will create a balanced environment that benefits all stakeholders while fostering an industry rooted in fairness and informed participation. Moreover, such a framework will help mitigate the risks of gambling addiction and unethical practices like match-fixing.³⁸⁶ Ultimately, this vision supports the long-term viability of esports as both an entertainment and economic force.

See Trotter et al., *supra* note 355 (suggesting that playing video games under pedagogical supervision can identify early signs of unhealthy gaming issues, which may include betting).

383. *Id.* See also Froehling, *supra* note 358 (stating that “implicit mechanics found in gameplay can instill fundamental financial principles.”).

384. See Paul Cullen, *Rise of Esports Betting: How Esports Became a Multi-Billion Dollar Business*, TECHOPEDIA (Sept. 10, 2024), <https://www.techopedia.com/gambling/blog/rise-of-esports-betting> [<https://perma.cc/7K9N-JD4C>] (detailing the rise of e-sports and the alarming presence of children in its gambling content). See generally Bland, *supra* note 8, at 9 (discussing the growth of e-sports betting).

385. Hoppe, *supra* note 374. See Georgiades, *supra* note 374 (discussing how the regulation of e-sports can tackle issues such as match-fixing, gambling, and doping). See also Loredana et al., *supra* note 359, at 452 (“[r]egulators must be vigilant to ensure codes of best practice are applied to esports . . .”).

386. Leonid Shmatenko, *Tackling Esports Match-Fixing: A Legal Perspective*, E-SPORTS LEGAL NEWS (Dec. 2, 2023), <https://esportslegal.news/2023/12/02/tackling-esports-match-fixing-a-legal-perspective/> [<https://perma.cc/9UDV-4KQH>]; Georgiades, *supra* note 374.