**APrIGF Seoul 2013**

**Workshop Summary Reports**

**Workshop Title: Trade Issues Arising from the 2012 ‘Kompu Gacha’ Ban of Monetization of Virtual Goods**

[**http://2013.rigf.asia/workshop-proposal-8/**](http://2013.rigf.asia/workshop-proposal-8/)

Date: 09/05/13

Time: 16:30-18:00

Track: Access

Moderator: Adam Peake, GLOCOM, International University of Japan
Panelist

: Jae Yeon Kim, Author, Digital Activist, and Researcher
Kim, Jong Il, NHN Entertainment
Jay Yoon, Seoul Northern District Court; Creative Commons Korea Association
Kyung-kon Ko, KT
Pindar Wong, VeriFi Limited Hong Kong

Jae Yeon Kim began by saying the online gaming industry has played an important role in the growth of the Internet and commerce in general, and he briefly outlined the virtual economy and why mobile gaming has been such a successful market. There have been negative aspects, such as gaming addiction and difficult areas to tackle, such as gambling regulation.

He then went on to explain the Kompu Gacha controversy in brief, asking if there be a compromise on virtual sovereignty among stakeholders and adding that the users should be given priority. The reality is that item trading is legal in Korea, but illegal in many Terms of Use of game developers. The discrepancy causes instability in the virtual economy.

Jay Yeon gave a legal perspective on the matter of partial monetization, or Real Money Trade on in-game items, saying it’s a difficult set of issues, including addiction, gambling regulation, virtual crime, and the nature of trade – the most ambiguous of all of them. There are gambling regulations in place, including the banning of exchanging “game money” for real money. RMT in gaming poses the question of virtual goods and how to place value on them, which is a potential stability issue. Jay remarked that banning these services in to some extent is a common approach. He noted people are sensitive to the effects of online gaming, and there is a need for some sort of control mechanism, but not a ban, admitting it’s a tricky area because it affects companies’ business models.

Jong Il Kim talked further about the legality of these transactions, opening with a figure: 20 billion USD is now traded online, giving rise to large corporate intermediaries. He expressed concerns about the trend of gaming regulation in Korea, having followed the parallel developments in China and Japan, because the regulations penalize users.

He gave an overview of the structure of game money transaction, giving advantages and disadvantages. The regulations against monetary transactions for online games exist in Korea, Japan, and China. He argued a society that is conducive to “free transaction” should have as few regulations on transactions where they aren’t necessary, especially those based on social and ethical issues. He argues there are more constructive ways to tackle these issues, without excessive regulations that penalize users, such as the Notice and Take Down alternative scheme he offered.

Kyung-kon Ko’s perspective, as a representative of a telecom, was that these issues are business model challenges. In the past, voice call was the main revenue, but that has changed. He said KT Capex has increased after some stagnation, due to investing in increased bandwidth for online services. He noted that virtual goods do not have national boundaries, so this area of trade should be discussed on an international level as well as national. KT is proposing joint ventures with telecoms in other countries to provide distribution platforms for virtual goods and social applications.

A question was posed from the audience: as the intermediary can be sued for infringement, in this instance, how would the NTD mechanism function without citing a right that has been violated? What is the liability here? Jong Il answered that the image of game companies can be tainted, and the trading activity liabilities do fall on them and not the users conducting the activities, which can be an incentive for them to mitigate risk. Jay replied there is no incentive for the user to take any notice, but Jong Il noticed there could be incentives built in.

When Pindar joined remotely, his question for the panel was, what is the future of Internet intangibles trading? He said if there is a virtual good, establishing markets is a way forward, noting that this controversy has been interesting because it exhibits the classical problems in Internet governance. One way to address the complexity is to see what will happen with an established market. For example, Hong Kong is open. Questions he posed for the panel and audience: do the users own property, and how do you determine price? The HK government provides a framework for a level playing field and the providers can have their own approaches. He sees that HK will be come a net IP exporter and the role is to facilitate the common law.