



Valve Corporation

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October 17, 2016

Mr. David E. Trujillo  
Director  
Washington State Gambling Commission  
Via email

Dear Mr. Trujillo:

This letter responds to your letter dated September 27, 2016 and follows up on our conversations with the Commission over the last eighteen months, most recently our conference call on October 3, regarding online gambling on third party sites with Counter-Strike: Global Offensive (CS:GO) skins. As we have explained on multiple occasions, Valve is not engaged in gambling or the promotion of gambling, and we do not “facilitate” gambling. The operation of Steam and CS:GO is lawful under Washington law. We were surprised and disappointed that the Commission chose to publicly accuse Valve of illegal activity and threaten our employees with criminal charges. There is no factual or legal support for these accusations. Notwithstanding, as you know Valve has taken its own steps to discourage skins gambling on third party websites. We are open to further cooperation with the Commission.

#### VALVE, STEAM, CS:GO, AND SKINS GAMBLING

Valve is a Washington company founded in 1996 with approximately 360 employees located in Bellevue, Washington. Valve also develops and operates Steam, a worldwide game-focused platform on the internet for personal computers (PCs), which is open and accessible to users and developers of games. Through Steam we sell games and provide services to PC game makers to help operate or add features for their games. Valve splits revenue with third party game makers for games and items sold on Steam, but Valve provides the other services for free, including delivery of games updates, chat, friends lists, community message boards, user authentication, and exchange of in-game items. In addition to selling and supporting more than ten thousand third party games, Valve also operates its own games, including CS:GO. The “skins” referred to in your letter are in-game digital items within CS:GO.

Outside of Steam and, we believe, outside of the United States, certain websites offer gambling propositions. Valve has no business relationship with such gambling sites, and indeed they can come into existence, operate, and go out of existence without Valve’s knowledge. Such websites may accept trades of CS:GO skins (among other things) as wagers from other users, and settle winnings with further trades of CS:GO skins. The gambling propositions may be bets on the outcome of professional CS:GO matches, or they may be other games of chances, such as lotteries. Valve does not promote or encourage Steam customers to use such gambling sites. Valve does not receive revenue from these sites.

Your letter demands that Valve “stop facilitating the use of ‘skins’ for gambling activities through its Steam Platform.” In-game items, such as virtual weapons, music packs, or decorative stickers, are common features in computer games. CS:GO customers can purchase skins, or receive them as random drops during game play. They are part of the game.

There are two Steam services that skins gambling sites appear to use. First is the exchange of skins. Steam allows exchange of various virtual items on Steam, by Steam users for the entertainment of Steam customers. They can take items that they have purchased or acquired via gameplay and trade them with Steam users for other items that they may enjoy more, or sell them for Steam Wallet funds to spend on other Steam purchases. Valve enables the exchange of skins on Steam in one of two ways: through the Steam Marketplace where Steam customers offer Steam Wallet funds to purchase a skin from other customers, or through Steam trading where a Steam customer makes an offer of trade for in-game items directly to another Steam customer. Valve makes receives a small transaction fee in Steam Wallet funds for Marketplace transactions, but Valve does not receive any compensation for trading. Importantly, Valve does not allow Steam customers to cash out skins or Steam Wallet fund for real world money. Valve does not charge any fees for user to user trades of skins.

Second is authentication of Steam users. Steam offers authentication using an open internet standard known as OpenID. OpenID allows a Steam customer to identify himself on a third party website by association with his Steam account, without having to give his Steam credentials to the third party site. OpenID services are ubiquitous on the internet, as many other internet services, such as Google and Facebook, offer OpenID for their customers as well.

None of these activities are illegal in Washington or any other jurisdiction, and we do not believe the Commission contends to the contrary.

#### WHAT VALVE HAS DONE AND CAN DO

The Commission’s letter publicly threatens Valve with criminal prosecution for gambling on third party sites. We do not understand the legal or factual reasoning supporting this position, from the Commission’s letter or from our conversations with the Commission. We are also unsure of how you propose we do this. If there is a specific criminal statute or regulation you believe Valve is violating, please provide a citation. We are not aware of any such law that Steam or our games are violating.

The Commissions main argument seemed to be “Valve could stop this, so it should.” We do not want to turn off the Steam services, described above, that skin gambling sites have taken advantage of. In-game items, Steam trading, and OpenID have substantial benefits for Steam customers and Steam game-making partners. We do not believe it is the Commission’s intention, nor is it within the Commission’s authority, to turn off lawful commercial and communication services that are not directed to gambling in Washington.

Steam does, however, provide warnings to customers about using Steam trading and OpenID. Furthermore, Valve has taken action itself against skins gambling. As the Commission knows, in July 2016, Valve announced its intent to disable the Steam accounts of skins gambling sites for breach of Steam user agreements. <http://store.steampowered.com/news/22883/>. We followed this announcement with cease and desist letters of our own to over forty skins gambling sites that we were able to identify, and we shut down the Steam accounts of these sites. However, we do not know all the

skins gambling sites that may exist or may be newly created, and we are not always able to identify the “bot” accounts that particular skins gambling sites may use to try to effectuate Steam trades. Cleverly designed bots can be indistinguishable from real users performing legitimate trades and their methods and techniques are constantly evolving. A bot account that is blocked can easily be recreated with a new identity almost immediately.

Valve can enforce its user agreements against the Steam accounts of skins gambling sites, where we can identify the site and identify the corresponding account. In fact, we would be happy to cooperate with the Commission, if it is able to identify more skins gambling sites that are illegal in Washington and the Steam accounts through which operate. We welcome the chance for further communication with the Commission, if it would like to clarify the legal allegations against Valve, or alternatively to work with Valve to identify offending Steam accounts of gambling sites.

Sincerely,

A handwritten signature in blue ink, appearing to read 'L. Lavery', with a long horizontal flourish extending to the right.

Liam Lavery  
Legal Counsel  
Valve Corporation