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Esports and the Law ESL

News, case summaries, articles, and strategies concerning esports and the law

Pokémon, Palworld, and Patent Overreach: Lessons for Game Developers

By Katelyn Kohler

For decades, game developers could rely on broad patent protection for gameplay mechanics, but that era may be ending.[1] The U.S. Patent and Trademark Office (USPTO) is actively scrutinizing video game systems, with the Director personally intervening to challenge specific gameplay in the *Pokémon* series.[2] Nintendo Co., Ltd., The Pokémon Company, and indie developer Pocketpair now find themselves at the center of a global dispute that is shining a light on video game patents.[3] In Japan, Nintendo's lawsuit against Pocketpair's Palworld has seen a rejection of its 'monster capturing' patent. While in the U.S., the USPTO has initiated re-examination of Nintendo's auto-battle patent.[4]

Litigation Background

On September 18, 2024, The Pokémon Company and Nintendo Co. Ltd. filed suit in the Tokyo District Court against Pocketpair, the game developer behind Palworld, alleging patent infringement.[5] Nintendo's Japanese patents at issue cover two

Lawsuit After The International Turmoil: Gaimin Gladiators Sues Former Dota 2 Roster for CA$7.5 Million

By Jeffrey Levine, JD, PhD – Associate Clinical Professor, Department of Sport Business Esport Business Program Lead, Drexel University

Introduction and Why This Esports Lawsuit Matters

Gaimin Gladiators filed a CA$7.5 million (US$5.4 million) lawsuit against four members of its former championship Dota 2 roster (Lewis, 2025). The suit, filed in early October 2025 in an Ontario court, may serve as an industry test case for how far esports organizations can go to enforce player contracts and protect its interests. Beyond the courtroom, the case raises pressing questions about player rights, contract enforcement, and the fragile trust between teams and players in professional gaming.

From The International Invite to Courtroom Battle

The dispute traces back to The International 2025 (TI), Dota 2's most prestigious tournament. Gaimin Gladiators had earned a coveted direct invite after a strong season, positioning them as a title contender. But just two weeks before the event, on August 23, the organization abruptly withdrew its team. Valve, TI's organizer, announced the withdrawal and, after speaking with the players, stated that "they were unable to come to an agreement with their organization that would allow them to participate (Fudge, 2025,

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Editor's Note

Gotta Catch 'Em All – the 'Compelling' Dispute Between Pokémon and Palworld

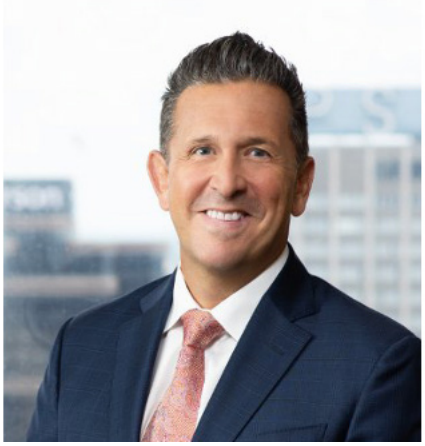
The dispute between *Pokémon* and *Palworld* has again drawn into sharp focus the issue of patents on video game gameplay mechanics. Those in favor of such patents argue that they are an important part of innovation and idea protection. Those against say that patents on video games stifle creativity, and ultimately new game development. Wherever you fall on the spectrum, you have to be glued to your screen every time news of this dispute takes another turn. Most recently, the Director of the U.S. Patent & Trademark Office ordered an *ex parte* reexamination of one of Nintendo's 'summon and battle' Pokémon patents. No Director has done this for any patent in the last 13 years. The fact that it is a video game patent makes it all the more compelling.

Patents on video game mechanics are nothing new. One of the very first projects I worked on as a young Patent Agent was a patent dispute between Sega and Sony over patents on gameplay for the game *PaRappa The Rapper* (1997). For those that are too young to remember, *PaRappa* was one of the first 'rhythm' games, paving the way for the likes of *Guitar Hero* and *Just Dance*. The objective of the game was to press buttons on the original PlayStation controller in a specific order, and with a specific timing, to get the lead character to rap. Synchronized button pressing was a new thing in the 90s, and one could argue that having patents on this mechanic gave Sony a foothold in a key development area. Others would argue those patents prevented other developers from creating entirely different games that utilized a 'rhythm' gaming approach. Later in my career I was involved in another major patent case in the video game industry (*McRo v. Bandai Namco*), this time involving patents allegedly covering the mechanic through which game developers make on-screen characters' mouths move in synch with an audio track. Again, maybe you think a patent like that should have been granted, and maybe you don't. Either way, these court decisions are part of the fabric of the industry, and game development.

In this issue, we take a closer look at the *Pokémon/Palworld* dispute along with lots of other interesting industry issues like player contracts (Gaimin Gladiators lawsuit), and the privatization of Electronic Arts. We also preview an excerpt from the forthcoming second edition of the Esports Business Management, and talk with Professor Sam Schelfhout of Sacred Heart University about his history in esports, and thoughts for the future. Finally, we look at a recent study about whether video games can improve people's lives (I know they can).

Enjoy the holidays with your families, and as always, Excelsior!

Darius C. Gambino, Editor-In Chief.



Sacred Heart Professor Shares Perspective About Esports and Trends He's Following

Sam Schelfhout, an assistant professor of sport management and director of Club Esports at Sacred Heart University, specializes in the intersection of competitive gaming, organizational strategy and student development.

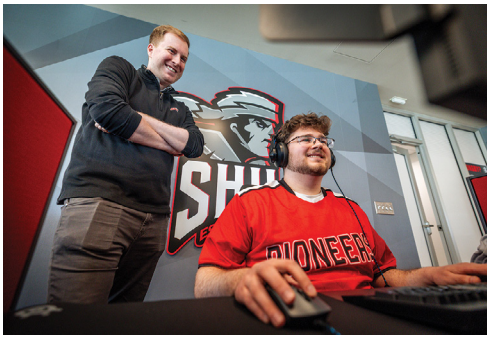
His work focuses on esports program leadership, industry partnerships and preparing students for emerging careers in digital and traditional sports environments.

To learn more about his perspective, we reached out to Professor Schelfhout for the following interview.

Question: At what age, and how, did you begin interacting with esports?

Answer: I first learned about esports during my undergraduate years at the University of Portland. In 2013, I had a few roommates who played Dota 2 and League of Legends, but I never expressed interest in either of those (or esports in general) at the time. I was the type of person who skeptically opined, "Why would anyone want to watch video games when they can just play them?" This shortsighted view of esports was flipped when, during my graduate education in Austin, Texas, in 2016, I discovered Blizzard Entertainment's Hearthstone at the SXSW Gaming Expo. At that first moment when I watched the gameplay, I remember thinking to myself, "I want to be the best at this game." Over the next few years, I would compete in national and international qualifying events and through Tespa as a member of the University of Texas at Austin's gaming club. I earned a little bit of money playing Hearthstone, but never enough to play as much as I wanted to. From there, I slowly incorporated esports into my existing research interests (I was doing my master's and then Ph.D. in sport studies at the time) and have continued to explore different ways of writing, learning about, and researching esports and video games, most commonly through a sociocultural and historical lens.

Q: Tell us about your role in leading the esports club at SHU?



A: I currently serve as the director for Sacred Heart Club Esports. Essentially, I oversee all aspects of the program's operations, including recruiting and retaining team members, coordinating competitions and tournaments, and serving as the liaison with our leagues. We primarily compete in two leagues: ECAC Esports and the Metro Atlantic Athletic Conference. We just opened our Esports Lab on our main campus earlier this year, and we've also hosted the Connecticut Esports Showcase every April since 2021, which invites the top collegiate programs across the state to compete in several titles.

Q: What do you enjoy most about it?

A: My primary role is as an assistant professor for the Jack Welch College of Business and Technology at Sacred Heart University; however, the role of Director of Club Esports has almost felt like a full-time position in itself! We've done a lot of work trying to take the club to new heights, and there are many fun challenges that keep the role fresh and exciting. Hosting tournaments, including the Connecticut Esports Showcase, is both a thrill and a challenge. However, when executed well, these are incredibly rewarding experiences for both me and our club members.

Additionally, what keeps me coming back and doing my best work is the people I work with. Having mutual understanding and respect for all of our teams is a big difference-maker. We have a lot of club members who are passionate about esports and video games, and those who can help chart a positive course to improve the club's atmosphere are those I am very grateful for.

Q: Describe the courses on esports that you currently teach?

A: Our Academic Esports program is a collaboration between the Sport Management program in the College of Business and Technology and the Sport Communications and Media program in the College of Arts & Sciences. I regularly teach two courses in our Esports minor at Sacred Heart University: ESP 201 (Foundations in Esports) and ESP 401 (Capstone in Esports). Our Foundations in Esports course is essentially an "introduction" to the esports industry, and we focus on four distinct modules: an introduction to the video game industry and esports ecosystem, esports culture & communities, esports media and content, and the business of esports. Our capstone (ESP 401) requires students to synthesize and apply knowledge from their business and media studies by contributing to the

planning, production, and promotion of the Connecticut Esports Showcase, our on-campus esports tournament. Students select a specific aspect of the event to focus on throughout the semester, which can include (but is not limited to) marketing, social media, technology, outreach, and broadcasting. I also teach a Contemporary Issues in Esports course that is offered less frequently than the two listed above - this class focuses more on current events in the esports industry and how students can critically analyze trends, controversies, and emerging challenges facing numerous stakeholders in the industry.

For all of these courses, I incorporate guest speakers from across the industry and provide experiential opportunities that immerse students in both the video game and esports industries. We're fortunate to have excellent on-campus resources that offer students multiple perspectives on how to get involved. In addition to our new esports lab, we also have the NeXReality Lab, which houses our virtual, augmented, and extended reality (VR/AR/XR) technologies and research. Our Sports Communication & Media (SCM) program also supports students with a plethora of resources, including broadcast studios, control rooms, media labs, podcast suites, and soundstages, that help them understand the media production side of esports.

Q: What interests you about the legal side of the business?

A: The legal side of esports is something that we regularly discuss in my courses. As the world continues to become increasingly globalized, the spread of esports gives rise to issues that must be addressed on a global scale, and much of this is determined by how esports are (or are not) governed internationally. Much of my graduate research focused on the governance of international sporting bodies, such as the International Olympic Committee, so examples like these provide good comparisons for esports governing bodies. This leads to lots of interesting discussions about the implications of the strengths and weaknesses of international governance, including (but not limited to) limiting corruption and deviance, issuance of visas, and how governance can provide a sense of legitimacy for the growth and stability of esports in countries.

Another area I find interesting is the issue of organizational misconduct and the lack of legal protection for players. This partly stems from my experience playing Hearthstone - it was very common for players to be awarded prize money only to never receive it or have it sent well past the competition date. This stems from a lack of governance as well - if there is no one to appeal to, there is no one to punish guilty parties and players; as a result, they are not protected. It is also increasingly common to see underage esports professionals enter the scene and sign predatory contracts simply because they lack the legal knowledge to fairly represent themselves. Many of my sport management students have aspirations to become sports agents or legal representatives for professional athletes, and I like to show them this side of the industry and its need for more legal actors that can educate players and advocate for them.

Q: What trends are you going to be tracking in 2026?

A: The esports industry is still navigating a few harsh realities following the height of the esports winter we saw throughout 2024 - viewership of esports competitions remains very high, especially among young people, so I'm very interested to see how organizations and titles will approach revenue generation in 2026. It turns out that sponsorship revenue, prize pools, and league structures are not enough to keep organizations afloat, so it will be very interesting to see which strategies shine moving forward. Esports and traditional sports have borrowed from one another over the past decade, so I wonder if this relationship becomes more symbiotic or if esports will break away to experiment with its own monetization strategies.

As gambling faces multiple reckonings in traditional sports, I am interested to see what the future of esports gambling holds. Admittedly, this isn't a primary area of interest for me (I am one of the most risk-averse people you will ever meet!), but it is an area I frequently hear about from colleagues and students. Will esports fill the void for disillusioned sports bettors? Will it suffer the same misfortunes that we are seeing in traditional sports? There is a lot to watch here - I have been a fan of Cody Luongo's Sharpr newsletter, which frequently covers this realm - perhaps it will be something I pay more attention to in 2026!

Selfishly, I'm also very interested in the digital card game genre and what will emerge in 2026. I quit Hearthstone a few years ago and have been searching for the next title to knock my socks off. I'm dabbling in *Magic: The Gathering Arena, The Bazaar,* and *Pokémon Trading Card Game Pocket*, but none of them have hit the same as *Hearthstone* once did. I think there's potential for the rise of blockchain card games, in which cards are tokenized as non-fungible tokens (NFTs), but I have yet to see this concept reach the mainstream. If anyone has any recommendations for me in this area, let me know!

Electronic Arts to Go Private in Historic $55 Billion Deal

By Jeffrey Levine, JD, PhD – Associate Clinical Professor, Department of Sport Business Esport Business Program Lead, Drexel University

Electronic Arts (EA), the publisher behind *EA Sports FC, Madden NFL, Apex Legends,* and *The Sims,* announced that it has agreed to be taken private in a deal valued at $55 billion. The acquisition, jointly led by Saudi Arabia's Public Investment Fund (PIF), Silver Lake, and Affinity Partners, will pay shareholders $210 per share, a roughly 25 percent premium to EA's stock price before news of the negotiations surfaced (Hirsch & Goldstein, 2025). The company will remain headquartered in Redwood City, California, under the leadership of CEO Andrew Wilson, and the deal is expected to close in the second quarter of 2026.

If completed, this will be the largest leveraged buyout of a publicly traded company in history (Rampling, 2025), signaling a major inflection point for both EA and the broader gaming ecosystem.

The Investor Consortium: Who They Are and How They Entered the Deal

The buyout is anchored by Saudi Arabia's Public Investment Fund, the country's sovereign wealth fund. PIF already held roughly 10 percent of EA's shares and has spent the past five years executing a sweeping strategy to transform Saudi Arabia into a global gaming and esports hub. Through its subsidiary Savvy Games Group, PIF announced plans for $38 billion in gaming investments and hosted the Esports World Cup with a record-setting $70 million prize pool. Its participation in the EA deal is consistent with the kingdom's broader sports and entertainment portfolio, which includes investments in LIV Golf, the Professional Fighters League, and major soccer initiatives.

Silver Lake, a U.S.-based private equity firm managing roughly $110 billion in assets, is known for major technology transactions, including Dell's take-private deal and numerous multibillion-dollar strategic investments. Silver Lake's long-standing interest in interactive entertainment positioned it as a natural partner in the consortium. Affinity Partners, the private equity fund founded by Jared Kushner, joins the group after cultivating a close investment relationship with PIF. Though Affinity typically focuses on small and mid-sized international investments, its participation gives the consortium additional private capital and structural flexibility in assembling the deal.

The consortium will provide $36 billion in equity, complemented by $20 billion in debt financing from JPMorgan Chase, according to EA's announcement and public reporting (EA, 2025).

Why EA Is Being Taken Private

The rationale behind the acquisition may lie in both the global entertainment industry's evolving trends, with video games becoming a central leisure activity, as well as the PIF's focus on diversification. The concept captures two parallel realities:

1. Gaming has become a global, strategically important entertainment sector, and
2. Investors now see the value of video game companies in their long-term digital ecosystems (e.g., player bases, online services, and recurring revenue streams) rather than in one-time purchases of individual game titles.

Because of this, "gaming is the new oil" (Carpenter, 2025, para 20).

For PIF, the acquisition serves as a core plank of Saudi Arabia's strategy to diversify beyond oil and establish global influence in digital entertainment. This acquisition also aligns with PIF's prior investments in esports and gaming companies such as Nintendo, Take-Two Interactive, Embracer Group, ESL FACEIT Group, and the video game tournament EVO. For Silver Lake and Affinity, the play is centered on long-term platform economics: Recurring digital revenues, live-service titles, licensing opportunities, and new distribution models as gaming expands to mobile devices, streaming platforms, and connected TV ecosystems.

For EA, going private removes the short-term pressure of quarterly earnings reports and shareholder expectations (Carpenter, 2025). The shift gives leadership more flexibility to reorganize development pipelines, pursue longer-horizon product strategies, and invest more aggressively in new technologies and distribution models without the scrutiny of public markets. However, the scale of the transaction introduces financial constraints that could shape EA's priorities. The significant debt associated with the buyout may push the company to emphasize more immediate monetization strategies, which could affect the stability of its esports programs. This is because competitive ecosystems require sustained investment that does not directly generate

revenue, and thus they can become more vulnerable to budget cuts or restructuring under a short-term focus. The deal also raises concerns about potential workforce reductions as EA works to balance long-term creative ambitions with its immediate financial obligations (Wood, 2025).

Conclusion

EA's $55 billion buyout marks a significant development for the video game and esports industries, though its long-term implications remain uncertain. The consortium's involvement may signal a longer-term view of growth, particularly in digital services and entertainment platforms, and private ownership may give EA added flexibility in how it structures its priorities. The scale of the transaction also introduces financial considerations that could affect competitive support, product pipelines, and staffing. These dynamics will unfold gradually, but the deal clearly places EA under a new strategic approach that will impact stakeholders throughout the esports and gaming industries.

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Can Video Games Lead People to More Meaningful Lives?

Even though video games have grown as an artistic medium since the mid-20th century, they are still often written off as mindless entertainment. Research is increasingly exploring meaningful gaming experiences. Less studied, though, are the ways such experiences can alter people's lives long term.

In a new study, University of Washington researchers surveyed gamers about video games' effects. Of 166 respondents researchers asked about meaningful experiences, 78% said such experiences had altered their lives. Researchers then pulled recurring themes from the responses — such as the power of rich storytelling — so that developers, gamers and even parents or teachers might focus on those elements.

The team presented its findings Oct. 14 at the Annual Symposium on Computer-Human Interaction in Play in Pittsburgh.

In an article, UW spoke with lead author Nisha Devasia, a UW doctoral student in human centered design and engineering; co-senior author Julie Kientz, a UW professor and chair in human centered design and engineering; and co-senior author Jin Ha Lee, a UW professor in the Information School.

Question: What are the most significant findings in the study?

Nisha Devasia: We highlighted three conclusions drawn from modeling the data. The first is that playing games during stressful times was strongly correlated with positive outcomes for physical and mental health. For example, during COVID, people played games they felt strongly improved their mental health, such as Stardew Valley. Others mentioned that games that required movement, or games that had characters with interesting physical abilities, inspired them to get outside or try new sports. Many participants also said that they gained a lot of insight from the game narrative. Story-based games often tell a sort of hero's journey, for instance. People reported that the insight they gained from those stories correlated to their own self-reflection and identity building.

Finally, most people had these meaningful experiences in very early adulthood or younger, when they're still trying to figure out who they are and what they want to be in the world. Playing as a character and seeing your choices change the course of events is pretty unique to games, compared with other narrative media like novels or movies.

Question: Do any individual stories really stand out to you from the survey you took?

ND: All the stories about Final Fantasy VII, because that's the game that I love. I'm actually sitting in my childhood bedroom right now and the wall behind me is covered in Final Fantasy VII posters. The quote we used in the title also really resonated

with me: "I would not be this version of myself today without these experiences." I definitely cannot imagine what I would be doing in my life if I had not played Final Fantasy VII when I did.

People also said things like, "This helped me build the skills that ended up being my career. I learned how to program because I wanted to make games." I worked in the gaming industry and can verify that's true for many people in the industry.

Question: How should these findings fit into how we view games as a society?

Julie Kientz: People have a tendency to treat technology as a monolith, as if video games are either good or bad, but there's so much more nuance. The design matters. This study hopefully helps us untangle the positive elements. Certainly, there are bad elements — toxicity and addictiveness, for example. But we also see opportunities for growth and connection. Some people in the study met their spouses through games.

Jin Ha Lee: What Nisha studies is essentially what I live. I'm a gamer, and I have definitely started playing certain games with my two children specifically because I wanted to have more conversations with them. When my daughter plays games with interesting stories, we have the opportunity to talk about our lives as we analyze the story. What were these people thinking? Why did they make certain decisions?

As researchers, we develop games for learning, for instance, for teaching people about misinformation or AI, or promote digital civic engagement, because we want to foster meaningful experiences. But a lot of the existing research just focuses on the short-term effects of games. This study really helps us understand what actually caused a game to make a difference in someone's life.

Question: What societal changes could we make in our approach to gaming?

JK: Because people have a tendency to oversimplify things, some of the proposed solutions can be counterproductive. For instance, limiting kids' screen time can actually interfere with positive experiences, especially if someone is immersed in the storyline and identifies with the characters. If 30 minutes into a game, a kid's Nintendo Switch turns off because of parental controls, that might hinder the ability to have a positive experience. If we aren't using these tools consciously, it might actually lead to kids playing more casual, junk games, because those can be played in 30 minutes.

ND: You see this with discourse around game addiction, too. Sometimes excessive gaming is because of dark patterns in a game's design. But it is often a symptom of someone going through something difficult in their life, and the game happens to be a way to cope. As our study shows, there's the potential for growth in that coping.

JHL: There's also a place for games and media that we consider "bad." You might play a game that's so horrible that you make a meme out of it, and the jokes you share become a way to build community. Online communities can grow into offline events and friendships. But that isn't necessarily obvious if you just view gaming as something you need to protect your children from.

Question: What technological changes might accentuate the meaningful effects of games?

JHL: Games are naturally interactive and complex, so there's a lot of opportunity for critical engagement beyond just the gameplay. There's music, there's art, there's storytelling. All of these offer space for meaningful interaction. Designers can skillfully incorporate these elements to prompt reflection, evoke emotions, or challenge players' perspectives.

ND: We're calling our next study Video Game Book Club. Right now I'm building a tool to allow people to annotate their gameplay as if they were writing in the margins of a book. While you play, a little pop-up lets you make a note. At the end, an interface pops up showing your gameplay stream and all the notes you made, which should allow them to reflect on what they were thinking as they were playing.

We're also working on a reflection chatbot. Every time after you play a session that's 30 minutes to an hour long, you'll interact with this bot that prompts you to think critically about the experience, much like we're taught to relate to literature. What was really memorable? How is this connected to your life?

Esports Business Management – an Excerpt

The second edition of Esports Business Management, a textbook for higher education, presents an all-encompassing look into the world of esports business. It informs both aspiring students and esports professionals about this growing industry. Written by renowned esports academics and experts from across the globe (David P. Hedlund, Seth E. Jenny, and Gil Fried), and endorsed by the Esports Research Network, this foundational text covers a wide range of topics essential for a comprehensive education in esports management.

What follows is an excerpt from the book:

Legal challenges in esports are significant. These questions represent just a few of the many issues that surface when examining the intersection of esports and the law:

- Are players under the age of 18 capable of entering into binding contracts?
- Who owns the rights to broadcasted or streamed games?
- Can players unionize?
- Can collegiate esports players keep the prize money they win, or would it go to their school?
- Who owns the data you generate from playing games?
- Should game developers be liable for the criminal acts of a player?
- Because some games are made to be addictive, can an addict sue the game developer for their treatment?

Further, from players and coaches' contracts to arena lease agreements, and employment law to tort liability, numerous areas exist where important legal principles affect the esports industry. Most legal questions have no easy answers, but understanding basic legal concepts is helpful.

This chapter covers some basic legal concepts and then follows with more detailed analysis of some specific topics. It also explores what esports law is and what an esports lawyer does. The specific topics discussed in this section include intellectual property, business and tax law, criminal law and gambling, contract law, visa and immigration law as well as employment and labor law including those related to the unionization of players and rights of professional esports athletes.

What is Esports Law?

Similar to other entertainment-related legal areas such as sports and music law, esports law encompasses a variety of different legal fields. One of the central legal disciplines involved is intellectual property. Within this section, the two most applicable to competitive gaming professionals are trademark and copyright law. There are also legal matters related to a professional gamer or streamer's "name, image, and likeness" (NIL) and their associated "right of publicity" (Jacobson 2021, p. 154). In fact, many of the top gaming influencers, professional players, coaches, and on-air talent have created a significant, independent commercial value in their "brand, including their "likeness" and "image." Another central legal area is contract law including the drafting, reviewing, and negotiation of various written agreements. Business and tax law is also applicable, which includes the formation and proper maintenance of limited liability entities, such as a corporation, limited partnership, or limited liability companies (L.L.C.) as well as those issues focused on third-party investments, mergers, and acquisitions. This legal field is in addition to the business and personal tax law matters applicable to a business or individual's earned income, including any potential international tax considerations. Another relevant discipline is immigration law with participating professionals traveling to and from other countries to compete. As a result, this voyage might require proper work authorization from the hosting country to compete in an organized tournament for a prize or to earn a salary. This fact is especially true for foreign citizens attempting to travel to, compete and earn income in the United States. Employment and labor law and other workplace-related legal matters may come into play in this space. Finally, another highly relevant area is digital communications and internet law. This segment includes proper compliance with established Federal Trade Commission (FTC) standards and their expressed guidelines for social media disclosures and other related marketing techniques utilized on social media and other digital platforms for commercial purposes, such as Twitch, Instagram, or YouTube (Jacobson 2021). In addition, there may also be legal issues related to data privacy that might need to be addressed and properly managed by various stakeholders.

Overview of Important Legal Concepts

As evident with the issues highlighted previously in this chapter, a number of laws can be applied to the esports industry. The list includes international laws, federal laws in the United States, state laws in the United States, and even local laws. Often these laws can conflict. For example, a state law can be more restrictive than federal law. Thus, a state law might punish violators in certain circumstances

more significantly than a federal law would punish the same violation. For example, federal antidiscrimination laws under Title VII of the Civil Rights Act apply to employers with more than 15 employees, but the state of Connecticut, as an example, only requires 3 employees for the equivalent state laws to apply. In contrast, many countries around the world do not have any antidiscrimination laws.

This distinction is important because esports is a truly global enterprise, which means that various laws can be applied. Similarly, a dispute can be heard in multiple venues, and deciding where to bring a claim may become a "chess match." Because different laws might exist across the United States, those with a legal claim might try forum shopping, the practice of trying to sue someone in a jurisdiction that would be most favorable to a possible claim. Alabama is known for being friendly to people suing for injuries, so someone might try to bring a claim in Alabama to hopefully obtain an easier verdict or a better award. In order for a company or person to be subject to the court (jurisdiction), one has to purposefully avail themselves of the laws of the state. In other words, they have to conduct business in the state. In some states, signing a contract or delivering goods is enough to trigger legal coverage. With esports, games are delivered electronically all over the world. Thus, a question that can be asked is where can a publisher be sued if someone was injured by their product? The courts are struggling with this issue. For example, if a publisher is not actually doing business in a given area, but the product is being delivered to that area, and someone from that area is paying money for downloads, skins, or other monetary transactions, then is there a legal basis for the publisher to be sued in the given jurisdiction. This example shows how complex legal issues might be in the esports area.

As discussed, various laws can come into play in esports. In addition to those mentioned, swatting (calling the police on someone due to results associated with a game) entails an example of state criminal law; if a phone is used, it can involve federal wire-related crimes. Some people might claim they have a free speech right to say what they want during an online discussion. The federal constitution (and each state in the United States also has a state constitution) provides for free speech, but that means government cannot unreasonably restrain speech. The government can have reasonable time, place, and manner restrictions on speech to sustain the public good.

Several key terms are present in this discussion. The first is government. Free speech only applies to government actions. That means a public university has limits on what speech they can limit and how. On the other hand, a private university would not have such a limitation, so they can control or limit all speech on their campus. Second, the reasonable time, place, and manner restriction means that the government can have content-neutral rules if they serve a legitimate government purpose. An example could be requiring protesters or marchers to obtain a permit and not march after 8:00 p.m. Now, apply this law to esports: The esports publishers and the streaming and social media accounts are all privately owned. Thus, no free speech rights are guaranteed for esports. Each company might have very specific rules and policies in their user agreements that actually limit what can be said or shown, and many accounts have been canceled because someone has violated the user agreement (which means a breach of contract).

This section examines several important legal topics. These topics are covered generally as any esports law class could take an entire semester. However, several key legal topics are raised here and discussed in greater detail later in this chapter.

Tort Law

There are many other legal concepts to introduce. Tort law, which is concerned with legal wrongs that harm someone, is another concept that needs to be addressed in esports. Torts can be intentional or unintentional (negligence). The primary intentional tort seen in esports is defamation. Defamation can be either oral (slander) or written (libel). When someone writes something defamatory about someone else in a chat room, or says something defamatory at an event, a defamation claim could result. A defamatory claim is a false statement that causes or can cause an injury. Thus, saying someone is a horrible player is an opinion rather than a factual statement. In contrast, saying someone won because they cheated is making a factual statement. If the statement is false, and the harmed party loses a sponsor or tournament because of the defamatory comment, then the harmed party can sue for injuries sustained (i.e., monetary loss). The best defense for a defamation claim is the truth. If the person actually cheated, then the defamation claim will fail—as long as someone can prove they cheated.

The other tort claim is negligence, where unintentional harm has happened. For example, during an esports tournament hosted at an arena, a fan could slip on spilled liquid in the concourse area, and they could possibly sue for their injuries. The venue could be responsible for damages if

they knew or reasonably could have known the hazard was present. Thus, if the spill was reported and was not cleaned up or no sign was posted highlighting the hazard, then the facility could be held liable. Another interesting negligence claim could involve players who are distracted by a game (or notification from a game) while operating a motor vehicle. The number of injuries from people using cell phones while driving has increased greatly in recent years. Can distracted drivers blame esports and various games for causing the distraction?

This book can be purchased at https://us.humankinetics.com/products/esports-business-management-2nd-edition-ebook-with-hkpropel-access?srsltid=AfmBOoosismTTC-aO7jnQeNDcSxshhNfPOca0TAyB-xOXsSbB6MHiDE_

POKEMON

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main gameplay mechanics: capturing creatures by aiming and throwing an item (like a Poké Ball) and riding creatures that move differently depending on the terrain (land, water, or air).[6]

Although monster-catching is not unique to Pokémon, Palworld faced heightened scrutiny from Nintendo for its artistic and technical similarities.[7] Pocketpair argues that its game materially differs in genre and mechanics from Pokémon, as it is not turn-based and emphasizes survival, crafting, combat, and exploration.[8] Captured creatures, called "Pals," assist with base tasks and traversal rather than serving solely as combat units. Palworld also has no separate gameplay "modes," automatically assigns capture and combat actions based on context rather than requiring category group selection, and cannot seamlessly switch between rideable characters as the other patents describe.[9] Nevertheless, Pocketpair proactively modified Palworld to mitigate risk (i.e., removing "Pal Sphere" captures and altering gliding mechanics).[10]

At the same time, the Japan Patent Office has rejected Nintendo's Japanese Patent Application 2024-031879 for lacking an inventive step, finding that prior games such as *ARK, Monster Hunter 4, Craftopia, Kantai Collection,* and *Pokémon GO* already disclosed similar mechanics, making the claimed techniques obvious.[11] Filed by Nintendo as part of its 'monster capture' patent family, this application covers a game mechanic where a player throws a pod containing a battle character to attack an enemy, and the enemy can be paralyzed. Although the pending application is not being litigated against Palworld, its rejection arguably weakens the related patents in the same family that are being litigated.[12] This rejection thus raises doubts about the novelty of the two other patents Nintendo is asserting in court.

USPTO Oversight and Director Authority

The USPTO's increased policy actions signify a deliberate move to give the Director greater control.[13] The Director has broad statutory authority under 37 C.F.R. § 1.520 to initiate ex parte reexaminations without a third-party request, allowing review of granted patents when prior art or patentability issues arise. This action is rare and only undertaken in compelling circumstances, after review of all relevant facts and prior art.[14]

On November 3, 2025, Director John A. Squires personally ordered reexamination of U.S. Patent No. 12,403,397, which covers Nintendo's game system where players control a main character and summon a sub-character, with battles switching between manual control when enemies are nearby and automatic control when none are present.[15] The Director identified two prior art references—Konami's 2002 Yabe patent and Nintendo's own 2020 Taura patent—as raising "substantial new questions of patentability" regarding the '397 Patent, even though the initial examiner cited no prior art as a reason for allowance.[16] These references specifically relate to independent claims 1, 13, 25, and 26 of the patent.[17] Proponents say this directive reinforces the integrity of the patent system and supports earlier criticism of the patent's approval.[18] Such remedies, however, remain rare; the last confirmed order of this kind occurred back in 2012.[19]

Reexamination and Validity of U.S. Patent

Some video game industry critics condemned the decision to grant Nintendo's 'summoning' patent as an abuse of the system, arguing that its unusually fast approval reflects lenient examination and that its broad claims protect basic, long-established gameplay mechanics.[20] One commentator observed, "This Nintendo patent was apparently granted without a patent examiner looking at a single game."[21]

As noted above, the Director ordered a reexamination, citing two instances of prior art. The Yabe patent covers a gaming system where multiple

characters can be controlled manually or automatically, and can switch modes, with automated actions often targeting nearby NPCs.[22] The Taura patent covers a gaming system where a main character and a sub-character can be controlled in three modes: main character only, sub-character automatic, or both characters under player control, with switching and parameter management.[23] Both references teach dual battle modes (manual and automatic), potentially undermining Nintendo's '397 Patent claims and raising substantial questions about novelty and non-obviousness.[24]

A patent is invalid "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious … to a person having ordinary skill in the art."[25] Obviousness is a legal question and requires evaluating the scope of prior art, differences from the claimed invention, the skill level of the artisan, and objective indicia such as commercial success or long-felt need.[26] Applying this framework, both Yabe and Taura disclose dual or multiple control modes that substantially overlap with the '397 Patent. The '397 Patent includes conditional automatic behavior triggered by enemy presence, but these incremental differences may be insufficient to overcome obviousness, given decades of similar gameplay. Since a "patent can be obvious in light of a single prior art reference if it would have been obvious to modify that reference to arrive at the patented invention[,]" even one reference could render the '397 Patent invalid.[27]

Since the 2014 Supreme Court decision in Alice v. CLS Bank, video game patents are evaluated under a two-step framework: first, whether claims are directed to an abstract idea, and second, whether they include an inventive concept that transforms the idea into patent-eligible subject matter.[28] Courts have consistently found that patents claiming only gameplay rules or conventional game mechanics fail this test.[29] *RecogniCorp, Smith, Guldenaar,* and *iLife* illustrate this trend, where patents covering abstract data manipulation for reconstructing avatars, standard card or dice game rules, or basic player input processing were held ineligible.[30] By contrast, patents that address technical problems unique to computing or software, such as McRO's automated facial animation or PalTalk's method for reducing network latency in multiplayer games, have passed Alice's step one and been deemed patent eligible.[31]

The '397 Patent primarily covers Pokémon gameplay mechanics rather than any technological improvement to computer functionality. Its implementation relies on conventional programming and standard input/output operations, unlike McRO or PalTalk. However, one could argue that it offers a concrete technical solution by using unique rules, interactions, or algorithms to manage in-game mechanics, and that the combination of these elements, even if implemented with standard programming, constitutes an inventive concept. Nonetheless, because the patent merely describes abstract rules for gameplay, it likely fails step one as being directed to an abstract idea.

Considering both § 103 (obviousness) and § 101 (subject-matter eligibility), the Director's reexamination could likely invalidate the '397 Patent. Prior art undermines its novelty and creates substantial obviousness concerns, while step one of the Alice test raises questions about its subject-matter eligibility. Together, these factors suggest a significant risk that the '397 Patent could be declared invalid and unenforceable.

Implications for the Industry

At issue are Nintendo's patents on Pokémon gameplay mechanics in both the U.S. and Japan. These patents seem overly broad, and may be invalid due to prior art and obviousness. If upheld, they could threaten creative freedom in the video game industry.

While critics argue that Nintendo's patents are too expansive, opinions differ on the company's motives.[32] Some suggest Nintendo is legitimately protecting its market dominance and brand identity, while others speculate the lawsuit may serve as a public relations move to uphold its image as an innovator. Leaked details of an upcoming Pokémon game featuring mechanics similar to Palworld have amplified this view, as the company sues over gameplay it appears poised to replicate.[33] Others argue that Palworld "crossed a line" by incorporating gameplay elements that are too similar to Nintendo's patented systems.[34]

Broad patents help large companies like Nintendo protect market control, but overly expansive ones can restrict developers with high compliance costs.[35] The USPTO's rare, Director-initiated reexamination signals closer scrutiny of such patents.[36] Alternative protections such as copyright for code and expression, design patents for aesthetics, and narrowly tailored utility patents for true innovations offer a balanced way to protect creativity while allowing developers freedom to experiment without overbroad patent constraints.[37]

In Japan, Pocketpair's defense is twofold: (1) the patents are invalid due to prior art, and (2) Palworld does not infringe, as its mechanics differ from Nintendo's patented systems.[38] The company has vowed to "continue to

dispute" the claims and challenge the patents' validity, while making limited compromises to avoid disrupting Palworld's development.[39]

Nintendo's broad gameplay patents, like those covering Pokémon mechanics, represent patent overreach that may threaten creative freedom in the gaming industry. The USPTO's rare decision to reexamine these patents marks a necessary correction toward narrower, innovation-focused protection.

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References

[1]See Lucy Hanson, Playing the Patent Game: Protecting Video Game Mechanics as Intellectual Property, 2025 B.C. Intell. Prop. & Tech. F. 1, 8–9 (discussing that over the past thirty years, game companies have successfully filed and been granted game mechanic patents); Nicole Carpenter, What Does Nintendo's Recent Pokémon Patent Actually Mean for Game Developers?, Game Developer (Sept. 25 2025), https://www.gamedeveloper.com/business/what-does-nintendo-s-new-pok-mon-patent-actually-mean-for-game-developers- (quoting Haley McLean, video game lawyer, on USPTO being behind on the curve in gaming patents); Erik Paul Belt & George Blazeski, Pokémon, Gotta Patent Them All? New Nintendo Patent Turns a Lot of Heads, INTELLECTUAL PROPERTY ALERT, MCCARTER & ENGLISH (Sept. 22, 2025), https://www.mccarter.com/insights/articles/pokemon-gotta-patent-them-all-new-nintendo-patent (noting that Nintendo's U.S. Patent No. 12,403,397 was allowed immediately after initial examination, avoiding typical PTO rejections for prior art, technical deficiencies, and subject-matter eligibility issues that most software-based applicants must navigate). U.S. courts have seldom challenged game mechanic patents, and limited litigation also reflects some companies' decisions not to enforce them. See Hanson, supra at 8.

[2]See Alice Corp. Pty. Ltd. v. CLS Bank Int'l, 573 U.S. 208, 223–24 (2014) (holding that an intermediated financial settlement was not patentable merely because it was performed on a computer); see also Director Initiated Order for Ex Parte Reexamination of U.S. Patent No. 12,403,397 (Nov. 3, 2025) (specifying that independent claims 1, 13, 25, and 26 of Nintendo's auto-battle gameplay patent are under a rare Director Initiated Order for Ex Parte reexamination) https://gamesfray.com/wp-content/uploads/2025/11/25-11-03-Director-Initiated-Order-for-Ex-Parte-Reexamination-397-Patent.pdf. The U.S. Supreme Court narrowed software patent eligibility under 35 U.S.C. § 101 using the two-prong Alice test. See Alice Corp. Pty. Ltd., 573 U.S. 208, 217–18 (2014) (establishing a two-step test to determine whether a software claim is directed to an abstract idea and, if so, whether it contains an "inventive concept" sufficient to transform it into patent-eligible subject matter).

[3]See Nintendo Co., Ltd., Filing Lawsuit for Infringement of Patent Rights against Pocketpair, Inc., NINTENDO (Sept. 19, 2024), https://www.nintendo.co.jp/corporate/release/en/2024/240919.html; Pocketpair, Regarding the Lawsuit, Changes to Palworld and the Future, PALWORLD (May 8, 2025), https://www.pocketpair.jp/news/20250508.

[4]See Florian Mueller, Japan Patent Office rejects Nintendo application relevant to Palworld dispute, cites games like ARK as prior art after third-party submission, GAMES FRAY (Oct. 29, 2025), https://gamesfray.com/japan-patent-office-rejects-nintendo-application-relevant-to-palworld-dispute-cites-games-like-ark-as-prior-art-after-third-party-submission (reporting rejection of Nintendo's patent application 2024-031879 which is part of Nintendo's "monster capture" patent family used against Palworld); Florian Mueller, HUGE blow to Nintendo: head of U.S. patent office orders reexamination of "summon subcharacter and let it fight" patent, GAMES FRAY (Nov. 4, 2025), https://gamesfray.com/huge-blow-for-nintendo-head-of-u-s-patent-office-takes-rare-step-to-order-reexamination-of-summon-subcharacter-and-let-it-fight-in-1-of-2-modes-patent/ (reporting on re-examination of Nintendo's U.S. Patent No. 12,403,397, which covers the gameplay mechanic of "summon a subcharacter and let it fight in one of two battle modes.").

[5]See Nintendo Co., Ltd., supra note 3.

[6]See Dominik Bošnjak, Nintendo vs. Palworld: The Patent War Threatening Indie Gaming, SPILLED (Jul. 30, 2025), https://spilled.gg/nintendo-vs-palworld/. Nintendo's patents cover creature capture and riding mechanics: JP 7545191 B1 (aiming, throwing, RNG success, visual indicators), JP 7493117 B2 (collision detection and capture triggers), and JP 7528390 B2 (riding creatures across land, water, and air, including mid-air mount switching). Id.

[7]See Hanson, supra note 1 at n. 69 (citing various sources investigating similarities between the two franchises); Verity Townsend, Former Capcom Designer Yoshiki Okamoto Sparks Backlash in Japan by Saying Palworld Has 'Crossed a Line That Should Not Be Crossed', IGN (Oct. 1, 2025, 9:06 AM), https://www.ign.com/articles/former-capcom-designer-yoshiki-okamoto-sparks-backlash-in-japan-by-saying-palworld-has-crossed-a-line-that-should-not-be-crossed (reporting on former Capcom developer Yoshiki Okamoto criticizing Palworld as "crossing a line" and supporting settlement).

[8]See Bošnjak, supra note 6 (describing gameplay differences).

[9]See Florian Mueller, Pocketpair's Defenses Against Nintendo's Patent Lawsuit Unpacked: ARK, Craftopia, Zelda, FF14 etc. May Render Asserted Patents Invalid, GAMES FRAY (Apr. 18, 2025), https://

gamesfray.com/pocketpairs-defenses-against-nintendos-patent-lawsuit-unpacked-ark-craftopia-zelda-ff14-etc-may-render-asserted-patents-invalid/.

[10]See Pocketpair, supra note 3 (describing game updates in response to litigation).

[11]See Florian Mueller, Japan Patent Office rejects Nintendo application relevant to Palworld dispute, cites games like ARK as prior art after third-party submission, supra note 4 (citing Japanese Patent Application No. 2024-031879 Notice of Reasons for Refusal). The adoption of well-known techniques (like reducing a gauge by defeating an enemy or using a predetermined item to influence battle outcomes) is thus considered a design choice or obvious rather than an inventive step. See id.

[12]See id. ("An issue facing a central member of a patent family is often indicative of validity problems facing other members[sic].").

[13]See Dani Kass, Squires' First Orders Reject PTAB Petitions En Masse, Law360 (Nov. 3, 2025, 9:46 PM EST), https://www.law360.com/articles/2406907/squires-first-orders-reject-ptab-petitions-en-masse (reporting USPTO Director John Squires rejected 13 IPR petitions via "summary notices," expanding discretionary control over which cases reach the PTAB); Dion M. Bregman et al., USPTO Proposes New Institution Rules and Director Takes Over Merits-Based Institution Decisions, Morgan Lewis (Oct. 23, 2025), https://www.morganlewis.com/pubs/2025/10/uspto-proposes-new-institution-rules-and-director-takes-over-merits-based-institution-decisions (illustrating USPTO policy shifts as Director Squires consolidates IPR authority and expands discretionary power). Critics argue it concentrates authority in one executive, but the USPTO frames it as improving accountability and statutory alignment. See Bregmen, supra.

[14]See U.S. Patent & Trademark Office, 37 C.F.R. § 1.520, Reexamination Ordered at the Director's Initiative (R-07.2022).

[15]See e.g., Director Initiated Order for Ex Parte Reexamination of U.S. Patent No. 12,403,397, supra note 2; HUGE blow to Nintendo: head of U.S. patent office orders reexamination of "summon subcharacter and let it fight" patent, supra note 4; U.S. Patent No. 12,403,397 B2, Storage Medium, Information Processing System, Information Processing Apparatus, and Game Processing Method (issued Sept. 2, 2025) (describing patent).

[16]See Director Initiated Order for Ex Parte Reexamination of U.S. Patent No. 12,403,397, supra note 2; U.S. Patent App. No. 2002/0119811 A1, Video Game Machine, Player Character Action Control Method, and Video Game Program (issued June 1, 2004) (describing Konami/Yabe patent); U.S. Patent No. 11,278,795 B2, Storage Medium, Information Processing System, Information Processing Apparatus, and Game Controlling Method (issued Mar. 22, 2022) (describing Nintendo/Taura patent).

[17]See Director Initiated Order for Ex Parte Reexamination of U.S. Patent No. 12,403,397, supra note 2. The patent claims a system, method, or program for controlling a player character and a sub-character in a video game, with two modes of battle depending on enemy presence. See id. All independent claims (1, 13, 25, 26) cover essentially the same mechanics in different forms (storage medium, system, apparatus, method). See id.

[18]See HUGE blow to Nintendo: head of U.S. patent office orders reexamination of "summon subcharacter and let it fight" patent, supra note 4 ("The only plausible explanation is that the USPTO's leadership became aware of all the negative publicity surrounding the grant of the '397 patent and wanted to correct this mistake. No system is perfect, which is why there must be processes in place to fix issues. That is what the USPTO is demonstrating."); Kallie Plagge, No, Nintendo and Pokémon did not patent 'summoning characters and making them battle', The Verge (Sept. 17, 2025), https://www.theverge.com/games/779062/nintendo-pokemon-summoning-battle-patent (arguing patent's auto-battle system resembles ordinary command hierarchies and could theoretically restrict game mechanics for other developers); Vikki Blake & Wesley Yin-Poole, Nintendo Should Never Have Received Controversial 'Summon Character and Let It Fight' Pokémon Patent, IP Lawyers Say, IGN (Sept. 11, 2025), https://www.ign.com/articles/nintendo-should-never-have-received-controversial-summon-character-and-let-it-fight-pokmon-patent-ip-lawyers-say (criticizing broad scope of patent); Carpenter, supra note 1 (noting patent was approved quickly, avoiding common obstacles like prior art or software eligibility issues); Florian Mueller, Nintendo's summoning patent: Windows Central, PC Gamer got right what The Verge and a law prof got wrong, GAMES FRAY (Sept. 20, 2025) https://gamesfray.com/nintendos-summoning-patent-windows-central-pc-gamer-got-right-what-the-verge-and-a-law-prof-got-wrong-and-lets-look-at-a-50-year-old-game/ (stating patent's novelty is questionable, as it builds on decades-old game concepts). Claim 1 of the patent broadly covers switching between two battle modes without specifying implementation, potentially threatening many games where player characters summon sub-characters. See Nintendo's summoning patent: Windows Central, PC Gamer got right what The Verge and a law prof got wrong, surpa.

[19]See HUGE blow to Nintendo: head of U.S. patent office orders reexamination of "summon subcharacter and let it fight" patent, supra note 4 (stating last Directed Initiated Order was over a decade ago).

[20]See Belt & Blazeski, supra note 1(discussing fast process); Vikki Blake & Wesley Yin-Poole, supra note 18.

[21]See Nintendo's summoning patent: Windows Central, PC Gamer got right what The Verge and a law prof got wrong, surpa note 18. (quoting Florian Mueller).

[22]See U.S. Patent No. 6,743,099 B2 (filed Jan. 29, 2002) (issued June 1, 2004).

[23]See U.S. Patent No. 11,278,795 B2 (filed Dec. 12, 2019) (issued Mar. 22, 2022).

[24]See U.S. Patent No. 12,403,397 B2 (filed Mar. 1, 2023) (issued Sept. 2, 2025) (invented by Shigeru Ohmori,

assigned to Nintendo Co., Ltd. and The Pokémon Company).

[25]35 U.S.C. § 103(a); Graham v. John Deere Co., 383 U.S. 1, 17 (1966).

[26]Game & Tech. Co. v. Activision Blizzard Inc., 926 F.3d 1370, 1379–80 (Fed. Cir. 2019). Courts also assess whether a skilled artisan would have been motivated to combine prior art with a reasonable expectation of success. In re Warsaw Orthopedic, Inc., 832 F.3d 1327, 1333 (Fed. Cir. 2016).

[27]See Arendi S.A.R.L. v. Apple Inc., 832 F.3d 1355, 1361 (Fed. Cir. 2016);

[28]35 U.S.C. § 101; Alice Corp. v. CLS Bank Int'l, 573 U.S. 208 (2014)

[29]See Forrest A. Jones, Y. Leon Lin & Kevin D. Rodkey, Playing to Win: The Post-Alice Video Game Patent Landscape, Law360 (Mar. 3, 2020), https://www.finnegan.com/en/insights/articles/playing-to-win-the-post-alice-video-game-patent-landscape.html.

[30]See id.; see also RecogniCorp LLC v. Nintendo Co., 855 F.3d 1322 (Fed. Cir. 2017); In re Smith, 815 F.3d 816 (Fed. Cir. 2016); n re Marco Guldenaar Holding B.V., 911 F.3d 1157 (Fed. Cir. 2018); iLife Technologies Inc. v. Nintendo of Am. Inc., 2020 U.S. Dist. LEXIS 10018 (N.D. Tex. Jan. 17, 2020).

[31]See Jones, et al, supra note 25; see also McRO Inc. v. Bandai Namco Games Am., Inc, 837 F.3d 1299 (Fed. Cir. 2016); PalTalk Holdings, Inc. v. Riot Games, Inc., No. 16-1240-SLR, 2017 U.S. Dist. LEXIS 73181 (D. Del. May 15, 2017).

[32]See supra footnote 18 (discussing broad and speed of original patent grant).

[33]See Florian Mueller, Leaks of Upcoming Nintendo Title Call Motives Behind Palworld Patent Suit Into Question: Attempt to Create Reality Distortion Field?, Games Fray (Oct. 14, 2025), https://www.gamesfray.com/nintendo-palworld-patent-suit-leaks. (noting that leaked Pokémon game mechanics similar to Palworld have raised questions about Nintendo's lawsuit motivations).

[34]See Verity Townsend, Former Capcom Designer Yoshiki Okamoto Sparks Backlash in Japan by Saying Palworld Has 'Crossed a Line That Should Not Be Crossed', IGN (Oct. 1, 2025, 9:06 AM), https://www.ign.com/articles/former-capcom-designer-yoshiki-okamoto-sparks-backlash-in-japan-by-saying-palworld-has-crossed-a-line-that-should-not-be-crossed. Former Capcom developer Yoshiki Okamoto sparked controversy in Japan after criticizing Pocketpair's Palworld in a YouTube video, calling the game unacceptable while Nintendo's patent lawsuit against Palworld was ongoing. Id. Okamoto labeled Palworld as having "crossed a line" and implied it could be considered an "anti-social force," prompting backlash from viewers who cited his own history of borrowing game mechanics in titles like Street Fighter 2 and Monster Strike. Id.

[35]See Hanson, supra note 1 at 12-15 (discussing how broad game mechanic patents allow large developers like Nintendo to protect market share and brand identity, while smaller developers face high compliance costs and legal barriers); Kallie Plagge, supra note 18 (noting that broad software patents can disproportionately burden indie studios).

[36]See e.g., Carpenter, supra note 1 (noting while the patent is granted, its validity is uncertain, as it could be challenged as an abstract idea rather than a novel software invention); Kallie Plagge, supra note 18 (noting patent could be challenged on anticipation, obviousness, or subject-matter eligibility); Vikki Blake & Wesley Yin-Poole, supra note 18; see also Director Initiated Order for Ex Parte Reexamination of U.S. Patent No. 12,403,397, supra note 2.

[37]See Hanson, supra note 1 at 19-21 (explaining how copyright and design patents can limit broad patent issues, reduce litigation costs, and allow smaller developers more freedom to innovate).

[38]See Dominik Bošnjak, supra note 6.

[39]See Pocketpair, supra note 3.

LAWSUIT

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para. 3). In other words, an internal contract dispute had sidelined one of Dota's top squads.

Public statements from both sides painted conflicting stories. Gaimin Gladiators' president, Nick Cuccovillo, initially cited unspecified "internal matters" for the sudden exit (Zulkiflee, 2025a). However, star midlaner Quinn "Quinn" Callahan quickly contradicted that account, saying the players were fully willing to attend TI under the org's banner and that management alone chose to pull out. Cuccovillo then claimed the players wanted to attend TI independently, without the org, after failing to settle contract terms (Lewis, 2025). With blame volleyed back and forth, fans and industry insiders were left guessing what really happened (Viz, 2025). Valve replaced Gaimin Gladiators with another team, and a reigning powerhouse lost its shot at Dota 2's biggest prize.

Missing TI had immediate consequences for all involved. The players lost the opportunity to compete for the Aegis of Champions trophy awarded to TI's winner and a multi-million dollar prize pool, while Gaimin Gladiators sacrificed enormous exposure and potential prize winnings. The withdrawal was shocking and unprecedented (Zulkiflee, 2025b): A top-seeded team walking away from

esports' biggest tournament. The sudden implosion hinted at deeper internal conflicts, ones that would later surface in court.

Breach of Contract Allegations: Sponsorship Duties and a "Trash Country" Controversy

On October 4, veteran esports journalist Richard Lewis (2025) reported that Gaimin Gladiators had filed suit against four players from the departed roster: Quinn Callahan, Erik "tOfu" Engel, Marcus "Ace" Hoelgaard, and Alimzhan "watson" Islambekov. The lawsuit seeks CA$7.5 million in damages, citing multiple alleged breaches of the player contracts. At the heart of the claim are allegations that the players failed to fulfill their sponsorship and social media obligations, undermining the team's business deals (Lewis, 2025; Zulkiflee, 2025a).

Media reports published a statement from the Gaimin Gladiators claiming the players failed to complete dozens of required deliverables (e.g., promotional posts, livestreams, and other sponsor-facing content) over an 18-month period (Lewis, 2025; Zulkiflee, 2025a). These deliverables are vital to team operations: Esports contracts often hinge on promises to sponsors for visibility and direct engagement with players. Gaimin alleges that neglecting these obligations cost them a major sponsorship worth approximately $3 million (Lewis, 2025).

The most inflammatory element of the lawsuit seems to involve a remark made by Quinn Callahan during an October 2024 personal livestream. Speaking to a Russian player, he said: "I guess you're just Russian. It's not your fault you're born in a trash country" (Lewis, 2025, para. 4). The clip went viral and triggered immediate backlash in the Dota community. Although Callahan later apologized and Gaimin's management issued a public statement distancing itself from the comment, the damage was done. The team's principal sponsor, Winline – a Russian betting company – reportedly declined to renew its partnership, costing the org a seven-figure deal. Although the complaint is not public, Gaimin is likely framing this incident as a breach of Callahan's conduct clause and a direct source of financial loss.

In a broader public statement, Gaimin Gladiators alleged a pattern of misconduct and non-compliance from the players. It reiterated the failure to fulfill sponsorship obligations citing months of missed deliverables and described repeated internal warnings that went unheeded. Tensions reportedly escalated in late summer 2025: The players canceled a pre-TI bootcamp on short notice, at significant cost to the org. and in early August, they allegedly warned that they "may not perform" at TI if disputes weren't resolved.

On August 7, roughly one month before TI, the players communicated their desire to exit their contracts and compete independently at the event. They had also secured legal counsel, which further signaled the breakdown of the relationship. Gaimin viewed the partnership as beyond repair. With players allegedly shirking obligations and even threatening legal action, the org pulled the plug on its TI campaign. The lawsuit now seeks to recover those losses in court.

Legal Implications: Contract Enforcement and Player Conduct in the Spotlight

This case places esports contract enforcement under legal scrutiny and could serve as persuasive authority for subsequent cases to follow in the United States. At the center of Gaimin Gladiators' claims is the argument that the players committed material breaches of contract: Serious violations that destroy the fundamental purpose of the agreement. In esports, a player's role extends beyond competition. It includes brand-building, sponsor engagement, and maintaining professionalism in public. Failing to promote sponsors or maintain conduct standards can go to the heart of the bargain. If the court agrees these breaches were material, Gaimin could be justified in terminating the contracts and seeking damages.

Another key theory is anticipatory repudiation: the allegation that the players signaled in advance they would not fulfill their obligations. Here the conduct in question is the players' collective threat not to perform at The International and attempting to exit their contracts. Under contract law, such evidence of clear intent to abandon one's duties may allow a party to treat the contract as breached and seek relief even before the breach fully occurs. Gaimin's public statement that the players "wished to exit their agreement" and threatened non-participation (Lewis, 2025, para. 10) could support this claim.

Where the case gets more novel is in Gaimin's attempt to tie a player's on-stream comment to tangible economic harm. The organization claims that Quinn Callahan's livestream remark about Russia led Winline, a major sponsor, to not renew its sponsorship once it expired. This cost Gaimin millions. Linking a comment to a lost renewal deal may require showing direct causation, foreseeability, or tortious intent. While the full complaint may reveal more detail, pursuing reputational or sponsorship damages pushes the boundaries of conventional breach claims.

Gaimin may also be relying on the moral traditional approach of a liquidated damages clause. Its public statements reference a "modest assessment of damages" proposed earlier in negotiations (Lewis, 2025, para. 9). This language suggests a pre-set damages formula in the player contracts. Courts will enforce such clauses only if they represent a reasonable forecast of actual harm, not if they function as penalties. The enforceability of such provisions, particularly in emerging industries like esports, will likely face judicial scrutiny.

The lawsuit may also test the role of morality clauses in esports. These provisions, common in traditional sports and entertainment contracts, require talent to avoid behavior that brings disrepute to the brand. Callahan's comment may evaluate how far these clauses can extend into a player's personal speech, especially during off-duty livestreams. While this is not a First Amendment issue (as private employers are not government actors), a court may still weigh whether contractual limits on expression were clear, reasonable, and enforceable.

Finally, this case underscores the growing need for clearly drafted esports contracts. If Gaimin's agreements did not specify exact promotional deliverables, such as the number of sponsor streams or social posts, it may be harder to prove breach. Going forward, teams will likely push for more granular terms and clearer remedies, while players and agents will resist overly rigid or punitive terms. The case may also spur increased use of arbitration or mediation clauses, allowing disputes to be resolved privately without spiraling into public litigation.

Conclusion

Given the stakes, the Gaimin Gladiators lawsuit may influence how organizations respond when contract disputes emerge with players or talent. The lawsuit involves multiple hot button issues and cultural touchstones: incidents while streaming, contractual responsibilities shirked, allegations of misconduct. The outcome will likely test the enforceability of contracts in the esports ecosystem, may shape future contracts, influence how teams handle internal disputes, and signal to players that professionalism off the server is as critical as performance on it. Whether this case settles quietly or proceeds to trial, it has already brought attention to issues such as accountability, leverage, and the maturing legal framework of a billion-dollar industry.

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