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## Outline

### I. Overview

#### A. Virtual Goods

1. Summary. Virtual goods are a digital representation of objects (real or imaginary). Many virtual goods are digital re-creations of objects that exist in the real world (e.g, clothes, furniture and accessories) or are at least inspired by real world objects. Other virtual goods have no real world counterpart.
2. Features.
  - a) Some Persistence. Virtual goods usually have some level of persistence, so that they exist even when the owner is not online. Often, virtual goods can persist for an indefinite length of time, subject to a user's actions. Virtual good may also exist for limited duration, based for example on time, usage or other criteria (e.g., food for a virtual pet).
  - b) Dominion and Control. For any copy of a virtual good, there is usually one user who can rightfully exercise dominion and control over it at any one time. Virtual goods often can be traded, exchanged and sometimes stolen, just like real goods.
    - (1) TOS and EULA. Ownership of and rights to use virtual property are typically governed contractually by the Terms of Service ("TOS") or End User License Agreement ("EULA"). Many TOS and EULAs for popular games and virtual worlds state that users do not own their virtual goods, but they only have a license to use them within the game. The game operator often has the right to terminate a user's account its own discretion. Alternatively, some TOS and EULAs have a more mixed approach, prohibiting a gamer player's ownership of virtual property rights while simultaneously allowing a game player to exchange and sell virtual items within a designated arena<sup>1</sup>

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<sup>1</sup> Alisa B. Steinberg, For Sale-One Level 5 Barbarian for 94,800 Won: The International Effects of Virtual Property and the Legality of its Ownership,37 Ga. J. Int'l & Comp. L. 381 (Winter 2009). (<http://goo.gl/pRkDZ>)

- c) Interconnectedness. Virtual goods usually do not exist in isolation on one person's computer. They are at least perceptible by, affect and/or interact with other users or systems.
3. Features. Virtual property is an interesting topic for legal study because it can develop a real-world value. "Virtual property exists in a different form than physical property; it is essentially lines of computerized code, ones and zeros, which only spring into existence when that code is interpreted by a machine. This characteristic does not preclude legal protection however; the law often protects intangible property such as domain names or intellectual property rights."<sup>2</sup>

## **B. Virtual Currency**

1. Features. Virtual worlds, online games and other social media providers often offer a virtual currency for in world/in-game purchases. Virtual currency can be purchased, earned through playing, or provided for exposure to offers or advertisements. Some virtual currency can only be used with the entity from whom it was acquired and others can be used with third parties or exchanged for real currency.
2. Models. Many virtual currency systems use a dual currency model. Often, "coins" are purchased with real money and "points" are earned by playing or gaining experience.
3. Conversion. "Gamers who want to convert their virtual property into real money use online auction sites to sell their items to other gamers; this type of transaction is known as a real money trade or transaction ("RMT"). An RMT is distinguishable from an in-game transfer between gamers because it involves real money in a recognized national currency."<sup>3</sup>
  - a) Second Life. "[T]he Second Life currency, called Lindens, is easily exchangeable for real currency, which means there is no real difference between paying for items with real money and paying for items with Lindens. If a user wishes to purchase an item in Second Life but her avatar does not have enough Lindens, she can exchange dollars for Lindens to purchase the item. In structured worlds, however, there are generally official restrictions on the exchange of real money for virtual money (and vice versa) as well as restrictions on what can be purchased with virtual world money."<sup>4</sup>
  - b) Secondary Markets. Secondary markets are mechanisms by which virtual goods or currencies and even entire user accounts are bought, sold or traded for real world money or other value. Some virtual currency providers allow, or even encourage, users to "cash out" by providing an official exchange through which the operator or other party swap real world money for users' virtual currency or vice versa. Not all platform operators want users buying and/or selling their virtual currency. Unauthorized exchanges may adversely impact value or stability of virtual currencies.
  - c) Restrictions on Use/Resale. Many TOS and EULAs prohibit resale of virtual goods and currency to avoid unauthorized secondary markets and deter "gold farming".
  - d) Theft. A British man was convicted of stealing \$12 million in virtual poker chips from the Zynga Poker social game. The man pleaded guilty to converting criminal property.

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<sup>2</sup> Alisa B. Steinberg, For Sale-One Level 5 Barbarian for 94,800 Won: The International Effects of Virtual Property and the Legality of its Ownership, 37 Ga. J. Int'l & Comp. L. 381 (Winter 2009). (<http://goo.gl/pRkDZ>)

<sup>3</sup> Alisa B. Steinberg, For Sale-One Level 5 Barbarian for 94,800 Won: The International Effects of Virtual Property and the Legality of its Ownership, 37 Ga. J. Int'l & Comp. L. 381 (Winter 2009). (<http://goo.gl/pRkDZ>)

<sup>4</sup> Nell A. Beekman, Virtual Assets, Real Tax: The Capital Gains/Ordinary Income Distinction in Virtual Worlds, 11 Colum. Sci. & Tech. L. Rev. 152 (August 9, 2010). (<http://goo.gl/sLrmC>)

The judge "likened the crime to stealing paper money from the Royal Mint. While the Mint can in theory just create more money, the criminal has still stolen something of value... This case is particularly interesting because it involved a UK court recognising virtual currency – in this case, Zynga chips – as legal property which can be protected by existing UK criminal laws. The court effectively found that, even though virtual currency isn't real and is infinite in supply, it still can deserve legal protection in the same way as real world currency."<sup>5</sup>

4. Breakage. "This industry term means that users pay for an amount of virtual money, but abandon it after a period of time, and thereby forfeit it to the company...Laws covering breakage differ between states and countries."<sup>6</sup>
5. Statistics. In 2010:
  - a) NPD determined that 10% of Facebook users paid real money to purchase virtual items through micro transactions.<sup>7</sup>
  - b) SocialGold reported that the average micro transaction purchaser spends \$55.<sup>8</sup>
  - c) Physical prepaid cards overtook gamepads as the largest accessory category for game retail in 2010.<sup>9</sup>

### **C. Freemium**

1. Games. Some games are free to play, but monetized with virtual goods and other virtual transactions. "Give your service away for free, possibly ad supported but maybe not, acquire a lot of customers very efficiently through word of mouth, referral networks, organic search marketing, etc, then offer premium priced value added services or an enhanced version of your service to your customer base."<sup>10</sup>
2. Business Model. It is often difficult to convert a large percentage of customers from a free service into paying customers.<sup>11</sup> But relatively high average revenue per user ("ARPU") from those that are willing to pay combined with the rapidly increasing number of people playing is still producing significant revenue.<sup>12</sup>

## **II. Examples**

### **A. Currencies**

1. Second Life / Lindens. "...[T]he "LindeX," Second Life's official currency exchange, allows residents to purchase "Linden Dollars" with US dollars (and vice-versa). Linden Dollars is the virtual currency used in Second Life to purchase virtual goods...[U]sers, through their avatars, could purchase the virtual clothing items created by the Second Life user with their

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<sup>5</sup> Alicia Ashby, Man Steals \$12M In Virtual Chips From Zynga Poker, Engage Digital, February 3, 2011. (<http://goo.gl/qWz0a>)

<sup>6</sup> Eric Eldon, As Facebook Continues Testing Credits, Some Developers Worry About Costs, Inside Facebook, June 21, 2010. (<http://goo.gl/eqtum>)

<sup>7</sup> M.H. Williams, Facebook Games Making More Money Than Console Bestsellers, Industry Gamers, February 2, 2011. (<http://goo.gl/mm0Gb>)

<sup>8</sup> M.H. Williams, Facebook Games Making More Money Than Console Bestsellers, Industry Gamers, February 2, 2011. (<http://goo.gl/mm0Gb>)

<sup>9</sup> Mike Schram, NPD at GDC: PC retail to grow, physical and digital purchase gap closing, joystiq, October 7, 2010. (<http://goo.gl/8dogC>).

<sup>10</sup> Fred Wilson, My Favorite Business Model, AVC Blog, March 23, 2006. (<http://goo.gl/CK3pT>)

<sup>11</sup> Josh Kopelman, The Penny Gap, Redeye VC, March 10, 2007. (<http://goo.gl/3XlpX>).

<sup>12</sup> Fred Wilson, My Favorite Business Model, AVC Blog, March 23, 2006. (<http://goo.gl/CK3pT>)

Linden Dollars. The creator of the virtual clothing items could subsequently convert earned Linden Dollars back into US dollars via the LindeX.”<sup>13</sup>

2. Facebook / Facebook Credits.

- a) Business Case. “One way to explain what Facebook Credits are and how they work is by hearkening back to the arcades we used to visit as kids, where they would re-interpret the classic "change" machines into "token" machines. We'd put dollars into them that we could spend anywhere, and get tokens out that were only good at that arcade. It's brilliant. They get your money, even if you don't spend it all there.”<sup>14</sup>
- b) Impact. "Facebook Credits are backed by actual national currencies and will render exchange rates at points-of-sale moot. Facebook Credits have the potential to be one of the strongest standardized debit systems in the world, because each credit used has actually already been spent by a consumer in a transaction. This isn't Facebook extending "credit"; it's actually creating its own currency that can be bought at a particular exchange rate.”<sup>15</sup>
- c) Exclusivity. Facebook offers incentives for developers who exclusively use Credits, including the opportunity to beta test new products.
  - (1) Buy With Friends. Facebook's "Buy With Friends" feature permits users to share with a friend that that they have made a purchase. The friend can then have the opportunity to make the same purchase using Facebook Credits from the new feed, which may include a discount. The developer can determine how the sharing is triggered and the level of the discount.<sup>16</sup>
  - (2) Frictionless Credits. Facebook is introducing a "Frictionless Credits" micropayment system so users can purchases up to 20 or 30 Facebook Credits without interrupting game play.<sup>17</sup>

**B. Sample Service, Game and Offer Providers**

1. Nexon. Nexon sells prepaid cards for its micro transaction-based games that are available in stores like 7-11 and Target. Nexon has innovated in the space, by allowing game players to visit Target within the game to purchase the cards. "All of Nexon's titles are driven by microtransactions, so players can buy almost any item in the game, from cosmetic skins and armor to extra health potions and even "convenience items" like XP boosts and superpowered buffs. And they're all selling -- Nexon made \$29 million in revenues in 2007, rising to \$45 million in 2009 and double-digit growth over that last year.”<sup>18</sup>

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<sup>13</sup> Beth Seals, Real-life trademarks in virtual worlds, Squire Sanders & Dempsey LLP, May 19 2010.

(<http://goo.gl/8yCDD>)

<sup>14</sup>Ian Schafer, Is This the Dawn of the Facebook Credit Economy?

What You Need to Know About Social-Media Website's Virtual Currency, Advertising Age, May 20, 2010.

(<http://goo.gl/lcsSq>)

<sup>15</sup>Ian Schafer, Is This the Dawn of the Facebook Credit Economy?

What You Need to Know About Social-Media Website's Virtual Currency, Advertising Age, May 20, 2010.

(<http://goo.gl/lcsSq>)

<sup>16</sup> Josh Constine, ISA 2011: Facebook Announces Buy With Friends and Frictionless Micropayments, Inside Facebook, January 25, 2011. (<http://goo.gl/Tdi8N>)

<sup>17</sup> Josh Constine, ISA 2011: Facebook Announces Buy With Friends and Frictionless Micropayments, Inside Facebook, January 25, 2011. (<http://goo.gl/Tdi8N>)

<sup>18</sup> Mike Scheamm, Nexon America's pre-paid card empire, joystiq, February 7, 2011. (<http://goo.gl/9GTQe>)

2. PlaySpan. "PlaySpan's flagship product UltimatePay is a 'Monetization as a Service' platform for apps, games, videos and digital goods. Based on the user's location, the payments platform draws from over 85 different payment options. Because of its vast variety of payment options (which include PayPal, pre-paid cards, and a number of credit cards), UltimatePay is designed for a global audience. Currently, PlaySpan powers virtual goods marketplaces across 1,000 video games, virtual world publishers and social networks."<sup>19</sup>
3. Zynga. "Zynga...develops games that members of social networking websites, such as Facebook and MySpace, can play on those websites. For example, FarmVille is a game that is promoted and made available through Facebook's site. The game presents a 'virtual world' where players can start and manage their own virtual farms. Users are allowed to play the Zynga games free of charge. Zynga generates revenue from the games by selling virtual currency to players within the games. Each game is designed to be more enjoyable for users that have acquired increasing amounts of virtual currency. Players can use their virtual currency to obtain more in-game goods and services, unlock new levels of the game, gain competitive advantage over other players, or otherwise make the game more enjoyable."<sup>20</sup>
4. TrialPay. TrialPay has worked with a number of companies, including Lolapps and Zynga, to implement a shortcut to earning Facebook Credits. TrialPay has innovated by creating a shortcut that developers can integrate outside of gameplay, such as in banner ads or tabs, which when clicked immediately show the offer.<sup>21</sup>
  - a) TrialPay and Facebook. "TrialPay has partnered with Facebook to offer its new DealSpot in-game offers API to developers using Facebook Credits. With the new integration, developers place a custom icon within their game that when clicked shows users a targeted offer to make a purchase or watch a video in exchange for Credits."<sup>22</sup>

### **III. Legal Issues**

#### **A. Gambling, Lottery, Sweepstakes and Lottery Laws**

1. Gambling Laws. Gambling laws may apply when the provider of the virtual currency:
  - (i) allows users to exchange the currency back for cash,
  - (ii) provide methods for users to transfer currency between accounts, or
  - (iii) doesn't address secondary markets offered by third parties.
  - a) The Unlawful Internet Gambling Enforcement Act of 2006 (the "UIGEA"). The UIGEA codifies unlawful Internet gambling as a crime by prohibiting accepting payments for unlawful internet gambling. The UIGEA could be implicated if users could enter contests or games with the virtual currency or if users could win virtual currency by entering contests or playing games.
    - (1) Unlawful internet gambling means placing, receiving, or otherwise knowingly transmitting a bet or wager by any means which involves the use, at least in part, of the Internet, where such bet or wager is unlawful under any applicable Federal or State law in the State or Tribal lands in which the bet or wager is initiated, received, or otherwise made

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<sup>19</sup> Leena Rao, Visa Buys Virtual Goods Monetization Platform PlaySpan For \$190 Million In Cash, TechCrunch, February 9, 2011. (<http://goo.gl/VW6cu>)

<sup>20</sup> Swift v. Zynga, 2010 WL 4569889 (N.D.Cal.). (<http://goo.gl/Cifio>)

<sup>21</sup> Josh Costine, Lolapps and Zynga Add TrialPay's Credits Shortcut, Implement "Frictionless Credits", Inside Social Games, February 1, 2011. (<http://goo.gl/AtiFB>)

<sup>22</sup> Josh Constine, TrialPay Partners with Facebook to bring DealSpot In-Game Offers to Developers Using Credits, Inside Facebook, February 15, 2011. (<http://goo.gl/4aOxa>)

- (2) A bet or wager means risking something of value on the outcome of a game subject to chance, upon an agreement or understanding that the person or another person will receive something of value in the event of a certain outcome.
- b) Zynga and Texas Holdem. The NY attorney general's office had argued that Zynga could be breaking multiple state and federal anti-gambling laws in its Texas HoldEm Facebook game. Zynga argued that although you can buy chips you can't redeem them for money. A prosecutor could argue that the chips do constitute something of value, since they can be used to buy virtual gifts or extend game play. There are also secondary markets where the chips are bought and sold, but these violate Zynga's TOS.<sup>23</sup>
2. Lottery Laws. Lottery laws may apply when the virtual currency is used to pay to enter a game of chance where winner determined by random selection and awarded a prize.
3. Sweepstakes Laws. Sweepstakes laws may apply when the virtual currency is part of a game of chance where winner determined by random selection and awarded a prize.
4. Contest Laws. Contest laws may apply when the virtual currency is part of a game of skill where winner determined by judging on objective criteria and awarded a prize.

**B. Gift Card, Stored Value Card and Escheat Laws**

1. Stored Value and Gift Card Laws. Stored value and gift card laws often apply whether or not there is a physical card. These laws usually cover a situation where a gift card or code is distributed to a consumer in exchange for monetary payment. "Broadly speaking, state and federal gift certificate laws apply when consideration is paid for a record evidencing a promise to provide goods or services of a certain value to the bearer of the record. State and federal definitions vary, but can apply to virtual currency digital records and account balances. Gift certificate laws could restrict an Issuer's ability to expire virtual currency, impose inactivity or service fees on virtual currency accounts, require conspicuous disclosure of key terms, and require an issuer to provide cash refunds of unused virtual currency. Certain exemptions apply, however, for gift certificates provided on a promotional basis without payment of money or other consideration from users."<sup>24</sup>
- a) CARD Act. The federal Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "CARD Act") restricts fees, prohibits expiration in less than 5 years and imposes strict disclosure requirements on most prepaid instruments. The law applies to covers almost all prepaid products. Also, state laws that are more restrictive than the CARD Act are not preempted, so their restrictions on terms like expiration dates or fees or require additional disclosures continue to apply.<sup>25</sup>
- b) State Laws. Many state gift card laws prohibit or restrict the imposition of expiration dates or service fees.
2. Escheat Laws. Unclaimed property laws have been enacted by many states to provide that where property has been abandoned by the owner it must be transferred to the state after a specified period of time. If the virtual currency is considered as property, these laws apply based on the state of the holder of the virtual currency. "Unclaimed property compliance in the virtual currency context is more complicated than programs involving paper gift certificates and plastic gift cards because virtual currency Issuers often maintain online user accounts with information about the identity and location of the user, whereas paper gift

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<sup>23</sup> Sarah Lacey, Is Zynga a Target for State Attorneys General?, TechCrunch, July 27, 2009. (<http://goo.gl/MnZtQ>)

<sup>24</sup> M.E. Kabay, Real legal issues with virtual currencies, Network World, May 12, 2010. (<http://goo.gl/OCUap>)

<sup>25</sup> Prepaid and Gift Card Law & CARD Act, Pillsbury Winthrop. (<http://goo.gl/SOciI>)

certificates and plastic gift certificates are often anonymous."<sup>26</sup> Some states exclude gift cards with no expiration or service fees from their escheat laws. Time frames for turning over the property to the state vary, but are often 3 years or 5 years.

- (1) Facebook Credits. "Facebook follows California law: If a user doesn't access their account for three years, the company forfeits the money to the state, per its Unclaimed Property Law (which is based on the common law doctrine of escheating). Developers, especially those based elsewhere, may account for breakage differently, per the state and national laws where they are based. They may, for example, count the initial purchase of virtual currency as revenue, and — entirely within the law — keep the breakage for themselves."<sup>27</sup>

### **C. Banking, Money Transfer Laws and Accounting Laws**

1. Banking Laws. Federal law prohibits engaging in the business of receiving deposits without a banking license. Most states also require a state banking license. An issuer of virtual currency is probably not affected by state banking laws if the virtual currency can only be used to purchase the issuer's own good and services, known as a "closed loop" gift card. If the virtual currency can be used to make purchases from third parties, known as an "open loop" gift card, state banking laws may apply.
2. Money Transfer Laws.
  - a) Cash Redemption. There are risks when a virtual currency can be redeemed for cash, especially if more than one party is involved. Federal financial services laws then apply, including those used to prevent money laundering. Compliance with the federal Bank Secrecy Act and the Patriot Act may also be required.
  - b) Licensing. Almost all states also have laws that require any non-bank that accepts money from customers that will be transferred or paid to third parties to obtain a money transmitter, bill payment, or other type of license.
3. Accounting and Tax Laws.
  - a) Tax Treatment. It is not completely clear how virtual currency transactions should be taxed.<sup>28</sup> "[A] recent trend among states, as digital consumption has become more commonplace, is the inclusion of digital goods in the sales and use tax base."<sup>29</sup>
    - (1) Income Tax v. Capital Gains. "Under the U.S. tax regime, income is characterized either as ordinary income or capital gains, and the category is determined by the activity that generated the income. Capital gains arise from the sale or exchange of capital assets as defined by § 1221 of the tax code while ordinary income derives from all other activity. The capital-ordinary distinction is important because capital gains are generally taxed at a lower rate than ordinary income."<sup>30</sup>
  - b) Revenue Recognition.

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<sup>26</sup> M.E. Kabay, Real legal issues with virtual currencies, Network World, May 12, 2010. (<http://goo.gl/OCUap>)

<sup>27</sup> Eric Eldon, As Facebook Continues Testing Credits, Some Developers Worry About Costs, Inside Facebook, June 21, 2010. (<http://goo.gl/eqtum>)

<sup>28</sup> Nell A, Beekman, Virtual Assets, Real Tax: The Capital Gains/Ordinary Income Distinction in Virtual Worlds, 11 Colum. Sci. & Tech. L. Rev. 152 (August 9, 2010). (<http://goo.gl/sLrmC>)

<sup>29</sup> J. Robert Schlimgen, Virtual World, Real Taxes: A Sales And Use Tax Adventure Through Second Life Starring Dwight Schrute, 11 Minn. J.L. Sci. & Tech. 877 (Spring 2010). (<http://goo.gl/dA0rZ>)

<sup>30</sup> Nell A, Beekman, Virtual Assets, Real Tax: The Capital Gains/Ordinary Income Distinction in Virtual Worlds, 11 Colum. Sci. & Tech. L. Rev. 152 (August 9, 2010). (<http://goo.gl/sLrmC>)

- (1) Realization. "While any economic accession to wealth can be taxed, there is also a requirement that the income be 'realized.' The realization requirement is effectively a question of timing, i.e., when to tax. When a taxpayer acquires property that increases in value, the wealth of that taxpayer unquestionably increases. However, simply holding appreciated property will typically not result in taxable income until there is a "realization event," such as sale or exchange of the property for materially different property."<sup>31</sup>
- (2) Cashing Out. "At present, most of the debate on the correct tax regime for this income has focused on timing and realization issues, specifically whether users should be taxed on in-world transactions, or if it would be preferable to wait until the moment their virtual property or money is converted into real money (a "cash-out" rule), and whether the answer should depend on the nature of the world."<sup>32</sup>
  - (a) Second Life. "One obvious problem in applying this rule to transactions of virtual goods is that virtual goods are traded for virtual currency, not real world 'cash.' Though currency exchanges have been created to convert Linden Dollars to real world currency, no banking institutions presently recognize the Linden Dollar as legitimate currency. Until the exchange of Linden Dollars for real world tender occurs at a currency exchange, it may be prudent to withhold classifying virtual world transactions as realization events."<sup>33</sup>
  - (3) Different Models. "There are three different revenue recognition models for the sale of virtual goods seen in practice: the game-based revenue model, the user-based revenue model and the item-based revenue model."<sup>34</sup>
    - (a) Game-Based Revenue Model. "[T]he company recognizes the revenue generated from the sale of virtual goods ratably over the estimated remaining life of the game, and no distinction is made for the 'characteristics' of the virtual good."<sup>35</sup>
    - (b) User-Based Revenue Model ("UBRM"). "The user-based revenue model ... is based on the presumption that the period of delivery for the virtual good is the estimated average user life. Generally, the average user life is a shorter period than the expected game life, resulting in the recognition of revenue over a shorter period under this model as compared to the game-based revenue model."<sup>36</sup>
    - (c) Item-Based Revenue Model ("IBRM"). "Unlike the game-based revenue model and the UBRM, the IBRM takes into consideration the characteristics of the virtual good sold to determine the (implied or explicit) period that the virtual good is made available to the user ("delivery obligation period"). ...[T]he delivery obligation period frequently will vary depending on the category of virtual good involved. Once the delivery obligation period has been established, revenue is recognized ratably over that period of time. In some cases, the estimated delivery obligation period for a particular category of virtual good is

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<sup>31</sup> Nell A, Beekman, Virtual Assets, Real Tax: The Capital Gains/Ordinary Income Distinction in Virtual Worlds, 11 Colum. Sci. & Tech. L. Rev. 152 (August 9, 2010). (<http://goo.gl/sLrmC>)

<sup>32</sup> Nell A, Beekman, Virtual Assets, Real Tax: The Capital Gains/Ordinary Income Distinction in Virtual Worlds, 11 Colum. Sci. & Tech. L. Rev. 152 (August 9, 2010). (<http://goo.gl/sLrmC>)

<sup>33</sup> David Assalone, Law In The Virtual World: Should The Surreal World Of Online Communities Be Brought Back To Earth By Real World Laws, 16 Vill. Sports & Ent. L.J. 163 (2009). (<http://goo.gl/YD3vT>)

<sup>34</sup> Ernst & Young, Revenue recognition on the sale of virtual goods, April 9, 2010. (<http://goo.gl/UgfEI>)

<sup>35</sup> Ernst & Young, Revenue recognition on the sale of virtual goods, April 9, 2010. (<http://goo.gl/UgfEI>)

<sup>36</sup> Ernst & Young, Revenue recognition on the sale of virtual goods, April 9, 2010. (<http://goo.gl/UgfEI>)

shorter than the estimated user life. This results in revenue recognition for the sale of virtual goods over a shorter period than that used under either the UBRM."<sup>37</sup>

**D. International Laws**

1. When the virtual currency moves among different countries, international laws pay apply.

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<sup>37</sup> Ernst & Young, Revenue recognition on the sale of virtual goods, April 9, 2010. (<http://goo.gl/UgfEI>)