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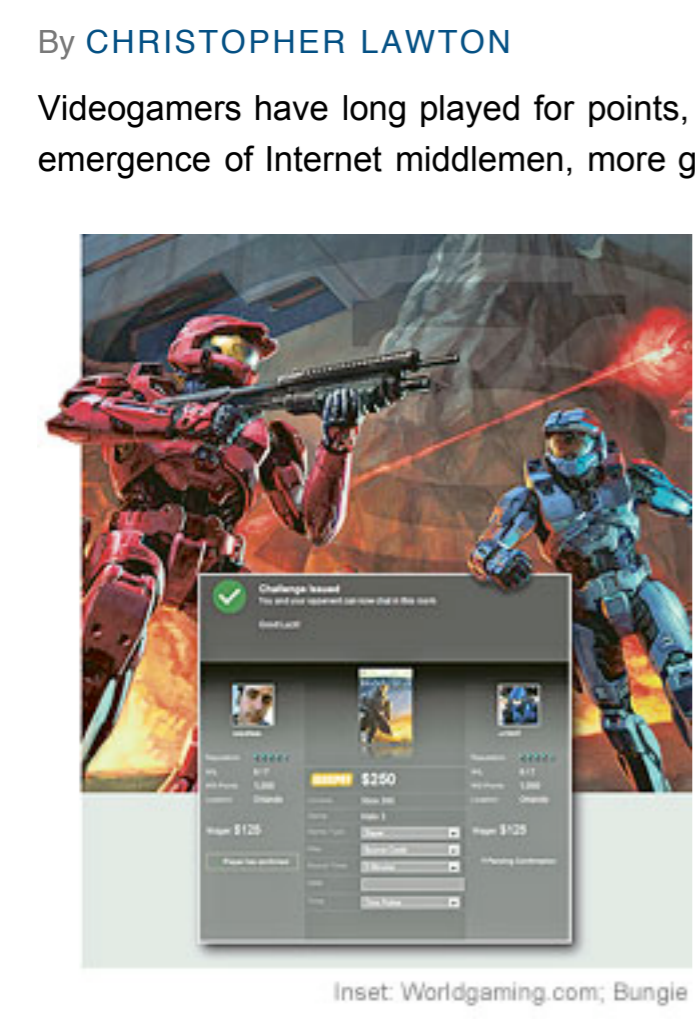
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Videogaming for Dollars? You Bet

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By CHRISTOPHER LAWTON

Videogamers have long played for points, kills or just plain bragging rights. But with the emergence of Internet middlemen, more gamers are wagering for prize money.



Inset: Worldgaming.com; Bungie Gamers at WorldGaming.com can challenge players to videogames played online, such as Halo 3, background. The players wager on the outcome.

Today at the Game Developers Conference in San Francisco, Toronto-based WorldGaming Inc. will begin accepting test users for WorldGaming.com, a site that allows players of popular Xbox and PlayStation console games to challenge other gamers to "tournaments" and bet on the outcome.

WorldGaming.com is the latest Web site to give gamers a chance to bet their skills against fellow players -- and, if they win, to make money off them. Other sites include Beyond Gaming LLC's Gamersaloon.com, which launched in late 2006, and gSpot LLC's Gspotgaming.com, which came out in August.

The sites aren't affiliated with console makers or publishers of the games, such as Microsoft Inc.'s Halo 3 and Electronic Arts Inc.'s Madden NFL '08. Instead, they broker contests between players, offering secure payments options -- in exchange for a cut of the pot, usually between 7% and 12%.

Even with the arrival of WorldGaming, it's still early for the console-gaming-for-money concept, considered a niche for now. Many of the skill-based gaming Web sites -- which each have fewer than 5,000 active participants -- are in trial mode and seeking funding from venture capitalists and other investors.

In 2007, out of about 50 million U.S. households with a game console, about 11 million had one console connected to the Internet, according to Parks Associates, a technology research firm.

Still, early indicators suggest there is a market for these sites. Jay Kopp, a production assistant in Chicago and an avid console gamer, struggled to find gamers to play online before hearing about WorldGaming.com. A month ago, he was invited to participate in a closed test for the new site. The 26-year-old says it's now easy to find good people to play against because of the site's ranking system, which indicates their gaming skill. Mr. Kopp says he's also eager to start winning some real cash from his gaming.

"When you're just playing with friends, the only thing that is really on the line is your pride," says Mr. Kopp. "That only goes so far for me. Now I can say, 'Hey, I took some of your money -- deal with that.'"

Here's how the sites work. Players register on a site and deposit money into an account through PayPal or by using a major credit card, and then seek out and challenge other players to a game for money. Sites allow wagers -- politely dubbed "tournament fees" -- that range from \$1 to \$1,000 per person.

Once two gamers have accepted a challenge, the money is deducted from their account and put into a neutral pot. The gamers then play their game at a designated time on an Internet-connected game console. After the game, players log back on to the Web site and indicate who won, at which point the payoff is made. Results are also available on some public Web sites, such as www.bungie.net, the Web site for Bungie Studios, developer of the Halo videogame.



Sharkwaters Gamers who register with Sharkwaters.com, a London-based gaming site, can compete in Madden NFL '08, a popular football videogame.

By law, only adults 18 years old or older can win money on the sites. If there's a dispute between players, either the Web site arbitrates the differences or returns the money to both players; repeated disputes can result in being banned from a site.

Despite the resemblance to online gambling sites, which the federal government largely considers illegal, these gaming sites have so far escaped scrutiny. That's because unlike casino games, which are seen as determined by chance, videogames are categorized as skill-based games. That allows the sites to operate within the limits of federal law.

Yet many states ban or limit this form of gaming for money. These sites don't allow gamers from states such as Arizona, Vermont, Maryland and Tennessee to take part in cash tournaments. And more may follow, as the scrutiny of online gambling increases.

It's also unclear how the big videogame publishers will react to the Web sites if they increase in size, given the negative implications associated with online gambling.

But it's the resemblance to gambling that owners of the Web sites are counting on. "We see this gambling going bananas. ... This is the Holy Grail of any online casino," says Michael Collins, co-founder of Sharkwaters Ltd., which owns Sharkwaters.com, a skill-gaming site based in London.

Sharkwaters received a cease-and-desist letter from game publisher EA in early 2007, which Mr. Collins says is baseless. He responded that he isn't infringing on EA's copyright because he doesn't use any software or games programs created by EA, nor does he use any company logos. A spokesman for EA, based in Redwood City, Calif., declined to comment.

Will Morgan, a 21-year-old college student in Modesto, Calif., says online poker drew him to Gspotgaming.com last year. An avid Halo 3 player, Mr. Morgan has so far played and bet money on roughly 20 games, losing only four, he says. So far, his gaming savvy has earned him \$600.

For Mr. Morgan, the thrill comes from both the game and the competition. "Man, you put the two things I like to do together. That's awesome," he says.

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