

Skill Games Look Like Winners Due to Online Gambling Laws

By DAN COX - 10/23/2006

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As skill games go – which means games not of chance but of skill or talent – a couple of Los Angeles companies are finding unique, or perhaps “skillful,” ways to tap into that growing multi-billion-dollar market.

SkillJam Technologies Corp., a local game publisher that is owned by Canadian-based Fun Technologies Inc. and John Malone’s Liberty Media Corp., is one popular orchestrator of skill games. The other is King.com, a division of a British company with the same name. Both are fighting to take control of a market that industry observers say will top \$13 billion worldwide next year.

The games – and there are dozens of them – can be defined as anything from simple solitaire to geometrically complex puzzles such as one called Hex Twist, in which the player identifies and sorts hexagonal shapes. Memory Match is a simple memory game where you try to match the pictures on face-down cards.

Skillful players can make a little money, and on their faces, these games appear to sneak by U.S. laws that prohibit gambling on the Internet. Last week, Congress reinforced its disdain for Internet gambling by passing a bill to prohibit banks and credit card companies from making payments to gambling sites in any country over the Internet.

But the promoters of skill games insist that skill games are not gambling because they’re not games of chance. Robert Norton, King.com vice president of business development, said: “Skill games are clearly not games of chance. They don’t fall within gambling legislation.”

“What clearly differentiates our games is the skill,” said Allison Rynak, vice president of corporate communications for Fun Technologies.

All the games operate under a time limit, whether the player is practicing offline or competing in an online tournament.

Rynak conceded that Fun Technologies and SkillJam, which have some 27 million registered members, will charge as little as \$1 per game with prizes awarded around \$4.

“People are really playing for bragging rights,” Rynak said. “It’s really just friendly competition.”

SkillJam, which is on Pico Boulevard, employs 42 full-time workers and gets revenue from fees paid by players.

For the six months ending June 30, Fun Technologies had revenues of \$17.9 million, up 152 percent from the same period a year earlier.

In September, SkillJam tested its mettle with a nationwide contest and a cash prize of \$1 million. The event, produced by Base Camp Films, took place in Hollywood and consisted of six rounds of strategic game play in three of the most popular casual games: Bejeweled 2, Solitaire and Zuma.

In the end, a University of Texas honors student from Odessa, Texas, Kavitha Yalavarthi, took home the grand prize, outlasting 70 of the world's top gamers who made the trip to Hollywood to be named the World's Best Casual Gamer.

Yalavarthi, who just got engaged, had only this to say: "Life is unbelievable. Life is good."

"We never dreamed it could be so much fun," said Rynak. "We thought it might end up like watching paint dry, but it was so exciting."

King.com's Norton said that Liberty and Fun Technologies are dominant in the United States, but are looking to expand to Europe and Asia, while King.com wants to do the opposite, since King.com already boasts an international presence.

It has more than 40 games and more than 1.3 million games played every day, including such licensed TV shows as "Deal or No Deal," "Who Wants To Be A Millionaire?" and "Big Brother."

King.com has about 40 employees in its London offices and will include several others in the Los Angeles office, headed by Norton. The company is currently staffing up its Los Angeles office.

So, while no gambling is involved, Norton and King.com executives are banking on a fundamental interest in games of skill, such as trivial knowledge games like Jeopardy or an Americanized version of the Asian tile game, Mahjongg.

King.com is also hawking skill games with celebrities, including an online pool game sponsored by pool champion Jeanette "The Black Widow" Lee and an online chess tournament with former British heavyweight boxing champion Lennox Lewis.

Lewis, an avid chess player, plays a speed version of chess called "Chesster" at King.com.

In May, Lennox gave King.com players the opportunity to take him on for a possible \$1,000 to anyone who could beat him. Four players did so, each getting \$1,000 and a document certifying that they had "knocked out" the champ.

Lewis was professorial about the losses.

"Chess has been around for centuries," he said. "It improves your focus, reasoning skills and teaches you how to strategize. For me, playing chess takes the stress away, which is why I enjoyed playing when I was training. The sports are similar in that it's one on one, and in boxing, it helps me prepare a strategy to beat my opponent."

Norton explained that King.com is situated in Los Angeles to be near Hollywood and TV markets for future games.

He added the other reason for Los Angeles was its proximity to Yahoo! Inc.'s big office in Santa Monica, which is partnered with King for a number of skill games.

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