

State AGs Roll the Dice on Gaming

Paul L. Singer, Beth Bolen Chun, Abigail Stempson, Andrea deLorimier

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State AGs have long had an interest in enforcing consumer protection laws in the realm of [gambling](#) and [gaming](#). Almost 10 years ago, many state AGs (including in [Massachusetts](#), [Alabama](#), [New York](#), and [Texas](#) for example) obtained settlements with sports betting sites, sometimes enjoining them from operation (although legal tides have turned in many states since then due to the Supreme Court decision in *Murphy v. NCAA* declaring a federal ban on sports gambling unconstitutional). As gambling has continued to evolve and (allegedly) mix with *gaming*, State AGs have remained on the cutting edge of enforcement.

AGs Question Predictive Markets

In June 2025, a group of 36 AGs filed an [amicus brief](#) concerning online predictive market company Kalshi's use of a "loophole" to avoid state regulation. The National Association of Attorneys General hosted a panel discussion at its Capital Forum in December 2025 called "Predictive Markets: Legal Challenges and Regulatory Risks Ahead," discussing the interplay between state gambling regulation and federal preemption on commodity futures trading. Last week, Utah's AG (and other government officials) was [sued](#) by Kalshi after writing an op-ed on the risks of betting on prediction markets. When the AG's office did not respond to requests to receive "assurances of non-enforcement," Kalshi filed the action against the offices alleging irreparable injury and requesting an injunction from enforcing anti-gambling laws against its predictive market product.

Washington AG Sues Casino Apps

In early February, Washington Attorney General Nicholas Brown [sued](#) Playtika and Aristocrat, companies that own "casino apps," for violations of the state gambling law and Consumer Protection Act. The AG alleged that users had spent \$225 million "gambling" in the apps since 2020, with some spending over \$500 per day. The petition alleged that because the coins that consumers purchase in the apps have value, and the games are games of chance, the apps violate gambling laws.

The petition described slot machine, poker, and bingo apps that function like "traditional, land-based" games. Defendants allegedly advertised based on this authentic experience and were aware the gamers are online gamblers. Players purchase coins, chips, or credits with real money, where a thousand or more may be worth one penny. While the apps did not convert these into legal tender, the balance remains in the user's app. One company also sent real life gifts to "high spenders" and offered additional sweepstakes. After a Ninth Circuit ruling declaring casino apps gambling and a 2020 class action settlement for \$155 million, defendants added a certain type of free gift to their games. Since then, it has not been decided whether that resolved the gambling question (though Washington argues it does not).

Washington's Consumer Protection Act claims include:

- The apps do not prevent children from playing, and certain apps allegedly market games to children.
- Terms and advertising misrepresent that their games are not gambling, or fail to disclose that the games are gambling.
- The apps use "buy now" tactics such as countdown timers and potentially misleading discounts to make sales.

New York Sues Valve for Loot Boxes

New York last week [sued](#) Valve, the maker of popular free-to-play games Counter-Strike, Team Fortress, and Dota, under its Executive Law § 63(12) for selling loot boxes. New York described loot boxes as a virtual container where users buy a key that opens a type of "box" (treasure chest, etc. outside of the main gameplay). The box contains a virtual item that typically enhances users' in-game appearance -- known as "skins" for decorative armor or weapons. The state alleged items had a real-world monetary value since Valve allows users to sell the items through a virtual marketplace. Some items were much harder to win than others, and Valve disclosed the items' rarity. But most items users win were worth only pennies. New York alleged that because Valve charged the player for a chance to win something of value based on luck, this was gambling pursuant to New York law. Further, some of the games had the appearance of a slot machine. Generally, the virtual items increased in value over time, and some items were valued at hundreds or even thousands of dollars. While Valve claimed to prohibit third party trading sites from allowing sales for items to be converted into real money, according to the complaint, they did not act against these sites and at times restored marketplace accounts. Rare items had such value that Valve made changes to its platform to attempt to address theft by hacking. New York alleges Valve's conduct is particularly troubling because children are a large portion of the games' user bases and are especially susceptible to becoming addicted to gambling.

New York alleges that under its Executive Law prohibiting repeated illegal acts, Valve has violated the New York gambling law under its constitution and multiple penal laws. Note the FTC in 2025 [settled](#) with Genshin Impact over selling loot boxes to teens, alleging COPPA violations and deception regarding costs and odds of in-game transactions. Notably, New York did not use its general authority prohibiting deceptive acts or practices, possibly because its allegations note that the company disclosed the odds of its games.

Conclusion

In many contexts some State AGs take a broad view of their state's legal authority and may not have the same interpretation of federal authority or preemption. In states where gambling laws may apply, companies offering online games that include a potential element of chance (as opposed to games of skill exempted by most gambling laws) should examine whether:

- the terms (or "odds") are fully disclosed;
- they are treating the gamers like gamblers;
- they are advertising games as being similar to traditional gambling;
- the winnings have value under state gambling laws; and/or

- the games could be considered directed to children.