Krafton chief executive's use of ChatGPT in the Unknown Worlds earnout dispute

IMPLEMENTED 2025–2026 · MEDIA AND PUBLISHING · SOUTH KOREA · BAND F · PROVED
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Krafton's chief executive consulted ChatGPT on a strategy to take over a studio Krafton had bought and avoid an earnout of up to $250 million. A Delaware court found that Krafton followed most of the chatbot's recommendations, and that its later dismissal of the studio's leaders breached the acquisition agreement.

ABOUT THIS SYNOPSIS

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NOTICE WORDING LAST UPDATED 16 NOVEMBER 2026

AT A GLANCE

What went wrong: Weak oversight or controls.

AI used: General-purpose generative AI chatbot (ChatGPT) used by a chief executive for strategy advice.

Implemented: 2025–2026. Grade: band F, Failure, Proved.

Headline result, as reported: Delaware court found Krafton followed most of a ChatGPT-prepared strategy and dismissed the studio's leaders without contractual cause; a settlement was reported in July 2026

1 · The case

The facts, as reported by the 4 sources listed at the end. Where a source is silent, the field says "Not reported".

Organisation

Krafton, Inc.. South Korean video game publisher that bought Unknown Worlds, the studio behind the Subnautica series, in 2021. The AI use was by Krafton's chief executive, in a dispute over the acquisition's earnout. Headcount: Not reported in the sources. Canvas block: 8. Governance and risk. Also 6. Data and technology.

Business challenge

The challenge. Internal projections showed Subnautica 2 would trigger the earnout, and Krafton's analysis put the studio's enterprise value at about $93.5 million against a projected $191.8 million earnout, per the court. The court found that Krafton's chief executive feared he had agreed to a "pushover" contract. Under the acquisition agreement, the studio's founders and chief executive kept operational control and could only be fired for cause.

How it was addressed. Per the court, Krafton's head of corporate development warned the chief executive on 2 June 2025 that dismissal with cause would not remove the earnout and would expose Krafton to lawsuit and reputation risk. He then turned to ChatGPT, which told him the earnout would be difficult to cancel. At ChatGPT's suggestion he formed a task force, "Project X", to negotiate a deal on the earnout or take over the studio. ChatGPT prepared a "Response Strategy to a 'No-Deal' Scenario", which he shared with Krafton's head of strategy and operations; it covered preemptive framing for fans, locking down Steam and console publishing rights, and materials for a legal defence. The court found Krafton followed most of these recommendations over the next month, including locking the studio out of Steam publishing. On 1 July 2025 Krafton sent termination letters to the studio's chief executive and two co-founders, citing an intention to release Subnautica 2 prematurely. In court Krafton relied on other grounds, claiming that two founders had secretly entered semi-retirement and that all three had made large downloads of company data; the court called these "newly manufactured justifications" and found them pretextual. [1] [2] [3] [4]

Who implemented it

OpenAI (Model or cloud provider): Provider of the ChatGPT service used by Krafton's chief executive..
No implementation project: ChatGPT was used directly by an executive.

Technology (SEAM pillar E)

SEAM types: T1 Chat assistants. Deployment: Vendor SaaS. Vendors and products: OpenAI, ChatGPT.

Where it was built in: Used directly by the chief executive as a chat assistant; no integration into Krafton systems is reported.

What changed

Before: the studio's founders and chief executive held operational control under the acquisition agreement. After: Krafton removed them and took control of publishing; the court then reinstated the chief executive with full operational authority and extended the earnout period by 258 days, to 15 September 2026. A settlement followed in July 2026, per The Next Web. [1] [2] [3] [4]

Cost of failure

Not quantified in the sources. At stake was an earnout of up to $250 million; the court reserved any money damages for a second phase of the case. Per The Next Web, the July 2026 settlement extends Subnautica 2 bonuses to all studio staff in three annual instalments and ends the damages litigation; amounts are not reported. Legal and reputational costs: Not reported.

What it saved

Not reported. Per the court, Krafton's aim was to avoid or renegotiate the earnout; instead the court reinstated the studio's chief executive and extended the earnout period. [1] [2] [3] [4]

Governance and control

Per the court, Krafton's head of corporate development warned the chief executive of lawsuit and reputation risk before he turned to ChatGPT, and he asked that executive to contact the Legal Department; Krafton's Legal Department later wrote a letter to the founders. The chief executive admitted at trial that he had deleted specific, relevant ChatGPT logs. Any rule on executives' use of AI tools: Not reported. Krafton said it respectfully disagreed with the ruling and was evaluating its options.

S2 · Accountable owner · Not reported
The chief executive used ChatGPT himself; no owner or rule for executives' use of AI tools is reported. Per the court, Krafton's head of corporate development had warned him of lawsuit and reputation risk. [1]

A1 · Safe use · Not reported
Not reported.

A2 · Human in the loop · Not reported
Per the court, the chief executive shared the chatbot's strategy with Krafton's head of strategy and operations and Krafton followed most of it; any review of the advice before action is not reported. [1]

A3 · Monitoring and assurance · Missing (independent source shows it was absent)
The chief executive admitted at trial that he had deleted specific, relevant ChatGPT logs, per the court opinion. [1]

A4 · Vendor AI · Not reported
Not reported.

A5 · Agent controls · Not reported
No agents described.

A6 · Standards and regulation · Outside scrutiny (a regulator, court, auditor or similar body acted)
The Delaware Court of Chancery found the dismissals breached the acquisition agreement, reinstated the studio's chief executive and extended the earnout period by 258 days (Fortis Advisors LLC v. Krafton, Inc., C.A. No. 2025-0805-LWW). [1] [2] [3]

What worked, what did not, what is unproven

WORKED

– Not reported

DID NOT

– The court found the studio's leaders were not terminated for cause under the acquisition agreement and that none of Krafton's justifications had merit.

– The court found Krafton followed most of the chatbot's recommendations, including locking the studio out of the Steam publishing platform; it ordered that access restored.

– The chief executive admitted at trial that he had deleted specific, relevant ChatGPT logs, per the court.

UNPROVEN

– The terms and total cost of the July 2026 settlement: Not reported. The settlement is reported by one outlet in the sources opened, citing Bloomberg.

– What advice Krafton's Legal Department gave on the plan: Not reported.

– Whether Krafton has since set rules for executives' use of AI tools: Not reported.

2021 Krafton acquires Unknown Worlds for $500 million upfront plus up to $250 million in contingent earnout payments [1]

Jun 2025 Krafton's chief executive consults ChatGPT and, at its suggestion, forms the "Project X" task force [1]

Jul 2025 Krafton dismisses the studio's chief executive and two co-founders, citing an intention to release Subnautica 2 prematurely [1]

Mar 2026 Delaware Court of Chancery finds the dismissals breached the acquisition agreement and reinstates the studio's chief executive [1]

May 2026 Subnautica 2 launches in early access [4]

Jul 2026 Settlement reported: bonuses extended to all studio staff and the studio's chief executive leaves [4]

2 · Grade and SEAM assessment

MarLuc's opinion, made on the evidence above. How cases are graded: marluc.co.uk/case-studies/how-we-rate

Level of change and impact

Claimed: Not applicable. Grade: F, Failure. Proof: Proved. Level of change: Not graded.

No level assessed: band F. This is a chief executive's use of a general chatbot for corporate strategy, not a deployed business system. The court found Krafton followed most of a strategy the chatbot prepared, and that the dismissals that followed breached the acquisition agreement.

The SEAM view and lessons learnt

The failure was one of judgement and oversight at the top: a chatbot's strategy was largely followed after a colleague had warned of legal risk, and a court later found the resulting dismissals breached the agreement. The AI's part cannot be separated from the chief executive's own decisions; the court describes the dismissals as a tactic Krafton chose. A leadership team should decide when advice from a general chatbot may shape a legal or contractual action, who must review it first, and how records of that use are kept.

1. Set a rule that legal and contractual strategy needs qualified human review before action.
2. Treat chatbot advice as a draft to challenge, never as a plan to execute.
3. Keep records of AI use in high-stakes decisions, since a court can examine them.

Evidence

Score 3 of 4. Independent: a court opinion with written reasons, opened for this case; the settlement rests on one outlet.

Evaluation method. Court finding: Delaware Court of Chancery opinion of 16 March 2026 after an expedited trial (Fortis Advisors LLC v. Krafton, Inc., C.A. No. 2025-0805-LWW), read in a copy hosted by The Register.

Sources disagree. The Register reports that ChatGPT advised firing the founders with a made-up

3 · Original sources

Read these in full. To challenge a fact or a grade, use the contact form at marluc.co.uk or the link on https://marluc.co.uk/case-studies/krafton-chatgpt-subnautica-earnout-ruling

[1] Delaware Court of Chancery: Fortis Advisors LLC v. Krafton, Inc., C.A. No. 2025-0805-LWW, opinion of 16 March 2026 (PDF copy hosted by The Register)
https://regmedia.co.uk/2026/03/18/subnautica-chat-gpt-decision.pdf

[2] The Register: ChatGPT advised exec on how to fire Subnautica founders to avoid payout, court ruling says
https://www.theregister.com/2026/03/18/chatgpt_helped_exec_bilk_founders/

[3] The Asia Business Daily: US Court Rules Krafton Unfairly Dismissed Unknown Worlds Management
https://view.asiae.co.kr/en/article/2026031709535575236

[4] The Next Web: Krafton agrees to pay Subnautica 2 bonuses after CEO who used ChatGPT to dodge them steps down
https://thenextweb.com/news/krafton-subnautica-2-bonus-settlement-ceo-resigns

Krafton, Inc. website: https://www.krafton.com

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