

By Alice Ratcliffe

ZURICH, Sept XX (Reuters) - Forget the Art of the Deal. Etoy, a group of European artists whose main space is the Internet, prefers art as THE deal.

"The idea is basically, instead of a manifesto, we have a business plan," etoy.ZAI, the group's "Chief Executive Officer" told Reuters in a recent interview.

The group of 20-somethings -- motto "leaving reality behind" -- gained cult status last Christmas when U.S. online toy retailer eToys.com <ETYS.O> tried to shut it down amid fears customers might be misled by its similar-sounding website name.

It has gradually morphed from a paramilitary-looking bunch of "agents" dressed alike in orange, into something confusingly similar to a "corporation" run by young guys in suits -- albeit a company with no tangible products or services.

Today it plans a restructuring and has filed registration of a tax-exempt company in the Cayman Islands as it prepares to mark the one-year anniversary of the "toywar", etoy.ZAI said.

The highlight of the latest effort is to be "a virtual operational etoy.HEADQUARTERS" to be set up on the world's smallest sovereign territory, the self-proclaimed Principality of Sealand, an old military base resembling an oil drilling platform, located in the Thames estuary not far from London.

Recent international focus on money laundering and offshore centres has also touched etoy: "etoy is okay. We launder art money. This is dirty but 100-percent legal," etoy.ZAI said.

He is not a man to be pinned down by mundane facts.

Etoy collectors include upstanding and serious people, and etoy's work has received applause from various quarters, including the Ars Electronica festival in Linz, Austria.

TOYWAR HISTORY, STATUS TO DATE

The first shot in the toy war was fired on September 9, 1999, when eToys.com filed suit, alleging its customers were being misled by the etoy website, etoy.ZAI said.

Visually it is hard to confuse the two. Instead of Barbies and Harry Potter accessories, etoy's site currently features moving cargo containers with corporate-like rubrics: "newsroom," "businessplan" and "shareholders".

For a while the tide appeared to favour eToys.com, which succeeded in briefly shutting down etoy's site.

Then etoy "soldiers" bombarded eToys.com's server for short bursts on 10 Christmas shopping days. An account in German online Telepolis magazine says attackers shunned use of a "killer bullet", choosing merely to show support for etoy.

As the battle continued, etoy.ZAI said even the U.S. Securities and Exchange Commission (SEC) got into the act, perhaps because of etoy's "shares" which exist since an initial public offering in 1998. Former Austrian Chancellor Viktor Klima bought the first one.

A spokesman for the SEC declined to confirm or deny if the agency ever sought information on etoy. If it had it might have been as confused as much of the rest of the world.

"The good thing about us is that we are so complicated, that eToys.com had to spend a lot of money just to figure out what we are," etoy.ZAI said.

In the smallest sense, the group is a digital artists' collective, part of the Internet culture. One website lists around 100 such artists and groups, including etoy.

In the larger sense, etoy's work is a comment on "connections between those who wish to keep the Web free as was first intended, the 'I Love You' virus, geek culture/corporate culture, Bill Gates and hackers..." said Barry Rosenberg, art advisor for the U.S. non-profit Robert Shiffler Foundation.

The storm of protest eventually led to a truce.

A lawyer for etoy described the situation today as "basically (a) settlement (which) tried to put everybody back to the status quo where it was before the whole thing started".

Jonathan Cutler, manager of communications at eToys.com, said in an email that "people in the community told us that they want the art of etoy and the commerce and content of eToys to co-exist peacefully on the world wide web, and that is what we did. The matter is behind us and we continue to wish etoy the best in their future endeavors".

UPBEAT FOR THE FUTURE OF ETOY

In a natty suit and tie, etoy.ZAI, 26, nearly blends in with the business crowd lunching recently at a Zurich restaurant. Or would, apart from a bright sponsorship logo on his jacket.

Etoy's core comprises a three-member management, alongside five to 20 "staff". All are called "etoy": Chairman etoy.GRAMAZIO, and etoy.KUBLI, legal affairs and inhouse. An extreme case of corporate identity? Or subversion of the idea of the individual artist-as-loner-genius?

"The art market also functions through brands. But the brands up to now are individual artists," said etoy.ZAI.

The group was formed in 1994 when most members were students. For a while there was a woman member but "it looked like she was Queen Bee. It didn't work visually," says etoy.ZAI.

Fixed assets include four orange etoy cargo containers.

Like many a "start-up," CEO, etoy.ZAI said he isn't making much money with etoy. There is a vague outlook for revenues.

Etoy sells -- or appears to sell -- items on the web, including "etoy.TANK" for \$600,000.

BUYSIDE ALSO POSITIVE FOR ETOY

The toy war could have had strange implications for art and commerce if etoy had taken eToys.com's offer to settle for 7,000 of its shares and \$50,000 in cash, a deal valued last November at nearly \$520,000.

Had etoy accepted, collectors -- or "institutionals" as etoy.ZAI calls them -- would suddenly have found their art investment converted into a stake in a real toy retailer.

It would be an odd twist for a group who seeks to ensure the things it produces are mostly easily copied, although it does produce giant aluminum "shares" for collectors.

In general, "we are against relic-value," etoy.ZAI said.

The U.S. collector Robert Shiffler has bought an etoy "share" for his private art collection, and the non-profit Robert Shiffler Foundation also has one, said Rosenberg.

Etoy is also creating a banner for its website "bobsart.com" as a service to one of its major investors.

Japanese venture capitalist Joichi Ito, also an etoy shareholder, told Reuters in an email: "I loved their concept and their spirit and thought that the 'shares' were a very novel and exquisitely twisted way to raise money for art".

Ito also backs Sealand, the new focus of etoy "offshore" operations. Originally set as up to guard the mouth of the Thames during World War Two, it was abandoned and then occupied by former British major Paddy Roy Bates in 1967.

Apart from having no land, Sealand has many attributes of a real offshore haven: a nice coat of arms, postage stamps featuring its rulers Prince Roy and Princess Joan, a constitution, flag, and national anthem. It issues passports.

Does etoy's next move suggest political aspirations?

"We don't have much to do with real politics," said etoy.ZAI, adding with properly confusing business logic: "What we are selling in the end is a story."

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