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Introduction to Esports & Professional Video Gaming Law

With the advent of innovative technologies, today's global entertainment market continues to evolve creating new forms of entertainment. This includes the development and world-wide growth of competitive video gaming or "esports." In the last few years, "electronic sports" or "esports" have transitioned to the mainstream with professional video gamers competing in a variety of console, mobile and computer games against other professionals for substantial sums of money on a world-wide basis.

This book explores the various intricacies of esports and professional video game law as well as the associated business matters surrounding this new entertainment field. It will focus on the main "players" in the esports business landscape, including the event organizers, game developers, professional gamers, coaches, analysts, gaming content creators, streamers and shoutcasters. Professional esports teams and organizations as well as other matters related to the legal and business side of esports and professional competitive video gaming will be explored.

This book also highlights some of the recent legal and business developments that have emerged due to the continued international expansion and viewership growth of professional gaming. It is meant to ensure the reader receives a full understanding of the trends that are dominating today's competitive gaming landscape and how to best navigate as well as tackle them both legally and properly.

1.1 A Brief History of Esports and Competitive Gaming

While there is no "official" history of esports and the competitive videogame world, the following is meant to be a compilation highlighting a selection of monumental events throughout the history of competitive gaming. These series of events have molded today's professional competitive gaming scene and shaped the growing business world surrounding it. Many sources agree that the first video game competition occurred on October 19, 1972, at *Stanford University*.[1] This first competition was for the computer game *Spacewar*.[2] The event provided the eventual winner, Bruce Baumgart, with a year's subscription to *Rolling Stone* magazine.[3] The next large gaming event occurred in 1980 with Atari's *Space Invaders* Championship.[4] The event attracted over 10,000 players with Rebecca Heineman emerging victorious and was an early glimpse into what the competitive scene could be.[5]

Following the previous year's success, the 1981 Atari World Championship occurred featuring a $50,000 total prize pool with $20,000 of it being provided to the event winner.[6] In a common occurrence within the early days of the esports industry, the report was that the actual "tournament is a disaster" with the "prize-money cheque bounc[ing]" causing Atari to sue the event organizer.[7] Around the same time, the iconic Twin Galaxies was created by Walter Day.[8] Twin Galaxies was an organization that recorded and tracked the "world records" for video games.[9] This included verifying and compiling the "official" list of the "highest scores" for various arcade games, such as *Pac-Man* and *Donkey Kong*.[10] The chase and competition for "top scores" caused the creation of the first wave of television shows, including "*Starcade* in the United States and *First Class* in the United Kingdom."[11] These television programs "pitted players against each other in competitive gaming to battle for [the] high[er] score."[12] For example, *Starcade* provided each contestant with "30– or 50 seconds of time" to try to beat their opponent's score in a particular game.[13]

The budding interest from the mainstream media and entertainment worlds as well as the vast collection of "high score" records curated by Twin Galaxies led businessman Jim Riley to create the Electronic Circus tour.[14] The Electronic Circus was intended to be what many of today's music festivals actually are, a large attraction that included live musical performances, a giant video-game "arcade with 500 cabinets" and a "Superstar Pro Tour" featuring some of the country's best video gamers.[15] While, the overall

production was not as successful as intended, the event was important as it marked the first time in history that an individual was paid a "wage to play a video game at a high level."[16]

From there, the competition for "high scores" continued to rage on with certain gamers setting themselves apart from the rest. This led to another momentous event in the development of professional gaming, the creation of the *U.S. National Video Game Team* (*USNVGT*).[17] In July 1983, Walter Day gathered some of the nation's top gamers to form the aforementioned *USNVGT* in an effort to monetize the mounting interest in competitive gaming.[18] Some of the initial team members were Ben Gold, Billy Mitchell (the *Donkey Kong* legend)[19], Jay Kim, Steve Harris and Tim McVey.[20] The team began by going city to city to raise "money to fight cystic fibrosis" as well as operating their own Video Game Masters Tournament intended to "uncover future stars" for their gaming team.[21]

A few years later, in 1987, Walter Day had left the *USNVGT* and, in the same year, the new team captain, Donn Nauert secured a rare paid promotional opportunity for the "*Atari 7800* console."[22] The marketing campaign included "a series of [television] commercials" featuring Nauert.[23] Nauert's sponsorship opportunity was important in the growth of the esports business "ecosystem" as it set a precedent of utilizing notable gamers in a company's product marketing campaign. Also, in an effort to further expand their reach and impact upon the gaming world, the *USNVGT* formed the *Electronic Gaming Monthly*, a publication that was eventually acquired by Ziff Davis.[24]

As gaming continued to grow in notoriety, the notion of large competitive video game tournaments for substantial prize money was cultivated along with it. Eventually, in 1988, the television show *That's Incredible!* featured a segment with *USNVGT* members acting as the judges for three teenage gamers competing against each other in a series of various Nintendo games.[25] The winner of this competition, Jason Reynolds, was later put on "cereal boxes" and potentially inspired the motion picture *The Wizard*.[26] The movie starred Fred Savage and featured a "$50,000 gaming tournament" that the actor intended to compete in.[27] The motion picture ended up being a significant "marketing tool for Nintendo."[28] Additionally, the movie's premise may have also laid the foundation for the next big moment in the evolution of professional gaming, the 1990 Nintendo World Championship.[29]

In 1990, the Nintendo World Championship tour visited "29 U.S. cities" with more than "8,000 players competing each weekend."[30] The tournament featured the gamers competing against each other in a few Nintendo games to see who could achieve the highest scores, including playing "*Super*

Mario Brothers 3, Rad Racer and *Tetris*."[31] The event was an early example of the large gaming tournament concept expressed in the motion picture and laid a blueprint for future esports event organizers to follow. Later, in 1994, building off the previous tournament's success, Nintendo held another world championship, the Nintendo PowerFest '94, known as "Nintendo World Champions II," to promote the release of their new gaming console, Super N.E.S.[32] During the competition, the various top gamers battled in a variety of titles, including *Super Mario Brothers: The Lost Levels*, *Super Mario Kart* and *Ken Griffey Jr. Home Run Derby*.[33]

While Nintendo was leading the way with gaming consoles, new gaming genres began to steal the show and helped move the professional scene forward. For instance, in 1991, another monumental change in the competitive digital gaming scene occurred with the release of *Super Street Fighter II*.[34] *Street Fighter II* was significant as it became one of the first "player versus player" (PVP) competitive titles.[35] Previously, all competitive gaming tournaments and events were focused on beating an opponent's "high score" in a specific game. However, the newly created genre of "fighting games" actually positioned one competitor directly against another one to determine a winner.[36] This was a perfect set-up to captivate fans and begin to allow the competitor to focus on beating their direct opponent while showcasing their "incredible reaction speeds, frame-perfect timing [and] deep, calculated strategy."[37] Eventually, in 1996, the first major *Street Fighter* tournament, the *Battle by the Bay* took place in California; and, eventually grew into an annual "fighting game" competition.[38] This annual "fighting game" event later evolved into the aptly named, Evolution Championship Series (Evo).[39]

Additionally, another emerging gaming genre was brought to the competitive scene due to the development and advancement of personal computers (PCs), the "first-person shooter" (FPS). This new game type first arrived on the scene in 1991 with the game publisher, id Software's *Quake*.[40] *Quake* was the first time that the "idea of [in-game] maps being designed specifically for online multiplayer" became popular, which was a driving force in shaping the FPS esports community and its fan base.[41] *Quake* was followed by more advanced FPS titles from id Software, including *Wolfstein 3D* in 1992, *Doom 1* in 1993 and *Doom 2* in 1994.[42] The emergence of this new game genre continued to focus on the exciting "one versus one battling" featured in various fighting games and it helped further move esports toward what it is today.

In 1997, another seismic shift in the competitive gaming landscape occurred with the iconic *Quake* match coined the "Red Annihilation."[43] This memorable *Quake* match pitted Dennis "Thresh" Fong against Tom

"Entropy" Kimze.[44] Due to the advancement of internet speed, over 2000 gamers entered the competition and faced each other in one-on-one *Quake* battles until the field was narrowed down to the final 16 players.[45] These finalists were then all flown into Atlanta, Georgia to compete against each other at the Electronic Entertainment Expo (E3).[46] Dennis "Thresh" Fong eventually won the tournament by "pick[ing] apart Entropy" in the finals to earn *Quake* programmer John D. Carmack's *Ferarri 328 GTS*.[47] This event was important in the development of esports as it demonstrated the potential mainstream interest and excitement that a live gaming event could create as it was viewed by in-person spectators as well as received online, newspaper and television network coverage.[48]

As the interest in competitive gaming continued to develop, a series of organized professional leagues were created hoping to capitalize on the growing interest in live gaming events. One such organized league was the *Cyberathlete Professional League* (*CPL*).[49] In 1997, the *CPL* was created by Angel Munoz and the league "consider[ed] itself the N.F.L. of head-to-head computer gaming."[50] The league operated for many years and was the breeding ground for many esports professionals, including Johnathan "Fatal1ty" Wendel.[51] In the same year, another league, the *Professional Gamers League* (*PGL*) was created by Total Entertainment Network.[52] The *PGL* was initially sponsored by computer processor developer, AMD, electronics company, Logitech and modem maker, U.S. Robotics.[53] Meanwhile, at the same time in Germany, the *Deutsche Clanliga* (DeCL) was formed.[54] In 2000, this "clan" eventually became the event organizer Electronic Sports League (ESL).[55] The esports event organizer ESL was originally owned by Turtle Entertainment but it was more recently sold to the Modern Times Group (MTG).[56]

In 1998, a year after the "Red Annihilation," one of the largest catalysts in international esports development occurred. This was the release of Blizzard Entertainment's "real time strategy" (RTS) game *StarCraft* and its later expansion edition, *StarCraft: Brood War*.[57] This new competitive title led to the development of an enormous competitive gaming scene in South Korea.[58] The level of interest was so high that the South Korean government even formed the Korean e-Sports Association (KeSPA) to regulate the esports industry.[59] *KeSPA* was formed for a variety of reasons.[60] Some of these included to regulate professional gamers' salaries; to negotiate fees "with broadcasters;" as well as to issue professional "licenses" to competitive players through its "ladder" system.[61] The explosion of esports in South Korea due to the release of *StarCraft* brought many firsts for professional gamers desiring to embark on a competitive gaming career.[62] For instance,

StarCraft superstar, Lim "BoXeR" Yo-hwan was the earliest gamer to negotiate a sizable six-figure salary (and later salary increases to "well over $250,000 a year").[63] He was also the first individual to establish his own competitive team, which was later purchased by the telecommunications company SK Telecom.[64]

In 1999, the competitive gaming world was further sculpted with the emergence of additional FPS titles such as *Unreal Tournament* and *Counter-Strike*.[65] These new games, in particular *Counter-Strike*, continued to shape the entire esports landscape by capitalizing on the growing third-party interest in organized video-game competitions. In fact, entire fan "communities" began to develop and modify existing games to increase the "skill ceiling" involved in playing a particular game.[66] One title that underwent a fan-modified birth was *Counter-Strike*.[67] *Counter-Strike* is a modification or "mod" of Valve Software's existing *Half Life* game and it took gaming communities by storm.[68] In particular, the *Counter-Strike* mod helped create "esports' first megahit" by establishing a new game sub-genre that had not previously existed, the "team multiplayer FPS."[69] Previously, most competitive FPS games were only "one on one" contests like *Quake* but *Counter-Strike* created a FPS title that consisted of two multi-member teams battling each other.[70] Due to the widespread online success of the mod, the developer Valve Software purchased the rights to it from its creators and hired them to continue creating and developing the game.[71]

In April 2000, another step in the monetization of a professional gamer's career transpired. Specifically, the 2000 Razer CPL occurred and featured *Quake 3*'s "Arena" mode that was designed explicitly for multiplayer combat.[72] This event was significant as it had a total prize pool of over "$100,000" with "$40,000" going to the eventual winner, Johnathan "Fatal1ty" Wendel.[73] Wendel then used his prize winnings to begin building his own personal brand, including creating "mouse mats, headsets, motherboards and shoes" featuring his name and likeness.[74] This was a milestone in the development of esports business as it was the first instance where a professional gamer began utilizing his own funds to monetize and profit off his own name and likeness.[75] In addition, as a result of his growing notoriety, Wendel received substantial mainstream U.S. media coverage.[76] This included being featured in *MTV's True Life* series "I'm A Gamer," appearing on the iconic U.S. television show *60 Minutes* as well as being highlighted in the *New York Times*.[77]

In the same year, the esports world continued its international expansion with the first World Cyber Games (WCG).[78] This event was important in the development of the esports business ecosystem because it was

considered by many to be "the first real international eSports tournament" and it helped to lay the foundation for subsequent esports events to follow.[79] The Games attempted to "fashion itself as an Olympics of e-sports."[80] The first WCG consisted of "430 players from 37 nations" competing in six different games, including in *StarCraft: Brood War, Counter-Strike*, *Quake 3, Unreal Tournament, Ages of Empire II* and *FIFA 2000*.[81]

In the following year, the growing *CPL* hosted its 2001 World Championship with a total prize pool of "$150,000" sponsored by the technology company *Intel*.[82] In this year, due to its growing fan base, *Counter-Strike* had risen to a "premier event" when it had previously only been incorporated into just one of the prior "*CPL* Events."[83] The overall success of the event caused more expansion into the competitive side of *Counter-Strike*, including the creation of an online league, the *Domain of Games* that eventually became part of the *CPL* operating as the Cyberathlete Amateur League (CAL).[84] In 2002, another key player, Major League Gaming (MLG) was created to operate competitive gaming events within the United States for console games such as *Halo* and *Super Smash Brothers Melee*.[85]

After the launch of *Super Smash Brothers* on Nintendo 64 in 1999, two years later in 2001, the next installment, *Super Smash Brothers Melee* was released on Nintendo's GameCube.[86] This updated game created a new competitive title within the "fighting gaming" community, *Super Smash Brother Melee*, which had a lasting effect on its scene.[87] The *Smash Brothers* competitive gaming scene had its ups and downs throughout the different reiterations of the title on Nintendo's subsequent platforms, including *Super Smash Brothers Brawl* on Nintendo Wii and the latest title, *Super Smash Brothers Ultimate* on Nintendo Switch but its emergence created a new gaming circuit with familiar characters such as Mario and Luigi.[88] However, a turning point in establishing this fighting game's competitive scene happened in 2004 when the game was added to MLG for its New York final.[89] While MLG eventually dropped *Melee* from its tournaments in 2007, the event producer, Evo, quickly added the game to its event roster to keep the *Smash Brothers Melee* competitive scene alive.[90] Eventually, the 2013 Evo event drew a substantial competitor pool becoming one of the largest *Melee* tournaments ever.[91] Finally, in 2019, Evo officially dropped *Smash Brothers Melee* from its competitive circuit in favor of Nintendo's newer version, *Super Smash Brothers Ultimate* on its Nintendo Switch console.[92] The history of *Smash Brothers*' competitive scene is so compelling that it sparked the 2013 documentary *The Smash Brother*s and is an example of how a passionate community can keep a competitive title profitable many years beyond its initial release.[93] Also, *The*

Smash Brothers documentary is considered to be "one of the greatest esports documentaries of all time" as it highlights the voyage that the title has taken to spotlight its unique place within esports and demonstrates another way in which young gaming entrepreneurs are attempting to monetize the gaming world around them.[94]

At the same time as competition organizers were being established, some savvy business owners within the esports ecosystem began ensuring that their business was handled properly due to the rapidly growing total prize pools and the expanding worldwide competitive circuit. For instance, in 2003, the German *Quake* team *SK Gaming* became the first "non-Korean organization" to execute written agreements with its gamers.[95] A year later, another unique business transaction occurred with the first "real transfer" of a professional gamer with *Counter-Strike* player Ola "Element" Moum being sent from *SK Gaming* to *Team NoA*.[96] Furthermore, the growing *Counter-Strike* competitive scene helped esports take another crucial step in professionalization and building a workable business ecosystem with many competitive *Counter-Strike* teams beginning to pay their "players a salary" for competing on behalf of them.[97]

In addition, during these years, the total global esports business space continued to expand with a sudden increase in frequency of large "international" competitions for more sizable prize pools in a variety of gaming titles. For example, in 2003, the first Electronic Sports World Cup (ESWC) occurred in France.[98] The ESWC provided a "$156,000" total prize pool and featured "358 players from 37 different countries" competing in several games including *Warcraft 3*, *Quake 3* and *Counter-Strike*.[99] The following year, another pivotal event in the competitive gaming industry occurred, the 2004 World Cyber Games (WCG) in San Francisco.[100] The event showcased the magnitude that professional gaming had reached as it featured over "600 gamers from 62 different countries" competing in "eight different games" with American team "*Team 3D*" winning the *Counter-Strike* event.[101] Four years later in 2008, the World Cyber Games in Germany continued its growth with over "800 players from 78 countries" competing "in 14 official events."[102] These were a few examples of the growing global marketplace for competitive gaming as the professional esports business world continued to flourish with the addition of more professional gamers competing for more frequent and significant prize money as well as for international glory and prestige.

The next few years saw a growth in the esports business ecosystem with an increase in event exposure as well as in the prize money with the amounts

"almost tripling between 2004 and 2007."[103] During this same time period there were some notable milestones, including some mainstream television coverage as well as a seven-figure prize pool. One of these memorable events is known as the "*Evo Moment 37*," which occurred at the 2004 Evolution Championship Series for the title, *Street Fighter III: 3rd Strike*.[104] That match is considered by some as "esports' most thrilling moment."[105] It featured competitive gamer Justin Wong facing off against Daigo "The Beast" Umehara.[106] Umehara ultimately won the match by defeating Wong by parrying "15 hits" from his opponent while having almost no "health" left on his in-game character.[107] This moment received substantial online notoriety and coverage, including receiving more than "20 million views worldwide."[108] It also provided another look into the skill and the intensity level that competitive gaming can create in addition to the substantial exposure that brands and players involved in these events could garner.[109]

In addition, the 2005 *Cyberathlete Professional League (CPL) World Tour* marked another milestone in the growth of the professional gaming business.[110] The 2005 *CPL World Tour* was for the FPS gaming title, *Painkiller*.[111] The tour spanned "eight months and four continents," had a $1 million total prize pool and the finals were even live on television network MTV (with Fatal1ty winning the $150,000 grand prize).[112] The $1 million total prize pool proved just how far competitive gaming events had come from its origins and further substantiated the validity of a potential career in esports. A year later in 2006, another esports event organizer, the World Series of Video Games (WSVG) was created by Matt Ringel to act as a competitor to the *CPL*.[113] The WSVG initially succeeded as the *CPL* began to "struggle" and the organization was even able to attract prominent sponsors such as Intel and Nestle for its event, including for its 2006 Intel Summer Championship.[114]

Due to the rising popularity in esports, some event producers in the space began looking for television broadcast deals to increase their potential earning power.[115] For instance, the operator of ESL, Turtle Entertainment acquired rights for "NBC GIGA," a television network focused "on video games."[116] Similarly, in July 2006, event organizer MLG started to televise its events for the FPS title *Halo* on the USA Network television station.[117] Building off of MLG*'s* foray into television as well as the success of a few "one-off specials" featuring the WSVG on *MTV* and *CBS*, DirecTV began the first true venture into creating and televising an organized league with established city-based franchises (similar to what Activision-Blizzard has created for the *Overwatch League*).[118] The television series was called *The Championship Gaming Series* (*CGS*) and it included "seventy-five competitors and four teams" competing

for "$50,000."[119] In addition, as a further example of how far the professional side of the competitive gaming industry had come, DirecTV was also "pay[ing all] the players" a salary, flying them across the country to compete, "put[ting] them up in hotels;" and, even, providing them with "spending money."[120] To say that this experiment was a failure is an understatement, as the *CGS* attempt at a "big twist" was to "make the competition multi-title" instead of just one game.[121] However, after spending the reportedly "$50 million [budget] for the project," the league eventually folded for a variety of reasons.[122] Some of these included the fact that many of the games they picked "lacked a [supportive fan] community behind them."[123] Another fatal mistake was the widespread fan resistance to the changing of the "rules for *Counter-Strike*," which some fans claimed "wrecked the game's strategy."[124]

During this time, there were other attempts by game publishers and event organizers to capitalize on the increased potential television audience. This included in 2007 when television broadcaster CBS aired the "the World Series of Video Games tournament."[125] Similarly, from 2005 until 2008 the U.S. sports television network ESPN, in partnership with game publisher Electronic Arts (EA) broadcasted *Madden Nation*.[126] This was a televised series of competitive *Madden* football games on their ESPN2 cable network.[127] These examples were in addition to other U.S. cable networks such as "*Spike*, *ESPN* and *USA*" that had "occasionally shown game coverage" as well as other smaller television networks such as "*G4* and *Gameplay HD*" that had solely focused on "gaming culture."[128]

In April 2006, the professionalization of the esports world continued with the creation of additional esports associations intended to govern competitive play. While *KeSPA* has been functioning in South Korea for several years, the first non-Korean esports association focusing on professionalizing the gaming space was formed, the *G7 Federation*.[129] The association was formed by seven top *Counter-Strike: Global Offensive (CS:GO)* teams, including *Fnatic*, *Made in Brazil (MIB)*, *Mousesports*, *Ninjas In Pyjamas* (NiP) and *SK Gaming* in an effort to improve events, "promote cooperation" between its members and to impose sanctions on any event organizers that failed to pay out prize money.[130] The association eventually folded but it helped lead the way for later esports associations and other governing bodies to form.[131] Similarly in August of 2008, the international eSports Federation (ieSF) was founded by "nine-member nations from Europe and Asia" in an effort to "work with commercial and governmental partners toward steady growth" in esports.[132] Esports professional associations and organizations are discussed in Chapter 6.

In 2010, the entire competitive gaming landscape experienced yet another monumental change and continued its voyage toward becoming an entertainment business force with the release of the real-time strategy (RTS) game *StarCraft II*.[133] The new game was Activision-Blizzard's follow-up title to the extremely successful predecessor titles, *StarCraft* and *StarCraft: Brood War*.[134] *StarCraft II* (*SC2*) took the competitive gaming world by storm and elevated many facets of the existing esports business ecosystem.[135] Initially, many competitive *StarCraft* players received the new game with "a lot of skepticism;" so, it took a little while for *StarCraft II* to catch on within the professional circuit.[136] However, once legendary *StarCraft* player Lim "BoXeR" Yo-hwan "crosses the floor" and starts playing *StarCraft II*, the floodgates open and the rest is history.[137] The huge interest caused its publisher Activision-Blizzard to negotiate an exclusive "online broadcast deal with *GOMTV*" for all of the *StarCraft II* competitions in South Korea as the title's competitive play was "predominantly shown online" as opposed to on traditional broadcast television.[138] The title marks another milestone in the growing business of professional gaming as the events were highly successful and lucrative for the game publisher as well as for the other parties involved.[139] In addition, the title boosted an ever growing prize pool that at first in 2010 was "around $280,000" and, eventually, grew to "$3.2 million" the following year.[140] This substantial prize money included winnings from the newly organized *Global StarCraft II League* (*GSL*).[141] The *GSL* was televised in South Korea and provided over $500,000 in total prize money to its competitors.[142] *StarCraft II* also brought the "highest-earning female esports athlete of all time" to the scene, Sasha "Scarlett" Hostyn.[143] Scarlett's success and demeanor helped further re-shape the "esports stereotype" and opened new lanes for future female gamers to follow her path toward a competitive gaming career.[144]

While many event, league and tournament organizers were initially solely focused on distributing esports competitions on television, another electronic medium appeared and ended up becoming a colossal catalyst in bringing the competitive gaming business ecosystem forward toward establishing a more stable business model. In 2011, at the same time that the competitive *StarCraft* II scene was gaining international traction, the live streaming website *Justin.tv* was founded.[145] In 2013, Justin.tv launched the "Twitch" gaming division paving the way for esports' exponential growth and, as they say, the rest is history.[146] Twitch was instrumental in the growth of esports as the platform provided easy, stable and inexpensive access to livestreaming so that "anybody could stream" and everybody did.[147] As a result, professional

gamers as well as tournament organizers (including ESL and Evo) began utilizing Twitch to "broadcast their training" sessions and, eventually, to webcast their actual live gaming competitions.[148] The company even acquired the exclusive globe rights to "broadcast *GOMTV's GSL*."[149] In addition to a stable presentation, the Twitch platform provided in-depth viewership analytics.[150] This made the platform instrumental in securing sponsorships and brand partnerships, which is one of today's largest and most dominant streams of income across all of the various stakeholders in the esports business world.[151] Twitch was eventually purchased by Amazon in 2014 for "$970 million" and is still one of the most important driving forces in the esports business industry.[152]

In addition to providing a steady outlet for fans to watch competitive gaming, the use of Twitch by professional gamers such as *StarCraft II* player Sean "Day9" Plott, helped create a new revenue stream for gamers, the Twitch "subscription" (which is still a substantial stream for many Twitch streamers).[153] In fact, Plott initially received "droves" of fans donating funds to him "via *Paypal*" for the great content that he was producing on Twitch.[154] In response to these fans' actions, he reportedly "suggest[ed]" to Twitch to include "some sort of subscription model for fans to connect with streamers" that "unlock[ed] extra perks."[155] This led to Twitch*'s* eventual inclusion of this suggested "subscription" system that has now become an essential income stream for most professionals within the esports and gaming space.[156] Plott is noted as becoming the "first Twitch partner to receive a subscription button" as his insight helped grow the professional side of gaming.[157]

The previous era that was dominated by RTS games, such as *StarCraft* and *WarCraft 3*, was drawing to a close with the rise of a new genre, the "multi-player online battle arena" (MOBA).[158] In particular, in 2009, game developer Riot Games catapulted esports forward with the release of its free-to-play (F2P) game, *League of Legends* (*LOL*).[159] *League of Legends* was an instant hit with "11.5 million monthly players" by 2011 and by 2014, it had over "67 million" active gamers (and currently has over "100 million").[160] At the same time, another similar MOBA game *Dota* and its eventual successor *Dota 2* joined *LOL* at the forefront of competitive gaming.[161] Both games were important in the fostering and stabilizing of the esports ecosystem, including through the creation of a professional franchise league in *LoL*[162] and with the substantial "crowd-funded" multi-million dollar prize pools offered in *Dota 2*.[163] Both titles continued elevating the entire professional gaming world and, eventually, in 2008, the ESWC featured the first competitive *Dota* tournament showcasing the potential viability of the title.[164]

In later years, both MOBA titles continued to grow with Valve's The International annual competition for *Dota 2*[165] and with Riot Games' World Championships for *League of Legends*.[166]

These games helped create stable sizable income streams for professionals involved in the various aspects of esports business. This included esports organizations earning larger prize money and having more constancy in their operations as well as the competitive players who began earning larger salaries and more tournament winnings.[167] For instance, the 2011 *International* for *Dota 2* had the "astronomical prize pool of $1.6 million," which has grown every year since.[168] Competitive *League of Legends* was first added to the *Intel Extreme Masters*, operated by Turtle Entertainment (the owners of ESL).[169] A year later, building off their previous success, publisher Riot Games created its own franchise league, the *League of Legends* Championship Series (LCS).[170] The new publisher-operated league was directly supported and administered by the game developer.[171] It was created to attempt to bring "stability to the eSports scene" while incorporating a "more spectator friendly" gameplay.[172] The LCS continued to grow in the following years; and, from that point forward, the title was involved in some of the largest milestones in the development of the global professional gaming business. For instance, in 2013, the *League of Legends* World Championship for Season 3 was held at a sold-out Staples Center in Los Angeles, California.[173] The following year saw an even larger growth in the scale of esports live events with the 2014 *League of Legends* World Championship in Seoul, South Korea.[174] That event had over 40,000 fans in attendance and featured a live performance by the band Imagine Dragons.[175] Another indicator of where the title had risen to was the viewership of 2018 *League of Legends*' World Finals, which had "nearly 100 million viewers."[176] Needless to say with the arrival of these two MOBA titles, the esports professional ecosystem was moving toward a more predictable and workable business model for all of its stakeholders.

In 2012, at the same time that MOBA games were making their mark in esports, Valve released their new FPS title, *Counter-Strike: Global Offensive*. This title was released as an attempt to bring together the opposing two scenes that had emerged within its previous *Counter-Strike* title.[177] In particular, there had been two notorious "mods" of *Counter-Strike*, *Counter-Strike 1.6*, and *Counter-Strike: Source*, whose fans both felt their "game was better."[178] The release of *CS:GO* was a success and it showed how a game publisher could succeed with active involvement in supporting and understanding their "community."[179] In fact, in 2015, a few years after its release, the game was the "second most played" game on *Twitch*.[180] The FPS title also had

an evergrowing prize pool which was initially at "$250,000;" and, by 2016, had grown to its "first $1 million tournament" at MLG's Columbus event.[181]

In 2014, Microsoft launched the "*Halo Championship Series*" (*HCS*), which was an "organized esports league" for its FPS console series *Halo*.[182] This established another competitive console game circuit for professionals to compete in and for teams to generate revenues from. This was followed by another new FPS title from gaming publisher Blizzard-Activision, *Overwatch*.[183] In fact, at BlizzCon 2016, the developer revealed that they planned to implement a geographic-based franchise league system for its competitive *Overwatch* esports scene, which is explored in detail later.[184]

In addition to the development of various genres, there was also a budding competitive sports simulation game scene. This included popular titles such as *Madden* football, *FIFA* soccer, and *NBA 2K* basketball. Each of these titles created their own esports circuits, including the *FIFA* eWorld Cup,[185] the *Madden* Bowl, and *the Madden* Championship Series.[186] In addition, the basketball title from Take Two Interactive, *NBA 2K* had its own extensive competitive history. This scene initially grew through the grassroots efforts of its community members. The competitive or "comp" *NBA 2K* scene includes both the competitive five versus five "Pro-Am" game-mode with its corresponding tournaments that eventually paved the way for the formation of the *NBA 2K League* as well as the $250,000 annual "My Team" tournament for its "My Team" team-card building mode.[187]

As a result of widespread online gameplay, the *NBA 2K* community began establishing their own organized tournaments and leagues created and operated by passionate game users to unify its dedicated and top players. One such prominent third party-created league was the *My Player Basketball Association* (*MPBA*).[188] The *MPBA* was originally operated by current Net Gaming head coach, Ivan "OGKINGCURT" Curtiss and current Mavs Gaming head coach, Latoijuin "LT" Fairley.[189] Another similar event organizer created to service the competitive *NBA 2K* community was the "*W.R. League*."[190] This league is currently operated by Evens Mathurin and Brandon Luxe, who are also both player scouts and analysts for the Warriors Gaming Squad *NBA 2K League* franchise.[191] Specifically, both of these organizations provided a way for individual gamers to create their own five-man rosters and compete against other user-created teams for prize money.[192] In fact, many top draft picks from the past seasons of the *NBA 2K League* have participated in these community-created leagues.[193] These are seen by many as a potential "feeder" and scouting ground for top *NBA 2K League* talent.[194] These entities have also even acted as tournament operators and event hosts on behalf of

select *NBA 2K League* franchises, including the Warrior Gaming Squad[195] (Golden State Warriors' NBA 2K League team) and the Celtics Crossover Gaming (Boston Celtics' NBA 2K League team).[196]

This growing competitive scene led game developer Take Two Interactive to create the *NBA 2K16* "Road To The Finals" Pro-Am competition.[197] This tournament featured online play between organized five-person teams with the finalists competing live for a quarter-million dollar prize.[198] This was followed by another five versus five event, the *NBA 2K17* "Road To The All Star Game."[199] This tournament featured another $250,000 prize pool for the winning Pro-Am team *Still Trill*.[200] The success of the previous two $250,000 *NBA 2K* "Pro-Am" tournaments influenced game publisher Take Two Interactive to establish the *NBA 2K League* in partnership with the NBA.[201]

The league was launched in 2018 with 17 NBA-affiliated 2K franchises competing live on the *NBA 2K18* title in Long Island City, New York.[202] The Season 1 new player draft was held at the Madison Square Garden in New York with the first pick, Arteyo "Dimez" Boyd being announced by NBA commissioner Adam Silver.[203] The Season 2 draft was held at Barclays Center in Brooklyn, New York and featured the addition of four new teams.[204] Other influential esports professionals have emerged from this scene including former number 4 overall pick, Mitchell "Mootyy" Franklin,[205] *NBA 2K League* Season 2 champion, Mihad "Feast" Feratovic,[206] as well as the winner of the first ESPN ESPY (Excellence in Sports Performance Yearly) award for "Esports Moment of the Year," Timothy "oLARRY" Anselimo.[207] The *NBA 2K League* continued its growth by adding two new franchises in Season 3, including its first international team operated by esports organization Gen. G, the Shanghai Dragons.[208] The league has grown to the level that ESPN 2 has televised many of its Season 3 games.[209] The future of the league is also interesting as many European and other international sports franchises have begun operating their own competitive *NBA 2K* "Pro-Am" teams in independently organized leagues and tournaments.[210] This includes soccer franchise F.C. Bayern's creation and operation of its "Bayern Baller" competitive *NBA 2K* team.[211] Furthermore, the global competitive *NBA 2K* scene continues to grow with the International Basketball Federation (FIBA) hosting its "FIBA Esports Open 2020" that featured "17 national teams" competing against each other in the title.[212] In fact, the *NBA 2K League*'s Managing Director Brendan Donohue has stated he is focusing on international expansion for the coming years, so this will be a potential lucrative development in the simulation sports esports scene.[213]

Overall, the future of the business esports seems to be trending toward more stable and structured leagues, as this is currently the case with many

large competitive titles such as *Overwatch* (*OWL*), *Call of Duty* (*CDL*), and *League of Legends* (*LCS*) all adopting franchise league systems.[214] Today, in 2020, in light of the COVID-19 global pandemic, esports content and competitive gaming has taken front stage.[215] It has been a replacement on many U.S. television stations as most of the world's major entertainment channels are closed, including concert venues, movie theaters, and sports arenas.[216]

Now that we have briefly explored where esports and the competitive gaming scene has grown from, it is now time to explore how to successfully and legally operate within this complex and evolving business world.

1.2 Introduction to Today's Professional Esports Business Ecosystem

In the last few years, there has been an explosion of international exposure and interest in the world of competitive video gaming, better known as "esports."[217] The definition of whether a specific game title is an "esport" or not is a complex question but a good starting point is a video game with "regular publisher support and updates," "a massive fan base" who wants to watch competitive gameplay, and the existence of a "clear ranking or ladder system so that players know where they stand relative to other players."[218] While the debate on what actually constitutes an "esport" rages on, it is clear that it is a budding global entertainment sector that is ripe for growth in the coming years with a projected total global esports market that will reportedly "top $1 billion" by the end of 2020.[219] In fact, the Entertainment Software Association (ESA) reports that "over 164 million adults in the United States play video games" and "three-quarters of all Americans have at least one gamer in their household."[220] As a result of the widespread interest in video and computer games, individuals have begun competing in international competitions against other top competitors for significant prize money. This includes both competitive online tournaments as well as live competitions referred to as "local area networks," known as "LANs."[221] For example, 2018's *Dota 2* championship competition, "The International" featured a prize pool of almost $25 million, which surpassed the prior year's record- breaking prize pool of $24.6 million.[222] There are also live esports events viewed by hundreds of thousands or even several million times, such the over 3.9 million "peak viewers" of the *League of Legends* 2019 World Championship.[223] Additionally, the emergences of new competitive games, such as *Fortnite*, have also begun

increasing the allocated sums of money for participant prize pools. For example, the July 2019 "Fortnite World Cup" boasted a $30 million prize pool with each participating gamer "guaranteed [to earn] at least $50,000 in winnings."[224] Furthermore, there are millions of people currently watching gaming content on live streaming platforms at any moment, including Twitch (owned by Amazon) and YouTube (owned by Google).[225] Esports fans also enjoy the gaming competitions live in person at arenas and stadiums across the globe.[226] In fact, the 2018 *Overwatch League* "Grand Finals" were held at the Barclays Center in New York and had over 20,000 tickets sold for the event. [227] Finally, professional gaming is even displayed on live network television in the United States and in other countries. For instance, Activision-Blizzard's *Overwatch League* is televised on U.S. sports network ESPN as well as on Disney's Disney XD channel.[228] It is clear that esports has infiltrated all areas of the traditional entertainment world.[229]

1.3 About Today's "Competitive" Gaming Circuit

Some Popular Game Genres & Titles

Shooter Games	Strategy Games	Fighting Games	Sports Games
FPS - Solo & Squads	**Real-Time Strategy**		
- Overwatch - CS:Go - Call of Duty - Valorant	- StarCraft II - WarCraft III	- Super Smash Bros. - Street Fighter - Mortal Kombat - Tekken	- Madden - NBA 2k - FIFA - NHL - Rocket League
Battle Royale	**MOBA**		
- Fortnite - PUBG - Apex Legends	- League of Legends - Dota 2 - Heroes of the Storm		

There are also many other game titles in many genres and sub-genres.

To begin, it is important to understand the types of game genres that exist within the competitive gaming circuit as well as to identify the specific games that have stood out from the crowd to develop their own extensive competitive scene. Generally, most esports games fall into one of a few select genres; however, there are many other competitive genres and sub-genres within each of these.[230] These popular game genres include "shooter" games, "strategy" games," "sports" games, "role playing games" ("RPG"), and "fighting" games.[231]

Under each of these genres, there are a variety of different types of games. For instance, there are various types of "first-person shooter" games.[232] One popular genre is the "class-based" or "hero" shooters ones, such as *Overwatch*.[233] First-person shooter games are unique in that the gamer's in-game "view" is in the "first person" so that they "can only see [their] hands" and any items that the player "holds in [their] hands."[234] In addition, another sub-genre is the "squad-based" or team multiplayer first-person shooter games, such as *Counter-Strike Global Offensive* and *Call of Duty ("COD")*.[235] These involve multiple players each trying to eliminate each other in the iconic "first-person" view.[236] There are also "battle royale" shooter titles, such as *Fortnite* and *PlayerUnknown's Battlegrounds* ("*PUBG*").[237] These games are "third-person online multiplayer shooter" games that consist of many competitors "battl[ing each other] until only one [player or team of gamers] survives."[238]

There are also various types of "strategy" games.[239] One of the largest sub-genres in the esports world is the "real time strategy" games, such as *StarCraft II* and *Warcraft III*.[240] These games "consist of maps" where each competitor must protect a "base" and "gather resources and build units" to "destroy any other players' bases."[241] There are also "multiplayer online battle arena" games.[242] In simplest terms, a typical MOBA game is a "team-versus-versus team competition" where each team tries to "destroy the opponent's base" by using different unique "player characters"— who each has a specific role and ability.[243] Two of the most popular esports are MOBA titles, including *Defense of the Ancients 2* ("*Dota 2*") and *League of Legends*.[244] This is in addition to "card and deck building" strategy games also known as "collectible card" games (CCGS), such as *Hearthstone* and *Magic The Gathering Arena* (MTGA).[245]

A whole genre of traditional "sports" video games also exists. These include "traditional sports simulators," such as *Madden* football,[246] *NBA 2K* basketball,[247] *NHL* hockey,[248] and *FIFA* soccer.[249] Other "sports" genre games include "racing games," such as *Formula One* and its budding esports community.[250] In addition, another popular sub-genre are the "non-simulation"

or "other sports simulators," such as *Rocket League* and its organized competitive circuit.[251] Similarly, there are a variety of "player versus player" (PVP) "fighting" games.[252] Some of popular competitive titles include *Street Fighter*, *Mortal Kombat*, *Super Smash Brothers*, and *Tekken*.[253] Finally, another prominent game genre is "role playing games."[254] This category includes popular titles such as *Farming Simulator* and *World of Warcraft*.[255]

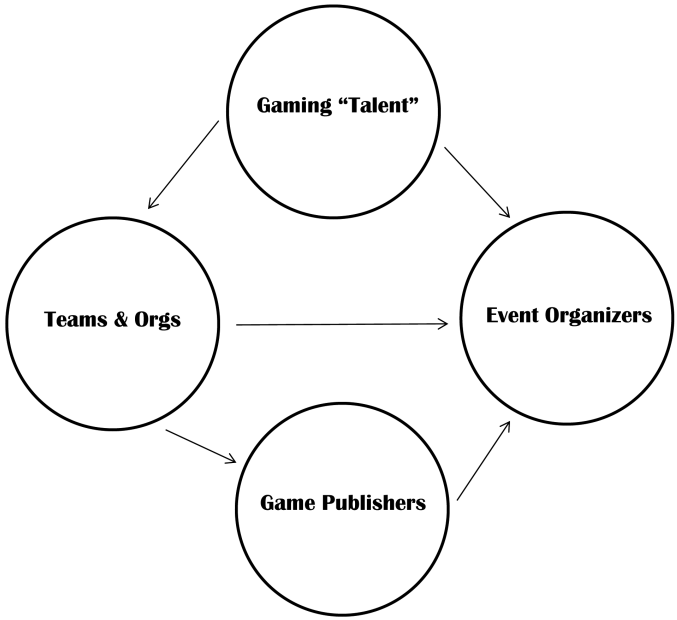
These different titles can be played on either a personal computer (a "PC"), a gaming console (i.e., *Xbox* or *Playstation*), or on a mobile device (i.e., a smartphone or tablet). While there are hundreds of existing gaming titles, a few select ones in these different genres have emerged and secured positions as prominent ones within the international competitive tournament circuit. Some of these larger competitive gaming titles include: *Overwatch*; *Fortnite*; *Defense of the Ancients 2*; *Call of Duty*; *League of Legends*; *Counter-Strike Global Offensive*; *Rocket League*; *StarCraft II*; *Rainbow Six* ("R6"); *Halo*; *Hearthstone*; *Street Fighter*; and, the newly emerging game, *VALORANT*.[256] Additionally, there are more competitive titles continuing to emerge, including a variety of "sports" esports titles, such as *Madden* football, *NBA 2K* basketball, and *FIFA* soccer. There has also been a recent expansion and growth in competitive mobile esports, including games such as *Arena of Valor*; *Clash Royale*; and *Brawl Stars*, to name a few [257] as well as the development of a competitive gaming scene for the title *Farming Simulator*.[258] Some of these competitive titles have full teams playing together against other organized competitive teams, including teams of four or five individual players on a single team. Alternatively, other titles, such as *Street Fighter* or *StarCraft II*, are merely a one versus one competition whereby one professional gamer battles against another to emerge victorious.

Speaking of *VALORANT*, this new FPS is from game publisher Riot Games and is taking the gaming world by storm.[259] It has become a new trending competitive title with many top esports organizations signing streamers and professional players[260] to compete on behalf of them in the various new competitions and tournaments.[261] Additionally, there has also been a shift of prominent esports professionals in other competitive titlesmoving to this game for new competitive opportunities, including former professional *Overwatch* gamers.[262] Furthermore, there are current reports of fairly large payouts by top esports organizations to top competitive *VALORANT* teams and players who are currently just competing and streaming the game.[263] Finally, there is widespread industry speculation that this game title may become a new franchise league, similar to Riot Games' other franchise league, the *League of Legends'* Championship Series.[264]

Overall, esports and competitive gaming exixts in many genres and subgenres, including within the above listed game classifications. While there are hundreds, if not thousands, of unique game titles available for play, the above are a list of a few that have stood out thus far.

1.4 Exploring the Professional Esports Business Ecosystem

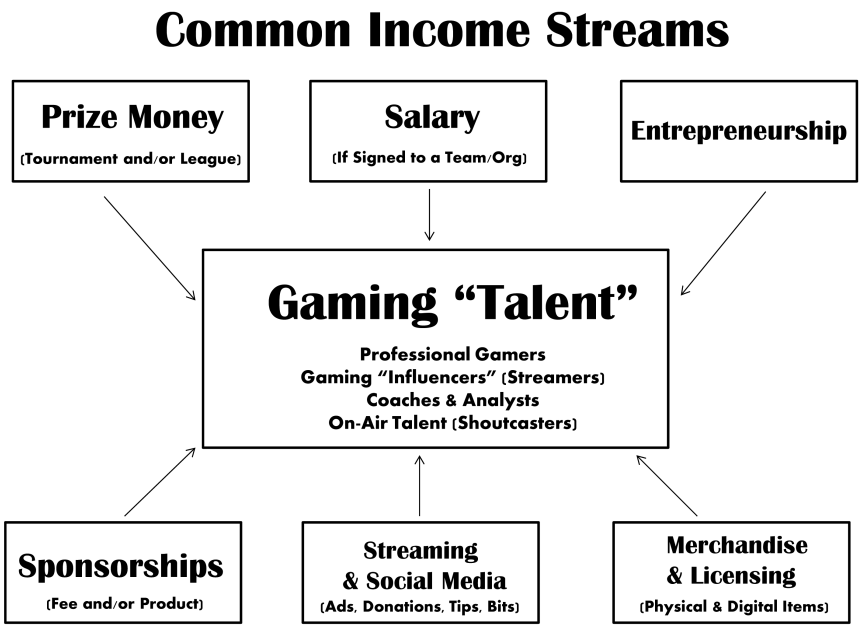
The Esports Business "Ecosystem"



Now that the history of the competitive video-game landscape and its many unique gaming genres have been explained, some thoughts on the business side of the professional video-game world come next. The professional esports industry is composed of a variety of independent stakeholders working together to create a functioning business ecosystem. In particular, the various interested individuals and companies' successes and failures hinge on the other parties' contribution. The main contributors in the traditional esports business system include (1) the professional gamers and content creators, including streamers, competitive players, coaches, analysts, and shoutcasters; (2) the professional organizations and teams; (3) the game developers; and (4) the event, tournament, and league

organizers. These distinct parties work together to participate in, host, coordinate, and license the content needed to present a competitive gaming event. To best understand how they operate and where they fit into the global esports business ecosystem, each individual component is described below.

1.4.1 Gaming "Talent" in the Esports Business Ecosystem



1.4.1.1 "Competitive" Gamers and Gaming "Influencers": Gamers, Coaches, Analysts, Shoutcasters, Content Creators, and Streamers The most abundant piece in the esports ecosystem is the individual "gamers" or the gaming "talent." This includes professional competitive players, gaming content creators and streamers, professional gaming coaches and analysts, as well as announcers and shoutcasters. All of these individuals are involved in some aspect of esports, whether they are actually playing and participating in a competition or match, acting as an announcer for live gameplay, or engaging in the creation of or streaming of gaming-related content.

1.4.1.1.1 Professional Competitive Gamers Professional gamers are individuals who compete against other professionals for prizes. The gamer could

participate as part of a team against another team or individually against a single competitor. There are a variety of revenue streams available to a professional esports player.[265] Some of these include a player's salary if they are "signed" to an organization or team, their tournament and competitive play winnings, any independent endorsement or sponsorship earnings, any streaming revenues, as well as those monies received through the sale of player merchandise and other licensing opportunities.[266]

If a professional gamer is signed to a competitive esports team or organization, one of the most common income streams that a gamer earns is a salary.[267] The salary earned by a professional gamer varies substantially based on the player's competitive performance and history, the title that they are competing in, as well as the player's level of notoriety. In most instances, professional gamers signed to an esports organization receive either a weekly, monthly, or yearly salary in exchange for performing exclusively for that team and agreeing to a list of other obligations (typically enumerated in an executed contract).[268] Some player salaries range from as low as several hundred dollars ($250–$500) up to $1,000–or $2,000 a month for competitive titles with small viewership and small prize pools. However, some gamer salaries might earn several thousand dollars or more per month or a year for larger competitive games.[269] For example, in 2018, the reported average yearly salary of a professional *League of Legends* gamer competing in the organized franchise league, *League Championship Series* (LCS) was "over $300,000" and has continuously grew in the following years to "approximately $410,000."[270] In the previous year, top *Counter-Strike* players were earning yearly salaries of around "$200,000."[271] Additionally, professionals who have achieved individual success may command a much higher salary than other comparable players.[272] One such instance is former *Overwatch League* player, Jay "sinatraa" Won, who in 2017 signed a "$150,000 per year contract" with NRG Esport's *Overwatch* franchise team, *San Francisco Shock*.[273] At the time of that deal, the player salary was triple the then current minimum salary paid to other *Overwatch League* professionals.[274] Finally, in addition to earning a salary, some top players, such as Lee "Faker" Sang-hyeok[275] and Søren "Bjergsen" Bjerg,[276] have begun receiving an actual ownership interest in their team entitling them to a share of the entire organization's profits.

In addition to a professional's salary, a gamer also may earn revenues from any tournaments or organized leagues that they participate in, either individually or on behalf of their team.[277] A gamer's total earnings from tournament play differs based on the number and frequency of tournaments that they compete in as well as their placement and the total amount of the prize pools associated with those competitions. Total tournament prize pools and

the shares allocated for each competitor for major tournaments can range anywhere from several thousand or hundreds of thousands of dollars all the way up to multi-million dollar prize pools. In instances where a gamer is part of a team competing with other professional gamers, any prize money or tournament earnings are usually split among the team members. In some cases, the organization as well as a team's coach and/or analyst may also be entitled to a portion of a gamer's tournament prize money. A listing of the "top 100 highest overall" esports earners includes multiple professional gamers who have each earned several million dollars through professional esports competitions and tournaments.[278]

Another potentially large stream of income for a pro gamer is independent sponsorship or endorsement monies.[279] A sponsored arrangement can differ significantly based on the notoriety of the player, the reputation of the sponsoring brand, and the length and extent of the relationship.[280] An endorsement can range anywhere, including from a small, one-off activation such as a "sponsorship in kind." That is a situation where the third-party sponsor only provides equipment or other free product to an individual in exchange for some form of marketing or promotion by the gamer. Sponsorship arrangements can also be for more elaborate, paid campaigns that last several months or even years. Sponsorship deals in esports vary from player to player as some endorsements are for several thousand dollars for a few months or a year and others are longer deals for much larger sums that last many years. Currently, there exist many more team-focused sponsorships than individual gamer ones; however, as more individuals continue to separate themselves from other gamers and establish their own large, active fan bases, the opportunities for individual gamer sponsorships should increase. For example, gaming peripheral company Matrix Keyboards secured a licensing deal with professional *Fortnite* player Cody "Clix" Conrod to create his own "Clix"-branded keyboards and keycaps.[281] Sponsorships are discussed in more detail later in this book.

Another important avenue of revenue for professional gamers is the income generated from utilizing a streaming content platform such as Twitch, YouTube, Facebook Gaming, or Caffeine.[282] In particular, these streaming platforms typically display paid advertisements prior to as well as during a live stream and, based on the number of viewers, the stream's owner earns revenue when an initial viewership threshold is reached. These platforms also provide the gamer with the opportunity to directly connect with their fans online. In particular, some content streaming systems, such as Twitch and YouTube, have a live chatting feature that permits live viewers to comment

on what they see and to interact with other concurrent viewers. These steaming sites also allow fans to interact with the streamer themselves.

The live communications between the viewers and the streamer have caused some of these streaming platforms to create additional avenues for a user to earn income during their broadcasts and for the viewers to further engage in addition to supporting the individuals that they enjoy watching. For example, Twitch provides the spectator with the opportunity to use "bits" and "emoticons," also known as "emotes," specific to a particular streamer to support the streamer.[283] "Bits" are animated cheering "emotes" that a viewer can use in the streamer's chat to support them. "Bits" are a virtual good and a form of in-stream currency that can be purchased online through Twitch.[284] "Bits" can also be earned by the viewer over time through observing free online advertisements displayed by Twitch.[285] A viewer can use and submit these "bits" to cheer on a streamer while watching their live streams. Twitch currently pays their "Affiliates" and "Partners" level content creators one ($0.01) cent for every "bit" that a fan uses on their channel.[286]

Additionally, many streaming platforms also have different tiers of account membership, which may be based on the user's viewership metrics. For instance, in addition to a basic streaming account with Twitch, there are additional higher account levels of "Affiliates" and "Partners." A streaming account can achieve these higher levels by satisfying specified criteria.[287] Some of these criteria are based on reaching a set number of followers or "subscribers," the frequency and length of the user's streams, as well as the average viewership of the streamed content. As a content streamer's metrics increase due to additional viewers and as they engage in longer and more frequent streams, the streamer may begin earning these advanced account levels.[288] Specifically, each level-up helps the streamer potentially earn additional income by entitling the account owner to a larger portion of revenue for the advertisements displayed during their stream at higher account levels.[289]

Platforms, such as Twitch, also provide paid "subscription" opportunities that a viewer can purchase in order to gain access to private or other unreleased or unavailable content from the content creator.[290] These "subscriptions" (known as "subs") allow viewers to support a specific broadcaster.[291] A subscription also permits the subscriber to use a special streamer specific "emotes" images that are only accessible to a particular channel's subscriber.[292] The existence of subscribers may also enable a content creator to produce unique content that is paywall protected and requires a paid subscription in order to view. For example, a service, such as Twitch, provides a multi-tiered subscription service that permits a viewer to subscribe to a

particular broadcaster's channel by paying a recurring monthly charge of $4.99, $9.99, or $24.99, depending on which "tier" they subscribe to.[293] Each tier usually corresponds to a different level of access and content. Generally, any income earned from "standard subscriber rate of $4.99/month" is allocated in a "50/50 split between Twitch and the streamer."[294] Additionally, this split can "scale" depending on the particular influencer's "viewership," with the streamer earning "up to a 60/40 [split or] about $3.00 per [standard] subscriber."[295] In some cases, a streamer can earn on average "about $250 per [every] 100 subscribers," which can add up quickly as the individual continues to grow their following.[296] For instance, if a streamer has "200 subscribers" they could potentially make around "$60,000 per year" by streaming full time.[297]

Furthermore, since Twitch is owned by Amazon, Amazon Prime members can use the "tokens" that are earned from their Prime membership to subscribe to a Twitch channel.[298] In these situations, since the "tokens" renew every month, a Prime member can re-subscribe to a broadcaster's channel solely using their Prime "tokens." Generally, Twitch and the streamer equally split all of the income from subscriptions, "bits," and Prime "tokens." [299]

There has also been the development of ancillary services, such as Streamlabs, which provides additional avenues of income for content streamers.[300] This company permits a viewer to "donate" or "tip" funds to the streamer. This means that a stream viewer can contribute money directly to a broadcaster through these third-party services without buying "bits" or purchasing a monthly subscription through Twitch. Goldman Sachs has estimated that the total U.S. "tipping" market is "roughly $129 million, and as of 2017 was growing 26%" year on year.[301] This fact further reinforces the large sums that a successful individual can earn through streaming.[302]

Finally, in rare cases, a player may act as an entrepreneur and develop their own separate business as well as create and sell their own individual merchandise featuring their likeness, picture, and/or unique gamer-tag or player logo.[303] For example, former professional *Call of Duty* gamer Skyler "FoRePLayy" Johnson was an original founder of *Team EnvyUs* (later renamed *Team Envy*) as well as more recently establishing the *CTRL* meal replacement brand (who then secured investment from *FaZe Clan*).[304] While any professional gamer can design and make available merchandise containing any image that they legally own, unless the player is well known and has a very established fan base, it may be difficult for a professional esports gamer to earn significant, or any, income through selling their own merchandise. For instance, legendary gamer Johnathan "Fatal1ty" Wendel has successfully

created and distributed his own branded "gaming products" in partnership with *Monster* for decades.[305] In some instances, a player may create t-shirts, hats, sandals, pins, patches, bandanas, or anything else that they can brand with their unique imagery and logo. Any income generated from these types of sales would generally be solely for the gamer without any other party earning a portion of it.

Overall, as a result of the growing player salaries, the expanding prize pools (more than $211 million provided the previous year), and the sponsorship opportunities, many professional gamers are earning several million dollars a year.[306] Specifically, in 2019, "15 players became millionaires […], 288 [gamers] made $100K or more, and 196 [players] made over $60K in prize money alone."[307]

1.4.1.1.2 Professional Esports Coaches and Analysts In addition to professional gamers, many esports organizations and teams hire team coaches, analysts, and scouts to assist their professional gamers.[308] These team personnel members work with the players to help refine and enhance their skills as well as assist with the day-to-day operations and logistics of the team.[309] Generally, these individuals provide in-depth statistical analysis and feedback on a player's strengths and weaknesses and identify areas for improvement.[310] Some coaches are former professional gamers and some others are aspiring professionals who did not turn "pro."[311]

In many cases, an esports team's coach or analyst simply earns a salary. For instance, it was reported that *Team Liquid* was paying "$32,000 per annum" for a *League of Legends* head coach.[312] Payment frequency for these individuals can be an hourly, a monthly, or an annual rate depending on the time commitment on behalf of the club. The amounts paid vary greatly based on the title that they are coaching, the coach's previous experience, as well as the anticipated time commitments of the job. In addition to a salary, some teams may also offer the coach housing, including potentially living in the "gaming house" with the players as well as other traditional employee benefits, such as health insurance.[313] In some occasions, the coaches or analyst of a specific team may also be entitled to a portion of the team's tournament winnings. In rare circumstances, especially when a team's coach was also a former professional gamer, independent sponsorship or endorsement opportunities may also be available to them. However, most of the time, the coach represents their organization's sponsors and is generally prohibited from any additional endorsement or other sponsorship arrangements with a competitor of the coach's team.

Overall, many professional coaches and analysts earn income in many of the same ways that professional gamers do. As the profession continues to evolve, it is fair to assume that coaches' salaries will continue to increase. There may also be additional new areas of potential business development for coaches, analysts, and even former professional gamers to begin establishing and operating their own esports competitive "training camps" to help train the next generation of esports competitors.[314]

1.4.1.1.3 Gaming "Influencers"—Streamers and Content Creators Other prominent persons within the esports realm are the "streamers" and content creators. These individuals engage in the public streaming of gaming content to live viewers and in the creation of gaming content for viewing. This is generally accomplished by the person's use of a third-party streaming platform, such as Twitch, YouTube, Facebook, and Caffeine (co-owned by 21st Century Fox). While these two parties seem fairly similar, in addition to streaming their gameplay, a content curator also produces unique gaming content that incorporates actual gameplay. This could be in the form of "how to" and other gameplay user tutorials, strategy guides, and other related content; while a streamer only engages in live streams of gameplay without creating and distributing custom-created assets.

Most of these influencers' income is generated by actually creating content and through the live streaming on their respective platform.[315] For example, there are several YouTube content creators that are currently earning several million dollars a year.[316] In 2019, *Forbes* reported that the ten highest-paid gamers made "more than $120 Million."[317] In fact, some streamers have obtained a level of success that permits them to determine which streaming platform to use and, in some cases, receive some type of fee from the streaming platform owner to exclusively utilize their streaming platform instead of another.[318] For example, one of the largest *Fortnite* streamers, Tyler "Ninja" Blevins left Twitch to begin streaming exclusively on Microsoft*'s* former Mixer platform for what was presumed to be a "big check" (later reported to be around "$30 million.)"[319] In 2019, Blevins reportedly earned a total of "$17 million dollars" from his various income streams.[320] This move by Ninja was followed by another large streamer, Michael "shroud" Grzesiek (who reportedly earned "$12.5 million" in 2019)[321] leaving Twitch to also exclusively stream on Microsoft's Mixer steaming service (which has eventually closed down and merged into Facebook Gaming).[322] Building on this trend, *Hearthstone* streamer, Jeremy "Disguised Toast" Wang inked an exclusive streaming deal with Facebook Gaming.[323] Continuing this pattern, "popular

Instagram model, digital influencer and '*Fortnite*' Twitch streamer," Corinna Kopf and her "millions of followers," entered into a similar exclusive deal with Facebook Gaming.[324] While the amounts for these deals have not been publicly reported, since many of these streamers are leaving a platform where they already have an established income stream, including a substantial amount of followers, views, and subscribers, there has to be some additional monetary incentive to formalize such an arrangement.[325]

In addition to the earnings that they generate from their stream as described above, there are several other additional avenues of revenue available to content creators and streamers.[326] Some of these ancillary sources of income include individual sponsorship and appearance fees.[327] Also, if the streamer is signed to an esports organization, then they may also earn a monthly salary in exchange for the individual streaming exclusively on behalf of the team and representing the organization and its sponsors on their social media and streaming platforms. There are also some opportunities for the gaming influencer to earn an appearance fee or other payment for attending a conference or for speaking as part of an informative panel.[328]

Similar to a professional gamer, individual sponsorship of a content streamer is very rare; however, in recent years, many more streamers have achieved enormous success, in part to their large, consistent viewership.[329] This recent notoriety has translated into new sponsorship and endorsement opportunities.[330] For example, *Fortnite* streamer, Tyler "Ninja" Blevins is reportedly earning "$500,000 a month" [331] and has signed endorsement deals with companies such as Redbull[332] and Uber Eats.[333] Other large gaming content streamers have also inked their own individual endorsement deals. For instance, former professional gamer turned streamer, Michael "shroud" Grzesiek has a deal with food delivery service Postmates[334] and *Fortnite* streamer Benjamin "DrLupo" Lupo is sponsored by insurance giant, State Farm.[335]

As with professional gamers, selling a streamer's own merchandise can generate additional income. In fact, the entire streamer merchandise industry is over a billion dollars with revenues potentially hitting "$4 billion" in 2020.[336] Similar to gamers, it takes a streamer achieving substantial fame and notoriety to earn funds through "branded" merchandise. However, when an individual does achieve such stardom, they may engage in the sale of merchandise. For example, British *Minecraft* streamer, Daniel Robert "DanTDM" Middleton sells his own merchandise which includes his own branded "backpacks, baseball caps and hoodies."[337] In 2018, *Forbes* reported Daniel's earnings at $18.5 million[338] and in 2019, he earned a reported "$12 million."[339] In addition, content streamer, Michael "shroud" Grzesiek has a

variety of different "branded" items, such as sunglasses, t-shirts, pins, and hats, all available for purchase through the company "J!NX."[340]

Furthermore, some prominent streamers have entered into partnerships with game publishers in order to license and sell custom-created "in-game" items incorporating the streamer's likeness, such as character "skins." For example, the creators of *PlayerUnknown's Battlegrounds* partnered with several top Twitch streamers to enable them to each create their own "custom skin" that was purchasable by the game's players through Twitch.[341] The developer then provided a portion of the earned revenues directly to "the streamer that contributed to the [in-game item's] design."[342] Similarly, the developer for *Fortnite*, Epic Games created its "Icon Series" where "top creators" receive their own custom in-game branded items.[343] In particular, the series was launched with custom items for *Fortnite* streamer, Tyler "Ninja" Blevins, including a purchasable "Ninja Outfit, Ninja's Edge Back Bling, Ninja Style Emote and Dual Katanas Pickaxe."[344]

Overall, gaming "influencers" earn income in many of the same ways that professional gamers do. However, a gaming influencer or streamer may be able to more easily obtain independent sponsorship as well as exclusive streaming and content distribution deals due to their generally more widespread notoriety and the fact that they interact and engage directly with their fans.

1.4.1.1.4 On-Air Talent: Esports Hosts, Shoutcasters, and Announcers One last part of the traditional talent side of the esports industry is made up of the on-air talent, which includes event hosts, announcers, and "shoutcasters."[345] As the name alludes to, these are the individuals who act as traditional casters and color commentators during a competitive gaming broadcast.[346] In esports, they are sometimes referred to as "shoutcasters" as they "shout" on the stream broadcast as they deliver an entertaining narrative about the game.[347]

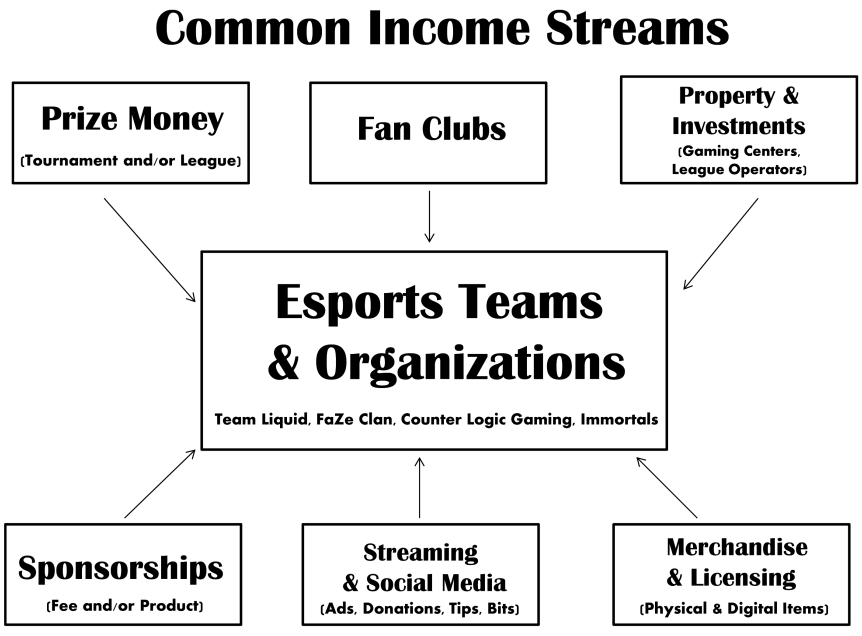
In many cases, these individuals are former competitive gamers or coaches, while some are just gaming enthusiasts or other broadcast professionals.[348] There has also been the development of formal classes to assist the development of "shoutcasters." For example, the University of Oklahoma created a "Shoutcasting Program" at its university to "develop announcers for real-time play by play announcing with heavy analytic breakdown, color casting, and after action review emphasis."[349] In addition to announcers, a broadcast team might also consist of a host or other gameplay analysts.[350] The host may interview the players and interact with the crowd while the analyst may provide unique gameplay insight into a team's strategies and help breakdown the match for the viewers.[351]

Most esports on-air talent, such as a shoutcaster, generally only earn a salary for their services. The amount that they receive varies on the talent's notoriety, their social media influence, their previous track record, the estimated event viewership, and the time commitments and obligations of the job.[352] Besides an announcer earning a fee for their on-air services, some larger individuals are able to secure independent sponsors and brand endorsements. Others may also stream their own gaming content whereby they can earn income through advertisements, subscriptions, and donations in the same ways that a traditional streamer does. An announcer may also try to curate and interact with their own fans in an effort to create an active fan base for "branded" merchandise sales.

Overall, most of the individuals who engage in professional gaming as well as those who stream and create gaming content all earn revenues in similar ways. The ancillary professions, including coaches and on-air talent, such as event hosts and shoutcasters, also generate income in some of the same ways that traditional gamers and streamers do.

1.4.2 Professional Esports Organizations and Teams

Other key players in the esports ecosystem are the professional organizations and teams. There are a variety of competitive gaming organizations and teams that operate in various countries around the globe. Generally, an



esports "team" consists of a group of individuals playing together under a unified banner or team. In contrast, an esports "organization" is larger than a team and consists of a variety of distinct teams (groups of gamers) fielded in different games all under one organizational banner. Some major esports organizations include Cloud9, Fnatic, Dignitas, Team Liquid, FaZe Clan, Immortals Gaming Club, and Gen.G. Each of these organizations has different gaming squads competing in various competitive events against other esports organizations and teams.

The primary function of esports teams and organizations is to field lineups that compete in tournaments and organized leagues against other competitive teams.[353] However, some of these companies also sign individual content streamers to broadcast under the organization. A streamer signed to a particular organization is generally required to stream for a specific number of hours per month and to display the team's logo on their social media accounts as well as to advertise the organization's sponsors and partners during their broadcasts.

Many esports teams typically have an entire internal infrastructure of employees and other independent contractors assisting in the day-to-day operations of the team. This includes professional coaches and analysts who help train the competitive players. There are also social media managers and content creators who engage in photography, videography, as well as associated video and photo editing on behalf of the organization.[354] These individuals create and distribute the team's announcements, score updates, as well as any created content, such as photographs and audiovisual works, on the team's social media networks, such as Twitter, Instagram, Facebook, and Tik Tok.[355] Generally, most of the works created by any team operations personnel as well as any individuals are owned exclusively by the organization.

In most cases, organizations and teams enter into written agreements with gamers and streamers for their services. In exchange for these obligations, the organization pays the player a salary and may also help the talent with their associated expenses.[356] For example, the organization may pay for the gamer's travel and lodging for tournaments, scrimmages, and "boot camps" as well as paying for the player's living amenities, such as rent, food, and other living expenses.[357] Some teams may also provide the gamers with professional coaches and analysts to improve their game.[358] Other organizations may offer their players physical and mental trainers to assist their growth and development as well as potentially supplying them with gaming peripherals and equipment necessary to compete and stream.[359] This assistance could include providing their signed players with computers, keyboards, headsets, gaming chairs, and other computer hardware. "Boot camps" are what the industry

refers to as gaming training "camps" where the players on a team undertake an intensive practice schedule regime over a short span of time meant to get the team ready for an upcoming tournament or other competition.[360]

Similar to professional gamers and streamers, esports organizations and teams earn revenue in a variety of ways.[361] These could include a percentage of their competing team's tournament winnings, funds from third-party investors, sponsorship and brand partnership revenues, physical and digital merchandise income, as well as streaming revenues.

Some Notable Esports Team/Org Investors

Esports Team/Org	Investors
FaZe Clan [367]	- Pitbull - Offset - Josh Hart - Ben Simmons
NRG Esports [366]	- Jennifer Lopez - Alex Rodriguez - Shaquille O' Neal - Michael Strahan - Marshawn Lynch
Team Liquid [362]	- Michael Jordan - Magic Johnson
Team SoloMid [362]	- Stephen Curry - Steve Young - Andre Iguodala
Gen. G Esports [363]	- Will Smith
Rogue Gaming [367]	- Steve Aoki - Imagine Dragons - Landon Collins

One of the most lucrative income streams for an organization is outside third-party investment into the team. In recent years, there has been a series of multi-million dollar investments by prominent sports, entertainment, and technology figures infusing esports organizations with substantial funds.[362] These funds are generally invested to be used to recruit new talent, pay league franchise "buy-in" fees, as well as to finance and develop an organization's current competitive rosters. For example, esports organization Gen.G received a "$46 million investment" from several individuals, including actor Will Smith.[363] Additionally, a former esports organization Echo Fox was originally founded by former NBA player Rick Fox and later received investments

from the *New York Yankees*[364] as well as from athletes, Kevin Durant and Odell Beckham, Jr.[365] Another large, celebrity-driven investment was a $15 million raise for NRG Esports, which included musician Jennifer Lopez and athletes Alex Rodriguez, Michael Strahan, and Marshawn Lynch.[366] However, it is important to understand that these third-party investments are not being considered "revenues" of the organization. This is because these funds are merely intended to help the organizations comply with their current and prospective financial obligations as well as to accelerate the organization's growth.[367] The third-party investment is also typically provided by these individuals in exchange for "equity," which is an ownership interest in the organization.

In addition to outside investment funds that an organization receives, professional esports teams may also earn a set percentage of their signed team and individual gamer's tournament money. The percentage that the team reserves ranges from as little as 5% or 10% of the total prize winnings to larger amounts such as 20% or 25%. Since an organization usually pays for the player's living, travel, and gaming related expenses, this allows the team to attempt to recoup some of these personnel expenditures. The amounts earned by teams have increased greatly in the last few years due to the increased frequency of competitions as well as growing total tournament prize pools. For example in 2019, at least ten esports organizations earned several million dollars in total prize money.[368] This includes the largest earner, "*OG*," who earned $15.84 million in total prize money (including winning the 2019 *DOTA 2* The International championship), followed by Team Liquid, who won $9.40 million (including second place in *DOTA 2* The International), then, NRG Esports, who earned $5.28 million in total tournament winnings (including the 2019 *Overwatch League* title).[369] Some of these other high-grossing teams include organizations such as Lazarus ($4.22 million), Gen.G ($3.45 million), Team Secret ($3.31 million), and FaZe Clan ($3.166 million).[370]

Sale of both physical and digital team merchandise has also become an additional source of income for esports organizations. Teams have begun selling their own merchandise containing the team's imagery as well as individual player merchandise on their own websites.[371] Some organizations contract directly with a merchandise distributor who sources and dispenses the items and some teams actually produce and distribute their own inventory. Additionally, some other teams have instead partnered with existing peripheral companies, such as keyboard and mouse pad companies, to license their imagery. This enables these companies to create team "branded" items in

exchange for a royalty paid to the team for any sold items. For example, esports organization Fnatic has created an extensive internal merchandise distribution operation.[372] The team currently offers a variety of "branded" gaming peripherals as well as traditional merchandise, including t-shirts, hats, water bottles, backpacks, and mouse pads.[373]

In addition, some teams have begun establishing "fan clubs" or other activations designed solely to interact with their fans. For example, esports organization Rogue, founded by electro dance music (EDM) producer and DJ Steve Aoki, created the "Rogue Nation" fan club.[374] This club provides both free and premium subscription options for its fans. Options include the "free" subscription tier, as well as several other tiers, including a "$4.97 per month," a "$9.97/month," and a "$19.97/month" tier.[375] Those fans who subscribe to the highest tier (Legendary) "are eligible for live online group coaching, early access to pre-orders and team announcements, and a Rogue jersey once 10 consecutive monthly payments are made" as well as "opportunities for members to compete with and against Rogue players."[376]

Some esports teams have even acted as property owners in addition to fielding competitive teams. For example, esports organization Simplicity Esports, owned by Jed Kaplan, the minority owner of the NBA team *Memphis Grizzlies* owns an extensive national network of gaming centers.[377] The team has also recently purchased the Brazilian-based esports organization Flamengos, which includes access and ownership in their Brazilian gaming facility locations.[378] Other esports organizations are also partnering with event space developers to help establish and develop "gaming venues."[379]

In conjunction with the game publishers, esports teams also may earn proceeds from the sale of digital in-game products bearing their team name or logo. This could include the selling of "stickers" or "skins" for characters that represent an individual team. For example, competitive gaming title *Rocket League* provided each of the 11 organizations in its *Rocket League* Championship Series (RLCS) with the ability to earn "30% of the revenue from the sale of their respective branded [in-game] item."[380] These items include "branded [car] decals," team-specific player "banners," and custom "wheel options" that a fan may purchase, equip, and use on their own console.[381] Additionally, the developers for *Rainbow Six*, Ubisoft has created a similar revenue-sharing program.[382] Under this program, each of the league's 14 participating teams earned "30% of the revenue [for] its own respective item sales" consisting of a team-branded "bundle that includes branded headgear, a uniform, and [a] weapon skin" as well as an equal share of "30% of the revenue" earned from the sale of any "*Rainbow Six* Pro League-branded

items."[383] Another example is in *Gears of War* where "four of the *Gears 5 Pro League* teams," including NRG Esports and Rise Nation, are currently entitled to earn a percentage of any in-game revenues for the sale of "weapon skins and other in-game items" purchased by the game's users.[384] Finally, the *National PUBG League* also provided its 16 participating teams with a portion of the profit earned from specific in-game items.[385] In 2019, it was reported that a "total of $21,498.01 was raised through [the sale of] a branded in-game jacket" with "25 percent of the figure, $5,[375].50, [split] between the 16 teams in the league." [386] This meant that "each team received $335.91 in revenue" from the sale of this in-game item.[387] In addition, PUBG Corp. followed this in-game item with a new item, "an NPL-branded baseball bat."[388] This second item provided "the same 25 percent split for the teams," which totaled "$2775.84" with each team earning "$173.49."[389] While the actual amounts an organization earns from the sale of in-game items might not be substantial, it is an important income stream that has the potential to grow in the future, especially as teams continue to prosper and as more fans continue purchasing these digital products.[390]

While the team has other available avenues of revenue, the primary source of income for most organizations is from sponsorships and brand partnerships.[391] For instance, this income stream accounts for "nearly 60% of the [organization's] revenue."[392] In fact, sponsorship and brand activation have become so essential to major team that new leagues have been established, including the implementation of geo-location franchising to provide some stability and long-term predictability for sponsors when entering into long-term deals with esports teams.[393] Brand marketing in the gaming space is particularly valuable because the target demographic for esports are males aged 17–25.[394] This demographic is a highly sought after and is typically difficult to reach through traditional marketing avenues.[395] This fact has caused many major endemic and non-endemic brands in the last few years to enter into brand partnerships with esports organizations, including Nike, Coca-Cola, Red Bull, Audi, Kia, Mountain Dew, AT&T,[396] T-Mobile, and Mercedes Benz.[397] "Endemic" brands are those that are naturally a part of esports and gaming, such as computer processors and hardware, gaming monitors, gaming controllers, gaming chairs, keyboards, and joysticks.[398] In comparison, "non-endemic" brands account for everything else that is not "endemic."[399] For instance, "non-endemic" brands could include soft drinks, energy and alcoholic beverages, financial institutions such as banks, clothing and apparel companies, motor vehicle brands, food and snacks sponsors, as well as beauty care and hygiene products.[400] For example, Miller Lite, a non-endemic alcoholic beverage, entered into a sponsorship

arrangement with esports team Complexity, which is owned by *Dallas Cowboys*' owner Jerry Jones.[401] Other recent large organizational sponsorships include a partnership between fast food dining restaurant chain Chipotle and esports organization TeamSoloMid,[402] as well as TeamSoloMid's extensive brand partnership with soft drink Dr. Pepper.[403] Finally, Korean esports organization T1 received a sponsorship from apparel company Nike.[404] In addition, new peripheral brands such as Matrix Keyboards became the official "keyboard" and "keycap" sponsor for organization Misfits and its *Overwatch League* and *Call of Duty League* franchise teams.[405] Professional esports team sponsorship is discussed in more detail later in Chapter 5.

Finally, similar to content streamers, an organization may earn revenues through the live streaming of gaming content by those individuals signed to their organization on social media platforms such as Twitch and YouTube. Organizations may contract directly with these streaming platforms for a portion of advertisement and subscription revenues received while a player is streaming under their team. While the funds earned from streaming are not as large as some of the other avenues available to esports organizations, teams with a large and active following are able to earn some revenue while also providing opportunities for live fan engagement. Streaming also provides additional opportunities to present the team's sponsors on stream to a live audience. In recent years, it is becoming the norm for professional organizations to enter into exclusive streaming partnerships with one specific platform. For example, a few esports organizations, including Fnatic, TeamSoloMid, and Cloud9, had all inked exclusive streaming deals withTwitch. For instance, the Fnatic deal required that "each and every one of Fnatic's roster of professional players, spanning multiple esports titles, stream live exclusively on Twitch."[406] This is similar to parameters contained in Cloud9 and TeamSoloMid's deal, whereby both teams selected "Twitch [as] the exclusive streaming platform for [all of the] players and personalities signed to their respective organizations."[407] Furthermore, content-streaming platform Caffeine, which received a substantial investment from 21st Century Fox[408] entered into a content streaming and production deal with esports organization Dignitas.[409] Caffeine acted as the team's "exclusive broadcaster for team-related content and streams" and permits the team to "produce original series based on" the organization's existing competitive teams.[410] In addition to exclusive streaming arrangements for an organization's United States streams, some teams have also secured additional stream licensing distribution deals in other international markets. For instance, Team Liquid and Team Secret[411] both secured streaming partnerships with Chinese livestreaming platform Huya,[412] which

includes the streaming of "select Team Liquid competitive esports content" where some streams are actually "translated [in]to Mandarin in 'real-time' for Huya's audience."[413]

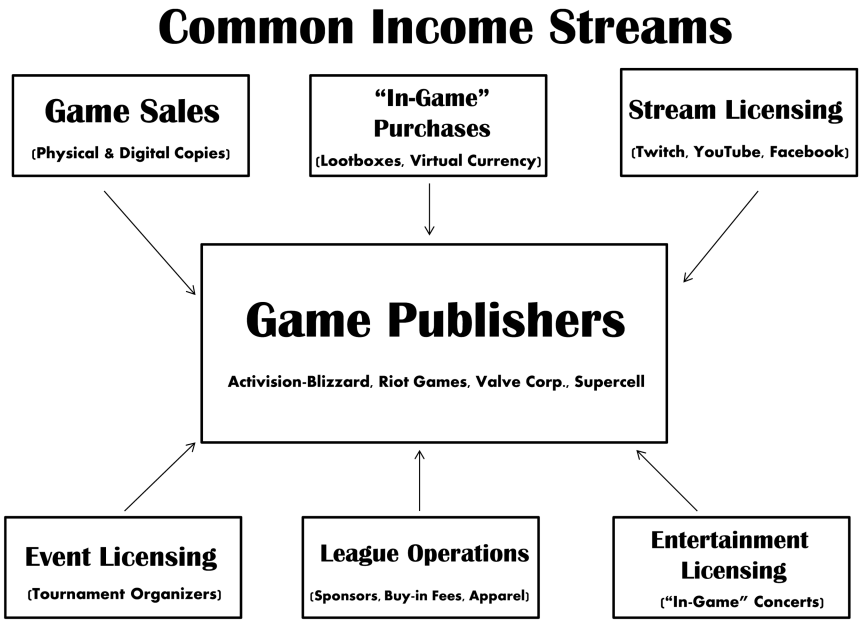
Besides the advertising revenues earned during a live stream, organizations have the opportunity to receive additional income from any created content or other saved media they produce. For example, a team may upload created content to a social media platform such as YouTube, Tik Tok, or Twitch. The organization could then receive advertising revenues for any advertisements displayed during a viewing session of the content. Again, while this might not be a substantial sum, as more viewers watch the content and as more original content is posted, more opportunities are created for the team to derive income in this fashion.

Furthermore, similar to game publishers, several successful esports teams have actually formed and "funded" their own professional league, *Flashpoint*.[414] The league will operate a new *CS:GO* "tournament series" and it will be the first organized league "fully owned and operated by team organizations."[415] It is also not "tied to specific cities" in the same way that the *Overwatch League* and *Call of Duty League* are.[416] The league will have "two seasons a year of about six weeks in length" and a total prize pool of "$2 million."[417] This new league will presumptively permit the participating teams to earn a portion of income through any league "sponsors," "broadcast/webcast," and any merchandise or other ancillary revenue streams that the venture creates.[418] It will be interesting to see if other esports organizations that compete in other competitive titles will follow this trend and establish their own leagues, especially in games with little to no game developer support of its competitive scene.

Overall, professional esports organizations and teams earn income in many of the similar ways that professional gamers and streamers generate revenue; however, one chief difference between them is the ability for some organizations to receive large outside investments which is generally unavailable to most professional gamers, streamers, coaches, and shoutcasters. These companies also usually have the capital to invest in other potential lucrative ventures, such as property investments.

1.4.3 Game Developers and Publishers

Another dominant force within the esports business is the game developer. These are the companies who actually create, sell, develop, and publish the video game.[419] They earn a substantial amount of their income through the



sale of the actual game.[420] However, some popular games, such as *League of Legends*, are actually F2P.[421] These F2P titles provide a basic game experience for free with many available in-game purchase options for additional game characters, game maps, items known as "micro-transactions."[422] In-game micro-transactions are any unique in-game item, any game-mode "pack" as well as any character "skin" available for purchase within the title.[423] A skin is an in-game file that alters the appearance of a character or of an item.[424] Thus, a game publisher may make available a special or "upgraded" weapon purchasable through the system to upgrade a weapon's firing capabilities. For example, Epic Games' *Fortnite* title offers many unique character skins from various pop culture series that are available for purchase by its user base.[425] In these cases, the game publisher earns additional income from a user's in-game purchases in their digital stores.[426] These transactions might include the purchase of a "loot box" for a special in-game item or utilizing other forms of virtual currency, such as "VC" in *NBA 2K* to purchase "MyTeam" card packs for specific players to use within the game or using "VBucks" in *Fortnite* to obtain a unique playable item.[427] These in-game currencies are either purchased with real funds or earned in-game through playing the actual game.[428] Game publishers earn large revenue from these micro-transactions, including the title *Team Fortress 2*, which has an established in-game economy worth over "$50 million within [its first] year."[429] Additionally, game publisher Electronic Arts reportedly previously earned "$993 million from [its] live services," which

includes revenue from all of its in-game "microtransaction[s]."[430] While the legalities-related to the odds of earning a particularly advertised item and the potential legislation applicable to these in-game micro-transactions, such as "loot boxes" and other in-game purchases, are outside the scope of this text, it is clear that game publishers generate millions (if not "billions") of dollars through these payment mechanisms and the amounts will continue to grow as mobile and other forms of gaming prospers globally.[431]

Some of the major game publishers involved in esports include Activision-Blizzard (creators of *Overwatch*, *Call of Duty*, *StarCraft 2*, *Heroes of the Storm*, and *Hearthstone*); Valve Corporation (creators of *Dota 2* and *Counter-Strike: Global Offensive*); Riot Games (creators of *League of Legends* and *VALORANT*); Microsoft Studios (creators of *Halo* and *Gears of War*); Nintendo Company (creators of the *Super Smash Brothers* series); Supercell (creators of *Brawl Stars*, *Clash of Clans*, and *Clash Royale*); Take Two Interactive (creators of the *NBA 2K* series); Capcom (creators of the *Street Fighter* series); Electronic Arts (creators of the *FIFA* soccer, *Madden* football, and *NHL* hockey series); and Epic Games (creators of *Fortnite*) and who have also recently purchased Psyonix Inc. (creators of *Rocket League*).[432] In fact, in 2018, these companies had grossed over "$107.3 billion," with revenues continuing to grow in the following years.[433]

The game publishers are central players within the esports ecosystem due to these companies owning the exclusive intellectual property rights to the game's underlying software. This is because video and computer games are protected by copyright law as both an audiovisual work for the game and the graphic images as well as a literary work for the underlying software code. In particular, proper licensing or permission from the rights holder, the developer, is required to utilize the protected work for any purpose.[434] This means that the publisher possesses the absolute ability to control and dictate the terms for any third-party usages of their game, including controlling "everything regarding the eSports title."[435] In practice, the game developer has the right to charge a licensing fee and to determine how a video game is exploited by others, including when and how the game is used. Furthermore, they can dictate how the gameplay is displayed in online videos, on streams, and at in-person tournaments and other competitions. It is important to understand that any individual engaging in these actions without the appropriate permission or license from the game publisher may be subjected to liability for copyright infringement. Copyright in video games as well as game developer licensing are explored in more detail later in the text.

In this respect, esports is extremely different from other traditional professional sports since any individual can participate or stream themselves playing basketball as well as start their own professional basketball league (e.g., *ABA*,

BIG3) or host their own tournament without the requirement of a license or other permission from an organizing body, such as the NBA. In contrast, if an individual wants to publicly stream *League of Legends* or host their own *League of Legends* competition, they are generally required to secure a license from the game developer (Riot Games) in order to utilize its copyrighted content (the game) for commercial purpose, such as a competitive tournament or a monetized live stream or content piece. Generally, the licensing fees paid by third parties, including streaming platforms and tournament organizers, differs based on the length of the license and the anticipated uses of the licensed material. For instance, a large international competition that is broadcasted live to thousands of people on a social streaming platform may have a larger licensing fee associated with it than a local in-person tournament hosted at a gaming store which is not streamed. The amount paid for a license by a third party can be for as little as a few hundred dollars to several thousand or hundreds of thousands of dollars or more. Esports licensing is discussed in additional detail later.

There has been a new trend whereby certain game developers have begun acting as a league organizer in addition to their traditional role as a game developer and have started formulating their own organized "franchise" leagues.[436] These new leagues provide esports organizations with exclusive rights to a specific geographic territory or guaranteed league "spot" in exchange for a substantial "franchise fee" paid to the game publisher.[437] As part of the franchise fee that an organization pays to the company, the developer handles the logistics and operations of the league, including establishing uniform rules and practices as well as selling these individual geo-location "spots." For example, Activision-Blizzard launched the *Overwatch League*, with reported franchise buy-in fees initially starting at "$20 or $25 million for Season 1."[438] The publisher also created another franchise league the *Call of Duty League*, which has similar franchise fees associated with the purchase of exclusive rights to a specific geographic territory.[439]

These new developer-established leagues have attempted to create some new benefits and stability within the esports economy.[440] One of the greatest purported benefits of these franchise leagues is that participating teams are guaranteed a permanent league spot, while, in the past, underperforming teams were subject to potential "relegation," demotion, or removal from a league.[441] Also, participating franchises now have local, in-market sponsorship revenue opportunities that were not available prior to the establishment of these city-based franchises.[442] Therefore, as a result of the development of franchised leagues, gaming companies are now able to earn new revenues in ways similar to how professional gamers, esports organizations, and league

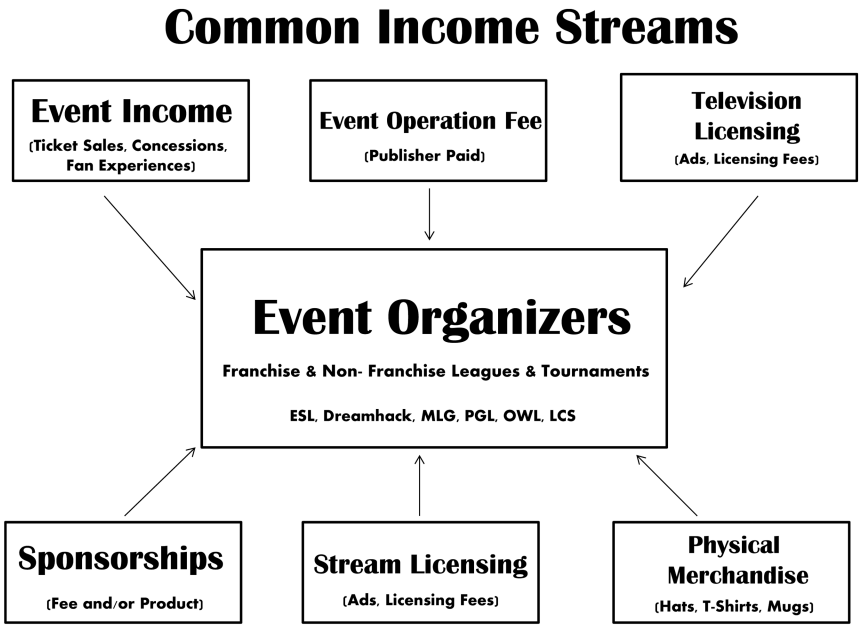
organizers do. This includes league-wide product sponsorships and brand partnerships as well as the sale of television and streaming broadcast and media rights.[443] These new leagues, formed by game developers, can also collect admission and entrance ticket fees for the events that they host as well as earn additional revenues through advertising displayed during a league broadcast.[444] Needless to say, the development of these new franchise leagues has become a large income generator for these game publishing companies.[445]

With developers getting involved in new areas of esports, these entities have begun to exert additional control over other components of the esports business ecosystem. For example, some have imposed restrictions on the licensee (the party licensing the gaming content from them) related to their newly developed franchise league. One such restriction is limiting and determining which sponsors a team can and cannot work with in an effort to prevent an organization from conducting business with a particular brand that competes with the developer's current sponsors; or, at a minimum, refraining from publicly displaying a competitor to a league sponsor during league gameplay.[446]

In addition to the substantial sums that the publishing companies earn from third-party license fees to use their title, another unique monetization opportunity for them is incorporating more traditional entertainment, media, and music into their gameplay. For instance, EDM producer Marshmello held "a concert in *Fortnite* […] which brought in 10 million players as in-game concert attendees."[447] This successful event led *Fortnite* to continue with additional live in-game entertainment activations.[448] This paved the way for the highly successful digital performance of rap artist Travis Scott that featured the "premiere [of] his music video" for "12.3 million concurrent players" and totaled "a staggering 27.7 million unique players from around the globe."[449] Epic Games have also begun incorporating other forms of traditional entertainment in its *Fortnite Party Royale*, including presenting live motion pictures within the game for the players to congregate and enjoy together including showing "*Inception*, *Batman Begins*, and *The Prestige*."[450] Other game developers have followed this model including musical artist Charli XCX performing "live" within the game *Minecraft*[451] as well as the iconic rock band The Offspring playing a live "gig" within the game *World of Tanks* and even receiving their own branded in-game vehicle.[452] This is possible because the developers own the exclusive rights to the game so any in-game activation flows through them. Therefore, any esports organizations as well as any third-party entertainment company, such as a recording label or motion picture studio, wishing to earn any in-game revenues or otherwise operate within an existing video game is required to work with and contract directly with the game publishers.

Currently, video game developers are earning substantial revenues from the sales of the actual game as well as from third-party license fees to utilize its copyrighted material. They are also generating large income from the monetization of in-game digital content through micro-transactions as well as by the incorporation and licensing of other third-party protected works. Lately, these companies have also begun acting as league organizers, thereby creating new streams of income, such as league franchise "buy-in" fees, sponsorship revenues for league-wide partnerships, as well as the income from the broadcast and streaming licensing fees for rights to the league's gameplay.

1.4.4 Event, Tournament, and League Organizers



The final party in the esports business ecosystem is made up of the event, tournament, and league organizers. These are the entities that arrange, manage, and operate the competitive gaming matches that professional gamers and esports organization compete in. Some are international companies that run competitive gaming events throughout the globe, and some are merely regional or national-based organizations that only produce competitions within their home territory.

In particular, these companies establish competitive gaming tournaments and handle all of the logistics associated with presenting and producing the

contest. This includes the creation of rules and participant regulations that list all the guidelines for the competition.[453] Since the game publisher owns the rights to the game title, the organizer must also obtain proper licenses to use the game for a commercial purpose from the game developer.[454] However, in some cases, the game publisher might actually support the organizer and instead of receiving a licensing fee from the organizer, the developer may actually pay a fee to the organizer to prepare an event on behalf of the publisher. This may occur in instances where the game publishing company might not have the necessary infrastructure or may not want to spend the funds needed to undertake these endeavors themselves but the publisher still wants to provide a way for them to receive "good-will" from its customers and from its competitive community by hosting events that spotlight its game.

The tournament and league operators also handle the logistics for the competition participants, such as scheduling their flights and lodging accommodations as well as handling any technical or gameplay matters associated with actually competing in the matches.[455] In most cases, the organizer provides the tournament participants with all of the hardware and other gaming equipment required to play, such as a monitor, a gaming chair, and a gaming "rig" (custom gaming computer) or console. As explored later, most of these gaming peripherals are provided by the league or tournament sponsors and are traditionally part of a brand partnership between a sponsoring company and the competition organizer. In addition to handling the operations of the league or tournament, these entities also plan and produce the coverage around the events. This includes handling the event marketing and promotions, hiring the talent necessary to present the competition, including sideline announcers, analysts, reporters, and shoutcasters. The organizer will also assist with any mechanical issues that arise during the match, including providing on-site gaming technicians to remedy any problems.

There are a variety of both small and large local, national, and international tournament and league organizers around the world. Some of these include Major League Gaming (owned by Activision- Blizzard); ESL; RFRSH Entertainment; Ultimate Gaming Championship (UGC); OGN, and, DreamHack.[456] There are also several organized competitive gaming leagues around the globe. Some of these include *ELEAGUE*, which is a gaming league that is televised on the North American television channel TBS; the *NBA2K League*, which is a partnership between the National Basketball Association *(*NBA) and the game developer Take Two Interactive for their *NBA 2K* basketball title, and eMLS, which is a partnership between *Major*

League Soccer (*MLS*) and EA for its *FIFA* soccer game. Additionally, as explored above, companies such as Activision-Blizzard and Riot Games, in addition to acting as game developers, have also begun operating as league organizers and created their own franchise leagues centered on their competitive esports titles. In particular, Activision-Blizzard has established the *Overwatch League* and the *Call of Duty League* and Riot Games operates its own regional *League of Legends* Championship Series for its *League of Legends* title. As previously explored, the development of new franchise leagues operated by traditional game publishers provides these entities with additional opportunities for monetization typically only reserved for the competition organizers, including broadcasting, streaming, and other media rights.

An event, league, or tournament arranger earns income in a variety of ways. The major source of income for most organizers is from securing broadcast and media rights deals for the distribution of their live tournament gameplay.[457] Since most esports competitions are currently not locked behind a "subscription" fee or other "pay wall" system, the matches can usually be watched for free both live and later "on-demand" through content platforms. However, the rights to the initial live broadcasts are generally sold to streaming platforms and the fees paid by these broadcasters vary substantially. Two of the major factors in determining the licensing fee paid to disseminate a gaming tournament are whether the streaming rights are exclusive or non-exclusive and what the anticipated number of viewers is. In addition, there has been a recent industry shift whereby "the success of any live [esports] broadcast" is "measured by Nielsen's average minute audience (AMA)."[458] This is opposed to solely focusing on different statistics such as "unique viewers, peak concurrent viewers, or total hours watched."[459] The "average minute audience" is defined by Nielsen as the "average number of individuals or (homes or target group) viewing a TV channel, which is calculated per minute during a specified period of time over the program duration" and has been adopted by the *Overwatch League* for presenting its viewership data.[460]

In situations where a broadcaster contracts for the exclusive live streaming rights for an event, there is usually a large licensing fee paid to the league organizer, potentially several thousand or more dollars.[461] However, non-exclusive arrangements may be substantially cheaper than exclusive rights. This is because the organizer has the ability for other broadcasters to transmit the same content by entering into multiple non-exclusive deals with a variety of broadcasters in different geographic territories or regions. Generally, each competition organizer selects the most appropriate arrangement for

them, as some platforms have smaller viewership numbers than others. For instance, Twitch has "more than 15 million daily active users" with over "355 billion minutes [of gaming content] watched" on its platform.[462] As a result of these substantial viewership numbers, the platform has entered into several exclusive streaming rights arrangements with tournament organizers. For example, this includes an exclusive partnership between Twitch and tournament organizer DreamHack[463] as well as a previous two-year exclusive deal with the *Overwatch League* costing Twitch "at least $90 million."[464] At the end of the Twitch streaming deal, Activision-Blizzard on behalf of its *Overwatch League* and *Call of Duty League* entered into a new streaming partnership agreement with YouTube Gaming for a reported "$160 Million over three years."[465] In contrast, other rival streaming platforms, such as Facebook Gaming, have begun entering into both exclusive and non-exclusive streaming contracts in an attempt to grow their gaming platforms. For example, Facebook Gaming entered into an exclusive broadcast partnership with ESL for its *ESL Pro League*.[466] Facebook Gaming also created a non-exclusive arrangement with the *Capcom Pro Tour*, whose broadcast partners include both Facebook and YouTube content-streaming platforms.[467] Similarly, competition organizers are able to enter into individual streaming deals for specific foreign territories. For instance, Chinese streaming platform DouYu entered an agreement to "be the exclusive Chinese streaming partner of the *World Electronic Sports Games* (WESG)." [468] This deal permits the WESG to negotiate with other platforms to stream its competitions in other countries.[469] Similarly, Chinese broadcaster Bilibili reportedly pay $113 Million for "a three-year exclusive live streaming deal for the *League of Legends World Championships* in China," which further exemplifies the substantial revenue a league organizer could earn from licensing its event coverage.[470] Furthermore, Chinese live streaming platform Huya signed a one-year exclusive deal for the platform to act as its "exclusive digital media partner for Chinese-language broadcasts of the *ESL Pro Tour* and *Dota 2* competitions."[471]

While typically providing smaller metrics than most streaming viewership numbers, there has been a rising number of television broadcast deals for esports in the United States as well as in other countries, which continue to rise today. For example, the virtual race on Fox Sports 1 (FS1) television network for the "inaugural *eNASCAR iRacing Pro Invitational Series* drew 903,000 viewers [,…] making it the highest-rated esports TV program to date."[472] Similar to streaming deals, these broadcast arrangements can be worldwide or apply to a select number of countries or geographic areas. For

example, American broadcaster ESPN provides live television coverage of the *Madden* Championship Series[473] as well as presents *Overwatch League* matches on Disney XD and the ESPN networks.[474] Other U.S. television networks have also begun telecasting esports content, including TBS televising both[475] *Counter-Strike: Global Offensive* and *Rocket League*[476] as well as *NBC Sports* displaying *Rocket League*.[477]

There has also been a growth in international esports television broadcasts. For example, Germany's Sport1 created its own eSport1 television channel to provide "24/7 esports coverage including live coverage and highlights of tournaments."[478] Similarly, the United Kingdom's Ginx TV is a 24/7 esports television network that was purchased by UK broadcasters, ITV and Rupert Murdoch's Sky TV.[479] In addition, the Danish television company TV 2 Denmark acquired telecast rights for the *ESL Pro Tour*.[480] Similarly, Canadian company Blake Broadcasting reached an agreement with tournament organizers, "ESL and DreamHack to broadcast their tournaments in the United States, Canada and Asia, with the exception of China," including the *"Intel Extreme Masters, ESL One*, and the *ESL Pro League*, as well as the DreamHack Masters and DreamHack Open tournaments" through its "regional distribution network of cable, free-to-air satellite, and OTT streaming" services.[481] Most television broadcast distribution deals usually provide the tournament organizer with a licensing fee and other potential revenues from the broadcaster in exchange for the right to broadcast the organizer's competition. As with most broadcast and media rights in the traditional entertainment and sports worlds, the larger the viewership is, the more likely that large license fees will be charged.

On top of the broadcast fees that these networks pay to the competition organizers, some of these league creators also generate revenues from any advertisements displayed on stream during the live broadcasts. Likewise, these companies may earn income through online banner sales and advertisements. This is because they possess the ability to monetize their recorded content after the broadcast originally airs. This is achieved by the tournament organizer uploading the event media to a social media platform, such as YouTube or Twitch, which is then used to monetize the content. Some of this content could include recorded matches, player interviews, and "behind the scenes" footage, as well as tournament recap shows or other media coverage focused on the competition.

Similar to esports organizations, one of the largest income streams available to event organizers are sponsorship and brand partnerships.[482] In this context, a variety of brands are enlisted by an organizer and they each pay a

sponsorship fee to act as an official event sponsor or partner in exchange for a set list of deliverables from the organizer to the brand.[483] There has been a number of successful league- and tournament-specific brand partnerships, including the *ELEAGUE* partnering with AXE as the league's "official personal care partner"[484] as well as tournament organizer DreamHack partnering with a variety of brands, including Doritos,[485] Chipotle,[486] Turtle Beach headsets,[487] and Samsung.[488]

In addition to a sponsorship fee paid by a brand, event organizers may also offer to provide sponsoring companies with designated space for an exhibition or product stand at the event as part of the organizer's deliverables to the brand.[489] This opportunity could include a brand having an on-site, physical stand where the sponsor's logos and banners appear or some other sort of "branded" area. For example, as part of DreamHack's activation with Doritos, the organizer provided the snack brand with "a booth at the event that allowed attendees to challenge pro *Counter-Strike: Global Offensive* and *Fortnite* players." [490]

In most of these situations, the partnering brand contracts for category exclusivity, meaning that no other similar or competing products will be permitted to be an event sponsor for that product category. This exclusivity may also extend to prohibit any professional participating in the competition from displaying or otherwise promoting a rival sponsor during the event. The monetary fees paid as well as other compensation differs based on a variety of factors. Some of these include the number of sponsored events, the amount of product that is provided to the organizer, the cost of the product, and the anticipated viewership or "impressions" that the brand will receive as a result of the particular promotional campaign. In the case of more expensive products, such as computer processors and laptops, the partnering company may simply provide the necessary hardware; however, in other cases, the brand will provide both product and currency to the organizer.

Another revenue stream available to league and tournament creators is event operation income, including entrance fees, ticket sales, concession stands, and any "VIP" or fan "experiences."[491] The amounts earned by these entities vary substantially, in particular, the larger the venue, the more opportunity that the organizer has to earn ticket sales.[492] Some events are inexpensive to attend and others, such as the 2018 *Overwatch League* finals at Barclays Center in Brooklyn, New York, feature higher ticket prices (reported $152 for the final day).[493] Ultimately, it is clear that fans do purchase live event tickets for both large and small events, as the 20,000 tickets allotted for the 2018 *Overwatch League* finals "sold out in two weeks."[494]

In addition, the 2017 *League of Legends'* World Championships held at the 80,000-person capacity Beijing National Stadium in China "sold out in less than a minute."[495] Some tournament organizers have begun further branching out into ancillary areas. This includes into original content production, online tournament hosting, as well as new talent development.[496] For example, UGC has created a series of original esports content which provides commentary on a variety of gaming titles hosted by both established and upcoming personalities.[497]

One final stream of revenue available to competition organizers is the income earned from event-specific merchandise. This includes tournament and league-specific items such as t-shirts, hats, jerseys, socks, pins, patches, and more. For example, tournament organizer ESL sells its own custom "ESL" branded merchandise as well as markets individual products for some of its larger individual competitions.[498] This includes selling specific custom items for the Intel Extreme Masters and ESL One.[499] This is similar to event production company DreamHack, who also sells its own custom merchandise, including backpacks, mugs, and clothing with its imagery on them.[500] Similarly, many league organizers have created specific merchandise featuring the various franchise logos on a variety of items. This includes the *Overwatch League*[501] as well as the *NBA 2K League*,[502] who both have merchandise deals with clothing manufacturer Champion Apparel. Building on this revenue stream, a few companies, including UGC, are also providing opportunities for individuals to design and purchase customized merchandise, including t-shirts, jerseys, backpacks, and mouse pads.[503]

Overall, esports event organizers generate income in many similar ways that other components within the ecosystem do; however, one substantial stream of revenue solely available to competition creators is the licensing of the content for streaming and television broadcasts, which is generally unavailable to most other parties in the competitive gaming scene as well as ticket sales and other event day sales for the events they host.

1.4.4.1 Some Esports Event Operation, Production, and Management Tips

Tournament and event organizers that are establishing and operating events must be aware of some potential legal protections as well as many beneficial business practices that might be adopted by an individual or a business presenting an esports competition. This applies to events produced by established event organizers such as ESL and DreamHack as well as those hosted by smaller independent companies who create and plan their own live esports

10 Tips for Esports Event Production

When Planning An Esports Event...
• **Select the Appropriate Venue** (Examination of availability and status of Technical and Internet Connectivity)
• **Protect the Tournament or Event Series Name**
• **Obtain Applicable License from Game Publisher**
• **Obtain Public Performance License** (If contains a live musical performance)
• **Create Competition Rules, Participant, Technical Guidelines**
• **Obtain Sponsors, Set Prize Pools and Entrance Fee (if any)**
• **Market and Promote Event & Hire Event Talent** (Social Media & Print Ads, Security, Door Staff, Casters, Event Hosts)
• **Obtain Streaming and/or Television Distribution Deal**
• **Provide "On-Site" Technical Equipment and/or Assistance**
• **Handle Competitor & Fan Logistics, including "day of"** (Travel, Lodging, Accommodations, Food, Beverage, Merchandise)

competitions. One such practice is selecting the appropriate game title or titles for the competition.[504] When an organizer determines this, they may account for the potential fan and participant interest in the particular game (i.e., are a lot of people playing the game or is it an old title), the current viewership of the title (i.e., looking at past similar event viewership and the current Twitch viewership numbers for the title), and the time constraints of the event (i.e., hours or days). For instance, a *StarCraft II* match might take 30 minutes while a fighting game like *Super Smash Brothers Melee* may finish in a few minutes.[505] The selection of a particular game might hinge on the time and budgetary restrictions of an event operator. This is because the event planner must also be aware of any potential licensing fees that the operator must pay to the game's publisher to actually operate the event. Additionally, typically the longer that the event organizer needs a particular location, the more costly the overall event becomes due to the added staff costs, rental fees, and other associated operational expenses.

Another important consideration is the specific location of the gaming event and how the actual venue is designed. In particular, different titles require different event set-ups and configurations as a FPS tournament might involve "multiple computers" that are "all connected to the internet" and other games

may require other arrangements.[506] For instance, the CEO of 1337 Facilities Robert D. Jordan suggests that when selecting an event space, an ideal place has "black walls, black ceiling, [and] lighting," "a lot of programmable video," and possesses easy internet "connectivity."[507] The ease of technology usage and the existence of a "strong technical infrastructure" are also particularly important, especially if the event is streamed online.[508] This is because the chosen venue must have "sufficient bandwidth to handle the throughput" from the stream, which might require at least an upload rate of "35 Mbps."[509] In addition to potential "internet costs" for hosting or streaming the event online, the venue's "electric capacity" and the associated electrical fees can also be a factor in selecting a location.[510] This fact is very important, especially when a tournament is hosted at a non-"high-power ready facility," because the venue might need to purchase additional power in order to fuel all of the competitors' consoles, monitors, computers, and any other technical equipment utilized at the event.[511]

Additionally, when operating an event at a large arena or stadium, the *Overwatch League*'s Senior Director of Marketing Kristin Connelly advised that it was important to ensure that the large esports venue "feel[s] communal and authentic."[512] Another initial consideration is whether the event is a "bring your own" equipment or "bring your own computer" (BYOC) event or if the tournament organizer provides the participants with the required hardware.[513] This is because the overall event set- up differs greatly based on who is providing the equipment, the competitor or the event production entity.[514] For example, if an organizer is hosting a competitive game on a console such as Playstation 4, the operator may need to "rent" the consoles and the selected games for the competitors to play on; or the organizer may "purchase" the equipment and games outright in order that they own these resources for their future events (or they receive the required items from an event sponsor).[515] In situations where an event producer rents audio, video, or other technical equipment, it is advantageous to create a written contract listing the parameters and conditions of the transaction. This is particularly important when dealing with these types of expensive and fragile materials.

When choosing a potential venue, an organizer has a variety of options.[516] For instance, the tournament can be hosted solely online or it may occur live at a local "game store," at a "bar," or even at a "public event space," such as a "hotel" or "convention center."[517] There has been a development of dedicated gaming centers and "esports venues" specifically equipped for such gaming events, including the HyperX Esports Arena located at the Luxor Hotel & Casino in Las Vegas, Nevada.[518] When choosing a venue, especially for larger events, it is ideal to select a place with "more room" to ensure that

there is space for the hundreds or even thousands of competitors and spectators to congregate and participate in the competition.[519] This consideration is particularly important if the event company has a live "broadcast" team presenting the competition that requires ample room to operate.[520] It is also important for an organizer to be aware of any local "lodging" options for any media members, the event participants, as well as for any spectators who may travel to view the match.[521] As part of selecting an event location, an organizer should be aware of their "equipment transportation" needs as well as ensuring proper event security plans for the equipment and competitors.[522]

In addition to securing the venue, an organizer has the crucial role of creating "the rules and tournament specifications."[523] This might include the event provider imposing "age restrictions" on the participants, especially if a title is a graphic or violent one, as well as listing any other participant or "passport requirements."[524] When establishing a tournament or event rulebook, there should also be written "guidelines regarding team size," any "player substitution[s]," as well as established "equipment guidelines for players" who bring their own gear.[525]An organizer should also agree on the "technical specifications for tournament," pre-determine all of the "time issues," such as match duration and rules for "disconnections," as well as establish the applicable "game settings," such as the "difficulty level, character selection, [and the] speed of play."[526] Generally, in most established competitive communities, it is ideal to not change any of the settings unless the organizer "informs everyone" participating in the event of the "changes *well* in advance."[527]

When creating an event, it is important to utilize proper trademark protection for the event or series name.[528] This might include conducting a trademark screening search to determine the availability of an event name as well as to evaluate any ones that might block the tournament or league organizer's use of a selected mark. Once a search is conducted and it is clear, the organizer may file a federal trademark application in the United States with the United States Patent and Trademark Office (U.S.P.T.O.) for event operators in the United States as well as in any other countries that they may host events in to secure exclusive rights to the event or series name in those territories.[529] This consideration is especially important if the organizer intends to create a series of similarly named gaming competitions that reoccur each year. In fact, it is beneficial for an organizer to host "frequent" and "scheduled competitions" to "build a fan base."[530] For example, event organizer DreamHack has secured the exclusive trademark rights in its event name in a variety of classes for both its name[531] as well as for their unique logo design.[532]

There are also other business and financial considerations when operating a live esports competition.[533] This includes whether there are any independent or third-party investments to fund the event's operational costs.[534] This may factor into whether or not the tournament charges a participation fee for each player or for each competitive team.[535] If an entrance fee is charged, it is important to maintain a proper balance because if the cost is too high, then "lower skilled players won't show up" but if the "prize pool is too low," then professional and other top players may not participate in it.[536] While the topic is outside the scope of this text, different states and countries have different "gambling" laws applicable to any cash payouts of any offered prize "pots" for competitive gaming events.[537] In these cases, an organizer might instead use any allocated "prize funds" to "purchase something else, [such as] a gift card, store credit, a console" for the event winner.[538]

Additionally, as explored above, sponsorship and brand partners account for a substantial portion of the event's expenses as well as being generally used "toward [the] prize."[539] Therefore, these essential income streams require proper implementation of strategic planning and partnerships with the presenting brands to optimize the sponsor's return. To ensure each party receives the benefit of their bargain, it is beneficial to enter into a written event sponsorship agreement outlining all of the parameters and associated "deliverables" under the deal. These types of sponsorship arrangements are explored in detail later in this book.

Once an event is conceptualized, it is crucial to secure a venue or access to some other space to host the event. In this respect, it is advisable for the organizer to enter into a written agreement with the venue or premises owner. This agreement should include incorporating the essential terms related to the operation of the event, such as date and time as well as any refreshments or other catering options.[540] This document should also list who is responsible for providing and paying for any event security as well as any other operational staff.[541] It also best practice to include any cancellation terms as well as "force majeure" provisions.[542]

A force majeure clause provides one or both of the parties with the right to terminate, suspend, or otherwise "toll" (pause) an existing agreement as a result of the occurrence of a specific event. While this is not an exhaustive list, as every agreement can be edited by its parties, such events could include acts of God such as hurricanes or earthquakes, wars, riots, and "health" epidemics or pandemics, such as COVID-19.[543] This is especially relevant in light of today's COVID-19 situation where many businesses in the live event production spaces have cancelled or otherwise re-scheduled their existing

events.[544] Thus, the use of these clauses in an event production agreement may assist in successfully navigating any unforeseen and potentially event-ending circumstances that could arise.

Once an event planner secures the rights to a location, there are a variety of other "licenses" or "permits" that might be required when producing the live event. Some of these might include a business license, a liquor license, or other health permit when serving any food to attendees. It is prudent that an organizer properly investigates and obtains all the required licenses and permits prior to hosting any match. Additionally, an event creator might acquire a variety of insurance policies to protect their event.[545] One obtained policy might be one that covers any potential injuries suffered by a tournament attendee. This protection might be in the form of general commercial liability or some other type of event liability insurance.[546] An event owner may also obtain business interruption coverage, which can cover a loss resulting from a business stoppage.[547] Additionally, a tournament organizer might also obtain force majeure insurance, which could provide remuneration for any financial losses resulting from a force majeure triggering event, such as those mentioned above.[548]

Finally, if the event has live music and the venue or location is unlicensed, the company might need to secure a public performance license from the applicable performing rights organization(s), such as the American Society of Composers, Authors, and Publishers (A.S.C.A.P.), Broadcast Music, Inc. (B.M.I.), or the Society of European Stage Authors and Composers (S.E.S.A.C.) (in the United States).[549] Additionally, as mentioned above, when hosting paid tournaments and other commercial events, the organizer might also need to secure licenses from the game developers.[550] This license would generally be obtained from the game publishers such as Riot Games or Activision-Blizzard. In particular, "each publisher's rules are different" so most game licensing agreements entered into between the developer and a tournament organizer list the various "stipulations" on how the particular "event can be monetized."[551] In general, the "licensing fee" for a particular tournament depends on the "scope and scale" of it.[552] For example, the licensing fee paid by an esports event producer can range from as "low as $2,000 to $10,000 for a single-day event."[553]

Once an event is ready, the organizer must begin marketing and promoting the competition. When it is live, the organizer may either "open up" the event registration for any individual that wants to compete in it or they may provide an "invite-only" tournament where the creator selects and invites the permitted teams and selected gamers.[554] When marketing an event, the

organizer might secure a special guest host, a live performance, or a notable caster to create hype and exposure for the event through these selected influencers' networks.[555] In addition, the event promoter may utilize their company social media accounts and other digital marketing and public relations techniques to garner exposure for the competition. They may also create "media materials, such as pictures of [the] players [and] team presentation videos" for the event.[556] Furthermore, any created marketing communications, such as event flyers or promotional videos, could also include any "pictures or videos of any past events."[557] Also, when an event date is approaching, the organizer should be aware to announce what time the matches are scheduled for in advance as well as to use all of their social media accounts to promote and notify viewers of when the competition stream is "live."[558]

Finally, a tournament organizer may also focus their marketing efforts on further public outreach to any local event promoters, to any potential spectators, to any applicable host governments, as well as to various non-government organizations (NGOs). These outlets might also include a specific city-wide organization, such as a chamber of commerce as well as other community organizations, such as the Center for Educational Innovation (CEI) in New York.[559] In addition, there has been a rise in national NGOs "hosting video game and esports events," such as the Young Men's Christian Association (YMCA) and Young Women's Christian Association (YWCA).[560]

The success of an event hinges on a variety of factors; however, the common factor seems to be proper preparation and trying to prepare for the unforeseen. This might include preparing for "power outages," hacker attempts, competitor's disconnecting in the middle of a match, or for unpredictable global health pandemics.[561] Therefore, it is important that an esports event organizer is aware of some potential legal protections and beneficial business practices that might be adopted by a company that produces and hosts competitive gaming events.

Now that the stage is set, including having examined how each essential party in the professional video-game industry contributes, there are a few specific legal genres applicable to the esports world which are related to a developing new body of esports and professional video-game law.[562]