

Q&A: Pandemic, Sports Betting Legalization are Keeping E-sports and Gaming Lawyers Busy

By: Arriana McLymore
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(Reuters) - The year 2020 has been a turning point for the e-sports industry, as pandemic stay-at-home orders glued people to their gaming consoles and state legislatures began legalizing sports betting.

Steven Walkowiak, a leader of Greenberg Traurig's video games and e-sports group said he expects even more momentum thanks to this year's election results.

"A handful of additional states legalized some form of sports and entertainment betting during this election cycle," Walkowiak said. "As a result, I expect we may continue to see additional interest in the market for wagering in the e-sports space."

David Schulman, who co-chairs the practice with Walkowiak, said the pandemic has been a big driver in adding attention in the market.

"We're seeing from game developers and publishers that game revenues are hitting an all-time high," Schulman said. "I've had clients tell me that current weekday game-play is equivalent to what it used to be on weekends before the pandemic."

Reuters spoke with Walkowiak and Schulman about what's next for e-sports and their practice. The interview has been edited for clarity.

REUTERS: What are some of the biggest effects that the pandemic has had on your practice?

SCHULMAN: We're seeing traditional media companies trying to figure out how to migrate over to video games and virtual reality events. I'm helping (Jamestown Properties), who produce and own New York City's Times Square New Year's Eve Ball Drop, create a virtual reality, in-app version of that.

We're also seeing a lot from the music industry. Live performers and artists contact us to understand how they can perform online through apps or in video games.

REUTERS: What were some of the immediate questions clients were asking when pandemic lockdowns started?

WALKOWIAK: The teams that I was working with had a real concern for their staff, just like any other company or organization.

We had a fair amount of work helping the teams figure out how to keep people safe. Then, we had a fair amount again on the e-sports side, helping clients figure out how to cancel or renegotiate live venue contracts and their liabilities.

SCHULMAN: There was some concern on whether game development, which is a very cooperative process, would be done effectively remotely.

I had a couple of different clients apply for (Paycheck Protection Program) money in late March. They were approved for the funds by mid-April, but by then, they realized that they are continuing to be successful. My clients have turned down the PPP loans. They decided that they did not need the funds and could run their business effectively without it and without layoffs. And in fact their products were generating better revenue than pre-COVID times.

REUTERS: Have there been any benefits to having your practices in Southern cities?

SCHULMAN: Texas, as well as Georgia, have a fairly friendly business environment from the taxation and regulatory perspective.

Georgia actually has an entertainment tax credit, and the video game industry gets to benefit from that. A lot of video game companies move here in order to capture that credit.

REUTERS: Steven, how does your practice create training programs for e-sports teams?

WALKOWIAK: These e-sports teams skew fairly young. The team might be some of these players' first jobs. The players might not understand the intricacies of working on such a global stage and might not appreciate that they're really being watched online.

We work with a number of organizations that try to promote and create fair play, anti-corruption and anti-cheating policies – things you might not necessarily understand if you're a 19- or 20-year-old professional gamer. Having a robust HR and training framework for those teams is really important. It protects the team, protects the player and really ensures a level playing field.

REUTERS: David, what is your outlook for the pace of video game and e-sport investments in 2021?

SCHULMAN: During 2017 through 2019, there was a significant infusion of capital into the video gaming industry as e-sports teams tried to figure out their business model. There was a bit of cooling off pre-pandemic investments, but now that interest has returned.

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