

INDUSTRY EXPERTS PROVIDE INSIGHTS ON ENTERTAINMENT & SPORTS TRENDS

The **Entertainment & Sports** panel is produced by the L.A. Times B2B Publishing team in conjunction with Adeptus Partners LLC; Citrin Cooperman; Greenberg Glusker LLP; and Nixon Peabody LLP.



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Creativity and innovation – always hallmarks of the entertainment world – emerged as the keys to continued success for many entertainment and sports businesses over the last few years and helped spark silver linings and trends that may actually benefit some sub-sectors of the industry long-term.

Even as sporting events and entertainment productions throughout Southern California have surged back after the challenges of the last three years, the industry continues to explore “new betters,” where there may no longer be “new normals,” and the region’s show business and sports industry

professionals continue to stake ground in uncharted territory. Many unanswered questions remain, however. What protocol shifts are here to stay for the long term? What legal and financial issues need to be addressed? What new roles can technology play moving forward? What will the industry look like a year from now?

Los Angeles Times B2B Publishing turned to four uniquely knowledgeable experts for their thoughts and insights about how Southern California’s bedrock business sectors can continue to blaze new and creative paths to success.

Q: AS A TRUSTED ADVISOR TO ENTERTAINMENT AND/OR SPORTS BUSINESSES, WHAT DO YOU CONSIDER TO BE THE MOST CHALLENGING OBSTACLES FACING THE INDUSTRY IN 2023?

A: Jones

The biggest obstacle facing entertainment and/or sports businesses in 2023 will be profitability. Producers will face ever-shrinking budgets, agencies will wrestle with an increasingly fragmented consumer base, and the labor force, empowered by employment expectations historically altered by the pandemic, will continue to push for inflationary busting wage increases. The resulting squeeze ensures that the double-digit margins once considered a minimum expectation by the producer will now become more and more elusive.

A: O'Donnell

The NFL, NHL, and NBA have hard team total salary (wage) caps that appear to promote healthy competition. Baseball, however, has no restriction on total team salaries in a given year. One of the most vexing issues facing MLB is creating and preserving balanced and fair competition

content, and ways to keep fans engaged coming to the game and those who are at home.

A: Chang

Consumers now have additional ways to view a broadcast, including sport or franchise-specific viewing plans that can be added a la carte or bundled into TV or other subscription plans. However, viewership can be pricey and subject to additional territorial blackouts and exclusivities (such as a local television network getting exclusive broadcast rights to certain NBA games). Also seeing increased promotion across OOO mediums like billboards, digital banner ads, and paid endorsements to promote in-person attendance to events, including the use of influencers and podcasts to promote third-party ticketing apps, as well as giveaways, sweepstakes, and contests by corporate sponsors or affiliates.

Q: WHAT ARE SOME OF THE SILVER LININGS THAT THE INDUSTRY LEARNED FROM THE PANDEMIC?

A: Jones

Quality production is no longer dependent on the traditional powerhouse locations of Los Angeles or New York. As producers embraced new techniques and technologies to enable shoots to take place successfully and profitably across the globe, the industry cemented a hard-earned reputation of adaptability. There is no challenge that should ever be considered beyond the capability of production talent. Up-and-coming production hot spots, like Eastern Europe, are now on the map and offer more opportunities for production.

Q: ARE THERE ANY NEW NOTABLE TRENDS IN SPORTS FROM AN AGENCY AND MANAGEMENT PERSPECTIVE?

A: Coyne

From a financial management perspective, my clients are much more aware of brand building and growing generational wealth. They are also more concerned about giving back. I have done more charitable foundations and partnerships in the last couple of years than in the whole rest of my career, and I think it represents a generation that is much more aware of their influence and resources.

Q: HOW IS THE BUSINESS OF SPORTS DIFFERENT IN SOUTHERN CALIFORNIA THAN IN OTHER PARTS OF THE COUNTRY?

A: O'Donnell

Based on sheer critical mass, no other part of the country compares to California in general or Southern California in particular when it comes to sports at all levels. California is to pro sports what Paris is to fine dining restaurants. California has 18 men’s major professional sports franchises, far more than any other U.S. state. Not surprisingly, California is number one in the nation when it comes

to the business of pro sports. For example, the first multi-billion-dollar team sales were the Dodgers and Clippers. The estimated value of all professional teams in the state is well north of \$43 billion. Indeed, five Los Angeles teams alone are worth at least \$20 billion. In a nutshell, I believe that the business of sports here is ubiquitous, intense, and lucrative. No other region in America is so defined.

A: Coyne

There is so much choice here for the consumer. We have two MLB teams, two NLH teams, two NBA teams, and two NFL teams in the market. The ocean and the mountains are also within driving distance, and Southern California has amazing weather. There are other entertainment opportunities as well. They all compete for the same consumer eyes and disposable income.

Q: WHAT ARE SOME OF THE PROS AND CONS OF THE SOCIAL MEDIA AGE IN TERMS OF HOW SOCIAL MEDIA AFFECTS SPORTS AND ENTERTAINMENT?

A: O'Donnell

Social media is both the friend and foe of sports. Many benefits include promoting fan engagement with ready, free, and instantaneous availability of original content from leagues, teams, players, coaches, and analysts. Social media promote events, thereby increasing revenues. On the other hand, athletes’ mental and emotional states can be adversely affected by abusive social media

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– Christina Chang

– so-called “parity” – among its large, middle, and small market teams. While they have a luxury tax if a team’s wages exceed a certain level, Major League teams have resisted a salary cap. Sadly, professional baseball seems to be a waning sport in terms of fan interest. While making the MLB more competitive with salary caps is no panacea, it is worth the effort. Doing nothing is not an option. In the meantime, I tell small market teams that the road to the playoffs and a World Series ring goes through a lot of money spent on players.

Q: HOW HAVE BROADCASTS AND SOCIAL MEDIA COVERAGE OF SPORTING EVENTS CHANGED WITH SPORTS SINCE EVENTS HAVE RETURNED TO STADIUMS?

A: Coyne

There is a lot more social engagement with the fans. The teams need to provide more than just the game. They need to have Wi-Fi in the stadium or arena, social media teams that provide in-game

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– Jennifer Coyne

postings. And the fan element of surprise at game outcomes has been largely lost. A thoughtful article in *Bleacher Report* by Nick Dimengo lays out ten ways that social media have ruined sports and I agree with his opening observation: “Social media has done wonders for sports fans, giving us up-to-the-second coverage of news and trends to keep us all in the loop of what’s going on while providing an outlet for us all to voice our opinions.”

A: Chang

The pros include the fact that social media allows virtually unrestricted and cheap ways to instantaneously connect consumers with their favorite athletes, brands, and talent along with creative options to monetize and promote the same. For example, creators can supplement income with subscriptions for exclusive content or experiences like live streams and meet and greets. In terms of cons, expansive coverage

can be invasive, diminishes the talent's expectation of privacy, and requires the talent to be "on" all the time. Talent has to be particularly mindful of the content they disseminate (including private content that's inadvertently leaked or hacked)—a derogatory statement or racial slur on a live stream can have an instant but longstanding impact on one's image, brand, and partnerships.

A: Coyne

Lack of privacy is a major concern of the social media age. Everyone knows everything about a player or an entertainer all at once, including their location. Things like personal health issues or family issues now require extraordinary effort to keep private. On the other side of the coin, social media has opened up ways for athletes and entertainers to connect to fans and monetize their brands that were never available before.

Q: WHAT DO SPORTS AND ENTERTAINMENT BRANDS WANT TO SEE IN TERMS OF SPONSORSHIP RENEWAL OR NEW BUSINESS PITCHES?

A: Chang

Brands want to lock up promising and reliable talent that have organic synergies to the brand, product, and services they're promoting on favorable terms, including broad exclusivity and usage of all proceeds from services in unlimited mediums, payment terms tied to successful performance, regulatory compliance (such as the use of proper FTC disclosures), pre-set option terms that brand can unilaterally exercise, continued/sustained use of proceeds after termination, and ability to terminate for convenience for acts of moral turpitude (arrest, scandal, and other bad acts that are potentially damaging to the brand).

Q: WITH THE REVOLUTIONARY DEMISE OF NCAA RESTRICTIONS ON COLLEGE ATHLETES BEING PAID FOR ENDORSEMENTS, WHAT HAS BEEN THE IMPACT?

A: O'Donnell

In the past few years, the NCAA's longstanding prohibition of college athletes being paid for anything has been torn to shreds by federal courts, and California legislation in 2021 allows players to be compensated for their name, image, and likeness. These rulings now allow collegiates to endorse products – and they are just getting started. According to an article published by NBC News, the average college athlete is estimated to bring in about \$10,000-\$30,000 a year collectively through social media and

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– Gareth Jones

brand sponsorships. While not every player will cash in, the marquee players as social influencers are uniquely positioned to make the big bucks. Right now, the whole NIL business for collegiates is embryonic and evolving. But one thing is for certain look for amateur athletes to sponsor everything from local car dealers, restaurants, and coffee shops to major brands of athletic shoes, clothing, and soft drinks.

Q: WHAT IS THE ONE PIECE OF ADVICE YOU WOULD GIVE A FIRST-ROUND DRAFT PICK?

A: Coyne

Do not go broke trying to look rich. Have a great team of professionals that work with money for a living around you.

Q: DO YOU BELIEVE THE SHIFT IN FILM AND TELEVISION PRODUCTION TO OTHER CITIES WILL CONTINUE TO OCCUR?

A: Jones

Hollywood will forever remain a mecca for film and television production, but with rising costs and a more adaptable industry than ever, a serious shift outside of the U.S. has already begun. London, for example, is in the midst of an entertainment boom, having invested more than \$5B in tax incentives and studio developments to attract creative talent to the United Kingdom, and is not alone. Producers will continue to make use of affordable and talented labor elsewhere, until such time that local government, alongside unions, makes efforts to ensure Los Angeles is competitive again financially.

It's an exciting time for the industry. However, Los Angeles' long-enjoyed status as the world center for production is under threat.

A: Coyne

I do believe that the trend will continue. Many cities and states now realize how many jobs come with film and television production and are open to doing tax and job incentives. They are starting to have and maintain a talent pool of crew as well. I also think that post-pandemic, people have re-evaluated priorities, and spending a couple of hours in L.A. traffic every day is not high on the list.

Q: WHAT NEW AVENUES DO YOU ANTICIPATE FOR CREATIVE TALENT OVER THE NEXT FEW YEARS?

A: Chang

Further monetization via traditional and ancillary avenues and mediums such as endorsement and merchandise deals across different verticals and monetization in the metaverse, including the sale of NFTs that grants exclusive access to merchandise and experiential activities. Other talent, including athletes with a limited or unpredictable career tenure due to unforeseen injuries, inevitable old age, etc. will engage in additional ventures, investments, and partnerships to preserve and supplement income, including joint ventures leveraging name, image, likeness endorsement, and services in exchange for equity.

A: Jones

Creative talent in recent years has been able to leverage an explosion in the number of new media platforms including social media, online streaming, non-fungible tokens (NFTs), and the metaverse. 2023 will herald the arrival of artificial intelligence (AI) into mainstream media. Machine learning has already been making waves across social media and the leading production companies and visual effects (VFX) houses are investing heavily in the technology, enabling them to create and tailor content far more efficiently and effectively than ever before. Being able to harness the power of AI to determine what content will perform best and where will prove to be an avenue that creative talent cannot afford to ignore.

Q: ARE WE SEEING ESG-RELATED TRENDS IN SPORTS AND ENTERTAINMENT BUSINESSES?

A: Chang

Absolutely. Consumers are increasingly aware of and demand companies' commitment to and implementation of ESG standards, which are increasingly becoming the gold standard. For example, sports and entertainment businesses now increasingly collaborate with partners who are environmentally conscious (such as companies that plant trees for three-point shots), don't use labor in furtherance of fast fashion items, and/or have a strong commitment to DEI initiatives, inclusive of diverse, female-led executives and public-facing officials.

Q: WHAT EFFECT HAS THE RISE IN DE&I AWARENESS HAD ON ENTERTAINMENT AND SPORTS?

A: Coyne

DE&I has not come a moment too soon, and in fact, was overdue. A diverse staff brings great value to an organization. There are talented people out there in the workforce who might not have had that opportunity to participate in the past. The industry needs to focus on hiring a diverse staff and creating opportunities for women and minorities to have an equity stake. Many years ago, I worked at a sports agency and wanted to be a sports agent. Human resources told me that "there really are no women sports agents, even female athletes have male agents." Nobody would say that to me now. More needs to be done.

Q: HOW ARE PRO SPORTS TEAMS FACING INTERNATIONAL EXPANSION AND INTEREST? IS THAT A TREND THAT HAS SUBSIDED?

A: Chang

American sports, especially NBA basketball, have astronomical appeal internationally, largely because of the celebrity factor associated with our stars and limited access/ability to see these stars play overseas. Teams will continue to capitalize on international fandom by making the teams and athletes more accessible. For example, in 2022, the NBA brought two attendance-packed, pre-season Warriors games to Japan's basketball fans. Pro athletes also individually benefit by starting or ending their careers with international teams. Further, e-sports continues to expand its international footprint with its teams of professional players competing in tournaments worldwide. Tournaments are often live-streamed via digital platforms

and sponsored by corporate partners, which also tap teams and individuals to promote services and products a la their influencer and athlete counterparts.

A: Coyne

I think that this trend will continue. There are already discussions about putting some major sports teams in international markets. We also see European soccer teams come and play in the U.S., and they are wildly successful. The upcoming generations are much more aware globally of other sports and teams than previous generations.

Q: HOW HAS THE AGE OF STREAMING PLATFORMS CHANGED THE WAY YOU AND YOUR CLIENTS DO BUSINESS?

A: Jones

Streaming platforms have rewritten the fundamentals of the entertainment industry over the past decade. Consumers are no longer bound by television schedules and content creators are no longer bound by traditional studio contracts. All power is now held by an increasingly fragmented subscriber base, who often juggle platform subscriptions to meet economic needs. The need to produce more quality content to populate the streaming services has opened doors to smaller, more independent creators, but this has also spread existing monetary resources thin. Only time will tell how the existing players will manage these new pressures.

Q: WHAT IS THE DIFFERENCE BETWEEN COPYRIGHT AND INTELLECTUAL PROPERTY, AND HOW ARE THEY PROTECTED?

A: Chang

Copyright is a type of intellectual property (IP), along with trademarks, the right of publicity, and patents. IP may overlap (for example, a photo of an athlete in team uniform triggers copyright to the photo, publicity rights of the athlete, and trademarks of the team), but each has a distinct purpose with required elements to establish a claim, damages, and defenses. These are most relevant to brands, creators,

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and athletes. Copyrights protect against the unauthorized reproduction, display, adaptation, and performance of original works of authorship fixed in a tangible form of expression (such as with a printed television script). The state-based publicity right protects against the unauthorized commercial exploitation of one's name, image, and likeness. Trademarks are symbols, logos, designs, or expressions that identify a particular source. Each has different formalities, including as to copyright, and requirements to be registered before bringing an infringement lawsuit, which can also preserve certain remedies.

Q: WHAT KEEPS SPORTS TEAM OWNERS UP AT NIGHT IN 2023?

A: Coyne

When players want a piece of equity in the team. There are currently revenue-sharing agreements with the players as part of their CBAs, but nothing that really addresses the huge jump in value for a lot of the teams. Teams that were purchased for millions of dollars are now worth billions of dollars.

Q: WHY ARE THE PRICES OF MAJOR PROFESSIONAL SPORTS TEAMS SKYROCKETING?

A: O'Donnell

The past decade has witnessed a tectonic shift in the selling prices of teams in the NBA, NFL, MLB, and NHL. The Dodgers' sale for \$2 billion in 2012 followed by the purchase of the Clippers for \$2 billion by Steve Balmer in 2014 (my law firm and I represented the seller) kicked off the madcap price escalation. The highest price for an NBA team was the Milwaukee Bucks sale for \$550 million earlier in 2014. The Clippers' sale for nearly four times more was mindboggling. Since then, the Denver Broncos have sold for \$4.65 billion, while the Phoenix Suns fetched \$4 billion. What lies behind such staggering prices? It is not just a limited supply of products or satisfying the bragging rights of billionaires owning these trophy assets but also a coveted investment that is resistant to economic downturns that stall other industries. It will not be long before we see a professional sports team sell for \$10 billion – the GDP of Rwanda.