

APAJO TopicTalk nº 2: The growth of esports

Today with Mr. [Arthur Stadler](#), an attorney specialized in gambling, betting and esports, as well as with Mr. [Urim Bajrami](#), one of the key esports legal experts in Europe

APAJO: *Urim, you were already part of esports before most people even knew that it existed. Can you tell us a little bit about your personal story and how it is intertwined with esports?*

Urim Bajrami: I have been involved in esports for nearly two decades. From the very beginning, I really enjoyed competing with people online in so-called "clan wars". Years later, I picked up a game by Blizzard Activisioni, a digital card game called "Hearthstone" which was just published. I qualified for "IeSF – World Championship 2014", but was considered as an "underdog". However, my hard work paid off and I placed second at the tournament.



Urim Bajrami 2nd Place in the "IeSF - World Championship 2014"

At this stage of my life I realised how big esports had become globally, and I decided

to combine my two passions, esports & videogaming and Law. In the following, I met the founding partners of [Stadler Völkel](#) and one thing led to another. While other firms smiled at esports and did not take it seriously, Stadler Völkel offered me the opportunity to pursue my passion and head the new esports department.

I qualified for the "IeSF - World Championship 2014", but I was considered an "underdog". However, my effort paid off and I ended up in second place in the tournament.

As a first mover in the field, we are lucky to represent several clients in the esports ecosystem: players & esports teams, sponsors and betting operators, currently the most famous clients being the Fortnite Stars David "Aqua" Wang and Klaus "Stompy" Konstanzer. Last summer, David, together with his duo partner, won the Fortnite Duo Cup at the Arthur Ashe Stadium in New York and banked in prize money of USD 3 million. Prize money in esports have skyrocketed and surpassed in some occasions conventional sports.

One of my driving motivators is to help professionalize esports and support the growth of the esports ecosystem. In addition to my job as an attorney, I am involved in the Austrian Esports Federation (ESVOE) where I run the legal board.

Together with 22 other esports federations in Europe, we founded the European Esports Federation (EEF) in February 2020

in Brussels, which is another milestone on the path of professionalising esports.

APAJO: *Still long before this terrible COVID-19 outbreak, esports became increasingly relevant with more and more countries organising big events. Do you have some facts and figures for us?*

The 2019 League of Legends World Championship broke all previous esports records: 100 million viewers watched 137 million hours, while peak views reached 3.9 million.

Urim Bajrami: Esports have developed from a niche to a mass phenomenon among Millennials and Gen Z. Over the last few years, competitive gaming has been rapidly growing in terms of viewership and global revenues. The fascination of esports unites people all over the world. Particularly younger people watch via livestream, or in large stadiums, when the best of the best compete against each other.

Total viewership in 2012 was 134 million, according to Statista. That number had grown to 395 million in 2018, which comes up to a 195% growth rate. The market research institute Newzoo estimates that viewership numbers will continue to grow globally to 495 million in 2020 and further exceeding 645 million in 2022.

The greatest esports event in terms of viewership to this date has been the League of Legends World Championship in

2019 which lasted nearly a month and was hosted in several cities in Europe such as



Urim Bajrami – Attorney at Law

Berlin, Madrid or Paris. This tournament broke all previous records in esports: 100 million viewers watched 137 million hours, while the peak viewership amounted up to 3.9 million. Most of the audience followed the games via live streaming platforms like Twitch.tv and Youtube Gaming. In comparison, the Super Bowl had 100.7 million viewers in 2019.

According to Newzoo's 2020 Esports Market Report, esports global revenues increased from 2016 to 2019 more than 30 % annually on average. In 2016, total revenues were USD 493 million and increased a year later by 33%. Total revenues in 2017 came up to USD 655 million. Esports' revenues made another impressive rise of 38.2 % in 2018, totalling EUR 906 million. According to the report, revenue is estimated to surpass USD 1.1 billion in 2020, an increase of 15% of last years' revenues, which amounted to

USD 950.6 million. Around 74.8 % of it will derive from sponsorship deals and media rights. China is the market leader - revenues are supposed to amount up to USD 385.1 million, followed by North America with USD 252.6 million and Western Europe with USD 201.2 million. However, these figures have to be taken with a grain of salt, as the current COVID-19 pandemic has not been taken into consideration.

APAJO: *And in concrete terms, what did change over the last weeks?*

Urim Bajrami: The conventional sports world stands still due to the corona crisis. Every major league and tournament has been cancelled or at least postponed indefinitely: The European Football Championship has been postponed to 2021. The Champions League as well as the NBA and NHL have fallen victim to the corona virus as well.

The complete stop in sports has created a vacuum, which now needs to be filled. As it is not possible to estimate how long the restrictions of our daily lives will continue, people are looking for entertainment alternatives. Esports is such an alternative. Internet traffic and viewership figures on streaming platforms like twitch.tv, Youtube Gaming, Mixer and Facebook Gaming are skyrocketing since it is one of the few activities that can be continued almost without restrictions.

This is not to say that esports were not immune to the corona crisis. Esports also

took a hit with the cancellation of several offline events; however, it does have one decisive advantage over conventional sport: The competition can continue online now, as esports was created online and is returning to its roots. Esports are not dependent on live events and live audiences for the execution and broadcasting of competitions.

In the absence of real alternatives, only esports can offer long-term entertainment. Several sports leagues have already jumped into this virtual train.

At some point, you eventually run out of your favourite series that you could consume on streaming services like Netflix and Amazon Prime and new episodes are not being produced at the moment.

In the absence of real alternatives, only esports can offer long-term entertainment. Several sports leagues jumped on this virtual train. Formula 1 takes place in front of the computer in 2020, all postponed races will now be held from home through the race simulator "F1 2019". Several drivers of the Formula 1 also participate in this "F1 Virtual Grand Prix Series. This trend continues as MotoGP started their own virtual competition and the German football league the "Bundesliga Home Challenge".

As bad as the overall situation in light of corona pandemic is, esports have definitely benefited from the crisis and will continue their growth to become the premiere sports in the future.

APAJO: *Arthur, we heard from Urim that – in the absence of physical events – esports can actually offer an interesting alternative. In recent years, many entertainment sectors have seen a major overhaul and re-regulation. Isn't it now the time for an esports re-regulation?*

Any and all challenges we observe with "common" bets on the outcome of physical events, are very similar to esports events.

Arthur Stadler: Indeed, esports have been treated as an orphan. In particular, the gambling and betting regulators have not focused enough on esports. Now, more than ever before, we see, firstly, the necessity for re-regulation and, secondly, a clear and simple feasibility for a regulator: Each and every challenge, which we observe with "ordinary" betting on the outcome of physical events, is very much alike compared to those on esports events. Take e.g. match-fixing, betting fraud or advertising issues. These topics are very much the same if bets are accepted on the outcome of esports events, for instance Formula1 and eFormula1, or MotoGP and eMotoGP.



Arthur Stadler- Attorney at Law

Also, with the topic of under-age betting: This is not a question that depends on *which* events are admitted for bets. It is rather an essential legal obligation for the betting operator to implement a strict registration and identification process in order to severely exclude under-age clients when opening or using a betting account. In a nutshell: We definitely see the necessity of re-regulation of betting on esports events, even more now with the widespread factual acceptance among the population in Europe. In addition, we see that many challenges with "ordinary" betting on the outcome of any other "ordinary" event are already tackled and covered in most regulations, which makes the esports adaption a simple task for regulators.

In addition, we see that many challenges with "common" betting on the results of any other "common" event are already addressed in most regulations, which makes adapting esports a simple task for regulators.

APAJO: *Regulators throughout Europe have – in the recent weeks of the Corona crisis – looked at esports more closely. Some regulators adapted their licensed framework. What are your observations in regard to regulatory trends and approaches of betting regulators?*

Arthur Stadler: We see **three different approaches** of re-regulations in order to allow esports events as events on which bets may be accepted.

The **first approach** is to treat esports events in a very similar way compared to any other sport. This may be the most obvious approach, also in light of the constitutional principle of equality which is laid down in all jurisdictions throughout

Regardless of any classification as a sport or as a competitive event, bets on esports events are already allowed under that 'bets on any other events' hat in many jurisdictions.

Europe and in the Charter of Fundamental Rights of the European Union. Why treating golf as sport and eFormula1 not as sport? Irrespective of betting on such events, we deem that most esports titles should be qualified and recognised as sport given the bodily strain which would also allow subsidies for athletes to be awarded. UK and Malta seem to go this path.

The **second approach** is done in those cases where a legislator is not able to broadly recognize esports as sport. Arguing

with the nature of competitive events and with a certain level of physical performance (offline or online), the betting regulator may open the way to allow bets on the outcome of all events where players compete against each other (be it in the offline world or via electronic means). While all (online and offline) events may be accepted to bet on, manipulation of events, abuse and crime shall be definitely kept out of any betting.

The **third approach** is the most frequent seen so far: In some jurisdictions, bets may be placed not only on sports events or on events where players compete against each other, but on any event. E.g., bets with the wording: Does it rain or snow on the new year's evening, or what colour of the hat does the Queen wear at a certain celebration? This approach is already in place in many jurisdictions (e.g. UK, Malta, Austria). Independently of any classification as sport or as a competitive event, bets on esports events are already permitted under 'bets on any other events'.

APAJO *In light of the current exceptional situation, where there is no time for long regulatory deliberations, what would you advise to quickly integrate esports in a gambling law?*

Arthur Stadler: I have mentioned the three different approaches. When it comes to a quick 'roll out', the first approach via the recognition as sport may be, in my humble opinion, the most burdensome way for a jurisdiction. You would have to navigate

through a longwinded discussion in public and parliament whether or not the performance and bodily strain of an esports participant is as high as in a 'real world' event. I personally doubt that a participant at eTennis or eFormula1 is making less physical effort than a participant at offline golf for instance. But although one may try to fulfil the constitutional obligations of equality, tax reliefs or athletes' subsidies for the one or other traditional sports may still be more important in daily politics.

Personally, I doubt that an eTennis or EFormula1 participant will make less physical effort than an offline golf participant, for example.

Therefore, the mentioned second or third approach may solve such a regulatory problem independently of whether esports are recognised as sport or not. Esports events are, in most cases, definitely competitive events where players compete against each other. Plus, the alternative way of allowing 'any other event to place a bet on' would even eliminate such question. In my opinion, a bet on an esports event shall be explicitly classified as a legitimate bet. All other essential legal obligations for the betting operator do apply in any case.

APAJO: Many thanks for bringing this topic of the day to our followers. This year might become the year of esports, so hopefully we can speak soon again.

Urim Bajrami: Thank you, Annie, for having us. We are happy to update you on the rush of developments currently ongoing.

Arthur Stadler: Thank you very much. It was a pleasure! We hope to speak to you again soon!

©APAJO2020