

The Global Rise of eSports and the Importance of Being Aware of Local Laws in order to be Successful in the Middle East

Raj Pahuja - Head of Corporate Commercial - Bahrain - Corporate / Mergers and Acquisitions / Capital Markets / Commercial
- Manama

September 2017

According to reports in the UAE press, Abu Dhabi's Media and Entertainment Free Zone Authority, twofour54 (a specially created media and entertainment free zone), the video games industry in the Middle East is estimated to be worth more than US\$1 billion annually and is expected to rise to US\$4.4 billion by 2022.

Compared to the rest of the world however, the Middle East market remains relatively untapped. Football is generally still seen as the main sport in the region and governments have traditionally backed traditional sports with funding. Television and sponsors in the region have also favoured traditional international sports such as rugby, Formula 1, golf, tennis and cricket over newer entrants to the market such as eSports. However, this trend would inevitably change if broadcasters and sponsors considered eSports to be an investible opportunity in the region which derives the same benefits of investing that investing in traditional sports does economically, politically and socially. There is no doubt that given the increasing popularity of online multi-player gaming formats, eSports in the Middle East has bright future.

It is no surprise, however, that Dubai has already hosted the first main stream, large scale tournament in the region, in 2015 with the ESL ESEA Pro League invitational where the prize money at stake was US\$250,000, and the common consensus is that eSports will take off in the region as technology continues to advance globally. Power League Gaming, described as the leading eSports operator and platform in the Middle East has been around for a few years now and has just teamed up with Playstation and a major cinema chain in the Middle East, Vox Cinemas to launch the PLG Nationals, described on its website as "an all-new set of competitive gaming and eSports leagues for PS4 fans across VOX Cinemas screens in Middle East and North Africa." This could potentially be a game changer for eSports in the Middle East as it will raise the profile of eSports and make eSports more accessible and mainstream for gamers locally, creating a launch pad for professional players coming out of the Middle East. For spectators, this offers the opportunity to watch the broadcast of the PLG Nationals live from the comfort of a cinema chair and certain games such as regional finals will be streamed online too.

So what legal considerations need to be taken into account when hosting an eSports tournament in the region? Of course different countries within the region have different laws and sensitivities but there are common considerations that would apply. Despite the rapid development of eSports and its technology focused advancements, when it comes to legal issues, eSports has similarities with traditional sports. For example, team and player contracts have to be drafted, tournament hosting considerations need to be looked at, common rules and regulations have to be constructed which take into account regional issues and sponsorship and broadcasting agreements have to be negotiated. There will, however, be peculiarities and complexities that will need to be considered.

This article explores the main legal issues affecting eSports in the Middle East. Specifically, it considers integrity issues and the issues facing media partners, players and sponsors.

Media Partners

When staging an eSports event in the region, focus should be given to the type of sponsor and form of advertising as there are cultural and legal issues to consider. In very general terms, the publication or dissemination of materials that cause harm to the interests of the relevant state, the values of society, are contrary to public morals or otherwise inconsistent with proper conduct are prohibited. Taking the UAE as an example, its laws do not specifically differentiate between sponsorship and advertising and sponsorship is in fact regarded as advertising.

Advertising in the UAE is regulated by the National Media Council's Resolution No. 35 of 2012 Concerning the Standards of Advertisement Content in Mass Media. Federal Law No 15 of 1980 Regarding Printed Matters and Publications is also important and regulates advertising in the UAE. In addition, Federal Decree No. 5 of 2012 on Combating Cybercrimes and the Penal Code (Federal Law No. 3 of 1987) are relevant. In Abu Dhabi and Dubai there are additional statutes, the Abu Dhabi Liquor Law (Law No. 8 of 1976) and the Dubai Liquor Control Law (Law No. 999 of 1972), expressly prohibit the advertising of alcohol.

The main principles under the Advertising Regulations are generally:

- **Respect for religion and political institutions:** Advertising content must be respectful of all divine religions and not offend Islamic beliefs. It must not disrespect the regime in the UAE, its symbols or political institutions. Further, no content broadcast or published by a media corporation or outlet may disrespect the local and international policies of the UAE or disrespect the cultural heritage of the UAE.
- **Prohibited products/services:** Advertising alcoholic beverages, tobacco, smoking and all banned products or services (including banned narcotics) is prohibited.
- **Prohibited content:** The publication of words and pictures that breach public morals is prohibited, as is the spread and dissemination of information that may prejudice children, women or any other members of society.
- **Consumer Protection:** Compliance with the laws governing consumer protection and commercial activities is mandatory particularly in relation to anti-competitive practices and illegal monopolies.
- **Health regulations:** Advertising content relating to medicines or pharmaceutical products must comply with the Health Advertisements regulations (Cabinet Resolution No. 7 of 2007).

Players

Where an existing eSports event is being transposed into the region and given the high profile nature of some gamers now, they can expect to enter into participation agreements within which, they may, amongst other things, be expected to assign various image rights to the organiser of an event and agree to attend various press conferences. It is fair to say that currently most eSports players and teams don't have image rights structures in place. However, it is possible to expect that as the popularity of certain teams and players grow and given the potential of streaming certain tournaments online to very large audience, we can expect eSports to follow in the footsteps of more traditional sports whereby more emphasis will be placed on players image rights and intellectual property generally. The player would also be expected to comply with any title and tournament sponsor conditions for the event.

Further, players would be expected to comply with the rules of the event and any morality clauses, which basically state how a player is expected to behave whilst attending at and participating in an event. This is particularly important in the region as a player would be expected to behave in a way not to offend local cultural sensitivities and the morality clauses would need to address these points. As eSports continues to mature, we can expect requirement for participants to give warranties and obligations in relation to compliance with anti-doping regulations, testing requirements and match fixing will become more common. Currently only a few organisers which include ESL and Gfinity appear to have introduced anti-doping policies or acted against players regarding match fixing but we can expect policies, monitoring and

education of such issues to be more commonplace and unified as the sport continues to evolve.

From a regulatory perspective, player contracts may need to comply with local laws but where common rules and regulations for eSports are being considered any transparency issues or standard terms will also have to be accounted for.

Sponsors

From a sponsor's perspective, the range of benefits is significant and will depend on the nature of the sport, team or venue being sponsored. Signage and name recognition were traditionally considered to be the main drivers to promote the sponsor's brand and image. Whilst this may still be relevant for an eSports tournament in a traditional venue setting, its streaming appeal and ability to reach millions of spectators means that they will try to seek even more innovative means to increase the potential benefits from their investments. The same can also be said for venues and teams wanting sponsorship. Because the sale of sponsorship can be both lucrative and competitive, packages can also be flexible and should fit both sides to increase the likelihood of long-term or sustainable sponsorship relationships.

Integrity

The more sophisticated a commercial product eSports becomes, the greater the need for a common regulatory framework akin to traditional sports, especially because of the global nature of eSports.

A criticism of eSports previously has been the lack of standardised rules relating to integrity. Organisations such as the Esports Integrity Coalition ("ESIC") which was established in 2016 have looked to address that and have made strides in signing up regional eSports organisations as members. In early 2017, ESIC signed up Esports Middle East ("ESME") as a member organisation. ESME has recently partnered with World Cyber Arena to organise international tournament qualifiers for the Middle East. ESIC describes Esports Middle East on its website as "the first and most advanced dedicated non-profit esports organization in the Middle East and North Africa. ESME translated the ESIC code into Arabic and will be hosting integrity seminars in the region." This is a positive step in the evolution of eSports in the region as we have seen with other sports, the lack of integrity can very quickly undermine a sport and result in stakeholders abandoning a sport all together.

Bribery and gambling are also integrity issues which would need to be addressed in relation to eSports. Whilst there are positive steps taken by ESIC and ESME, such concerns are usually addressed by local laws in the region. In relation to the UAE, for example, these are addressed by the Penal Code. Bribery that occurs in either public or private sectors is criminalised, with bribery in the private sector carrying a penalty of up to 5 years' imprisonment.

Gambling is also prohibited by the Penal Code and is punishable by up to 3 years' imprisonment, with up to 10 years' imprisonment for those who open or manage a gambling establishment. This is particularly important to bear in mind as technology has made betting more accessible on a global basis but is forbidden in the region. This should be considered in relation to in-game gambling too such as skin betting especially where real world or digital currency is involved. As a consequence of gambling, there could be an elevated risk of match fixing in eSports too, especially given the technology reliant means of participating in an event. This should be considered when arranging eSport tournaments in the region and when drawing up an appropriate regulatory framework.

Money laundering is now a global worldwide concern and always a concern for all sports. In recognition of this, the UAE implemented a comprehensive anti-money laundering & counter-terrorist financing law, which was last amended in 2014 and is supported by regulations and circulars issued by the Federal Cabinet and the Ministry of Justice as necessary.

Doping may not be an issue that many would associate as being a problem with eSports, however, many professional gamers train over many hours for concentrated periods. Gamers have been known to take

products that enhance performance and concentration. Such issues ought to be dealt with by a common regulatory framework.

With reference to the UAE, the National Anti-Doping Agency has been established to comply with the approach and the requirements of the international agency for anti-doping and has adopted rules consistent with those goals.

Conclusion

eSports appears set to become an important dimension of the future of sports but whilst it is unlikely to take the place of traditional sports it may rival certain sports. The Middle East has taken positive steps to promote sports for a number of reasons, not least of these because of its health benefits and the ability to unite communities. The popularity of eSports in the Middle East is certainly increasing and in developing this new genre we can draw on lessons from traditional sports to assist in developing the potential of eSports in the region to create a professional marketable product, taking into account local considerations. However, the key is to install the right regulatory environment in the region to attract sponsors and commercial partners.

Al Tamimi & Company's Sports Law & Event Management team regularly advises on eSports matters. For further information please contact Raj Pahuja (r.pahuja@tamimi.com).

A version of this article was first published by LawInSport in June 2017 - <https://www.lawinsport.com/articles/item/why-the-esports-industry-needs-to-be-aware-of-local-laws-in-order-to-be-successful-in-the-middle-east>.