

# A Moment with the Misfits: Legal Issues Facing Top Esports Teams

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In this episode, Steve and Nick interview John Kracum, a former lawyer and current vice president of Misfits Gaming Group, about the wide array of legal issues facing today's top esports teams.

Transcript:

**Nick Brown:** Hello and welcome to another episode of the LAN Party Lawyers podcast. My name is Nick Brown and I'm joined as always by my colleague and cohost, Steve Blickensderfer. To our regular listeners, welcome back. To our new listeners, on this podcast we tackle issues at the intersection of video games, law, and business. Through debate, discussion and interviews, we focus on the legal issues in particular and we offer our takeaways and our thoughts. But please remember nothing we or our guests say is legal advice or an official statement of their organization.

Now, today we're going to be talking about legal issues that are facing today's top esports teams. We've got a great interview set up for you. We're going to hear directly from the head of two teams we know you've heard of, the Florida Mutineers and the Florida Mayhem, which are the Call of Duty and Overwatch teams of the Misfits Gaming Group. Today we are going to be talking to John Kracum, the president of these teams, and the vice president of the Misfits Gaming Group. So, before we get there, Steve, why don't you give us some context?

**Steve Blickensderfer:** Thanks, Nick. It's important before we dive into the interview to just get an understanding of the esports landscape. We've talked about esports in several past podcasts, but just to give everyone a baseline understanding. Just as in sports, there are tier one games. Just as you have baseball, football, basketball are considered tier one sports. There are tier one games in esports and just to list a few of those: you have Call of Duty, League of Legends, the Overwatch League. You also have some in fighting games, such as: Smash, Tekken, and others.

And, you have whole other realm of games: Dota 2, CS Go, Smite, StarCraft II. So, you can kind of get a sense there are a lot of teams and they kind of have different tiers where you have some that are at the top and they kind of go down from there. Most of the top games have organized leagues, but not all of them. Right? Nintendo is famous for not officially really supporting Smash in the way the competitive community wants it to. On the other end you have some organizations, some game companies that are so involved in the organization of their game's competitive scene that they can maybe even be seen as overly active in the space.

**Nick Brown:** And everything in between.

**Steve Blickensderfer:** Right. Right. Controlling a lot and we're going to get into a little bit of that in a little bit. But, game companies, another distinctive characteristic of esports is, over traditional sports, is that game companies own the football. And we've talked about this in our previous IP episode. Compare that to sports. No one owns a football, no one owns a baseball, but in esports there is a company that owns that particular IP and that's why you have so much control in many instances because they're just trying to protect their IP, their assets.

**Nick Brown:** That's right. It adds layers of complexity to the legal issues that the teams face.

**Steve Blickensderfer:** Right, and you couple that with maybe sports games like NBA2K and FIFA. And, those game companies, not only do they have their own IP, but they also have to work with the sports leagues for licensing. So, it's even more complicated when it comes those games, but it results in a myriad of legal issues facing esports team, which, Nick, I think you're going to give us a list of what those are.

**Nick Brown:** Sure. Well, we're going to talk about some of these in more detail with John shortly, but just to give you some context and kind of the lay of the land in terms of some of the common legal issues that face teams. It's basically a blend of sports and entertainment law. So, they're going to have employment and labor issues by virtue of the fact these are entities that often employ either a few people or many people. You're also going to see a lot of IP, intellectual property issues. And, these are a little more complex as Steve just previewed than they are in other traditional sports areas, because, a lot of time you have to adjust and negotiate the same type of rights or different bundles of rights between the player, the game companies who make the games that they play, the brands that sponsor them, and of course, the team that employs the player.

And, there's also a bunch of immigration issues that come up, especially as people travel from country to country to play. I know there have been some issues in the news lately of people seeking to get visas to come play in the United States. And, those all raise a number of discrete legal issues that are specific to immigration.

There's also investment, funding, and sponsorship issues like we talked about in our Esports Investment episode last season. There's a lot of complicated rules there on how teams can make their money, and how event coordinators can do the same thing and get the capital that's necessary to put on these events.

And of course, there's general corporate advice. You know, issues with incorporation and setting up multiple tiers of entities and other entities to hold them so that the appropriate legal and fiduciary and tax requirements are all being observed.

And, finally, this is not an exhaustive list but the last big one we've seen later is ad tech. So think about online advertising and marketing and stuff involving the TCPA, which is the federal law that aims to prevent robo-calling. It doesn't actually prevent it, as we all know, but it aims to do so.

**Steve Blickensderfer:** And to couple with all those legal issues kind of as a background, we wanted to just address some of the trends that we've been observing in esports. And, right now the most, I guess, obvious one is that esports is currently the only game in town.

**Nick Brown:** That's it, baby!

**Steve Blickensderfer:** *[laughs]*

**Nick Brown:** Nothing else. *[laughs]*

**Steve Blickensderfer:** We're recording this during the official quarantine and lockdown of society and the number of people playing games is at a record high. The number of people watching others play games is at a record high. Just recently e-NASCAR racing is being broadcasted on television in lieu of live racing and they're seeing amazing numbers such that, those in the traditional NASCAR space, are like wow, we did not expect that. NBA players are playing NBA2K and competing from their homes. And you have health officials who are actually encouraging video games as a way to stay home and socially distance from one another.

**Nick Brown:** Its been amazing. I've been watching. Every day there's a new concurrent player record of games that, some games that are currently popular, other games that I didn't think were that popular. But, now every day we're seeing bigger and bigger numbers as everyone starts to distance. And so, we've of course have been talking to you about the increasing trends of esports and electronic gaming for a while now. But, this is really sending it leaps and bounds ahead of schedule.

**Steve Blickensderfer:** Right. Separate other trends just to kind of go through them. We have leagues moving to exclusive deals with platforms. This is something that we thought could happen and we definitely saw it happen when Activision/Blizzard went with a deal with YouTube. They announced a deal to have their competitive esports - Overwatch, Hearthstone, some others that I'm just not remembering - going, being displayed - oh, Call of Duty, that one too - being displayed on YouTube.

Exclusively online, right? And, just recently I saw another announcement that they're going to be looking into announcing a deal to also broadcast on traditional TV media. But, I just think the leagues moving to exclusive deals on online platforms is an important trend to watch and to see how that develops going forward.

And also have leagues increasingly moving to franchise models. That's having a team in Paris, a team in New York, a team in Florida. Like the Florida Mayhem or Mutineers, and also moving to have home stance. Now this is a move going to traditional sports. So, esports taking a page out of the traditional sports model to increase engagement, and fan engagement. In particular, in their teams regardless of who's playing on the teams they are a fan of their local team. Right? And they go out and they're able to watch their players play live, you know, at these events at the home stands, which...

**Nick Brown:** Theoretically.

**Steve Blickensderfer:** Right, right. When everything goes back to normal.

**Nick Brown:** Right.

**Steve Blickensderfer:** You also have trending player organization in terms of talks of unions and collective bargaining and also trade associations. Counter-Strike, CS:GO in particular is very, very cutting edge at the forefront of this with the CS PPA, the Professional Players Association for Counter-Strike. This has been, I guess, problematic in the US in a lot of ways because it's hard to create a union for an international esports so you kind of have to have it regionally, I guess, set up and established. But we can get into that in the future. Maybe we'll get into that in this episode. But whether or not we're going to see more players organize is basically the trend. And I think we are. How it's going to look is to be determined.

And teams increasingly engaging with brands and turning to lifestyle gaming. That's another big one we're seeing in addition to competitive gaming. Just a culture of lifestyle gaming. We see that with 100 Thieves, Phase, some other esports teams, and so, I suspect we're going to see more of that in the future as well.

But enough of me rambling on, Nick. Let's transition over and talk to John Kracum. As you mentioned, president of Mayhem and the Mutineers and VP of Misfits Gaming Group. John, welcome to the show. We're so happy to have you.

**John Kracum:** Thank you, Steve. Thank you, Nick. It's great to be on. Thank you so much for the invitation.

**Steve Blickensderfer:** John, I just wanted to start off with an easy, softball question: why don't you tell us a little bit about yourself, how you got into gaming and esports?

**John Kracum:** Yeah, that's a fair first question.

**Nick Brown:** *[laughs]*

**John Kracum:** And I'll go chronologically by relevant information. So growing up I played a ton of video games. My younger brother and my cousin and I would spend summers together. We all lived in the Midwest. We'd sit in a room for 12 hours a day playing whatever.

**Nick Brown:** What era would this have been in? Were you playing GoldenEye or were you playing...

**John Kracum:** Started with Super Nintendo...

**Nick Brown:** OK.

**John Kracum:** 64 was the big one, so yeah, GoldenEye...

**Nick Brown:** Right.

**John Kracum:** ...the original Super Smash Bros...

**Steve Blickensderfer:** Perfect Dark?

**John Kracum:** Uh, yeah, we played a decent amount of Perfect Dark. Less Perfect Dark than GoldenEye probably. I think it was Battle Tanks on N64 was a big one.

**Nick Brown:** *[laughs]*

**John Kracum:** Halo eventually was massive.

**Nick Brown:** Of course.

**John Kracum:** We played a ton of Halo. We actually got three rooms and had a setup so we couldn't screen-peek with each other.

**Steve Blickensderfer:** Nice!

**Nick Brown:** Beautiful.

**Steve Blickensderfer:** I see you guys took it seriously.

**Nick Brown:** The beginning of competitive esports!

**John Kracum:** Yeah, yeah, exactly. And then eventually Counter-Strike was what at least my brother and I got really into. I actually in college I played one professional Counter-Strike tournament and we got 16-0'd by United 5...

**Nick Brown:** *[laughs]*

**John Kracum:** ...who I think were the best team in the world at the time. So it was fun we got to play against them. And we won our game before that. It was a great time. You'd really have to be there, but it was good to prove that we weren't cut out to be professional gamers. My brother got a 4K in one of the rounds, so that was the highlight of the tournament for us.

**Nick Brown:** Oh, that's great.



**John Kracum:** So, yeah. A lot of gaming in my background. Played a bunch of World of Warcraft and other things from then on.

**Nick Brown:** Horde or Alliance?

**John Kracum:** Oh, Alliance.

**Nick Brown:** Ooh. That's OK. Nobody's perfect.

**Steve Blickensderfer:** You monster!

Multiple Speakers [*laughs*]

**John Kracum:** Yeah. I was a human all the way.

**Nick Brown:** [*laughs*]

**John Kracum:** But yeah, so then I finished off college. I worked for a few years then went to Northwestern Law. Graduated and had married a California girl so she took me out to the West Coast. I worked for DLA Piper's corporate team in Silicon Valley. So I worked with a lot of start-up companies out there, which was a ton of fun. Really great experience for a few years. In that window of working at DLA was really when some of the earliest publicly visible and active lawyers who focused solely on esports kind of joined the scene.

**Nick Brown:** Mm-hmm.

**John Kracum:** And I'd been watching esports for a while at that point. My brother introduced me to League of Legends during the first world's I think regional qualifiers. I watched the North American regionals for the first competitive year and that was my introduction to kind of esports at least at a globally broadcast online level. Before, when I was playing Counter-Strike, you had to record your games and then they would get uploaded to some websites and you could go download the replay of whatever game you wanted to watch and watch it in the Counter-Strike client.

**Nick Brown:** I spent a lot of time on sc2replays.com...

**John Kracum:** Right on!

**Nick Brown:** ...when I had delusions of being competitive at that game.

**John Kracum:** Yeah, so, yeah, you were there.

**Nick Brown:** *[laughs]*

**John Kracum:** I did a lot of that with Counter-Strike. But, yeah, it was great. The advent of Twitch and live online broadcasting was awesome. I watched a ton. And then, yeah, working for a law firm I started reading out to lawyers who were doing this full time and said I'm petty passionate about this. How can I start adding this to my practice or find a way to do this for a living? And just networked. Took about two years to get introduced to Ben Spoot who's the CEO of Misfits Gaming Group.

**Nick Brown:** Mm-hmm.

**John Kracum:** And flew out, had an interview with him, talked things over for a bit. He offered to bring me in-house as in-house counsel. It turns out most of the board, at least at the time, it's since expanded, was made up of ex-lawyers. And so they liked the idea of having a lawyer in-house, which is lucky for me.

**Nick Brown:** Right. *[laughs]*

**Steve Blickensderfer:** Is that consistent with other esports teams that they have a lot of ex-lawyers, or is Misfits different in that regard?

**John Kracum:** It's not super unusual. I've run into a decent amount of ex-lawyers in the industry. I think it was probably unusual that almost everybody I talked to was an ex-lawyer when I came to do my interview.

**Steve Blickensderfer:** Right.

**John Kracum:** So that was a little extreme on this side but...

**Nick Brown:** *[laughs]*

**Steve Blickensderfer:** *[laughs]* So Misfits is on one...

**Nick Brown:** It's like, I can't get away from you people!

**John Kracum:** Yeah, yeah, exactly.

**Steve Blickensderfer:** So Misfits is on one end of the spectrum and then you have just teams with no lawyers on the other and just...



**John Kracum:** Yeah, exactly. You know, players who self-organize as the other example. But it was a really great opportunity so I started working, you know, staying in the West Coast originally and have since moved to Florida. Started as in-house counsel, kind of got to know the business and was working a lot with our Overwatch league team which had just started up and we were staffing up. And at the end of the first season, I went to Ben and the board and said, "Hey, you know, here are a couple people we can hire to really kind of take over what we're doing on the Activision Blizzard side, the Overwatch league."

And they interviewed a few folks and then came back to me and said, "Hey, John. You just want to do it? Leave your official lawyer title behind?"

And I said, "Yeah, I'll be an ex-lawyer, too."

**Nick Brown:** *[laughs]*

**Steve Blickensderfer:** There you go!

**John Kracum:** I'll join the club. So now I'm a recovering lawyer and president and running operations for our two Activision/Blizzard franchises.

**Steve Blickensderfer:** That's great.

**Nick Brown:** That's great!

**Steve Blickensderfer:** Do you find it difficult to manage a team not based in LA or New York?

**John Kracum:** No. I mean, there are reasons to be in one of those two cities. I'd say LA in particular has been such an esports hub and is where a lot of endemic sponsors tend to be based. So I think there's a pretty reasonable advantage to being in LA. But I think that the advantages to us being in Florida outweigh that. So, no. I don't think it's been difficult.

**Nick Brown:** What are some of those advantages?

**John Kracum:** The biggest one, it's mostly obvious, which is both of these Activision/Blizzard leagues have gone into regional franchising like you described in the intro. And so as the Florida team, it makes a lot of what we do much easier to be in our market. I don't know exactly what the split is offhand between teams, regionalized teams being in market vs. being in a separate home base, usually LA and then kind of operating through their market. But, you know, when we're pitching local sponsors, when we're trying to figure out home stands, even just filming content, like, we need our

players to film a video and we want shots of them on the beach in Miami or up in Orlando around the theme parks. To have to fly people out from LA to do that every time is just unreasonable.

**Nick Brown:** Yeah.

**John Kracum:** So I think that being in market for us is a major reduction in transaction costs. And also, you know, our long term goal, which I think is going to be a major long term goal not only of these leagues but of a lot of leagues going forward, is driving local fan base, local fans to our brand and to our teams. And it's just harder to do if you're not in the neighborhood. So I think that those are both massive advantages to us being located in market.

**Nick Brown:** Yeah, so how does that look? What are the efforts to get people to come and show up and invest in a local team? I mean, being local, like you said, seems to break down certain barriers, but if you're comfortable talking about the steps you've taken, what do those look like and what seems to be having the most effect?

**John Kracum:** Yeah, it's a great question and it's one that we ask ourselves every day...

**Nick Brown:** Yeah, I bet.

Multiple Speakers [*laughs*]

**John Kracum:** ...because it's one of our biggest jobs over the next few years. But the first one is done, which is have Florida in our name. That is just being in a league that attaches itself to a location instantly creates a reason for somebody to be a fan of our team. And, you know, at a league level it creates a reason for people to be a fan of the game. So that's done. That's great.

After that, you know, local events is huge and finding appropriate ways to market to the right audiences. So, over the first two years of the Overwatch league while we were still based in LA because we had to play all of our games in LA minus a few in season two, we ran I think it was the most watch parties out of all the Overwatch league franchises. We had 23 watch parties in season one.

**Nick Brown:** Wow.

**John Kracum:** And I think we had 28 or 29 in season two because we were running multiple per - for some weeks we ran in multiple cities - watch parties.

**Steve Blickensderfer:** Could you describe what a watch party is for those who don't know?

**John Kracum:** Yeah, so these games are broadcast in front of a live audience. But especially in the first two years it was in a studio with, you would cap at 500 or so attendees. And meanwhile they're being broadcast online to hundreds of thousands plus people watching. For big events, millions. So the online broadcast is free, it's easy to access. And that's how most people watch. So a watch party is just, hey, let's find a way to put our broadcast in a public or semi-public space that we can rent out and get a bunch of our fans to show up and cheer for the team together and make it a more engaging and fun experience for people who otherwise would be sitting at home with maybe the stream on their second monitor doing, you know, playing a game or something on their other monitor. So it's simple and we ran these at a bunch of different bars, restaurants, event centers.

**Nick Brown:** And the Fortress, right?

**John Kracum:** Yeah, yeah, the Full Sail Fortress.

**Nick Brown:** I went to the one at the Fortress. Just, for anyone considering going to one of these, let me - well, once life picks up as normal again, of course - let me just tell you, it was an absolutely phenomenal experience. You know, it's one thing to watch it on a second screen, on a second monitor, just like you were saying, John. It's another thing to be there when every twist and turn, the crowd is going bonkers and yelling. I saw enthusiasm there that would rival anything that I'd seen at a live traditional sports game. So, let me just plug that for a second because that was a great event.

**Steve Blickensderfer:** Speaking of live events, maybe let's transition to what you're doing now. How has the transition from the live events hybrid online events to just all online events and competitions gone for you and your teams?

**John Kracum:** So, I imagine it's probably smoother than people think, although maybe not. I honestly don't know what the public thoughts are on this. But, you know, we, at least within our organization, you know, we're set up pretty well after the move to Florida. We've got our office with practice spaces for both of our teams that have the same competitive set-ups that they have in arena at live events. They also have the same set-ups, every player has the same set-up in their apartment or home so they can get quality practice if they're playing in their off time. So technically we were pretty...

**Steve Blickensderfer:** You were set up already.

**John Kracum:** ...ready to do anything from anywhere. So there were no big technical hurdles for us to go online. Honestly, it was a huge disappointment, for us, for our players not to be able to play in front of a home crowd this year because that is...

**Nick Brown:** Sure.

**John Kracum:** ...amazingly fun to do.

**Nick Brown:** Yeah.

**Steve Blickensderfer:** Yeah.

**John Kracum:** And just having been to other teams' events - we haven't been able to host one yet. We actually, our Overwatch league event was cancelled. It was the first event cancelled due to coronavirus concerns in either of these two leagues. And it was cancelled I think four days before it was set to start.

**Steve Blickensderfer:** Aye yai yai.

**John Kracum:** So it was a major bummer.

**Nick Brown:** Yeah.

**Steve Blickensderfer:** Yeah.

**John Kracum:** And there were little issues just around managing that whole cancellation, but not anything material.

**Steve Blickensderfer:** How have you managed to keep your teams competitive during the times when either you're not even in the same room. You're in different houses. But, for those who don't know, there's a need for and a definite talking and communication amongst players. Probably happening on headsets, I guess, now. But, you know, even live at the event to talk, to make sure you're coordinating with your teammates because that's just super important. How has that kind of happened?

**John Kracum:** Yeah, that's a great question and I'll give you a funny quick answer, but I have to caveat it with I'm really excited for our teams to continue to play this season. I think we're going to do well and improve are in the Overwatch league side and particularly Call of Duty. Very good. But since we've started playing from home, I think we haven't won a single map.

Multiple Speakers [*laughs*]

**John Kracum:** We've only played once in the Overwatch league and we got 3-0ed by Atlanta who's got an incredible roster. They're great.

**Steve Blickensderfer:** Yeah.

**John Kracum:** Kudos to them. But the question, are we staying competitive? I don't know. [*laughs*]

**Nick Brown:** [*laughs*]

**John Kracum:** But, no, we are.

**Nick Brown:** Improve, adapt, overcome.

**John Kracum:** Yeah, exactly. No, our coaching staff in both leagues are doing a great jobs. But, Steve, you're right. I mean, the communication both in-game and out is super important for the teams. In-game I'd say it actually hasn't been very impacted because when the guys are all sitting in the same rooms, they've all got headsets on because they have to hear the game sounds.

**Steve Blickensderfer:** Right.

**John Kracum:** And so by default they're all communicating over some voice chat tool.

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** So that has changed essentially zero. I'd say the biggest change there is that usually the coach can kind of walk around behind each player and look at what they're doing over their shoulder. And now they have to use the in-game client to be switching between players. So it's a little more effort for some of the coaches. But even that's not significantly worse. So the in-game stuff is all pretty much the same as far as team preparation goes. The out of game stuff is definitely harder because you don't, you know, when practice ends in our facility the guys all get up, they talk about what happened because they're all in the same room. They go sit down. They watch a replay of either that practice or a previous game together. That just becomes a little hard to coordinate.

**Steve Blickensderfer:** Mm-hmm.

**Nick Brown:** Sure.

**John Kracum:** Just like teleconferencing does when you've got somebody saying, "Oh, can you hear me, can you hear me? I got to run to the bathroom." It's just, everybody deals with it.

**Steve Blickensderfer:** Yeah.

**Nick Brown:** Yeah. It's not the same.

**John Kracum:** So, yeah. That has definitely been a little harder. You know, we're not in a unique position. All the teams are having to deal with it, so I think from a competitive standpoint it's not something I'm concerned about other than being concerned about who we can improve it.

**Steve Blickensderfer:** Nice. Well, you guys are in - we already discussed - Call of Duty league, which just launched its first season. And Call of Duty just also launched War Zone. You're in League of Legends, which is in its tenth season. You guys field the team, Misfits does, in the LEC, which is in Europe. We also discussed you're in the Overwatch league and your team there is the Florida Mayhem. And you also field the team, Misfits does, in Smash, or at least a player. Could you give me a sense of, is it a benefit to have different, like, a Florida team here vs. a Misfits team there as opposed to just Florida Misfits everywhere? Is there a benefit to having distinct brands in these different games?

**John Kracum:** Hmm. There are benefits and there are costs for sure. And I do want to correct you in that we...

**Steve Blickensderfer:** Please do.

**John Kracum:** ...we actually...

**Nick Brown:** It's one of my favorite things to do, John.

Multiple Speakers [*laughs*]

**Steve Blickensderfer:** [*simultaneous speaking*] Happens regularly.

**John Kracum:** [*inaudible*] correction because he's an awesome guy, but Angelic who was our fighting game player on our roster we released a few weeks ago.

**Steve Blickensderfer:** Oh.

**John Kracum:** So we're not represented in fighting games. What you didn't call out was Fortnite...

**Steve Blickensderfer:** Oh, that's right. That's right. That's what I meant to say.

Multiple Speakers [*laughs*]

**John Kracum:** Yeah, definitely. And we have one mobile player as well who's a great dude. Plus a couple of streamers and things. So, yeah. But to get to the question, I'd say the biggest advantage that it gives us is that we can position those brands slightly differently. Organizationally we have kind



of some main branding and guiding tent poles around inclusivity, diversity, positivity, and competition. Those are kind of guiding lights that have to be represented in all of our brands.

**Nick Brown:** Mm-hmm.

**John Kracum:** But from there on, brands can still take different tones, have different maturity levels is an obvious one. Call of Duty is a mature game.

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** So the ability to have a separate Mutineers brand that's unique to Call of Duty means that we can, you know, maybe we have content. We put out a video recently that was bleeped out but it was a, you know, how to be an f-ing pro with one of our Mutineers players.

**Nick Brown:** [*laughs*]

**Steve Blickensderfer:** Right.

**John Kracum:** And it was great. It was really funny concept. He did a great job in the video. It's good content that wouldn't work.

**Steve Blickensderfer:** Right. You're not going to do that with your Fortnite team.

**John Kracum:** Yeah. Exactly.

**Steve Blickensderfer:** [*laughs*]

**John Kracum:** So it gives us the freedom to do things with one portion or one brand that aren't appropriate for other brands. And to that point, it also gives potential sponsors the option of identifying with either one or multiple brands based on their own goals. We have sponsors who have said they're not interested in Call of Duty, period. But they sponsor us in the Overwatch league and with Misfits. We've had sponsors say they're only interested in Call of Duty. So I think that the benefits to the sales process are greater than if everything was the same brand and it was a take it or leave it situation that we presented every sponsor with.

**Steve Blickensderfer:** [*simultaneous speaking*] I didn't appreciate that. That's good.

**Nick Brown:** Yeah. I want to follow up on that. So if I'm understanding you correctly, certain brands want to be, they have more affiliation or receptiveness to certain games than others and some of that may be due to the fact that, for example, Call of Duty, like you said, has a lot of mature content.



It's gory, it's not cartoonish, there's curse words and things. And so naturally some brands want to stay away from that and that makes sense. My question to you is, as you look, sometime we ask people to look into their crystal ball and predict the future, and do you see that changing over time? I mean, you know, ten years from now is everyone just going to understand that Call of Duty is Call of Duty and brands aren't going to be worried about the perception that they're promoting violence or something like that? Are these relaxing or do you see them getting more silo-ed, like all the family brands are going to flock to the more cartoonish type games and then you're going to keep seeing Monster and things like that thrown in on Call of Duty. Do you have thoughts on that?

**John Kracum:** Yeah, I do. I have a lot of thoughts on it.

**Nick Brown:** *[laughs]*

**John Kracum:** I'll say that I think that probably the base answer to your question is, no I don't think it's going to change much in terms of how sponsors attach themselves to games.

**Nick Brown:** Mm-hmm.

**John Kracum:** And that's true, like, that's not something unique to gaming or esports.

**Nick Brown:** Mm-hmm.

**John Kracum:** I think sponsors identify products or brands or anything that has the audience that they're trying to go after or that has the tone that they're trying to position themselves within. You know, and whether that's related to violence, you know, gender appeal, whatever. There are dozens of reasons why a brand wants to avoid associating itself with another brand. So that's not going to change, but I don't think that has anything to do with the other kind of issue that you're touching on there, which is the public perception and research around the impact of violent video games...

**Nick Brown:** Mm-hmm.

**John Kracum:** ...and what the value of gaming as a whole. Is it good for kids? Is it something that we want people to be doing? And that one I think will change. So that's where I see, where I hope more than anything to see a lot more change. If it can happen over the next ten years, awesome. And I think that's a reasonable timeline.

**Nick Brown:** Mm-hmm.

**John Kracum:** And it's something that frankly and I do and we do organizationally as we educate sponsors and partners. You know, I've been in meetings with a lot of school districts here in Florida since we've been focused out here. So educating teachers and principals and leaders of education is massive for us.

**Nick Brown:** Yeah.

**John Kracum:** And we're doing that and there are a lot of other people doing that because I believe and I feel strongly that research backs this up that gaming is almost entirely positive, that the negatives of gaming are not caused by the games themselves. They're caused by how people interact with it.

**Nick Brown:** It's the fact they've being played by people is the problem.

Multiple Speakers [*laughs*]

**John Kracum:** Right! It's not guns killing people, it's people killing people! No, no, no. A little bit, but there's also as good of an opportunity - it's the difference between, there is I'd say an exaggerated difference in gaming of, you know, playing a pickup sport in a yard vs. playing in a league where you've got a coach and it's, you know, it's organized.

**Nick Brown:** Mm-hmm.

**John Kracum:** You know, yard sports, you can get bullies. You can get a lot more negative behavior and without putting a check on that it's going to leave a mark on people and change other people's behavior. But playing in a, you know, AYSO soccer or something or playing in a school league, like, you've got people teaching you positive behavior and you're building skills in terms of communication and teamwork and problem solving that will make you a better person. And the reason I say gaming is exaggerated because at least on a playground, like, you're in a group that's right there. You've got people walking by. You know, it is exaggerated in gaming where if you've got somebody playing in their house alone there are very few checks on their potential behavior.

**Nick Brown:** With anonymity comes toxicity.

**John Kracum:** Exactly. So I totally understand why - not totally, but I at least accept that gaming has a ... how do I want to word it? I can't think of anything better than a darker side. I don't think that's quite right.

**Nick Brown:** No, I know what you mean.

**John Kracum:** A darker side than traditional athletics. But that is not a function of gaming itself. Gaming can be hugely positive and when it's done in a healthy way it is.

**Steve Blickensderfer:** So, John, I want to jump in and switch gears a little bit and ask you some legal related questions because I want to see...

**John Kracum:** Alright! I'll see if I can dust off my...

**Steve Blickensderfer:** ...yeah if you can remember that.

**Nick Brown:** We need some advice.

**Steve Blickensderfer:** Yeah.

**John Kracum:** No! No legal advice!

Multiple Speakers [*laughs*]

**Nick Brown:** I see you still got your sea legs! [*laughs*]

**Steve Blickensderfer:** Nick mentioned earlier, he listed a bunch of different issues. I just kind of wanted to ask a few questions in each. So on the topic of employment, I know because of observing and being in it, the offseason for esports is crazy. And I don't think very many people appreciate just how sudden the rush is to get a bunch of contracts negotiated. Could you just give us a sense and describe what the off season is like for your teams in particular?

**John Kracum:** Yeah, no I'm happy to. So for my two leagues where I have the most information (I can also talk about League of Legends), but our off season is about four months, three to four months. And we usually have about, after the championship game a six or eight week window, which has shifted a little bit, to negotiate with our existing players about extensions or resigning folks before free agency hits. So usually what happens is, unfortunately we haven't made the playoffs so our window has been extended a little the past couple of years, but we spend, you know, four to six weeks hopefully doing a deep dive on what we expect the free agent market will look like. And the goal being we want to know as closely as possible where reasonable upgrades are for us before we go to our existing players and say, hey, we're going to resign you or cut you or whatever we are planning to do.

**Nick Brown:** Sure.

**John Kracum:** So thankfully our general manager for both teams, Tom on the Call of Duty side and Albert on the Overwatch side are very organized and diligent and good at communicating with the other folks in the league, which I think is generally true across leagues. So we're able to get a pretty good picture of what we expect, at least the names on the market. We do our best to peg what their contracts are going to look like.

**Steve Blickensderfer:** What are some of the top issues that arise during contract negotiations, like the common sticking points that you find?

**John Kracum:** Yeah, you know, that's a really good question, but I think it's kind of a boring answer...

**Nick Brown:** *[laughs]*

**John Kracum:** ...in that pretty much everything just boils down to money. And that's not a knock on anybody.

**Nick Brown:** Sure.

**John Kracum:** You know, there aren't...

**Steve Blickensderfer:** Right. Money talks.

**John Kracum:** Yeah, money talks and money talks far more than anything related to, you know, stuff like streaming requirements or whether you live in an apartment or house or whatever. And, you know, that stuff will come up, but at the end of the day the players and agents want to know what number am I going to see on my check.

**Nick Brown:** It's an important question.

**Steve Blickensderfer:** Speaking of agents, FAZE Clan got in a little hot water in the Tfue lawsuit as a result of alleged actions that sounded like they were operating like a talent agency, which, you know, sounded like bringing deals to the player and getting a cut of that without being licensed under the appropriate regulation. Do you find that to be hard to distinguish, deals brought to players vs. teams or what's your sense of that in terms of the contract negotiation process?

**John Kracum:** Yeah, it's a great question and I'll say that thankfully it is not hard to distinguish when you are focused on the competitive model.

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** So for the Mayhem and the Mutineers and the Misfits League of Legends it's, in my slightly educated opinion, it's pretty cut and dried even though, to your point, there is a lot of, and I'll be generous to governments, federal and state, and say intentional ambiguity in the law...

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** ...around agency representation. And definitely I think there are complex questions but questions that legitimately have no solid answer because the law is ambiguous.

**Steve Blickensderfer:** Yeah.

**John Kracum:** And that you get into more when you're dealing with, I think in the intro you brought up kind of lifestyle brands. You just mentioned FAZE. When you're dealing with these folks who are assigned to an org but are individual celebrities or influencers and have the scale of personal brand that could drive them business without being attached to an org. And we've got a couple of guys like that and we are internally very careful about how we approach, you know, doing business specific to them. Clicks is a Fortnite player for us and he's our biggest, by a decent margin, our biggest influencer...

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** ...who is a player. And he is a great kid and we're happy to, we like working with him and there are definitely some internal barriers that we have set up to do our best to avoid the most obvious scenarios that would get us in hot water. So, you know, for the most part the stuff we deal with is not very impacted by this gray area.

**Steve Blickensderfer:** And that seems to be the result of your focus on the competitive vs. the lifestyle.

**John Kracum:** Absolutely.

**Nick Brown:** Yeah, that's exactly what I was going to ask.

**John Kracum:** Yeah, yeah, yeah. You're welcome to ask a question or I can just talk a lot.

**Nick Brown:** Yeah, no, please. I was just supporting the interest in that topic.

**John Kracum:** Yeah, no. Sorry, go ahead.

**Steve Blickensderfer:** I was going to say you kind of touched upon this in your answer and it's kind of going along with this topic of IP issues, right, where if you have a very popular streamer who then comes to you, or a gamer, that just has a background, a presence online, you have to carefully craft through the contract the lines. Right? What you are taking in terms of IP rights, what they have the full ownership and control over, what you're sharing and shared time for events, I'm sure. It just requires a lot of careful contract drafting.

**John Kracum:** Yeah, it does. I think that it's probably over time going to get more, the issues that get negotiated will be more and more narrow. I'd say for the most part - and, you know, again this is probably impacted by the fact that almost everything we do is within the league, the competitive league world and we're a lot less focused on the individual influencer world. But most of our contracts are pretty, are relatively simple in terms of IP. There's still some negotiation that goes on. I'd say the hardest point that's negotiated is how much and how long, if at all, we're able to use individuals' IP after they leave the team.

**Nick Brown:** Right.

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** But...

**Nick Brown:** That's a big issue.

**John Kracum:** Yeah, which is a big issue. And that's, I mean, obviously, you know, bottom line, we can't, we can't be expected to go back and comb through all of our posts over the last X years and delete everything that has that player in it. So that's the floor...

**Nick Brown:** Mm-hmm.

**John Kracum:** ... for us. And then, you know, obviously where it's gray is if we're in the middle of a campaign and, you know, have a sponsor and have already shot video or whatever state we're in and need to continue to use somebody's IP for X amount of time, what does that window look like? So that I think is the point that gets negotiated the most right now and will continue to be an issue. But it's a fair one. It's a good negotiation point. It's fun.

**Nick Brown:** Yeah. Absolutely. And, you know, that's similar from what we've heard from others, too, in terms of sticking points and so sounds like you're not alone in that regard. But let me switch gears just a little bit here. I'd like to ask you about immigration stuff for a moment.

**John Kracum:** OK, yeah.



**Nick Brown:** You know, before the coronavirus and this national stay, international stay at home stuff, there was a lot of travel among teams either for events or to go work for a team that exists outside of your area. So, we can all expect that that'll happen again once this situation passes. But have you, have any of your teams, has Misfits flirted with a lot of people that are outside the country and had to address immigration issues at all?

**John Kracum:** Yeah. It's been a major issue for us...

**Nick Brown:** Mm-hmm.

**John Kracum:** ...not that it's been, at times it's been a struggle. It's not always one. But our Overwatch roster is entirely right now made up of Korean citizens. So there are nine instances right there.

**Nick Brown:** So you have a lot of experience.

**John Kracum:** Yeah! And then our League of Legends roster, the team is based in Germany but it has players from around Europe and Korea. So, yeah. In Overwatch we've had European players, we've had American players. So, yeah. We've run the - I'd say definitely North America, Europe, Asia. I'm trying to think offhand if we've had South America, Australia, Africa.

**Nick Brown:** Have you had any trouble with visas or obtaining them or obtaining the, you know, appropriate documentation to allow them to come here and work?

**John Kracum:** Yes, yes we have! *[laughs]* Thankfully, we've never had a full rejection for anybody...

**Nick Brown:** Mm-hmm.

**John Kracum:** ...which has happened to several orgs...

**Nick Brown:** Yeah.

**John Kracum:** ...through no fault of theirs. And I think there's a lot, I don't know how much I should or you want me to rail against the immigration policy of multiple countries but particularly the United States.

**Nick Brown:** Hey, this is your interview. Go for it! *[laughs]*

**John Kracum:** You know, this is all just man shouts at cloud.

**Nick Brown:** *[laughs]*



**John Kracum:** Or whatever that Simpsons quote is.

**Nick Brown:** Yeah, yeah.

**John Kracum:** The picture.

**Nick Brown:** The news shot.

**Steve Blickensderfer:** I imagine it's gotten tougher. Right?

**John Kracum:** Yeah.

**Steve Blickensderfer:** Over the long term it'll probably get easier as esports becomes more ubiquitous, but I can imagine it's only gotten harder for you guys to get what you need.

**John Kracum:** Yeah, no. The current administration has made it a lot harder. And not, they haven't targeted esports but it's been just kind of an overarching decision of theirs to limit the level of immigration that had been allowed, you know, at least as far as I was aware...

**Steve Blickensderfer:** Right.

**John Kracum:** ...over the previous administration. So, yeah, it's gotten harder, a lot more. I'll get into a little specifics when you apply. Most players come in under what's called a P1 visa which is designed for professional athletes, people who are excellent, who have achieved international recognition within their sport.

**Nick Brown:** Mm-hmm.

**John Kracum:** And for the highest level of esports, that had been - I'm trying to remember when the first P1 was issued for esports. It was I think in the mid-2000s I want to say, but I could be way off so don't quote me on that one. But it became pretty ubiquitous for esports athletes to get in on P1s which means then you can get support staff in under P1S, which are people who essentially support exceptional athletes and have proven to be able to coach or, you know, have supporting roles at the high level in international competition.

**Nick Brown:** Mm-hmm.

**Steve Blickensderfer:** Talking about international competition, could you maybe give us a sense of comparing the competition like the Overwatch league where you have teams all over the place and then you have League of Legends where they have regional competitions and leagues and then

they'll have maybe one giant championship at the end. Is one easier than the other to manage from a team perspective?

**John Kracum:** They haven't been, thankfully, I'll say because, well I guess, I'm still taking this from the immigration standpoint, but I can talk generally too. Immigration-wise, you know, League of Legends, all the regional leagues, because they come together for a world championship, the proof of it being a highest level of international competition is, I think, as easy to provide as it is for something like Overwatch league where clearly it's a global league...

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** ...that is the highest level of competition.

**Steve Blickensderfer:** What about generally?

**John Kracum:** Yeah, in general, you know, there are definitely advantages and costs to both, especially as Overwatch league and Call of Duty league transition to the local home stand model. The cost not only of just, you know, putting on events and flying players to events and the toll on players and staff that that much travel takes, but also, like, just the league being able to schedule it appropriately. *[laughs]*

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** And not have, you know, teams flying to four different countries in four weeks and being at a massive immigration risk or simply unable to make their games work is really challenging.

**Steve Blickensderfer:** I imagine, like, as a result of this cancellation of live events, that's tested the esports scene, that maybe they'll become resilient. Right? If certain teams can't make an event on the other side of the globe, they'll shift to a quick online competition. And you guys have been battle tested to handle that. Maybe that'll be something...

**John Kracum:** Yeah, that's been...

**Steve Blickensderfer:** ...byproduct of ...

**John Kracum:** You're right. This has been great trial by fire for these leagues. You know, obviously it's not something that we hope to have happen often.

**Nick Brown:** Mm-hmm.

**Steve Blickensderfer:** Right.

**John Kracum:** It's sad, you know, the current state of the world is tragic, but, yeah, it's definitely made both leagues, particularly the Call of Duty league, more able to swap.

**Steve Blickensderfer:** Could you briefly describe the relationship that esports teams typically have with game companies? Is it the same kind of across the board? Is it league dependent or game company dependent? Just trying to get a sense of...

**John Kracum:** Yeah.

**Steve Blickensderfer:** ...your interactions with game companies. Are they consistent with another, maybe a lifestyle game esports team, their interaction with the game company?

**John Kracum:** Totally. Yeah, that's a great question and I'm going to preface it by saying that I'm going to try my best and so these answers are going to be very carefully worded not to call anybody out.

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** And that's not indicating that any partner is particularly good or bad. I just...

**Steve Blickensderfer:** Want all fairness.

**John Kracum:** ...make sure everybody...

**Nick Brown:** Keep using those lawyer skills.

**John Kracum:** Yeah, exactly.

Multiple Speakers [*laughs*]

**Steve Blickensderfer:** You still got it, John, you still got it.

**John Kracum:** Yeah, I don't even want to seem like, they are any issues. But, all that said, yeah, the relationship with different developers and publishers is definitely different. Like you said in the intro to the episode, we're in a relatively unique situation where somebody owns the football. And so, there is to some degree a strange balance of power in the relationship, and that can manifest in a lot of different ways.

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** And so, definitely different publishers - I have different relationships with different publishers. I primarily work with one publisher.

**Steve Blickensderfer:** Right.

**John Kracum:** So, my life is kept simpler, but, I know people, at all the publishers we work with closely and some that we don't. But even to go back to what I was mentioning with sponsors a while ago, different publishers have different goals for their individual - and that can be titled by title, it can be publisher by publisher. So, it makes sense that those relationships are different...

**Steve Blickensderfer:** Sure.

**John Kracum:** ...and I think that has created - honestly, in some ways it's created better opportunities for us in that there are times when we get to go to one publisher and say "Hey, this other publisher is giving us this. Why aren't you giving it to us?"

**Steve Blickensderfer:** Right.

**John Kracum:** ...and so, we can put a little peer pressure on them to do stuff that they may not do by default.

**Steve Blickensderfer:** Right.

**John Kracum:** That can be fun.

**Steve Blickensderfer:** It sounds like that creates opportunity, right? Both for you and also the companies...

**John Kracum:** Yep.

**Steve Blickensderfer:** ...because you might not...

**John Kracum:** Yeah.

**Steve Blickensderfer:** ...necessarily know what doing with other, right? So, that's kind of the whole competitive nature of everything.

**John Kracum:** Yeah, and I tell you, there's a point you brought up at the end of your question or statement, talking about how our relationship maybe different than their relationship of a lifestyle company or a noncompetitive company, and I think it is for sure. I like to think that we have - I think

closer relationship is not unfair with our franchise partners, at the very least. But definitely a relationship where I expect there's more regular communication. Because, if you're a lifestyle brand, maybe you're going to put on a couple of tournaments or participate a few times a year and you'll need some level of irregular communication to get licenses or whatever. But ultimately, you are not day-to-day planning yourself in lockstep with the publisher...

**Steve Blickensderfer:** Mm-hmm, right.

**John Kracum:** ...where we really are. A lot of the things that we do aside from, and maybe not even aside from - including developing our local fan base and things that may be assumed to be more independent...

**Nick Brown:** That makes perfect sense.

**John Kracum:** ...is something - work with the publisher on, yeah.

**Nick Brown:** Yeah, that makes perfect sense because it's symbiotic, right?

**John Kracum:** Exactly.

**Nick Brown:** You both have a big stake - personal and financial, and the success of this game and this league and so, it makes perfect sense that you will be more lockstep and more involved with them, right, than someone who has a more remote connection to the game itself.

**John Kracum:** Mm-hmm.

**Steve Blickensderfer:** And your comment and your answer really hits on the point that not all esports team, US esports team are created equal, right? You guys recently have been doing some real cool stuff, including launching a gaming startup incubator called MSF.IO if there's an acronym or a spelling out of that, I don't know but, MSF.IO. Can you tell us a little bit about that, what prompted it, and what's your vision for it?

**John Kracum:** Yeah, thanks for the softball, Steve.

Multiple Speakers [*laughs*]

**John Kracum:** MSF.IO is something we're really excited about. It relies on the idea that gaming is a very innovative space. They are a lots of innovative spaces; gaming is one of them. They are major barriers in place, not the least of which is how start-ups connect to brands in the space that are

potential users of their product platform, whatever or potential partners. Frankly, Activision Blizzard is not Google where their product is technology. They make games.

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** And so they're not out there doing the same level of diligence on venture deals that Google is, nor should they be. But, there's a great opportunity...

**Steve Blickensderfer:** To fill a void.

Multiple Speakers [*inaudible*]

**John Kracum:** ...yeah, to be that relationship driver.

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** So, because we have these close relationships with publishers and - not just publishers, but lots of people around the gaming space, people in companies around the gaming space - MSF.IO is the theory that we can provide a lot more value than straight cash to small, early-stage companies with really interesting ideas developed plans that just simply have no clear path to developing those relationships. That's what we've done; we've setup MSF.IO to be an incubator for early-stage companies. We have a \$10 million total seed fund that hopefully over the life of the program will grow and continue to be allocated to actually provide dollar support to these startups. But also, as you go through the application process with us, we highly encourage these companies to, if they're not already based in south Florida, to move down here, at least temporarily and workout of what will become our permanent office, when it opens up.

**Steve Blickensderfer:** In Boca, right?

**John Kracum:** Yeah, in Boca. It's an 18,000 square foot facility. You know, we really don't need that much space right now so, we've set aside a big chunk of it for MSF.IO.

**Steve Blickensderfer:** That's great.

**John Kracum:** So, we have office space. Not only do we have a place for your work out of, if you're working out of your garage or paying for a lease that you don't have pay for if you're with us but, then, you're right down the hall from professional gamers. You're going to have people from major publishers coming into the office every so often to meet with management. You are connected to a lot of people in the space physically that you're not when you're developing your product otherwise.

**Steve Blickensderfer:** This is a great idea! Everybody's probably doing this, right? All the other esports...

**John Kracum:** *[laugh]*

**Steve Blickensderfer:** ...team have an incubator?

Multiple Speakers *[laughs]*

**John Kracum:** I mean - hopefully don't spread the idea...

Multiple Speakers *[laughs]*

**John Kracum:** ...too quickly. We are proud to be the first that we know of in North America, at least

**Steve Blickensderfer:** Right.

**John Kracum:** And we hope that it's so big of a success that it becomes necessary for all our teams to do it but we also hope that we make it a success ourselves first.

**Nick Brown:** Well, what a great idea this is, and you're really filling a need. There's - just like you said, there's all this innovation out there and sometimes people don't have the business acumen or knowhow, or experience or just the capital to get it off the ground. And so what a great idea for you to partner with them and incubate them and help set that up. I think that's really going to pay off over time and result in a lot great partnerships and developments that may not otherwise be able to exist.

In the same type of vein, can you tell us about Misfits' work with other entities and some of its other endemic or non-endemic? I was recently just reading that you partnered with SoFi...

**John Kracum:** Yeah.

**Nick Brown:** ...and I know that's going to be a big deal. It's going help a lot of people, too.

**John Kracum:** Yeah! We're really excited to bring SoFi on. They're coming on as a very traditional sports sponsorship. But, for us and for the space in general they are not the first financial company, period, to be involved in any sports but, definitely are one of a select few, and have a kind of a unique brand and approach to what they're doing that I think is really fit for the space. SoFi is (a) a great partner who we are excited to work with; (b) they are very forward thinking about how they interact with their members. They have a lot of incredible programs for people who use their products through SoFi. If you setup a trading account with SoFi, they'll give you certain amount of money of



which I've seen. They promoted different offers over time so, I don't want to say a dollar amount right now, but generally, they give people free money to play with. Day one, you put in a \$1 they'll give you a lot more. Just so you can - if you've never bought a stock before, you can play around and learn. They support you. They have really great training programs for people. They're very interested in teaching a younger audience how to manage their money effectively. They're very focused on student payoff. I think they're really - in the conversations I've had with them in our content teams work, and kind of developing the campaigns we're going to be rolling out with them, they are phenomenal brand to be in the esports space. We're really, really excited to have them.

**Steve Blickensderfer:** Do you see the interest in sponsorships increasing or leveling off kind of going forward?

**John Kracum:** Increasing, knock on wood!

Multiple Speakers [*laugh*]

**John Kracum:** You're asking, you're asking the wrong guy...

**Steve Blickensderfer:** Yeah, I guess, I guess so.

**John Kracum:** ...but, I will give you a little bit better of an answer there which is, you know, it's definitely part of what we're betting on as a company is that it will increase. And a lot of that has to do with again, our strategy in the space, which is to focus on the competitive lead products and hopefully, help build the next NBA, the next NFL...

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** And hopefully we're already doing that. But, it's a focus of ours as an individual organization.

**Steve Blickensderfer:** It's a brick by brick process, I imagine.

**John Kracum:** Yeah, exactly.

**Steve Blickensderfer:** So John, for all the softballs I've thrown you, I have to throw you a fastball every now and then.

Multiple speakers [*laugh*]

**Steve Blickensderfer:** Mark Cuban famously said that investing in an esports - a US esports team was a bad investment. I think he called it an "awful business." If you were to respond to that, what would you say?

John, Kracum I'd say investing in an NBA franchise is an awful investment.

Multiple speakers [*laugh*]

**Steve Blickensderfer:** Touché!

Multiple speakers [*inaudible*]

**Nick Brown:** Who's playing games now?

Multiple speakers [*laugh*]

**John Kracum:** That's the quick answer, like - I view it as the same type of investment, which is - maybe you're losing money, maybe you can make money on it year over year. The big value is long term growth of the value of the business. If you told somebody in 1980 what the value of the NBA teams would have been in 2010, every single person in the world who could have gotten enough money together to buy a team would have bought a team in 1980.

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** But, you couldn't tell them that because, it was a risk...

**Steve Blickensderfer:** Yeah.

**John Kracum:** ...(a) you couldn't know it; and (b) it was a very risky play. So, there you go.

**Steve Blickensderfer:** There's no doubt or question that esports has seen a really, like, a meteoric rise in popularity in the interest from business. Do you see that pace is being sustainable or do you think that we've heard corrections maybe coming in some way, shape, or form? I just want to get your sense of that comment.

**John Kracum:** Yeah, that's a good question, and I think that the most reasonable answer I have for that is, I don't know what pace is sustainable but, I believe growth is sustainable. So, corrections happen in every market and explosive growth happens in most markets. I think we've definitely seen some explosive growth in esports. I think we have not seen a massive correction downward at any point.

**Steve Blickensderfer:** Mm-hmm.

**John Kracum:** I don't know if that's due or if it's something that will become - that's not something I'm an oracle enough to predict.

**Steve Blickensderfer:** Right.

**John Kracum:** But, you know, if the industry stays healthy for a long time I can predict that it will happen, at some point.

**Steve Blickensderfer:** Right.

**John Kracum:** And that's fine. Because, if the industry stays healthy for a long time it's also going to be a lot of good times.

**Nick Brown:** Absolutely.

**Steve Blickensderfer:** John, I think we kept you in the hot seat for long enough. Nick, did you have another question?

**Nick Brown:** Yeah, I want to circle back to one thing, and this is something Steve has heard me ask this before at gaming events and conventions, and I don't know, sometimes people don't seem to understand my questions so, I'd love to get your perspective on this. So, when I went - and I'm going to take a specific example, and I am going to contrast a game like Overwatch with a game like Rocket League.

**John Kracum:** Mm-hmm.

**Nick Brown:** A game like Rocket League, you don't have to play the game to really understand what's going on. Everyone can understand that you're trying to get the big ball into the big goal.

**John Kracum:** Mm-hmm.

**Nick Brown:** Contrast that with a game like Overwatch, right, that is super strategically detailed. Right? There's a bunch of different characters. They all have unique moves. They all have unique strengths and weaknesses. They have different counters, and there's all the maps. So, give you an example - when I went to the Overwatch finals, the watch party at the Fortress last year, it was easy to tell that some people there, they play Overwatch all the time and they can tell everything that is going on.

How do you bring in, in a game like Overwatch, new fans that don't already know the game? Just a little bit more explanation - that was along windup, but, I own Overwatch. I've played it before but I'm no expert. I definitely don't have all the moves and counters memorized. And so, when I was watching the game I was not following along to the same level that a pro would or that some who plays the game all the time would. I play enough games to be able to tell by context what's going on but, contrast that with someone who doesn't already play the game. How can Misfits or teams bring in people that aren't already playing these games? It's easier for something like Rocket League but for something more complex like Overwatch, it's a different story. So, what if any - I mean, is that a lost cause or what if anything? Is it the live events you mentioned or is it something else?

**John Kracum:** That's another great question and it's one that we think about a lot, and hopefully we can continue to improve. I have a bunch of small answers to it.

**Nick Brown:** Mm-hmm.

**John Kracum:** I think, the last thing you said is a big part of it, which is regardless of your level of understanding, there is at the base level, it's really fun to go to a live event where people are psyched up...

**Nick Brown:** Right.

**John Kracum:** ...and the crowd is going wild. I think live events will help with that a lot. And it will also help because if you you're watching at home and your significant other is in the other room or your parents are there, nobody has to watch with you. At a live event if somebody wants to go, hopefully, they are bringing people with them and educating those people themselves...

**Nick Brown:** Mm-hmm.

**John Kracum:** ...as they come. So, that's another result of live matches in market that helps answer that question. The other kind of big answer that I have to this kind of question always is, how does football get fans, right?

**Nick Brown:** Right.

**John Kracum:** Football's not quite to the level of obfuscating that Overwatch is...

**Nick Brown:** Mm-hmm.

**John Kracum:** ...because at least you have a ball in football.

**Nick Brown:** Right.

**John Kracum:** I can see you've got the cart in Overwatch for most matches...

**Nick Brown:** *[laugh]*

**John Kracum:** ...percentage counter. But you know, I married a woman who didn't have a TV growing up and never watched sports and I am a big football fan, and educating her about football took time...

**Steve Blickensderfer:** It's probably harder than you thought.

**John Kracum:** Yeah, she was willing to do it because she loves me and she wanted to spend time with me. But, it definitely was, like, it was a lot of...

**Nick Brown:** Yeah.

**John Kracum:** ...back and forth. A lot of her falling asleep in the middle of games...

Multiple Speakers *[laugh]*

**John Kracum:** It's a lot really, it's for anybody didn't grow up passionate about it, there's a learning curve.

**Nick Brown:** Right.

Multiple Speakers *[inaudible]*

**Nick Brown:** Football also has the benefit. You can ask anybody on the street how football works and 90% of them are going to know, right. Not quite the same for games that are four years old.

**John Kracum:** Yeah, not quite the same. You're right. But that's a time factor, right. As long as the Overwatch league continues to run, which hopefully, is a long, long time, more and more people will have that built-in understanding of what Overwatch is. Whatever percentage of the population, that is, can help educate the others.

**Steve Blickensderfer:** In what you both said, a team can only do so much, I think our game companies can also do stuff too. In the league, generally, you invest in good casting. I think that super helpful to have people who are talking at the time of the match, what's going on, and give a basic but also engaged level of conversation. Think that will help.

**John Kracum:** That's a great, great point to bring up, Steve. This is not a Florida Mayhem issue. This is an Activision Blizzard question and we all want to help solve it. But, yes, it's a fun - this one is kind of a fun problem to have because it really is, you know, there are millions and millions of people who play this game everyday...

**Nick Brown:** Mm-hmm.

**John Kracum:** ...but there are billions who have never sniffed it.

**Nick Brown:** Right.

**John Kracum:** How can we make it fun to those people, is a good question. It's a fun question.

**Nick Brown:** It's almost a tightrope walk from a game design perspective, right? Because on the one hand people want to play very strategically deep, complex games and with a high skill ceiling, but the more of that you do the less understandable it's going to be for the average viewer. And that sweet spot is going to be very hard to hit.

**John Kracum:** Yeah, for sure. You brought it up and I hate give them free marketing because we don't have a team, but Rocket League is an awesome game. It is easier to understand and they've done a really good job of holding their events, building their audience and marketing it. I am surprised that it doesn't have more viewership than it does...

**Nick Brown:** Mm-hmm.

**John Kracum:** ...because of that. But again, it's something where going forward, it's obviously a known issue and I would put lots of money on it affecting their game development process in a lot of cases.

**Nick Brown:** Yeah. If you guys decide you want to field the world's worst Rocket League team, Steve and I stand ready.

**John Kracum:** [*laugh*] Alright, good to know.

**Steve Blickensderfer:** We'll be your A-Team. Well, John, I think that's all the time we have today. Thank you so much for taking the time. I want to make sure to give you a second to say how people could connect with you and other things you might have going on.

**John Kracum:** Yeah! Thank you so much. So, follow us on social media. Subscribe to our YouTube channels. We have them for Florida Mayhem, Florida Mutineers, Misfits Gaming, all three. I am

@JohnKracum on Twitter, You can follow me but I'm not that interesting.

**Nick Brown:** *[laugh]*

**John Kracum:** And watch us when we play online. Overwatch league got back into action last weekend. Call of Duty league, I don't know that they've officially announced something so I'm not going to say anything here except, keep your eyes open. It should be back in action soon.

**Nick Brown:** Excellent!

**John Kracum:** And yeah, make sure you root for the Florida Misfits teams.

**Steve Blickensderfer:** Excellent. And be sure to lookout for other episodes of the LAN Party Lawyers podcast. You can check out our other episodes from season one and season two. Connect with us on [Instagram](#), Twitter or our webpage [LANPartyLawyers.com](http://LANPartyLawyers.com). We love to hear your comments and opinions about topics we cover. So, if you have any, please reach out. And until next time, game on!

**Nick Brown:** Game on!

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