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Game developers predominant role in the eSports industry

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1.1. Esports definition

- No official definition of eSports exists

Electronic sports (eSports) is defined as “competitive gaming at a professional level and in an organized format (a tournament or league) with a specific goal (i.e., winning a champion title or prize money), where players and teams are competing against each other” (Saiz-Alvarez, Palma-Ruiz, Valles-Baca, Fierro-Ramirez, 2021).

- There is no consensus about whether eSports must be considered a sport

ESports has not yet been officially recognized as sport (Chikish, Carreras, Jaume, 2021). As defined by the Oxford English Dictionary, a sport is “an activity involving physical exertion and skill in which an individual or team competes against another or others for entertainment”. “Under this definition, we believe eSports are as much of a sport as any other, and one that at the highest levels requires intense training and focus. Professional eSports teams train for up to 8 hours a day, have coaches, trainers, and nutritionists on staff, and players receive base salaries, just like any pro sports league” (Merwin, Masura, Piyush, Toschiya, Terry, Alexander, 2018).

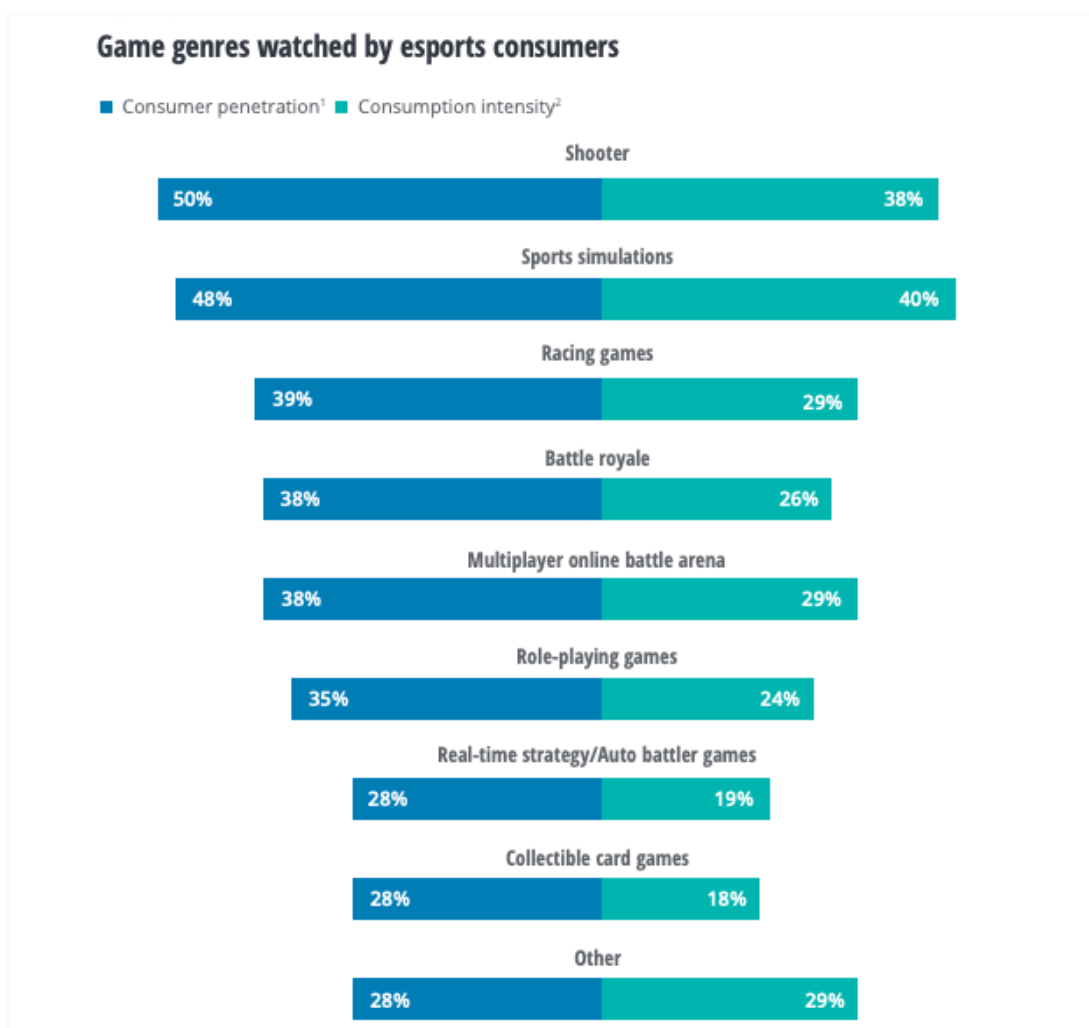
Most recently, several video games industry experts justify “the connection between competitive gaming (eSports) and traditional sports as a specific mean for defining eSports. It helps to differentiate eSports practices from other computer practices such as massive multiplayer online games (MMO)” (Scholz, Wagner, 2019).

However, eSports substantially differ from traditional sports in two aspects.

- First, there are the differences in athletes’ physicality. Jenny et al. (2017) points out that “eSports involve movements using small groups of muscles (fine motor skills), whereas traditional sports require the use of large groups of muscles (gross motor skills)”. They conclude that eSports do not require the level of physicality associated with common definitions of sports.
- Second, sport is organized and regulated by institutions. The eSports industry is governed by private organizations. “The existence of many private organizations that struggle to achieve a hegemonic role is the greatest difficulty that eSports face to achieve the institutional structure required to be officially recognized as a sport “(Jenny et al., 2017).

The term eSports must be understood as an umbrella gathering all the games that can be played competitively. “Electronic sports, cybersports, gaming, competitive computer gaming, and virtual sports are all synonyms for the term eSports” (Seth, Jenny, Douglas Manning, Keiper & Tracy, Olrich, 2017). The eSports industry gathers different type of video games categories. As observable in figure 1, the most famous eSports game genres are multiplayer online battle arena (MOBA) (e.g. League of Legends and Dota 2), first-person shooters (FPS) (e.g. Counter Strike), real time strategy (e.g. StarCraft 2), collectible card games (e.g. Hearthstone) and sports games (e.g. FIFA).

Figure 1: Games genres watched by Esports consumers



Source: Deloitte analysis, 2022

Consumer Penetration= Share of eSports audience who know the video game as an eSports title
 Consumption Intensity= Experts' opinion on whether the title will become a mainstream viewership product (100% = is already a mainstream product; 0% = no potential at all)

1.2. Research Question

How may the eSports stakeholder's indispensable (business) interdependence endanger (be a threat) the permanently rearranging digital industry?

Secondary questions :

1. Is the game developer with a league ownership able (or incentivize) to exert a "deep control" over its collaborating stakeholders through the enforcement of its exclusive intellectual property rights?
2. If such a situation is undesirable, what is (are) the solution(s) that can be efficiently implemented? and by who?

I give a short description of the main eSports stakeholders. These will be further developed in the other chapters, particularly regarding the revenues flows between actors and the predominant role of the game developer in the industry.

2.1 The game developers and publisher

The game developers also named publishers are the companies who create, develop, sell, publish, and possess intellectual property rights over the content of their video games. This stakeholder is undeniably considered as the dominant force within the eSports business. This unique position in eSports is reflected on the one hand by the control exercised by the game developers over all the other players through its intellectual rights enforcement and, on the other hand, by the flow of income from collaborating stakeholders to the game developers (Panhans, 2021).

The control exercised by game developers.

The first point will be the subject of a specific chapter. At this point, it is essential to understand that the game publisher own the exclusive intellectual property rights over any content related to its game.

Game publishers' Incomes flow.

The game publishers¹ are the only players in the sector that bring together all the types of income that can be obtained.

- Sales of the game and micro-transactions. Game publishers are earning revenues from the sales of the actual game as well as generating large income from the monetization of in-game digital content through micro-transactions (new game characters, skins, maps...) (Jacobson, 2021).
- Licensing fees. The Game developers charge a licensing fee and determine how a video game is exploited by others, including when and how the game is used. The amount paid for a license by a third party can be for as little as a few hundred dollars to several thousand or hundreds of thousands of dollars or more (Jacobson, 2021).
- Franchising fees. Sometimes, Game developers are also acting as a league organizer and have started to organize their own "franchise" leagues. These new leagues provide eSports organizations with exclusive rights to a specific geographic

¹ Some of the major game publishers involved in esports include Activision-Blizzard (creators of Overwatch, Call of Duty, StarCraft, Heroes of the Storm, and Hearthstone)-, Valve Corporation (creators of Data 2 and Counter-Strike: Global Offensive)-, Riot Games (creators of League of Legends and VALORANT)-, Microsoft Studios (creators of Halo and Gears of War)-, Nintendo Company (creators of the Super Smash Brothers series); Supercell (creators of Brawl Stars, Clash of Clans, and Clash Royale)-, Take Two Interactive (creators of the NBA 2K series); Capcom (creators of the Street Fighter series); Electronic Arts (creators of the FIFA soccer, Madden football, and NHL hockey series); and Epic Games (creators of Fortnite) and who have also recently purchased Psyonix Inc. (creators of Rocket League).^{A1} In 2018, these companies had grossed over USD 107-3 billion revenues

territory or guaranteed league “spot” in exchange for a substantial “franchise fee” paid to the game publisher (Jacobson, 2021). Following this strategy, Game developers are now able to earn new revenues in ways like how professional gamers, eSports organizations, and tournament organizers do. Needless to say, the development of these new franchise leagues has become a large income generator for these game publishing companies (Arin, 2020).

- In-game collaboration. Another unique monetization opportunity for Game developers is to directly incorporate in-game collaboration with traditional entertainment, media, and music companies (Jacobson, 2021).

2.2 The gaming talent

The second important stakeholder in the eSports ecosystem is the gaming “talent”: professional competitive players, gaming content creators and streamers, as well as announcers and broadcasters (Jacobson, 2021).

The revenue streams include a variety of sources:

- a salary as pro-player could be part of a professional team
- tournaments cash prizes
- sponsorship earnings,
- streaming revenues,
- monies received through the sale of player merchandise

2.3 The eSports organizations and teams

Like professional gamers and streamers, eSports organizations and teams earn revenue in a variety of ways. These could include a percentage of their competing team’s tournament winnings, funds from third-party investors, sponsorship and brand partnership revenues, physical and digital merchandise income, as well as streaming revenues (Jacobson, 2021). One of the most lucrative income streams for an organization is outside third-party investment into the team (Jacobson, 2021).

2.4 The Event Organizers

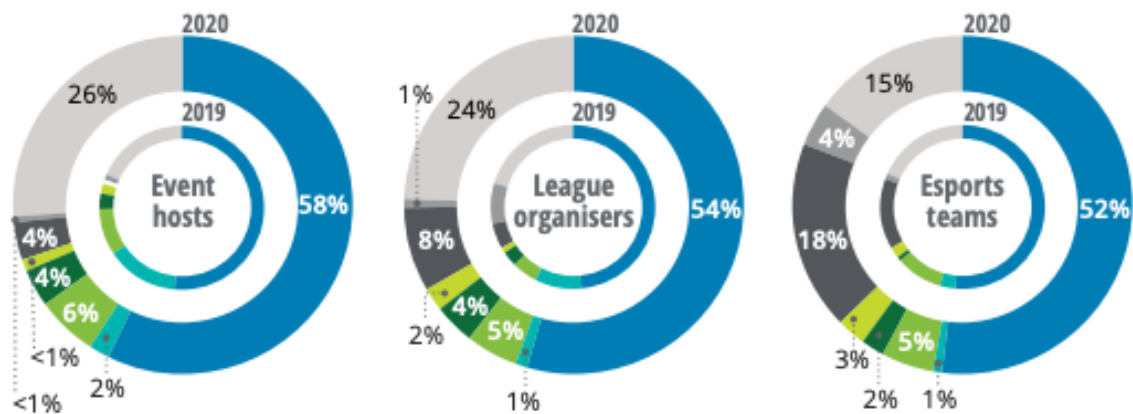
The eSports business ecosystem is made up of the event, tournament, and league organizers. These are the entities that arrange, manage, and operate the competitive gaming matches those professional gamers and eSports organization compete in. Some are international companies that run competitive gaming events throughout the globe, and some are merely regional or national-based organizations that only produce competitions within their home territory (Scholz, 2019). The revenue stream is link to the event operation income, including entrance fees, ticket sales, concession stands, event-specific merchandise and any “VIP” or fan “experiences.” (Jacobson, 2021).

The graphics hereunder bears witness of the imbalance in the revenue mix between the eSports major stakeholders.

Graphic 1: eSports main stakeholder’s revenue split in 2020

Revenue split of esports market stakeholders in 2020

- Sponsoring/advertising ■ Ticket sales ■ Publisher payments ■ Media rights ■ Merchandising
- Esports competitions (prize money; starting fees) ■ Esports-related investments
- Other income related or unrelated to esports



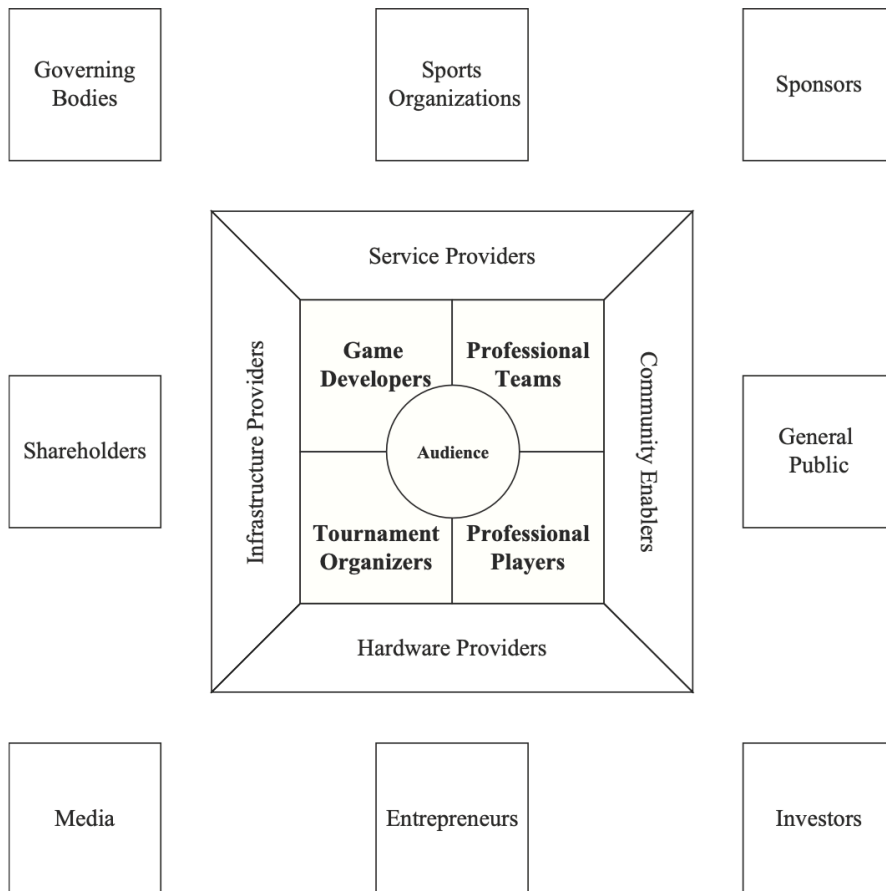
Source: Deloitte analysis.

Source: Deloitte analysis, 2021

This imbalance in the revenue mix is mainly due to the under-monetization of the audience. An abundant supply of relevant free content makes converting media content into cash difficult. Currently, the direct revenue potential from end customers is primarily limited to merchandise and event tickets, whereas access to premium content, memberships, and so on are still minor revenue sources (Deloitte, 2021). Converting end users into paying customers and diversifying revenue sources are among the critical challenges for all ecosystem incumbents. Despite the revenues growth rates, the eSports sector has shown in recent years, its market volume lags the overall gaming market or other entertainment industries (Deloitte, 2021).

The figure 2 hereinbelow gathers all the different types of stakeholders active in the eSports industry nowadays. The audience and the four primary eSports stakeholders are central while the secondary stakeholders are gravitating towards them.

Figure 2: eSports Stakeholders Broad Overview



Source : Scholz, 2019

As everyone knows, the year 2009 begins with a global economic crisis. This later badly impacted firms involved in the eSports industry. Notably the eSports sponsors. Regarded as the major source of financing, they had no other choice than reducing their monetary participations. A concrete repercussion was the reduced amount of cash prize money compared to the pre-crisis. However, this global crisis had the benefit of clearly highlighting an eSports industry weakness, the excessive dependence on external source of financing (Scholz,2019).

The value creation needed to shift to industry audience.

To capture viewers' attention and value, eSports firms must focus on 4 aspects. Namely the accessibility, the watchability, the enjoyability and the entertaining side (Messier, 2011). The necessary business shift needed to be implemented can be stated as follow: "You are not selling products to the eSports community. What you do sell is emotions. You create a bond between fans, players, organizations, and your brand that if cultivated properly is powerful enough to hold a lifetime" (Franzen, quoted in Li 2017).

At the same time, two substantial events reshaped the digital eSports industry. Firstly, the release of League of Legends in 2009 and secondly, the creation of the Twitch platform in 2011. These two events completely galvanized the industry and had a preponderant role on the business models shift towards more sustainability.

- League of Legends is entirely free-to-play and its game developer (Riot Games) is considerably supporting its eSports scene. By releasing news contents every 2 or 3 weeks, League of Legends players (amateurs and professionals) were highly entertained. Regular patches were balancing the competitive side of the game by considering the pro player's opinions. Riot Games also quickly understood the importance of a pleased community. To achieve this outcome, the American game developer made the competition viewing experience more accessible thanks to a bunch of tutorials and many other initiatives. In 2011, only 2 years after its official release, the first edition of League of Legends World Championship was announced. In 2013, Riot Games hugely stimulated its eSports scene by launching its own league competition system in the United States called League of Legends Championship Series (LCS). These numerous involvements from the game developer quickly appeal new unusual sponsors such as BMW and Red Bull. Given the proactive strategy of Riot Games towards its eSports scene, these sponsors accepted to engage unprecedented financial resources in a long-term relationship with Riot Games (The eSports observer report, 2015). Riot Games was the very first to provides stability to its eSports scene. Different eSports organizations focused their development on League of

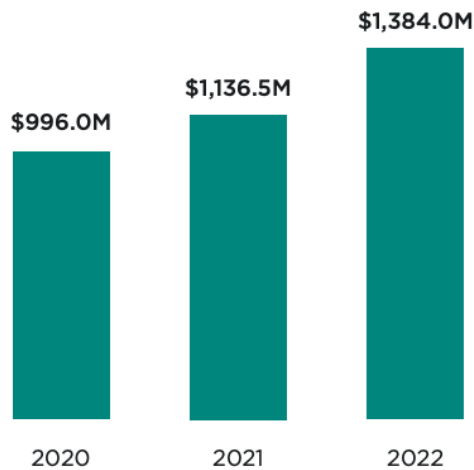
Legends as the opportunities to build a sustainable business model were multiple. For instance, thanks to the league system, pro players could receive fixed salaries (ESPN, 2017). The strategic advantage of League of Legends game was that the game developer was encouraging in a dynamic way the value creation and value sharing between all the actors of the competitive scene. League of Legends was so good at adaptation that the game is still an eSports market leader nowadays.

- The second event, the apparition of Twitch broadcast platform, is closely linked to every eSports game success after 2010. At the time, no matter the place, the eSports industry had trouble to reach its audience. Everything has changed with Twitch, an innovative online live streaming platform specialized in videogames broadcast launched in 2013. Twitch main competitive advantage is that anybody could stream almost for free. Independent and passionate commentators started to cover eSports events. Tournament's organizers were diffusing eSports matches on Twitch to gain visibility. Pro players were streaming their training sessions. In each of these cases, the community could watch the content for free, interact with the streamer and gives support by donating money. Another Twitch functionality relies in the collectable viewers information's. Streamers and developers could know the exact number of live viewers as well as other data. It gives to popular league/tournament organizers and to professional team's good arguments in the negotiation process with sponsors (Scholz, 2019).

Initiated with an economic crisis, this eSports period is marked by an eSports landscape reorganization. By understanding the importance of audience entertainment, Twitch and League of Legends can be considered as ground-breaking eSports stakeholders. In consequence, every eSports member firms were incentivized to shift their business models from sponsors to viewers driven to engender some form of profitability. By continuously improving their relations with the audience, stakeholders gravitating around an eSports title may for instance appeal truly devoted sponsors that do not want simple return on their investments but rather truly commit on their relations and want to be part of the viewer experience enhancement. This internal industry development relies on the concept of eSports business model network in which stakeholders are highly interconnected and interdependent. They must commit to each other to effectively extract profit from viewers.

As observable in graphic 2, the eSports industry will generate nearly USD 1.38 billion in revenues by the end of 2022, up from 2021's USD 1.11 billion (year-on-year growth of +16.4%) (Statista and Newzoo, 2022).

Graphic 2: Revenue Streams in the eSports Industry:

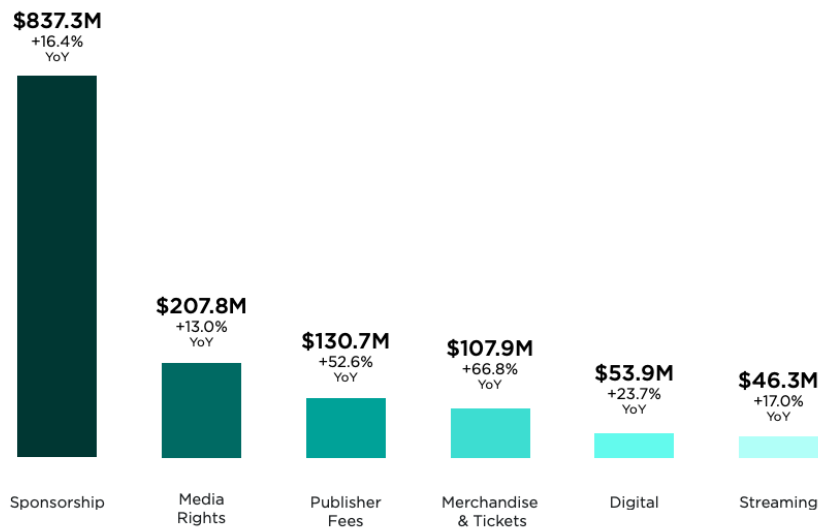


Source: Newzoo, 2022; Statista, 2022

The eSports organizations still rely on sponsorship as the primary source of revenue for their business (see Graphic 3). By the end of 2022, Newzoo expects sponsorship to account for \$837.3 million or nearly 60% of global eSports revenues (Newzoo, 2022).

Tickets and merchandise account for just a fraction of yearly esports revenues (8% in 2022) and the game publisher's revenues from legal licensing fee amount to \$130 million in 2022.

Graphic 3: eSports Revenue Streams in 2022 (USD million)



Source: Newzoo annual report, 2022

The revenues of relevant stakeholder's stem from the following streams (see figure 3):

- Sponsorships: Revenues generated through sponsorship deals by eSports teams and pro players, leagues (such as the ESL Pro League), as well as events/tournaments organizers (for example, ESL, Dreamhack events).
- Advertising: Revenues generated by advertisements served to esports viewers via live streams on dedicated online platforms as well as Video-on-Demand and TV showing esports content.
- Media rights and streaming: Revenues generated through media coverage, including all revenues paid to the event organizers, leagues, and teams, in order to secure the rights for esports content on a channel. This includes income from fees for premium content as well. In combination with sponsorships and advertising.
- Ticketing and merchandise: Revenues generated by the sale of tickets for live esports events, as well as teams and events merchandise sales (for example, caps, jerseys, and chairs).
- Game publisher fees: Revenues paid by pro teams, pro players, broadcasters or tournaments organizers to have the right to actively take part to a developer owned content.

5.1 The rise of stakeholder's own governing laws

In the eSports industry, active stakeholders are enthusiasts and highly concerned by the broad industry growth. Beyond their own economic success, they want to foster the eSports industry growth in its entirety. To achieve this general objective, stakeholders' business models are heavily interwoven (Scholz, 2019). The interactions between stakeholders are naturally ruled by unwritten but well acknowledge principles. These principles have dynamically emerged over time. They have the distinctive feature of not being enforced by any form of authority. As no one can enforce values and norms in the industry, these will be institutionalized only if they are accepted and shared by all the stakeholders for a sustained period of time. This dynamical change of shared values and norms also affect the four governing principles that will be presented in this chapter.

These four principles characterizing eSports are: (1) easy to learn, hard to master; (2) shifting metagame; (3) Wild West; (4) born digital, born global, and born agile. Even if they may significantly change in the future, their comprehension is needed to truly understand the foundations that influence stakeholders' interactions.

5.2 Easy to learn, hard to master

Easy to learn: Considering the proliferation of eSports titles and competitions, eSports viewers have the possibility to quickly diversify their consumption and preferences. It is vital for game developers and tournament organizers to provide viewers with easily watchable eSports games which facilitates the popularization of the game. Famous eSports titles such as League of Legends, Overwatch, Counter-Strike, Fortnite and many others are all consistent with this first governing principle.

Hard to master: Professional players high-skilled actions completely galvanize the audience. Players individual talent is highly relevant during competitions (Cifaldi, 2010).

The game developer stakeholder may have an essential role in the consolidation of the easy to learn and hard to master principle. Game developer actions have to be well understood and integrated in other stakeholders' business models to be as efficient as possible (Scholz, 2019).

5.3 Shifting Metagame

This second governing principle refers to all dynamical changes apply to a given eSports titles during its lifespan. The shifting metagame also concerns all the interactions between a specific audience and its related eSports game. Video games players consume games in a very dynamic way. They are constantly looking for new

in-game mechanics, news contents and appreciate regular patches that balance the game (Garfield, 2013).

The shifting metagame concept is also a good opportunity for a given eSports game to differentiate itself from other competitive video games. With the eSports industry maturity gain, eSports titles started to be updated more and more frequently. Regular patches were brought to games to fix in-game anomalies, making competitive confrontations more equilibrated and appreciable from the average viewer point of view (Hilgers cited in Ashton, 2018).

This second governing principle is more of a challenge for professional teams and players. To stay at the top level, they must constantly adapt their strategies and playstyle every time a new patch is released. The few best teams and pro players that have gathered enough information and knowledge for predicting future changes in their eSports titles have higher probability to nicely perform (Scholz and Stein, 2017).

Under this shifting metagame eSports principle, the best performing firms are the one with absorptive capacities. These capacities refer to a firm ability to recognize the value related to new information, assimilate it, and confronted it with the accumulated knowledge in order to develop innovation easily implementable in its business model. Efficient absorptive capacities will help any firm to achieve a competitive advantage (Jansen et al, 2005; Cohen and Levinthal, 1990).

5.4 The Wild West

This third eSports governing principle is a reference to the period of the American continent discovery. At the time, “ America was a wide-open land of unlimited opportunity for the strong, ambitious, self-reliant individual to thrust his way to the top” (Slotkin, 1973). The American continent was too wild for a unified governing entity to be set up. There were many local self-governed and self-organized groups of people. Fundamental laws were shared and accepted by all these self-organized groups.

The eSports industry situation has numerous similarities with the American continent during the Wild West period. Especially the low levels of governance and regulation. This governing principle is related to an unbridled form of competition (Linglz, 2016).

The Wild West is a two-sided concept for the eSports industry. The industry must be sufficiently self-organized and governed with adequate rules and institutions to be recognized by other more traditional industries (such as the Television media). The eSports industry needs other industry confidence to integrate them into their business relationships and to foster its own growth. On the other hand, given the dynamic, volatility and innovation opportunities features of eSports, the industry regulation must be flexible and permissible enough to incentivizes stakeholders’ news ideas and innovative strategies development. Copying and relying too much on traditional industries structure and regulation may be a weakening strategy for such an unstable industry.

5.5 Born Digital, born global and born agile

The fourth eSports governing principle refers to its basic foundations. The eSports industry is naturally born digital, global, and agile.

The eSports industry originates in the broad video games industry. Its development was dependent on the internet capabilities. Many eSports concepts such as playing from home against each other, or live eSports competitions commentating are feasible solely thanks to digital abilities improvement (Scholz, 2019).

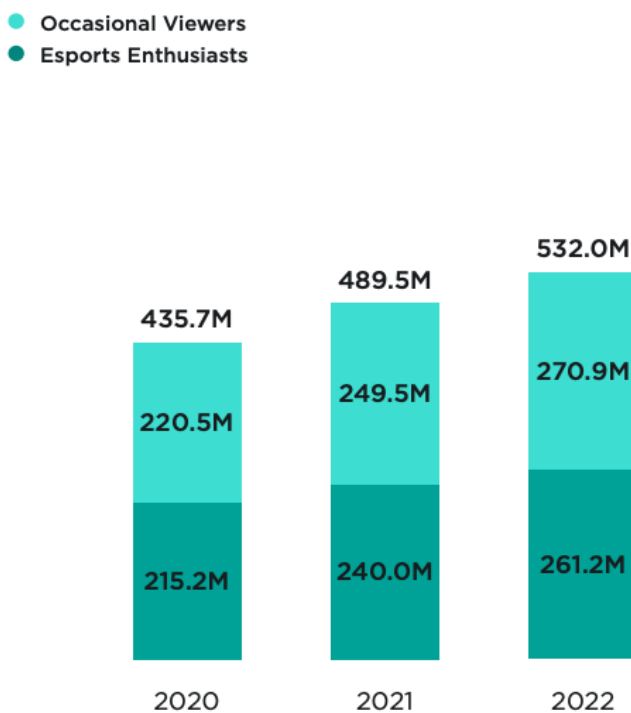
The long-lasting agility in eSports refers to the constant research and proposal of news innovative ideas by active actors. The agility in eSports refers to the necessary necessity for a given stakeholder to actively adapt itself to others stakeholder's strategical change. For example, if many pro players start to play a new competitive game, it incentives tournament organizers to organize competitions on the given new game. Change adaptation has become a decisive factor for surviving in the eSports industry.

Compared to traditional industries, the eSports one has a reverse setting. Many traditional industries develop themselves with static stakeholders trying to implement an inflexible business model. This kind of industry focus its development in a restricted region and then try to spread itself to new markets and areas. The incorporation of digital tools is perceived as a real challenge and is not a natural process. The process is the exact opposite for the eSports industry. Many eSports titles have an official international competition (such as League of Legends World Championship) but not many smaller tournaments. Consequently, there exist opportunities to reach local audience through locally organized competitions. Given this perspective, game developers and tournament organizers have created geographically limited professional eSports leagues. These stakeholders strategical positioning has foster local audience eSports competitions attendance. It also amplified a healthy competition among pro teams and pro players from different leagues (Scholz, 2019).

6.1 The eSport industry current global audience

The global esports audience will reach 532 million people by the end of 2022 (see graphic 4). The number of esports enthusiasts is set to reach 261.2 million people, while occasional viewers will make up 270.9 million people.

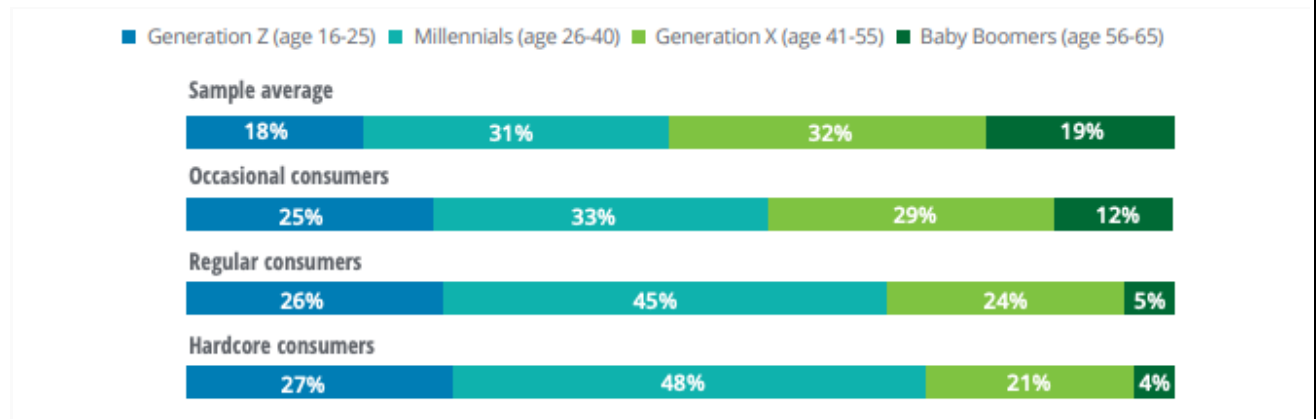
Graphic 4: esports audience growth 2020-2022 (in pers.)



Source: Newzoo, 2022

The most frequent consumers of esports are the much sought-after Millennials and Generation Z. Yet, contrary to many assumptions, it is not the youngest generation most represented but consumers age 26 to 40, who hold an above-average education and an above-average income (see graphic 5).

Graphic 5: age distribution across consumer groups



Source: Deloitte analysis, 2021

6.2 Value creation and integration in eSports interwoven business model network structure

Numerous recent papers have discussed about the business models concept (Klang et al, 2014; Zott et al, 2011; DaSilva, 2014; Foss and Saebi, 2017). What emerges from these papers is the importance of the concept in strategic management and in business areas.

David Teece resumes in his book the concept by defining business model as “a design or architecture of the value creating, delivery, and capture mechanisms” (Teece, 2010). The business model concept focus on how the value is created and assimilated by firms belonging to the same industry. It also focusses on how this value once created may be transform into firms’ revenues.

Any efficient business model must fulfill the following functions: (Chesbourg and Rosenbloom, 2002)

- A clear expression of the value proposition
- The identification of the market segment. It should be convinced by the value proposition and the associated revenues mechanism and potential

- Defining the value chain surrounding the firm proposition. This step is needed to distinguish the firm collaborators, the complementary assets and the firm specific contribution and position in the value chain.
- Based on the value proposition, the business model must precisely estimate the firm cost structure and profit potential.
- Identify the firm contribution in the broad value network and the consumers segment targeted.
- If the previous steps have been properly conducted, the firm should be able to articulate its competitive advantage deriving from its value proposition. It ensures the firm to distinguish itself from its rivals for a variable period.

Any successful company business model needs a clear planification to be implemented. But the firm strategical positioning will be display in its business model (DaSilva, 2014).

The business model is a dynamic concept.

For different reasons such as the major technological change of modification of consumers demand, a firm may significantly change its strategy. This change will obviously be reflected in its business model. According to some economists, a business model innovation may occur when new values propositions are explored (both value creation and value integration). If the business model innovation is nicely implemented by a given firm, it will generate new sources of revenues and profit. The firm challenge with the business model innovation is to dynamically align its internal activities with the constantly changing industry environment, while retaining its acquired resources and capabilities and minimizing the cost of change (Khanagha et al, 2014). If a given firm business model must adapt to its environment to survive, it means that it is linked and dependent on competitor and collaborator firms. Every firm business model is interconnected with other business models of firms belonging to the same environment/network.

For the concrete case of eSports, new secondary stakeholders have recently greatly influenced the industry shaping. By their influence, they have entered and affected the interwoven business model network structure. To recall, among these secondary stakeholders, there is entrepreneurs, media businesses, sports organizations, and investors willing to benefit from the incredible revenue's growth observed in eSport in the few last years. This enlargement of the business model network has created both opportunities and threats for every member and has led to the network structure loss of consolidation. This short-term network structure weakening is unavoidable because of the diversity of new stakeholders' strategical backgrounds. Secondary stakeholders do not have the exact same vision than primary stakeholders. As their main reason for taking part in the eSports industry is to benefit from the easily observable high economic growth, they have shorter term objectives and want to benefit from quick

returns on their eSports-related investments. But to survive, they must not position themselves in opposition with eSports core principles. In their value creation and integration processes, they must target the eSports audience, as all stakeholders do. During this period of changing eSports business model network structure, it is possible to differentiate eSports related companies based on their strategy implemented and their potential consequences on their own business models.

- “Traditional” eSports organizations that were already well-established in the industry before the “shock” of new entrants on the interwoven business model network structure. They are characterized by massive, accumulated eSports knowledge and strong sensitivity towards the goal of long-term sustained industry economic growth. Their business model is based on their co-destiny with every truly implicated eSports companies.
- Entrepreneurs often have accumulated eSports nonrelated knowledge. By understanding the particularities of eSports, they will be able to propose news innovative products or services that will increase the audience satisfaction and value. They will be able to generate profits depending on the success of their innovations.
- Media’s business often considers eSports as a diversification opportunity. They believe less in a common destiny of stakeholders as eSports is not their core business. They incorporate eSports activities in their already established business model, in the hope to extract as much revenues as possible from this diversified activity and they want to synergize eSports covering with the rest of their work.
- Traditional sports teams want to integrate online, digital, and global activities into their organizations. They believe in common knowledge between traditional sports and eSports. Such as the composition of an effective coaching staff and the management of professional sports of eSports players. This shared knowledge may help traditional sports teams to easily become successful. Furthermore, the young audience they will be able to reach towards their eSports activities may be super profitable and engender positive spillovers for their main businesses.
- Investor’s strategy is simple. They want the highest return possible on their investments. The more they are involved in the industry, the more they care about the global eSports economic growth.

All these strategical positioning significantly influence the interwoven business model and its dynamic evolution (Scholz, 2019).

Table 1 resumes how primary eSports stakeholders and newcomers' companies influence the eSports industry structure by their own business model, their distinct knowledge, and their dynamic interactions.

Table 1: Primary and Secondary eSports Stakeholders key business model attributes

	Val. Proposition	Val. Chain	Profit Potential	Val. Network	Competitive Positioning	Coopetition/Co-destiny principles
Primary eSports Stakeholders	Passionated eSports experience	Focus on the existing value chain	Modest but long-lasting profit to achieve sustainability	Central position in the interwoven network	"Gaming is the raison d'être"	Strong commitment to both coopetition and co-destiny eSports principles
Entrepreneurs	Deliver eSports unexpected innovations	Adapting to the current value chain	High costs but hope of significant profit in the far future	Searching for an ingenious position in the network	Innovation will bring the "next big thing"	Coopetition is it increase the profit potential, but no co-destiny
Medias	eSports competitions professional coverage	Integration into the traditional medias value chain	Low-cost level, Moderate profit potential	Acting as outsider, searching for a place in the network without disrupting it	Use pre-existing experience to improve eSports competitions coverage	Understand the need for coopetition and co-destiny but keep sometimes a too traditional approach

Traditional Sports organizations	Professional Conditions Improvement	Linking to the existing sport value chain	High initial cost, profit depending on performances	Acting as well-known outsider, it mostly ignores the interwoven eSports structure	Better supervision of pro-teams and pro-players	Replicate traditional sports intense competition
Investors	Provide Capital for economic growth	Dynamically adapting to existing eSports value chain	High initial cost for short-term profit	Acting as outsider, this stakeholder is active in the network by directly investing in it	"Take risks, get rich"	Cooperation when it may be profitable, co-destiny is irrelevant

Source: Scholz, 2019; Simon Dellicour, 2022

The value propositions gathered in the table above show inherent tensions between the different value chain related to the eSports business model network. Media-driven or sports-driven organizations both want to integrate their business models related to their eSports activities directly into their core activities business models. Investors and Entrepreneurs are more prompt to dynamically adapt their own business model to the existing value chain.

Secondary Stakeholders strategies towards costs and profits are also considerably different. Among them, investors, entrepreneurs, and traditional sports teams are investing enormous amount of money in the eSports industry. Investors and entrepreneurs have quite similar investing strategies. They want to reduce costs while maximizing their profits. They differ in the waiting time they accept to spend for such a result. Investor strategy is to reach a profitable level in the short term. Entrepreneurs have a more long-term view and accept to wait for an extended period before being profitable. On the other hand, traditional sports organizations heavily invest in eSports in the hope of getting a prominent and sustainable position in the interconnected eSports industry. Investors, entrepreneurs, and traditional sports teams investing strategies go against and challenge the existing strategies of primary eSports stakeholders and medias. Currently, investors and entrepreneurs have flooded the industry with money and ask for significant positive return on their investments. Most of them are not truly concerned by eSports specific features such as unwritten founding

principles that solidify the eSports peculiar interwoven business model network structure. It creates serious threats for well-established primary stakeholders. For instance, if investors are only interested and fund the top 10 professional teams of a given eSports titles, it may weaken the game competitiveness as non-subsidized pro-teams would not have enough financial resources to survive against those wealthy top pro-teams.

The only way for these new secondary stakeholders to join the eSports market without disturbing and weakening the whole eSports interwoven business model network structure is to participate to the value creation and integration processes by the monetization of the audience (Scholz, 2019). The current approach of some traditional sports organizations is to ignore the eSports interconnected network structure. They replicate their traditional sports business model in the digital and global eSports industry. By ignoring eSports peculiarities, they will not be able to efficiently respond to pro-players and other primary stakeholders demands and expectations. Such a selfish strategy is not maintainable. Traditional sports-driven business needs to take this network structure into account and find its suitable place in it. It will then be able to benefit from a long-lasting relationship with the young eSports audience.

Some concrete examples of newcomers adopting a dynamic approach concerning their positioning in eSports bear witness of a great success for those agile new stakeholders. This is the case of the French newspaper called "L'Equipe". Its core activity is traditional sports coverage. Given the strong eSports enthusiasm, L'Equipe decided to cover eSports related events a few years ago. The strategy implemented by the French newspaper was well appropriate with the interconnected eSports business model network and with the potential monetization through the audience. L'Equipe started by covering eSports competitions taking place in France. L'Equipe quickly managed to build a close relationship with pro-teams and pro-players attending those live events. It produced special reports on the best performing French players and teams. It decided to use a new distribution channel for the diffusion of its eSports related reports, Twitch. These reports were massive hit and thousands of Twitch viewers became huge fans of the pro-teams and pro-players present in the reportage. L'Equipe collaboration with professional teams and professional players was a great success and both l'Equipe and well-established stakeholders generated value by monetizing the contents through the targeted eSports audience. To conclude with L'Equipe, the French newspaper succeeded the challenge to find a suitable role in the already existing business model network structure contributes to the value creation and integration towards the audience.

6.3 the eSports interconnected network structure future potential developments

As previously discussed, currently, game developers are considered as the most influential stakeholder. This actor is the only one owning the intellectual property rights of its game. He can solely decide between developing the competitive segment of its game and enter an eSports network structure or to orientate its game as a more casual type of game. Inside the network, its bargaining power is unequalled because it is the game developers, by its eSport-oriented strategy, that created business opportunities for any other eSports related stakeholder. But the proliferation of the number of eSports titles may increase the competition among game developers and reduce their influences on collaborating stakeholders.

The eSports market will not continue to grow indefinitely.

Some eSports titles such as Overwatch have lost their hype and economic growth because the game developers (Activision Blizzard for the case of Overwatch) were enforcing too many rules. A case of abusive position of game developers can be the arrangement of professional teams and professional players into a franchise league that lock them in a static and impermeable environment. This competitive league creation tendency has grown considerably in recent years. The league slots are sold to the highest bidders for an indefinite period. Once an eSports organization gets its place in the league, it is sure to persist in this latter, no matter its results. Given the limited places, most professional teams and players are not selected for playing in the league. This lack of development opportunities for eSports stakeholders outside the league caused a sharp decline in the competitive level of pro players and teams. The audience may be not satisfied with the evolution of the in-game level and in that case will quickly lost interest in the game.

What emerges from recent surveys is that game developers implementing an eSports network domination strategy are not contributing to the shared objective of global industry economic growth as they are creating a closed and non-interconnected eSports network at the game title scale.

7.1 Defining videogames Intellectual property rights

Game publishers develop and monetize video games with the stated goal of maximizing their profits. To achieve this objective and to safeguard their digital products, they protect the content of their video games contents with a series of copyrights (Arin,2020). The components associated with the game design can also be protected through patents (e.g. specific in-game gameplay mechanics...), trademarks (e.g. game mode, the eSports title name...) and trade secrets (e.g. game matchmaking algorithm, game source code...). These three forms of game legal protections are non-exhaustive. In practice, almost all video games with or without eSports possibilities are heavily protected by copyrights (Jacobson, 2021).

Once attached to a game, copyright protects nearly every aspect of the game. From the story, its name, the specific characters, the environments and geographic locations, music, graphics but also the specific gameplay mechanics, the multiplayer matchmaking algorithm, who is allowed to start a professional career on it, as well as many other aspects (Quiles, 2022; Gregory Boyd et al, 2019).

In addition, game developer also owns intellectual property rights over every replication of its game. It covers every online utilization and performance related the game. From the entertaining live streams to the top eSports competitions (Nelson and Lawrence, 2021).

The end users (pro and casual players, eSports event organizer...) of a video game (with or without eSports potential) must obtain the necessary licensing agreement (named the End User License Agreements) from the related game developer to produce any public content on the developer owned game (Mihelin, 2020). Otherwise, when collaborating stakeholders infringe the legal rights of the developer, they become legally responsible for any damage they may cause to the game developer.

7.2 Game Developer eSports Involvement

More and more game developers are getting deeply involved in the eSports scene surrounding their games. There are different reasons explaining this strategic positioning of developers. The two major ones are the related increase lifespan of games benefiting from an active eSports scene and the developers' willingness to obtain revenues from a different source than only the sales of the game. In both cases, the game developer seeks to improve its economic situation.

In order to truly take part in the eSports industry, the game developer can choose between two highly distinct strategies.

7.2.1 Developer's own eSports league

A developer can decide to implement its own publisher-controlled league. By enforcing its intellectual property rights through numerous forms of copyrights, the game developer with this strategy is able to deeply control downstream stakeholders whose business are related to the developer eSports title. The publisher-controlled league market structure is also designated as the centralized eSports model as the game developer vertically integrates collaborating stakeholder (mainly the tournament organizer) activities into its business.

In this type of controlled eSports league, the game developer can impose severe requisites and conditions to any active participants (Harttung, 2015). The requirements imposed to any stakeholders active in an eSports league can cover countless topics. Even if they are associated or not to the same eSports title, each league has its own particular rules. From the pro player's eligibility required conditions (minimum age, in-game code of conduct...) to the pro player's salary, but also the competitive matches format, the amount of cash prize, the number of pro teams participating in the league, and many others aspects. The league of Legends European Championship league (2022) rulebook gives a broad and explicit overview of the rules enforced by a game developer. In this section, a non-exhaustive set of the most relevant and important rules imposed by Riot Games on its League of Legends European eSports league (LEC) is presented.

- Concerning the professional players, they have to fulfill numerous prerequisites in order to be eligible to join in the league. Each player must have lived 17 full years. The majority of players constituting a team must live in the geographical delimited region corresponding to their league. Each pro player must communicate their in-game account information to the league owner. By doing so, League of Legends staff will be able to check if the in-game pro player behavior is in line with the standards (no trash talk, no racism, no promotion of violence...) expected from eSports league players. If the standards are not respected, the player will not receive the necessary permission to perform in the league (League of Legends LEC Rulebook, 2022).
- Any member of a pro team coaching staff is not allowed to have an interest in more than one pro team active in an eSports league. The game developer owning the league has the right to make final and binding determinations regarding any team ownership (League of Legends LEC Rulebook, 2022).
- The broad composition of a professional team (also called a "roaster") must not exceed 20 persons. Maximum 10 professional players, a single

head coach, one team manager and the rest are people supervising pro players in various ways (League of Legends LEC Rulebook, 2022).

- An other striking rule concerns the financial compensation that any team has to satisfy. Each team has to respect the League of Legends "Team Member Agreement". Among others, this agreement obliges every team to be responsible for its staff payment. Meaning that a team finances cannot rely directly on external financing. Each team member's salary is determined by the agreement. This salary is fixed and depends on the position within the team. As example, a team head coach must earn at least €5000 gross per month. Pro players of the LEC (League of Legends European Championship league) must earn at least €1000 gross per month. This number increases by €1000 gross for every week the player has performed matches in that month. For a single league season (approximately 6 months), a pro player that has participated to at least 18 matches must earn at least €60 000 gross during that season (League of Legends LEC Rulebook, 2022).
- LEC league owner also controls the sponsors associated with each of the performing teams. If they are classified as prohibited sponsors, then the sponsorship can not be displayed during any eSports events related to League of Legends (League of Legends LEC Rulebook, 2022).
- The prize money earned by the best performing teams of the LEC league are determined as follow by the league owner:

Table 2: Prize Money of LEC Best Performing Teams (in 2022)

Position:	Prize:
#1	80,000€
#2	50,000€
#3	30,000€
#4	20,000€
#5	12,500€
#6	7,500€

Source: League of Legends LEC Rulebook, 2022

- The LEC league is considered as highly impermeable, given that any of the 10 pro teams active in league is ensured to remain in the LEC league no matter its competitive results. The reason for such an LEC team composition stability is that once a League of Legends team has acquired an expensive limited LEC slot, it is guaranteed to keep its legal license and its prominent position as long as the league subsists and if the team does not implement unauthorized misconducts. This professional team

longevity featured in the LEC is shared by many other eSports league (Overwatch league...).

This league team's stability has two important implications.

Firstly, it allows teams active in the league to implement multiple long-term strategies in its communication and relation with the numerous fans and viewers of the LEC league, but also in its construction of a long-lasting and thriving member's composition. Indeed, as pro players and related coaching staffs are not put under pressure by short-term result requirements, they may perform in a healthier eSports environment and become truly attached to their team.

Secondly, given that the LEC league is considered by the vast majority of League of Legends eSports enthusiasts as the top-level of European eSports confrontation on the quoted eSports title, it becomes a "dream to target" for any League of Legends European eSports team outside of the LEC league. This widespread enthusiasm of European teams for LEC is very beneficial for Riot Games (the game developer who owns the league). Partly because the LEC is put under the spotlights as everyone talks about it as an ultimate goal to reach (League of Legends LEC Rulebook, 2022).

The eSports teams performing under the LEC league have the possibility to sell their league slot.

The negotiation between the team selling its slot and the potential new entrant in the LEC league are closely supervised by Riot Games. The developer obliges the potential new LEC team to satisfy a set of conditions. Among others, the firm entering the league must have performed really well in a League of Legends secondary eSports league located in Europe. The team willing to sell its LEC slot often lacks of financing to pay its pro players and staff and underperforms against other eSports teams. In order to recover from this breakdown, the leaving team will almost always sell its slot to the highest bidder. The most recent sale of an LEC slot date back to 2021. This year, the team named Schalke04 (primarily active in football matches) reached a sale agreement with another team called BDS for the astronomical amount of €26,5 million (Reuters, 2021; eSports.com, 2021). According to Patrice Bailo de Spoelberch, the founder of team BDS, the acquisition of a position in the LEC league was a golden opportunity to significantly extent the team fan base to a European audience and to implement a corporate image corresponding to a famous and top-level eSport team (League of Legends LEC Rulebook, 2022).

Numerous successful eSports titles (League of Legends, Rocket League, Fortnite...) have recently changed their eSports competition encounter structure. Taking as example the competition formats of traditional sports (football UEFA Champions League, National Football League...), eSports game publishers have multiplied the creation of “publisher-controlled leagues”. A single eSports title may encompass multiple leagues. In that case, they are distinguishable by geographical delimitation and by the specific rules and requirements associated to each of them.

The arrangement of official publisher-controlled eSports leagues fits in the game developer’s strategy to capitalize as much as possible on the eSports industry rather than remaining only game producers (Arin, 2020).

The publisher is legally owning the league.

It can unilaterally impose its rules and code of conduct on any organizations active in the league. As presented above, publisher designed rules can cover nearly an unlimited number of topics.

The exclusive intellectual property rights possessed by a game developer allow it to deeply control all the conducts and decisions of organizations whose business are connected with the developer eSports title (Scholz, 2019). By monopolizing the IP rights surrounding its game, a game developer can enforce anticompetitive decisions that may be self-beneficial but not for the consumer welfare. For instance, by granting the broadcast right for the coverage of its league competitions to a single firm instead of giving this right to a plurality of broadcasting firms. Viewers belonging to minorities will not find any live broadcast channel commenting the eSports matches in their mother language (Miroff, 2019).

Moreover, this controlled league means that the developer who owns the league is organizing the competitive matches of its eSports title on a regular basis on its own. The developer is the only organizer for its game competitive matches, pushing out of the market every independent tournament organizer. The competition among tournament organizers disappears. Under a publisher-controlled league, the developer can also unilaterally decide to avoid professional teams to take part of the league, it can also ban pro players from the competitive scene if they have a bad attitude. Publishers’ predominant and inevitable position in their own game environment allows them to enjoy a very strong bargaining power against sponsors and advertisers for the negotiation of sponsorship deals (Tu, 2022).

Under this publisher-controlled league model, the publisher's motivation is rather to absorb as much income as possible from its eSports title environment. Game publishers are naturally willing to reduce competitions exposure among themselves. They want to secure a stable and indispensable position providing bargaining power against collaborating stakeholders and against competing eSports titles (Arin, 2020).

7.2.2 Decentralized eSports developer

The game developer can decide to not diversify its activities from its main function (creation of videogames contents) and to collaborate with independent eSports stakeholders for the organization of eSports events on its game. In that case, stakeholders surrounding the game naturally compete in order to get the necessary and limited game license rights (End-User Licensing Agreement). Once acquired, they are allowed to produce contents on the game in accordance to the game developer prerequisites. Tournament organizers forcefully compete for the limited and sometime exclusive access to the game publisher's licenses in order to organize the most outstanding eSports events. As IP rights access is a necessary input for the creation of eSports contents, they will work hard on improving every aspect of their competitive events to be chosen by game developers. Professional players, teams and tournament organizers have much more room for manoeuvre under this decentralized eSports market structure.

Competition is also observed among eSports game developers for the limited access to the limited and most prestigious independent tournaments and broadcast coverage. This competition among game developers is great for tournament organizer stakeholders as game publishers may be incentivized to reduce condition imposed on independent tournament organizers such as the licensing fees. Even if publishers have natural monopoly power thanks to their exclusive IP possession over their videogame contents, they cannot secure monopoly profits from self-governing tournament organizers and broadcasters that can decide to diversify their content production on a variety of competing eSports titles.

In this second developer strategy, the competencies and professionalism of any eSports stakeholders appear decisive for their success probability. As the competition is much less constrained by the game developer, viewer, pro teams and pro player's dissatisfaction will quickly push less efficient eSports stakeholders out of the industry (Miroff, 2019).

7.3 Game developer eSports monetization strategies by means of intellectual property rights enforcement

As explained in the previous chapters, eSports stakeholder's activities are highly interwoven.

Stakeholder's business interconnections create numerous complex monetization strategies and opportunities. To better understand the recent increase involvement of eSports game publishers in the industry, it is important to identify their principal monetization strategy (Miroff, 2019).

- Publisher monetization strategy with respect to broadcast medias: Asking for the payment of a licensing fee in order to broadcast publisher IP owned contents, seizing a percentage of broadcast revenues sourcing from sponsors and advertising, requiring broadcast viewer's statistics, compelling the broadcasting media to cover a niche game in order to be allowed to broadcast a popular eSports title (to benefit from positive spillover effect).
- Publisher monetization strategy with respect to tournament organizers: Charging a licensing fee to allow the tournament organizer to plan competitive events on publisher IP owned content, taking a commission on tournament advertising and sponsorship earnings, compelling the tournament organizers to cover a niche game in order to be allowed to organize competitive matches on a popular eSports title (to benefit from positive spillover effect)
- Publisher monetization strategy with respect to professional teams: charging a payment for playing on publisher IP owned eSports title, prohibiting the involvement on any other competing eSports title (to keep the most remarkable pro teams attached to the publisher game).
- Publisher monetization strategy with respect to professional players: Prohibiting the participation to any events on eSports titles not owned by the publisher, limiting the number of competitions participation, forbidding the non-official events participation and imposing restrictions on contents streamed online.
- Publisher monetization strategy with respect to sponsors: selling information about in-game players, selling in-game advertising, selling advertising on the game launcher.
- Publisher monetization strategy with respect to the audience: selling eSports-related games, selling in-game contents, selling game derivative products (T-shirt, goodies, posters...), selling game subscriptions.

7.4. Complementarity of third-party tournament and developer-controlled leagues

As explained in the previous section, numerous game developers are incorporating tournament organizer activities into their core businesses. The main reason for such a strategic positioning of game developers is the potential revenue enhancement resulting from successful eSports events.

Such diversification of activities requires huge financial investment from the developer. As a striking example, the League of Legends developer named Riot Games invests about \$100 millions yearly organizing and promoting its different eSports leagues in 2021 (Riot Games, 2021). The majority of eSports game publishers owning their own league perceive third-party tournament organizers as competitors. But according to Alexander Tu, as third-party tournaments are most of the time oriented towards an amateur eSports level, they do not threaten the potential success and the associated revenues of developer self-organized eSports events (Tu, 2021; Partin, 2019). Under a developer-controlled league, the professional teams and players never take part in amateur tournaments as they do not have the permission to play competitive matches outside of the league. Pro players clearly stand out from amateur players. Furthermore, third-party tournaments are nearly always organized on a smaller scale with a smaller audience than eSports leagues. Third-party tournaments limited visibility robustly moderates any potential negative economic effects on eSports leagues.

- Viewers of third-party eSports tournaments may spill over developer owned tournaments (Jurje Pannekeet, 2017). It seems quite consistent that enthusiast viewers that have discovered an eSports title through its amateur scene will be attracted by the developer's tournaments that gather the best players with the highest in-game level. Moreover, viewers of amateur eSports tournaments may interest themselves in eSports leagues in order to learn the most effective in-game strategies and play styles. Given these specific features, game developers active in eSports should regard amateur tournament viewers as an opportunity to increase their fanbase rather than a threat of visibility reduction.
- It is undeniable that, through their matches, independent third-party tournament organizers directly increase the hype around their related eSports games. This hype translates into a longer casual player participation in the game. For instance, because they want to test the new optimal strategy that they have discover during a competitive match. Such an amateur eSports hype is highly economically beneficial for a game developer. As a major source of game developer revenue is related to in-game micro transactions (for new characters, items and skins), casual players watching regularly pro or amateur eSports matches are incentivized to play the game in order to test the strategies they have observed. Given that these casual players increase their playing time, their probability to buy in-game stuff and the level of casual player retention are high (Pan, 2018).

- Cancelling or restricting the organization of amateur third-party eSports events is also badly received from the average viewer's point of view. Such a situation occurred in 2018 when the American game developer Epic Games decided to significantly restrict the prize pools that independent tournament organizers on any Epic Games eSports games could award to winning players. The Epic Games fan community was very disappointed with the economic constraint on the amateur eSports scene and numerous complaints were discussed on social medias. This strategy may be very harmful for the developer. When developers shut down independent tournaments, the most faithful eSports fans may be strongly disappointed, and they may lose their desire to watch the game competitions. An unsatisfied eSports community will generate less revenues for the game developer in question.

7.5. Developer downstream control via copyright

In this section, I identify three distinct anticompetitive practices related to the publisher-controlled league model. These practices are enforceable by means of developer IP rights possession and may lead to numerous market inefficiencies. By looking at the antitrust judgments and decisions towards these anticompetitive methods, potential limits and weaknesses of antitrust organizations will be highlighted.

- Territorial divisions and restriction: Learning from traditional sports leagues, publishers holding their own eSports leagues may decide to restrict their competitive leagues to a delimited geographical area. Riot Games, the owner of the renowned League of Legends eSports title possesses simultaneously several independent competitive leagues. One in Europe, one in the United States, one in China, one in South Korea... First of all, this territorial division strategy facilitates the adoption of different relevant strategies on a country or regional scale. By efficiently answering to local demand and specificities, the developer's adaptability may increase the viewer fan base and foster its profitability. Secondly, geographical limitations make the organization of physical events easier. Professional teams are located nearby and can easily confront in local stadiums. Thirdly, by creating local monopolies, a game developer implementing such a strategy might be in a position of strength in its collaboration with stakeholders and its own fan base. Among others, this territorial divisions and restriction strategy allows the related developer to efficiently price discriminate. For instance, by knowing some specific economic features (willingness to pay, average salary...) associated to the viewers of different separated leagues, an eSports game developer may be incentivized to price discriminate depending on league viewer economic particularities (Arim, 2020).

In the American Overwatch league, each professional team is allocated to a distinct city of the country. Many other eSports leagues have adopted a similar geographical arrangement. This strategical placement can increase the global audience of an eSports title by covering the country territory homogeneously instead of placing multiple professional teams in a restricted area. Furthermore, this geographical delimitation ensures teams to not face a too heavy competition among themselves for reaching local viewers. By removing the geographical positioning competition, the organizer of eSports matches can enforce supra-competitive ticket prices to access its exclusive events if local viewers truly appreciate and support the eSports team located nearby them (Arin, 2020).

Even if it is reduced by the strategy of territorial divisions and restriction, there is still some form of competition. This competition takes place among leagues of different eSports titles. Professional teams and event organizers active on various eSports titles are often located in the same largest cities. They compete for the access to a limited audience. But eSports viewers have the particular characteristic of being quite loyal to a single eSports title (Arin, 2020). Therefore, the local monopolies enjoyed by pro teams and event organizers may be maintainable for a relatively long period.

In the end, this geographical delimitation strategy related to publisher-controlled leagues creates numerous local monopolies for eSports stakeholders that may harm the viewer's global welfare if their willingness to assist to eSports events on site is high. I think that a link between this territorial divisions and restriction strategy and the Schumpeterian theory can easily be observable. As the economist suggests, if a vertically integrated game developer is able to secure a monopoly position on a delimited geographical area, it is likely to enjoy a posture of leader regarding innovation. Because it has larger financial resources than any non-monopolist developer (Baker, 2007). Local monopolists will be able to secure their position for a sustained period if they remain one step ahead in innovation activities compared to decentralized developers.

- Combined broadcasting rights and exclusive coverage: A newly antitrust preoccupation related to both traditional sport leagues and publisher-controlled leagues is the pooling of competitions broadcasting rights. Any game developer owning an eSports title whose structure is divided in multiple separate leagues can unanimously and legally decide to broadcast/stream its competitive matches on a single online streaming platform (for instance Twitch, YouTube or Facebook gaming). By pooling the broadcasting rights, the game developer aims at maximizing its revenues. This game developer often decides to sell those broadcasting rights exclusively to the biggest and well-established broadcast medias. This type of concerted actions among game developers and broadcasting medias clearly excludes smaller broadcasting firms from the industry. The direct effect of this combined broadcasting rights strategy is a sharp reduction of the competition among broadcasting firms. Regarding

traditional sports, the law is unambiguous (at least in The United States). Indeed, the Sport Broadcasting Act adopted in 1961 exclude any form of contract with pooled broadcasting rights for leagues engaged in football, basketball, baseball and hockey (Wikipedia,2022). The laws surrounding eSports are much more confused. Numerous eSports leagues take advantage of this legal uncertainty and conclude exclusive deals with live streaming platforms, potentially in violation of antitrust laws. What emerges from this part of the publisher downstream control via its intellectual property rights is that the publisher who controls a league has the ability to authorize anyone or no one to create contents on its eSports title. This dominant publisher position in the eSports environment constitutes a real threat for the consumer and its welfare (Arin, 2020).

- Tournaments dismantlement: As already explained, the game developer is unilaterally owning the intellectual property rights related to its eSports game. This IP possession gives, to the game publisher, the capacity to shut down any tournament operating without a license granted by the game publisher itself. It can reject any potential deal with the simple justification of copyright complete ownership. Given that the publisher's strategy is to maximize its game revenues and popularity through an owned league system, it has strong incentives to control any other form of competitive confrontations on its game. A publisher will likely give a license to a very limited number of tournaments when it can extract attractive licensing fee from the tournament revenues and when the tournament exhibits the developer eSports title to a larger and newly audience. The very limited number of tournaments organized on a given eSports title reduces the consumer welfare. Indeed, numerous studies have proven that eSports viewers love to attend (on site or from home) a lot of competitive matches of the game they love. A threat for tournament organizers having the legal approval for the organization of an eSports competition is that the game developer can reconsider its decision at any moment. It can shut down a tournament simply by stating the infringement of the law (Arin, 2020).

To conclude with this developer downstream control via copyright, it appears that the game developer can enforce its dominant position through its publisher-owned league structure. What emerges from these three strategic anticompetitive practices is that any publisher owning its own eSports league can enforce its intellectual property rights in an intelligent way to secure a dominant position in the industry. In the eSports context, Intellectual property rights can be perceived as a legal tool that primarily enables the centralized game developer to protect its monopolist position (leader) for a prolonged period. Such strategies reinforce the Schumpeterian idea stating that the composition of market "leaders" and "followers" is stable through time.

The developer protects its deep control sometimes by justifying its behavior with traditional sport jurisprudence, sometime through copyright laws and sometime by taking advantage of the grey area encompassing the eSports jurisdiction. Even if the anticompetitive practices of self-regulation often ultimately harm the consumer welfare, they clearly consolidate the wealth of the game developer. It strongly incentives publisher-controlled leagues to preserve the self-regulation feature of the eSports industry.

Table 3: Summary of developer’s borderline practices and their motivations

Esports Economics	Antitrust Concern	IP Mechanisms	Motivations
Territorial Division	Geographical Limits, Local Monopolies	Exclusive Geographical License	Drive Consumer Interest and Avoid Intra-League Friction
Pooled Broadcasting Rights	Limitation of Broadcasting Medias	Legal Uncertainty	Sale of Single Rights Necessary to Benefit from Copyright
Tournaments Takedown	Restricting Supply to Both Tournament Organizers and Consumers	Copyright-Based Takedown and Refusal to Deal	Defense from Infringement

Source: Arin, 2020

7.6. Problems associated with developer deep downstream control

In light of the anticompetitive practices that have been explained in the section 7.5 of this thesis, the question of letting the publisher-controlled leagues self-regulate, remains highly debated. Indeed, in this type of organizational arrangement, the developer has the ability to significantly restrict the business of any stakeholder active and dependent within its own league.

By looking at the data of the past 5 years, it appears that independent tournament organizers are surprisingly not too badly affected by the franchise league structure that characterizes the eSports industry. Over a thousand non-league related competitions are organized each year on various eSports games. This is not much more than in previous years, but these tournaments have greatly increased in visibility. This increase in popularity is reflected by the sharp increase in cash prizes (Ingraham, 2018). Furthermore, very few cases of copyright abuses condemned by legal entities have been registered (Arin, 2020). In fact, many press articles and industry experts consider that game developer self-regulation has greatly stimulated the recent revenue exponential growth of the vast eSports industry (Esports graduates to the big leagues, Deloitte Insights, 2018).

But this economic-based overview of eSports is surely too narrow. It does not take into consideration the risk at any time of copyright abusive enforcement in order to consolidate anticompetitive game developer position or practices.

On the basis of strict requests from eSports games publishers, tournaments have implemented the “winner-take-all” policy for the cash prizes distribution. The consequence of this policy is that only a very limited number of professional players and teams will earn money from an independent tournament. That being said, the great majority of pro players and pro teams are financially tied up to the developer-controlled leagues.

From the eSports game developer’s point of view, the developer-controlled league model is justified by the enormous amount of investment needed to develop an eSports title (Miroff, 2019).

Publishers justify themselves by stating that they incentives in order to develop complex video games with eSports potential. They need to extract monetary benefits from their broad eSports activities. The exclusive ownership of copyright over a game’s intellectual property is according to publishers a reward for their onerous investments. As explained in the previous chapters of this thesis, the unrivalled recent revenue growth in eSports has given eSports appetite to numerous external investors. As a game developer can enforce various anticompetitive mechanisms to ensure its financial viability, this peculiar primary stakeholder is very appealing for external investors as it reduces the risk associated with their investments. As Schumpeter suggests, the composition of “leading” developers is expected to be invariable over

time. If most of the external money is invested towards publisher, a lack of money distribution among other eSports active stakeholders will be observed. In that case, the leading developers who face close to no competition among them are incentivized to initiate a formal financial collaboration with all the stakeholders active in their league environment. Indeed, with poor budget, all the collaborating firms will produce contents of a lower quality (the quality of professional teams coaching staff may be worse than before, the related level of pro players will be weaker, audience disinterested ...). To avoid that bad scenario, the developer that has the financial means should implement a strategy (by sharing information, by providing financial assistance...) that aims at incentivizing its collaborating stakeholders to remain in the developer owned league and that allows them to grow economically. A prosperous eSports environment associated to a league will ultimately increase the average consumer welfare (Ingraham, 2018). This logic also includes profits. So, the developer needs to give incentives for stakeholders to stay on board and to increase long run profits.

7.7. The complexity associated to a single eSports title for an antitrust relevant authority

A question frequently investigated in the eSports context is the definition and delimitation of the relevant markets within the broad eSports industry. To determine if an organization carries out anticompetitive actions, or has some degree of market power, we need to define the group of eSports stakeholders whose actions significantly affect other parties.

- A too narrow definition of a relevant eSports market may be harmful for firms constituting the market. Indeed, in that case, an antitrust authority may condemn a firm for a monopoly position that does not actually exist.
- A too broad definition may lead to a misidentification of anticompetitive actions conducted by a stakeholder. In this situation, the market may remain inefficient for a sustained period as bad practices, negatively affecting the consumer welfare would not be sentenced by an antitrust authority.

In order to rightfully and rationally define a market in the eSports industry, the assessment must focus on two crucial aspects: the demand elasticity and the availability of substitutes (Mandrescu, 2018).

- Considering the demand elasticity in the eSports context, when stakeholders (viewers and to a lesser extent professional players, professional teams, and broadcasters) are easily willing to switch from one eSports title to another as a response to a price increase, then the cross-market elasticity of demand is considered as high. In that case, any restriction imposed by a game developer on its own league will incentivize the audience and stakeholders gravitating around the developer's game to take interest in competing eSports titles. As a

result of this high cross-market elasticity of demand, game developer anticompetitive decisions will not be too injurious for the audience.

The demand elasticity requirement directly highlights the associated need for substitute products. The greater the variety of substitutes associated with a given eSports title, the most likely will there be a high demand elasticity. If we take the consumer's point of view, if a wide variety of eSports titles exists, it will be easier for him or her to find a game matching his or her tastes. If a developer adopts a harmful strategy, the consumer will simply substitute its consumption for another appealing eSports game.

Nevertheless, even if many eSports titles substitutes exist, two mechanisms may explain the consumer's reluctance when deciding to switch its preference to another eSports game.

Even when different eSports titles are considered as close substitutes, the accumulated knowledge on one game is often non-transferable among eSports games. Once the tactics for a game are genuinely comprehended, a viewer's incentive to switch to a competing eSports title is significantly reduced. Secondly, the unavoidable network effect associated to any eSports titles also lowers the viewer's willingness to switch their interest from one eSports title to another. For instance, a lot of eSports spectators are attached to a specific game because their friends are also enthusiastic about the same game. They talk about the performances of the different professional teams, they play together... This kind of viewer, truly active in the scene of its preferred eSports title, can be considered as truly loyal to the game. In the end, this strong viewer's attachment allows game developers to enforce anticompetitive practices while safeguarding a relatively stable number of enthusiastic viewers.

- Generally, When the demand elasticity is high and when numerous eSports titles substitutes exist, a developer's market power and anticompetitive decisions are less likely to be condemned by an antitrust entity as primary stakeholders collaborating with the developer and consumers can use mechanisms to avoid most of the undesired effects resulting from the developer resolution.

A test often used by both European and American antitrust authorities to define and delimit the boundaries of a market is the SSNIP (Small but Significant Non-Transitory Increase in Price) test.

- The first step of this test is to gather in a group all the potential stakeholders whose businesses are tied to the same eSports title and have connections to each other.
- Secondly, the test examines if a hypothetical monopolist developer active in the market defined in the step one can profit from a small but significant and non-transitory increase in price (=SSNIP) that is economically damaging for one or

several collaborating stakeholders (for instance by increasing pro teams licensing fee). If this small but significant price increase imposed unilaterally is indeed profitable for the potential monopolist game developer, then the market definition is plausibly the right one. If not, the selection of collaborating stakeholders used to define the market in the first step is surely too narrow (Miroff, 2019).

The peculiar problem encountered by the SSNIP test when applied to eSports is the multi-sided markets that characterize this digital industry. Actually, a SSNIP test can be at the same time profitable for one side of the market and economically negative on the other side of the market. Given the numerous monetization strategies (primarily of the developer), the consideration of the intricate monetary flows must be taken into account.

As a concrete example, if we conceive that Blizzard (publisher of Overwatch and other eSports games) requires Overwatch teams to pay higher payment fees to be allowed to competitively play on one of its game, even if some teams cannot afford the rise in payment and leave the Blizzard games environment, it may still be profitable for Blizzard. But with fewer teams competing on Overwatch, some viewers will lose interest in following Overwatch matches. A decrease in the audience size is probable to lead to an associated decrease in advertising sales. In that case, the critical question for Blizzard is whether the increase revenues from a team's required payment offset or not the decrease in advertising sales. Once again, answering this question is quite complex because the decrease in advertising sales resulting from the viewership reduction depends on the eSports viewer demand substitution. If this viewer demand substitution is sufficiently low, then Blizzard strategy (SSNIP) would certainly be profitable as viewers can be considered as loyal and tied to the game.

Furthermore, what emerges from this simple and realistic example of Blizzard potential profitable strategy towards its Overwatch game is that an SSNIP strategy can be profitable at a game scale. Thus, a single eSports game can constitute an antitrust relevant market. Any game developer that knows precise information about its game audience preferences can potentially take anticompetitive decisions that will improve its profitability. If it knows that its audience is faithful to its game, it may be incentivized to implement a profitable strategy for itself while being damaging for collaborating stakeholders. The dominant and constraining position of some game developers over their eSports title environment may confer them a monopoly power. In order to promote fair and competitive markets, antitrust authority must enforce regulations at the game scale. Unless it thinks that large profits are justified to encourage innovation. Such small-scale decisions are challenging for an antitrust authority. It must remain highly flexible and dynamic in its approach.

Given the strong interconnection of business related to the same eSports game, a profitable strategy in one side of the market may be bad for the other side of the market. The stakeholders' strategic decisions on one side of the market will inexorably alter other stakeholder's performances on another side of the same market. This example points out the considerable importance of considering the inevitable network effects and platforms interconnections for an antitrust authority.

7.8. Antitrust role

Antitrust trigger concept refers to any contracts or conspiracies that unfairly restrain trade and lead to anticompetitive conducts (Zetino, 2021).

The eSports industry is not the unique industry completely dependent upon copyright protections. For instance, in the music industry, every written song is protected by a form of copyright. But this eSports industry, composed of a multitude of interconnected markets (multi-sided markets), has its own peculiarities. The most important one is probably the self-regulation feature. It refers to the game publisher ability to enforce its intellectual property rights to impose significant control over a relevant eSports market (Harttung, 2015). As previously explained, well designed intellectual property rights associated to a developer's innovation may allow it to secure a leader position thanks to its technological lead maintained for a sustained period (Schumpeter, 1965).

According to the statements of the American Federal Trade Commission, copyrights ownership in itself does not necessarily confer any form of market power or monopoly power to its owner. As a recall, the antitrust's major objective is to promote fair competition that will ultimately benefit the consumer. Antitrust authorities nearly always intervene ex post (when the innovation has been done and is protected by IP rights). It is indeed the abusive enforcement of the IP rights that triggers the regulation of antitrust organizations.

In this thesis section, we want to distinguish what kind of conducts and decisions taken by eSports stakeholders could trigger antitrust control over a specific eSports market. Given the anticompetitive practices that any game developer can potentially impose thanks to its IP ownership, this stakeholder is the most likely to be monitored by an antitrust authority.

First of all, as eSports is naturally global, with numerous geographically delimited markets, antitrust authorities have different tools depending on the jurisdiction. The United States is particularly interesting for an antitrust analysis. Indeed, three of the largest eSports game developers are native and still located in the country. Namely Riot Games, Valve and Activision Blizzard. In order to control the strategic actions taken by those three giant developers and the smaller ones, American antitrust authorities (such as the Department of Justice or the Federal Trade Commission) apply the Sherman Act (adopted in 1980) as it promotes fair competition by enforcing anti-

monopolization regulation. In the eSports context, it provides a strong defense for private or public actors unfairly injured by the conduct of a game publisher.

Section 2 of the Sherman act distinguishes specific prerequisites in order to demonstrate that a stakeholder benefits from a monopoly position (Areeda and Hovenkamp, 2011).

- 1) First, the stakeholder enjoys a monopoly power in an antitrust relevant market.
- 2) Secondly, the stakeholder actively acts in order to hold its monopoly position in the defined market.

As discussed in the previous sections of this chapter, given the unilateral possession of intellectual property rights, the game developer may fulfill the two quoted prerequisites over a single eSports game. Game developers often take advantages of a monopoly power over the eSports market enclosing their competitive game.

We must be careful with the interpretation of game developer's IP rights unilateral ownership. The American Supreme Court and Department of Justice have stated that IP rights do not always create market power in the antitrust context (U.S. Dept of Justice & Fed, Antitrust Guideline for the Licensing of Intellectual Property, 2017).

Antitrust experts Phillip Areeda and Herbert Hovenkamp summarize clearly the idea with the following statement: "market power cannot be inferred, even presumptively, from the possession of intellectual property" because "[a] trademark, copyright, or patent excludes others from duplicating the covered name, word, or product (etc.) but does not typically exclude rivals from the market" (Areeda and Hovenkamp, Antitrust Law: An Analysis of Antitrust Principles and their Application, 2002). An antitrust authority will intervene if a game developer releases a game which copy the features of an already existing game (too close substitutes). This being said, antitrust authorities should be regarded as competition disrupter. Antitrust authorities allow intense competition (or weak competition) among game developers as long as their games are not imitating other's work.

A publisher's IP monopoly control over its game is not necessarily associated with any form of monopoly power over the antitrust-relevant market. Game developers' major argument in favor of IP rights monopoly ownership is based on the required necessity to recoup the huge development and innovation costs by charging prices insuring profitability. Without the availability of close substitutes, such a developer's recoupment strategy will inexorably lead to some degree of market power (Katz, 2016).

Numerous game developers have vertically integrated collaborating stakeholders (mainly broadcasting firms and tournament organizers). They often strategically use their IP rights ownership over their core business to foster the development of some specific activities.

Under this logic, an increasingly common practice of developer-controlled leagues is to obligate all the stakeholders (viewers, pro players and pro teams, advertisers, sponsors, independent broadcasters) gravitating around its game to take part in the developer owned tournament system. The publisher uses an inescapable tying product (its own eSports game) to enhance and consolidate its position in a related tied market (eSports events organization). Because it can harm every stakeholder attached to this developer-controlled league, there is a five-factor examination to evaluate if the developer's tying arrangement constitutes an abuse of developer monopoly position and if it is considered as illegal (Ahlborn, 2004).

- (1) The tying and tied product are split apart
- (2) The potential monopolist enjoys market power in the tying market
- (3) The tying strategy constitutes a constraint for market stakeholders
- (4) The tying arrangement prevents the development of businesses which would exist without this coercion
- (5) Any procompetitive argument in favor of this tying strategy is outweighed by the negative effects on collaborating stakeholders.

This five-factor test is not easily achievable in eSports because of its multi-sided market natural property.

In its simple form, the tying strategy happens when a given agent takes advantage of its control over a tying product to force the buyer to purchase an additional product that he does not want to acquire or might have preferred to buy elsewhere (Jefferson Parish Hosp, 1984). It is the same agent who is compelled to buy both the tying and tied product.

In multi-sided markets, such as eSports, the buyers of the tying product may not be the same as the buyer of the tied product.

In the eSports context, imagine that a single game developer has a monopoly over its game Z. By means of its monopoly power, this game developer is collaborating with numerous independent stakeholders (tournament organizers, professional teams and players, broadcasters) by granting costly renewable licenses. Implying that in order to foster its profitability, game Z developer wants to actively take part in the growing eSports industry and decides to organize all the competitions related to its game Z on its own. Broadcasting firms can be forced to pay an extra amount of money to cover the content created directly by game Z developer. Professional teams and players also have to pay game Z developer in order to simply play on its game but also to access its exclusive competitions. Any viewer interested by game Z competitions has no other choice but to watch the developer's own tournaments. Considering sponsors and advertisers interested in targeting game Z audience, they have to negotiate deals directly and only with game Z developer.

What emerges from this scenario is that all the stakeholders whose businesses are gravitating around game Z become completely dependent upon the developer's willpower.

In this realistic example, the game developer exclusive control over a tying product (its game Z), allows it to pressure downstream stakeholders to buy a tied product (Game Z eSports content). It constitutes a damaging constraint for pro teams, pro players, broadcasters, sponsors and advertisers as their content production is deeply managed by the game publisher. These stakeholders might prefer to conclude deals with independent tournament organizers, but it is no longer possible given the fact that the game publisher has vertically integrated tournament organizers' activities.

The three first factors of the five-factor test are undoubtedly demonstrated by the preceding sentences.

For the two last factors, as the publisher has the ability to oblige the stakeholders active in its game downstream market to purchase and negotiate the rights to produce eSports content on the publisher's game, it forecloses the totality of its game market. To recall, market foreclosure is observed when a dominant firm prevents access to a crucial product it produces, with the tacit intention of enlarging its monopoly power from that section of the market to an adjoining section (Rey and Tirole, 2007). Furthermore, given that all the eSports stakeholders tied to the game developer have lost the possibility to do business with independent tournament organizers rather than with the publisher, the foreclosure aspect of the eSports content complies with the coercion component of the five-factor test.

Most of the time, game developers use two principal procompetitive arguments to support their deep control strategy and their position consolidation.

- First, the game developer revenue enhancement resulting from eSports collaborating stakeholder's vertical integration allows it to recoup the game production costs. According to this argument, vertical integration is needed ex-ante to incentivize publishers to conceive expensive eSports games. Publishers defending this argument assert that they would not develop their games unless they are insured to be able to use their IP rights to monopolize the eSports content production and to economically benefit from their indispensable position. They defend the possibility of charging supra competitive prices as a necessary condition to be incentivized to invest resources in the expensive development of eSports games.
- Secondly, game developers vertical integration and the associate deep control concept enables this stakeholder to be more efficacious in its innovation activities. If it can take advantage of a market amelioration, it will be the one extracting most of the economic benefit accompanying this market improvement. It incentivizes the game developer to not restrain too much the innovation process of competing developers. Indeed, it could be super profitable to implement others innovation in its own controlled eSports league.

This argument is in favor of both viewer and pro player's welfare. By promoting its vision through the game but also through activities linked to the game (for instance by launching news merchandises that directly make reference to the biggest tournaments), the developer might be in the best position for the implementation of any events associated with its own game. The game developer can gather players and viewers's information directly through its game but also through its complementary eSports activities. This enormous amount of information allows the game developer to perfectly anticipate and respond to consumers' demands and tastes.

According to the supporters of a decentralized eSports model, this improvement-incentivization argument fails to be rational from an economical perspective. Indeed, publishers are naturally incentivized to continuously improve their games after their release. By doing so, they will captivate the interest of new potential paying players and eSports viewers while maintaining entertained long-standing players (and viewers). All players's profiles (well-established, new, potential participants) are significantly more incentivized to buy the game or to make in-game purchases when the game is frequently updated with for instance the release of new contents (new maps, new skins, new characters...). Despite the increase of in-game transactions (non directly related to eSports), the continual improvement of an eSports-related game also has the desired consequence of extending the average tournament's viewership. As previously explained, a larger eSports audience enables the game developer to negotiate more profitable deals with advertisers and sponsor partners.

7.9. Antitrust as the most relevant entity to regulate eSports and promote fair competition in the industry

The fundamental question is to evaluate if the the anticompetitive decisions of the game publisher should be permitted or not. In other words, if it falls "within the scope" of its legal intellectual property rights or not. To effectively answer this question, we need to compare the relative benefits resulting from the publisher IP rights enforcement and antitrust policy evaluation of the publisher's behavior.

The Antitrust law suits the eSports industry the best as it promotes a flexible way of regulation. It draws the borders of regulation while giving enough space and capabilities to the market to solve difficult and specific concerns related to eSports league structure. Given the multi-sided market associated to a single league, providing a set of laws that can be used intelligently to dynamically solve different problems that arise over time may be much more effective than attempting to design ex ante inherent static solutions that characterize traditional governance approach.

According to Miroff (2019), it really is the adaptability of antitrust laws that make the presence of fair licensing strategies possible for which game developers and tournament organizers support each other and have incentives in common (Miroff,2019).

What emerges from concrete eSports stakeholders' conflict is that antitrust authorities clearly require a publisher that seeks to vertically integrate tournament organizer activities to keep offering IP licensing contracts at a fair price to any tournament organizer that has remained independent (= publisher horizontal competitor). If this requirement is not respected, the game developer will face antitrust liability. A fair price should be just high enough to enable the developer to recoup its game development costs and to create incentives to keep innovating while maintaining eSports industry stakeholders interested in taking part in the publisher-controlled market and keep the viewers entertain. Nevertheless, it might be difficult to find optimal ex ante innovation incentives if the current innovation probability of success is uncertain. The expected profits, that must take into account the possibility of failure, need to be larger than the R&D costs.

In order to create an environment that efficiently deals with game developers' anticompetitive conducts, eSports expert Laura L Chao suggests implementing a "pan-eSports governing body" with the stated purpose of protecting consumers, players and teams from developers' anticompetitive practices. This "pan-eSports governing body" has to formulate a set of standardized rules intended to defend the three stakeholders quoted in the previous sentence. Of course it could be appropriate for the developer-controlled leagues model in which the game publisher can easily reduce the competition by monopolizing and deeply controlling different activities. Laura L Chao also underlines that this eSports unique governing body must be independent and composed of delegates from the different active stakeholders (Chao, 2017).

Developing uniform rules and requirements (such as league pre-approval conditions, uniform contract requirements, uniform membership fee, player registration...) for the global eSports industry is an extremely complicated challenge, given the hundreds of games played competitively and thousands of players competing at thousands of tournaments each years.

But the inescapable issue with such a traditional unified governing body, specific to the eSports industry is that any publisher annoyed by the governance imposed standards that promote other stakeholder's satisfaction rather than itself may unilaterally decide to not conform itself and reject those recognized rules and requirements.

The KeSPA (Korean eSports Association)-Blizzard conflict case is without doubt the perfect example for such a situation. In 2010, the Korean national eSports governing entity lost a legal confrontation for the regulation of the Blizzard game StarCraft

licensing fee. At the time, Blizzard decided to severely limit the broadcast permission for its game while drastically raising the licensing fee. The KeSPA was in favor of a natural and unconstrained competition among broadcasting firms to access the coverage rights of competitive matches and decided to legally pursue Blizzard for anticompetitive and harmful conducts. The KeSPA lacked of potential punitive action towards Blizzard anticompetitive strategy. With the threat of Blizzard opting-out of the Korean eSports industry, the publisher had much more bargaining power during the proceedings and no sanctions were taken against Blizzard company.

Game developers possess the totality of the intellectual property rights over every element of their own games.

In its own specific environment, a given game publisher can enforce its IP rights through multiple actions and strategies often at the detriment of collaborating stakeholders.

Given the specificities associated to any eSports game environment (developer position, stakeholder's relations...), the complex multi-sided market structure and the new and dynamic characters of eSports, the best suitable way to regulate is surely to make case-by-case antitrust analysis.

This case-by-case supervision does not mean that an eSports governing entity cannot base its control on unchangeable fundamental principles.

Harttung and Rogers (2019), two economists specialized in eSports topics, both consider that the fair use principle should always and automatically be attached to any publisher licensing agreement. The fair use principle's purpose is to significantly reduce the publisher's deep control over downstream primary stakeholders through its IP rights. Rogers suggested a system in which tournament organizers can legally call for the fair use principle in order to negotiate licensing rights and "protects the interests of all stakeholders in order to do the most total good, rather than protect the publisher above all else" (Roger, 2019).

From one perspective, this fair use principle may be extremely difficult to be effectively implemented. Because it becomes necessary that the antitrust authority assesses with precision the complex cost-benefice structure of every eSports member affected by the licensing contract between the game developer and the tournament organizer in question.

From another perspective, this fair use founding principle can, by itself, incentivize games developers to stop imposing anticompetitive decisions to downstream dependent stakeholders. They may fear the economical condemnation if they violate this legal principle. If developers collaborating stakeholders can develop their businesses in a more expedient environment, they will have higher probabilities to increase their economic wealth. To remain flourishing in the future, these stakeholders gravitating around an eSports game developer will be incentivized to increase their R&D investment as they do not fear to be exploited by a developer that respects the fair use principle.

8.1 Motivation of eSports competition-innovation complex relationship analysis:

The two highly distinct developer's strategies to actively take part to their eSports title environment will significantly influence the broad market composition and competition (Scholz, 2020).

The interesting question investigated in this section concerns the dynamic and complex relation between the eSports market structure (composition, concentration, competition...), the degree of IP protections and the innovation rate. On the basis of two opposite well-known macroeconomic theories (Schumpeter monopoly innovator and Arrow Replacement Effect), I will confront the developer-controlled-league model with the decentralized eSport model.

The striking example of the League of Legends European eSports League (LEC) multiple rules enforcement has demonstrated that under the publisher-controlled league structure, any game developer is exerting much more control over its collaborating stakeholders compared to a developer implementing a decentralized eSport structure.

The publisher that controls an eSports title is always and unilaterally granting the necessary legal rights to a very limited number of collaborating eSports stakeholders (teams, players, broadcasters...). This statement is true for both the decentralized eSports structure and for the centralized one.

But, in addition to the vertical integration of downstream stakeholders (tournament organizer and/or broadcasting medias), the specific eSports league structure is characterized by a relatively stable member composition and is almost entirely unaffected by external shocks. The different eSports leagues (Overwatch league, League of Legends European eSports League, Fortnite Champion Series...) active today are highly differentiated both in terms of IP rights enforcement (rules, license and patent protection...) and in terms of eSports viewers perception. Every eSports league is always controlled by a single game developer. The previously quoted properties of the eSports league structure grant a permanent dominant position to the related developer. By providing exclusive licensing arrangement to few eSports active stakeholders tied to a delimited geographical area, the developer operating under an owned league is creating local monopolies (Jacobson, 2021; Arin, 2020).

8.2 The eSports game developer innovation-protection strategies

Regarding the optimal level of IP protections attached to the newest innovations (both vertical and horizontal innovation type) of eSports game developer, is it more profitable to promote a strong protection strategy or to implement a more permissive strategy? An important feature associated with every game developer possessing or not its own eSports league is the protection associated to their innovations. As a concrete example, if a game developer has been able to integrate virtual reality peculiarities in its eSport live event, its innovation is exclusively accessible to the developer's collaborating stakeholders (pro teams, pro players...) and to its viewers but any usage of the innovation outside the league is completely forbidden by the innovation's legal protection (patent...).

In this section, I tell the difference between two different types of innovation. This distinction is needed to assess if the variation of the strength of the innovation's intellectual rights protection strength may differently affect firms' incentives to invest in these two innovation categories.

- 1) Vertical innovation: It refers to an innovation that improve the quality of an already existing one.
- 2) Horizontal innovation: It concerns innovations that expand the variety of products. A horizontal innovation can be interpreted as products enlargement (Chu, Cozzi and Galli, 2012).

Thanks to legal protection (patent, license...), a given firm can protect its invention against imitation and subsequent innovation (Chu, Cozzi and Galli, 2012). Sometimes, these legal protections give almost the entire control to the patentholder to further improve its innovation. In that case, competing firms interested by the innovation and willing to further improve the innovation are constrained by the blocking patent and cannot conduct such vertical R&D activities related to the patented product. Blocking patent restrict any further improvement on the legally protected innovation by seizing as much profit as possible from new, quality improving innovation (Chu, Cozzi and Galli, 2012).

There exist two opposite views regarding the degree of patent protection effects on an industry broad R&D investment. The "old approach" refers to the idea that strong patent protection linked to an innovation will improve the value for the patentholder. This agent will be incentivized to invest in horizontal type of innovations (new products). But another argument argues that too strong patent protection against future innovations will decrease the broad industry innovation. If it finds the strategy profitable, the patentholder can decide to abuse from its position by catching the surplus from subsequent innovations rather than working on the improvement of its innovation. Concretely, the patentholder require any new innovator to transfer a considerable share of its profit to be authorized to perform quality-improvement type of innovation (harden blocking patent).

The conclusion that draws from the confrontation of the two quoted arguments is the presence of a tension between maximizing incentives for vertical innovation on the one hand and maximizing the incentives for horizontal innovation on the other hand (Chu, Cozzi and Galli, 2012).

To incentivize a new innovator to conduct R&D activities oriented towards the improvement of an already patented technology (vertical innovation), the legal system must allow the new innovator to reap all the benefit from its own innovation. But if the optimal strategy in an industry is to maximize the incentives to horizontally innovate (new product with new patent), it necessitates a profit-division system that systematically grant almost the entirety of the profits to the previous innovator.

These two confronting strategies (maximizing horizontal innovation incentives or maximizing vertical innovation incentives) are reflected by the strength of the innovation legal protections. The direct effects of strengthening the legal protection on an existing innovation are the stimulation of horizontal innovations (variety expansion) and the stifling of vertical innovations (quality improvement). Furthermore, the social welfare will be positively impacted by the development of new product varieties. Despite the enhancement of social welfare, strong legal protection (for instance strong blocking patent) has the unwanted effect of decreasing the economic growth (because few patentholders discourage other firms from investing in vertical innovation). The optimal design of patent protection should precisely consider the balance between social improvement and the weakening of the economic growth both related to innovation (Chu, Cozzi and Galli, 2012).

8.3 The role of patent protection duration on the incentives to innovate vertically and horizontally

The duration of an innovation legal protection will modify the broad industry innovation rate through the following mechanisms:

- 1) If the intellectual property rights (for instance patent) protect the innovation (horizontal or vertical) for a long period, it incentivizes the monopolist game developer to delay its research and development (R&D) investment until the end of the protective period (Parra, 2019). Indeed, it is ensured to earn profits until the end of the patent protection duration. Even if some degree of IP rights protection is necessary to stimulate innovation activities, the risk associated with a long timing of protection is the appearance of the Arrow Replacement Effect (Arrow, 1962; Parra, 2019). Indeed, as the developer is already guaranteed to earn considerable profit for a sustained period, further R&D investment will be delayed towards the end of the IP protection period.
- 2) The new entrant firms in the industry will also be incentivized to diminish their own innovation investments (the vertical type of R&D activities) if

“leader” innovation intellectual property rights are protected for a sustained period. If the forward protection (the degree of enforceability of the latest innovation against future innovations) of the leader’s current innovation is sufficiently high, the direct effect on developers classified as new innovators is the increase probability of infringement on the existing IP protections surrounding the leader’s essential innovation. If a follower infringement occurs, a license fee must be paid by the infringing follower to the damaged leader. This licensing fee amount to the leader’s profit loss (Parra, 2019). Followers implementing this strategy usually believe that the leader’s innovation is vital for their own business growth and decide to internalize the cost of replacing the leader (Parra, 2019). Given the resources allocated to the acquisition of the leading firm innovation, developers exerting such a strategy have too little financial means to invest in further R&D activities as they are financially constrained. What emerges from this follower infringement process is that the Arrow effect reverses itself: When a leader innovation legal protection against future ones is adequately high (strong forward protection), entrants have smaller incentives to invest by themselves in R&D activities. However, the cost of infringement is variable. The leader’s loss of profit resulting from the infringement decreases when the innovation legal protection expiration date approaches. The licensing fee that an entrant has to pay decreases through time.

When an incumbent innovation IP protection has expired, everyone can make use of its innovation (let’s say a new game) at no cost. Any game developers can organize contests on the developer owned game, pushing the game developer profits to zero. In other words, when the patent of the incumbent has expired, the incumbent loses its profits and incremental profits from innovation increase (Horowitz and Lai, 1996). When an innovation legal protection timing is getting closer to its expiration date, both innovation incumbents and entrants’ willingness to devote resources to R&D activities is expected to be enhanced. For the entrant because it does not have to pay licensing fees anymore and for the incumbent due to the Arrow replacement effect. At the end, both followers and leaders are incentivized to invest in innovation activities when the legal protection expiration date is imminent (Parra, 2019). What evidently emerges from these 2 mechanisms is that the IP rights protection policy implemented by a game developer has a very important impact on the magnitude, timing, incentives to innovate and its related potential leadership durability in the eSports industry (Aghion et al, 2005; Parra, 2019).

8.4 Schumpeter competition-innovation theory in the eSports context

According to Joseph Schumpeter (1942), the proliferation of developers enjoying a monopoly position over its eSports environment may enhance innovation in the broad eSports industry. The Austrian economist supports a two-step theory suggesting that monopolists will innovate more.

He defends his theory with a temporal argument: When a firm anticipates that the acquisition of an ex-post monopoly position depends upon its ex-ante innovation activities, it will be incentivized to innovate more. In other words, Schumpeter defends the idea that it is the anticipation of a future monopoly position after having innovated that encourage a given firm to invest more in R&D activities (Crepon, Duguet, Kabla, 1996).

The second conjecture of Schumpeter's theory suggests that once a firm has secure a monopoly position on its related market, this firm will be better equipped (enormous internal monetary resources, better skilled workers...) to undertake innovation activities than smaller firms active in the same market (Belleflamme and Vergari, 2011).

The economists supporting the rightness of the second Schumpeterian conjecture mainly give the following arguments:

- The financial consideration: a firm benefiting from strong market power has enormous internal funds that can support its R&D activities. It is not constrained by the reliance on an external investor.
- Secondly, the monopolist firm under Schumpeter second conjecture will not face competition when it performs innovation activities in its proper market. In that case, the efficiency effect will be the main driver for the monopolist R&D activities (Gilbert and Newberry, 1982).
- Thirdly, a large size monopolist with diversified activities is more likely to benefit from the suppression of any hold-up effect, positive spill-over effects and positive scale economies from its innovation activities (Crepon, Duguet, Kabla, 1996). It will be the case if, for instance, the different departments provide additional information to each other.

The correctness of this second conjecture is controversial among economists. For instance, the Arrow replacement effect (1962) goes in opposition with Schumpeter second conjecture. It refers to the idea that a firm holding a monopoly position will be discourage from investing in further R&D because the gain associated with new innovations will only replace current profits (Crepon, Duguet, Kabla, 1996).

Economists supporting the Schumpeterian view also claim that under specific conditions, a monopolist is incentivized to defend and preserve its dominant position by legally protecting its new technologies (with patent, licensing...). The monopolist's

economic interest is to preserve status quo in innovation. Given the motivation of securing a potential dominant position in their markets, few firms will be able to acquire such a position thanks to their significant R&D investments. An adequate implementation of legal protection will make the persistence of monopoly power possible for a sustained period (Gilbert and Newberry, 1982).

When firms with strong market power are easily distinguishable from others (for instance few firms hold the vast majority of the patents related to the market technologies), Schumpeter separates them in 2 categories, the “leaders” and “followers”. His second conjecture defends the idea that the ones enjoying a monopoly position will inevitably make the first move in innovation given their tremendous financial resources available. The followers are firms that do not enjoy any monopoly position. Their limited financial means is a constraint and prevent them from conducting the latest innovation. Given their lag time in innovation, followers will rather use their economic wealth to catch up their technological lateness and have no resources left to invest in new technologies (Belleflamme and Vergari, 2011). The inability of followers to carry out the most advanced innovation added to the leader’s legal protection on their innovations explain the persistence of a leadership monopolized by a small number of firms holding a dominant market position.

When I confront the Schumpeterian theory (first conjecture) to the eSports industry, it stands out that the eSports game developers (Riot Games, Valve) who were the first to implement a league structure were incentivized by the potential acquisition of an increased market power and the associated monopoly profits. I classified this eSports market structure innovation as a horizontal type of innovation (variety expansion). Indeed, the developer owned-league market structure cannot be considered as a simple improvement of a previous eSports market structure but can be regarded as a new and unusual way of organizing eSports matches. As the previous discussion on the incentives to vertically or horizontally innovate suggests, by firmly protecting its eSports league market structure (blocking patent), a game developer is able to prevent any other game developer from improving the quality of its patented eSports league model.

Publishers controlling their own eSports league are classified under the second Schumpeterian conjecture as “leader” category of innovator as they perform under a monopoly market structure. As many eSports leagues exist on various eSports titles, multiple monopolies persist at the same time. These small monopolies are always associated to the environment surrounding a single eSports title owned by a developer. According to Schumpeter second conjecture, once this position is acquired, these “leading” developers will always make the first move in R&D activities, and they will always introduce to the eSports market latest innovations.

Decentralized game developers cannot reproduce the exact same eSports league model than the ones already implemented by competing developers. The eSports existing leagues are protected by numerous legal protections (patents...) that forbid

any reproduction. As discussed previously, these legal protections also demotivate any improvement by firms that doesn't own the league by making quality improvement innovation unprofitable (blocking patent). Decentralized developers will be incentivized to invest in horizontal innovation (product variety expansion). According to Chu, Cozzi and Galli (2012), if the strategy of eSports game developers towards their innovations is to strongly protect them (blocking patent...), eSports viewer's welfare will be enhanced by the numerous releases of new variety of products (new games...). On the contrary, the economic growth of the eSports industry will be negatively impacted by the release of strong legal protection (for instance blocking patents).

A firm easy technique to measure its innovation incentives is to calculate the difference between the profit that it would make by acquiring the innovation and the firm profit without the investment for the innovation. Bearing in mind that publishers who own their eSports league can monopolize their own league's further quality improvement by implementing strong patent protection, I want to ascertain under which circumstances the innovation incentives are optimal.

- First of all, as the primary goal of a firm's innovation activity is to significantly increase its profit, Kamien and Schwartz defend the idea that a firm already enjoying a monopoly position will be incentivized to both intensely protect its latest innovation and to invest a share of its profit in innovation activities in order to keep its dominant position and to continuously reap some profits (Kamien and Schwartz, 1982). Kamien and Schwartz's argument must be nuanced. Depending on the context, monopolists have sometimes lower incentives to follow-on R&D (game improvement) due to the Arrow replacement effect. However, granting monopoly power can encourage the first innovation (the game invention).
- The developers who control the league associated to their eSports title always include in their common strategy the vertical integration of downstream stakeholders (mainly tournament organizers but also sometime the live broadcasting and commentary activities). The direct effects related to this vertical integration strategy are the consolidation of the game developer's positioning in the broad eSports industry and the implementation of an eSports environment characterize by a reduced exposure to competition. By having innately access to an extra amount of information about the viewer's expectations, game developers may be super efficacious in integrating other eSports stakeholder's activities into their business, ultimately leading to a substantial increase in profitability for these eSports titles developers. The proliferation of vertically integrated publishers owning their own eSports league may lead to a situation where two distinct groups of eSports games developers share the eSports industry: the ones with enormous financial resources characterized by a publisher-controlled-league market structure and the ones

with significantly smaller means always associated to a decentralized eSports market structure. This clear separation of developers into two categories concurs with the Schumpeter second conjecture view of market 'leaders' and "followers". Another advantage of the vertical integration linked to the developer-controlled league is the cancellation of any positive externalities for competing eSports title developers. Indeed, by not contracting with independent tournament organizers for the organization of competitive events, the competing eSports titles publishers do not capture any positive externalities from the great popularity of those public events. G.Mankiw defines the concept of externalities in his book "Principles of Economics"(2016) as follow: "an externality arises when a person engages in an activity that influences the well-being of a bystander but neither pays nor receives compensation for that effect. If the impact on the bystander is adverse, it is called a negative externality. If it is beneficial, it is called a positive externality". In the other case (decentralized eSports structure), when multiple developers rely on the same independent tournament organizer for their eSports events, there are high probabilities that viewers from one game spill over their watching time to other eSports contents displayed by the same tournament organizer. Is this true both for live and online eSports. The presence of numerous eSports titles in a tournament may be advantageous mostly for little-known games as they benefit from more popular games viewership. What emerges from these positive externalities benefiting mainly tournament organizers (also game developers to a lesser extent) under the decentralized eSports structure (=developer non-controlled league) is that the economic wealth of tournament organizers increases when they enjoy network effects resulting from the multi-sided constitution of the broad eSports industry. A significant share of these externalities are anticipated by eSports stakeholders and are reflected in the licensing fees. Thanks to these anticipations, a small game developer might have to pay a larger fee to participate to the most popular independent tournaments and to be able to get the viewers of famous games. However, the famous game developers might be compensated for these positive "externalities" through the payment of smaller fees.

Vertical integration naturally incentivizes a firm to carry out both vertical and horizontal innovation activities (Liu, 2016). Indeed, the direct effect resulting from a vertical integration is the improved coordination within the integrated firm (which explains the developer strategic positioning consolidation). This improved coordination effect arises thanks to the elimination of the hold-up problem (by collaborating internally, the different departments active within an organization are not scared to truly cooperate as the shared information will not leave the vertically integrated organization boundaries. The consequence of the elimination of the hold-up effect is the increase innovation incentives both for the game developer and its integrated downstream stakeholder.

Nevertheless, the increase of incentives to innovate from vertically integrated developers must be nuanced. When innovation profitability increases due to vertical innovation, there might be more ex-ante incentives to introduce a new game (horizontal innovation), but maybe lower incentives to create follow-on innovations (continuous quality improvement of the new game).

A second positive and unavoidable consequence of vertical integration is related to the greatest financial resources available for, among other, innovation investment. This only matters under financial constraints. Innovation investments are strategic substitutes by nature because they represent financial constraints. Small and independent firms will not be capable of investing as much as large integrated firms (Liu, 2016). To conclude, a firm profit enhancement following a vertical integration strategy is higher when both upstream and downstream innovation activities are pertinent (Liu, 2016). This is due to the increase coordination effect and the information sharing inside the firm.

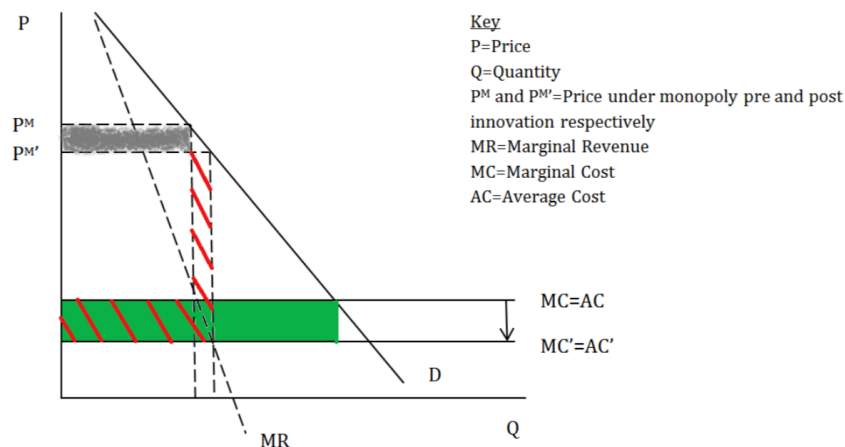
8.5 Arrow competition-innovation theory in the eSports context

The Schumpeterian theory suggesting that most innovation in an industry is undertaken by firms characterized by some degree of monopoly power has been highly debated. According to Arrow (1962), the Schumpeter second conjecture is not correct. Arrow's key argument that contradicts the Schumpeter theory of innovation "leader" and "follower" is called the "Replacement effect": the innovation activities (both vertical and horizontal R&D) of a market monopolist will, at best, "replace" an existing profit by a larger one (Belleflamme and Vergari, 2011). In other words, the Arrow "Replacement effect" explains that for any level of ex-post profits earned from an innovation, the incentive to innovate is a decreasing function of the pre-innovation (ex-ante) profits (Fossett, 2020).

Arrow shows mathematically that a monopolist has less incentive to innovate than any firm under a perfect competition market structure. He assumes in his model that the benefit resulting from an innovation is the reduced marginal cost of production. He demonstrates that a monopolist profit increases when reducing its marginal cost is smaller than for an enterprise that initially operates under perfect competition and then gains market power due to the innovation. Arrow replacement effect is easily observable on the figure bellow. Thanks to its new innovation, a perfectly competitive firm will charge a price equal to its previous marginal cost (MC). Such a price will keep competitors out of the market, while making the innovation profitable. This firm will be able to respond to the demand of the whole market and to earn some profit for the first time. This innovation earning is represented by the green zone. The monopolist's innovation gain is mitigated. The small production cost reduction (from PM to PM') has a positive impact on its profit but as its product price remains high, only a small fraction

of consumers is willing to buy its expensive product. These two opposing effects are represented in the figure by the red zone minus the grey shaded area (Capleton, 2019). What emerges from Arrow “Replacement Effect” and the figure bellow is that firms competing fiercely (“followers”) that are not yet active in the market are more incentivized to invest in the newest innovations than monopolists (“leaders”) given their higher earning potentials.

Figure 4: Arrow Replacement Effect



Source: Capleton, 2019

I now want to confront the Arrow theory with the eSports industry. As for the Schumpeterian theory, any developer controlling its own eSports league can be considered as a developer that have introduce a profitable vertical innovation. The new monetization possibilities and its monopolist position enforceable on its league participants enable the league-owner developer to be more profitable. Decentralized developers are not benefiting from the league structure innovation. They are maybe not working under a perfect competition market structure, but they are significantly closer to this situation than the few big and centralized developers. According to the previously quoted argument of Arrow replacement effect, monopoly power deters innovation (Acs and Audretsch, 1988). Concretely, in the eSports context, the Arrow theory translates itself by low incentives to do follow-on innovation (vertical innovation) for “leading” firms. This effect intensifies with the magnitude of the lead (Kiedaisch, 2015). To recall, a league owner ex-ante profits reduces its incentives to invest in further R&D activities that may enhance it ex-post profits.

Conversely, If I assume that decentralized developers are operating in a competitive environment that do not enable them to earn profits (ex-ante profits are null), the possibility to earn profit in the future (positive ex-post profits) will undeniably significantly incentivized them to invest in follow-on R&D activities. When the incentives to innovate are high enough for the decentralized developer, its decision to

invest in vertical or horizontal types of innovation will depend upon the strength of patent protection (length and blocking patent) related to the previous innovator.

If a league owner patent protection is severe (long protection duration and strong blocking patent), then a decentralized developer willingness to improve further the league model of a competitor is very low but its motivation to conduct horizontal innovation (new product, new variety) will be substantially higher. The inverse mechanism will be observed if the league owner patent protection is permissive.

For the decentralized developer, both of these innovations could lead to the creation of some profit (that did not exist before). In other words, a “follower” developer innovation may make a large difference in its economic prosperity. The closest followers will be to a perfect competition structure, the more optimal will the level of innovation be (Arrow, 1962).

As abundantly explained, eSports game publisher deeply controls the market linked with its eSports game and the stakeholders active in this environment. By monopolizing the IP rights over its game, the developer has the power to decide who can produce contents on its game and under which conditions. Publishers whose strategy relies on a virulent control over collaborating independent stakeholders (broadcasting medias, tournament organizers, pro teams and pro players) leave them in a compromising situation with very few prosperous business perspectives.

An important outcome of chapter 8 is related to the influence of a patentholder on competing developers. By fixing its innovation legal protection strength and length, the patentholder will either incentivizes other developers to further improve the innovation (low level of protection will foster vertical type of innovation) or to invest in the development of brand-new products (high level of protection will encourage horizontal type of innovation).

Moreover, a single developer innovation strategy does not only affect competing developers' business model but also the level of satisfaction of eSports consumers as well as the future growth in the industry.

No matter the theory (Arrow or Schumpeter) considered, the primary goal of innovation activities is to reduce the exposure to competition and to secure some profits. This objective is quite consistent with the decision of some eSports game developers to implement a controlled-league structure. The developer owning an eSports league will differentiate itself from others by legally prohibiting any identical reproduction of its league structure. The section 7.3 (Game developer eSports monetization strategies by means of intellectual property rights enforcement) and 7.5 (Developer downstream control via copyright) bear witness of the potential revenues enhancement associated with the arrangement of a league system.

By enforcing its intellectual property rights in various way (tournament dismantlement, territorial division, strict rules imposed on pro-players...), a league-owner developer is both able and incentivize to exert a "deep control" over any stakeholders active on its league.

The predominant role of the developer over its league is not always negative for its members (pro-player, teams, and broadcasters). As different league rulebooks grant high rewards to the best performers, best performers will receive enormous cash prizes for their good results. But these league members

must understand that their survivability within an eSports league entirely depend upon the league owner decisions.

The dominant position enjoy by games developers may lead to harmful decisions that may trigger antitrust authorities. Antitrust laws turn out to be the best legal way to manage the dominant position of eSports game developers. Indeed, by applying these laws in an clever manner, a regulation entity is able to deal with uncommon anticompetitive conducts without eliminating incentives to create and continuously improve eSports games.

In this highly dynamical industry where new eSports titles are launched every year, the adaptable antitrust method is certainly the best suited to enforce a fair and efficient market competition. The configuration of a traditional unified eSports governance body has failed in the past and still does not fit the complex structure of the current eSports industry (Miroff, 2019).

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