

DENTONS' BIG BET ■ MANAGING ON THE FLY ■ HOW LONE-WOLF LAWYERS LOSE

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A man with grey hair, wearing a blue pinstriped suit, white shirt, and patterned tie, is smiling and holding a basketball in front of him. The background is a solid blue color.

GAME ON!

Sports law has entered the big leagues, propelled by multibillion-dollar media deals. A look at the top-bracketed players.

Proskauer's Joseph Leccese represents the National Basketball Association and many other leagues.

Surge in Sports Megadeals a Boon to Proskauer, Others

Brian Baxter

Joe Leccese distinctly remembers the break that launched his sports law career.

It was 1987, and Leccese (pronounced le-SEZ-ee) was a first-year associate at Proskauer Rose, a firm renowned for its work advising sports leagues and their constituent teams. At the time, young lawyers looking to dodge the typical associate drudgery with a coveted sports assignment had to hope for a piece of a contract dispute.

As a summer associate, Leccese had done some work for the National Basketball Association, a key Proskauer client. But after a federal clerkship he chose deal work over litigation, and he thought his NBA days were over. And then a funny thing happened on the way to the men's room.

Proskauer partner Harvey Benjamin, who would later become a top NBA executive, bumped into Leccese in the hallway and asked him to come along to a high-level meeting at the league's New York headquarters. The topic was the NBA's proposed expansion into four new markets: Charlotte, Miami, Minneapolis and Orlando.

The combined \$130 million price tag for four professional sports teams was unprecedented. Leccese spent the next five months hammering out details of the expansion, from lining up ownership groups for the new teams to negotiating terms of the financing to build arenas once the franchises took the court for the 1988-1989 and 1989-1990 NBA seasons.

"That deal formed the thread of my career," says Leccese, now chairman of Proskauer and co-head of its sports law group, during a recent interview at the firm's New York headquarters in Times Square.

But the NBA's four-city expansion was more than just Leccese's big break; it was a harbinger of the current era in pro sports, where deals have become even bigger. Today, it's not just the game on the court, field or ice that matters, but also regional, national and global media rights that have fueled multibillion-dollar megadeals and have made Leccese's NBA work a quarter-



Joe Leccese

Photo by Matt Furman

century ago seem almost quaint.

While litigation still drives much of the legal work in sports, large firms are vying for their share of new deal work that has helped make sports law increasingly lucrative. "There are only so many clients out there," Leccese says. "So there's a lot of competition."

Meet the All-Stars

Of all the lawyers laying claim to a piece of the global sports universe, Proskauer's Leccese is the top dealmaker.

A Queens, N.Y., native who now resides in northern New Jersey, Leccese, 54, says he grew up a rabid sports fan, reading the New York Daily News "back to front." He played basketball and football, but his sports career stalled at the junior varsity level. "I played long enough to know that my athletic abilities would not be enough to sustain me going forward," he quips.

His contacts have sustained him. Besides the NBA, Leccese has represented clients in almost every major league in North America, including the Association of Tennis Professionals Tour, Major League Baseball, Major League Soccer, the National Hockey League, the

National Football League and Nascar. Last year he and Proskauer, which also counts the collegiate Pacific-12 Conference as a client, lent some of the firm's New York office space to help the Big East Conference as it sought to reorganize its operations in 2013.

Leccese was at the table during some of the biggest team sales in history, including the \$1 billion sale of the NFL's Cleveland Browns in 2012 and the \$1.4 billion sale of the NFL's Buffalo Bills last fall. He also helped Major League Soccer secure a \$720 million media rights deal in 2014. Leccese is the only current Am Law 100 lawyer to have made the cut of the Sports Business Journal's 50 most influential people in sports (at No. 36).

BIGGEST DEALS OF THEIR DAY

The recent sale price of the Bills eclipsed that of the Eagles, even taking inflation into account. The Bills are in a far smaller market, too.

\$185m

in 1994
(Philadelphia Eagles)

\$1.4b

in 2014
(Buffalo Bills)

of player lockouts that in recent years extracted league-friendly terms from unions in the NBA and NFL.

But other prominent firms also compete with Proskauer. Covington & Burling, DLA Piper, Foley & Lardner and Skadden, Arps, Slate, Meagher & Flom are Am Law 100 firms with strong sports litigation and corporate bona fides. Winston & Strawn has been the top Am Law 100 advocate for union interests, while Williams & Connolly advises on behalf of individual players.

Other firms, including Akin Gump Strauss Hauer & Feld; Gibson, Dunn & Crutcher; Katten Muchin Rosenman; Kirkland & Ellis; Latham & Watkins; and Paul, Weiss, Rifkind, Wharton & Garrison, are also making their mark in the sports market; many hope for bigger roles. "We have good relationships with people at the leagues and hope that as they expand they'll want another firm in the rotation," says Robert Haymer, a Latham corporate partner.

A surge in deal work

Sports law is a niche, but it has the reputation of being enviable, if high-pressure, work. Its lawyers come to know larger-than-life personalities, and their offices are decorated with autographed balls, framed jerseys and other memorabilia—and then there's the access to all those primo sports tickets.

Leccese's three daughters "never thought anything their dad did was cool," he says, until they realized he

could get tickets to practically any big event on the sports calendar.

Big deals are also fun to pull off, sports lawyers say. "People generally like to do these deals," says Gibson Dunn corporate partner Richard Birns, who joined the firm's New York office last year from Boies, Schiller & Flexner, where he handled the \$320 million sale of the NHL's New Jersey Devils in 2013. "They're newsworthy and a good recruiting tool for associates and clients."

In the world of pro sports, five distinct groups need legal representation: leagues, teams, networks and sponsors, bankers and other financiers (public or private), and the unions representing players.

Litigation will continue to be a big component of sports law so long as leagues and players unions negotiate age limits and salary caps and as team owners battle over franchise relocations and broadcast rights. But increasingly, deal work has begun to take center stage as broadcast and cable networks pay record-setting sums in media rights fees. Live sports is one of the few types of programming that remains "DVR proof"—no respectable sports fan is going to tape a game to watch later just to be able to fast-forward through the commercials—and allows networks to command premium advertising rates. That has provided robust revenue streams for sports leagues and their member teams, money that finds its way to their legal advisers.

Last year, for example, Leccese and Proskauer corporate partner Wayne Katz led a team from the firm representing the estate of Ralph Wilson Jr. on the \$1.4 billion sale of the NFL's Buffalo Bills to shale gas billionaire Terrence Pegula. Forbes valued the Bills, which Wilson bought for \$25,000 in 1959 and which play in the NFL's second-smallest media market, at \$870 million prior to the sale.

Team sales require multiple layers of negotiation, first with the counterparty seeking to buy or sell a particular franchise and then with a particular league and its owners, in order to secure their approval. Leccese says the complexity of such deals has made clients more demanding of their outside firms. "They've become increasingly sophisticated consumers of legal services, so you need to have the full array of skills to offer them," he says. That includes lawyers who understand corporate, commercial real estate, intellectual property and tax law, particularly as it applies to the pro sports industry.

Often, a deal's price tag has no relation to a team's performance on the field. In 2011 Leccese took the lead for owners paying \$680 million for MLB's Houston Astros and \$760 million for the NFL's Jacksonville Jaguars, two franchises that have fallen on hard times in recent years. But teams in top leagues themselves don't come up for sale every day, so there's a built-in premium for people who want membership in such an exclusive club, Leccese says.

Rather, media rights are often a driver of deal size. In 2011, Leccese helped the Pac-10 Conference (now the Pac-12) close a 12-year, \$3 billion media rights deal

with ESPN and Fox Sports. Different leagues and conferences allocate their media money to member teams and universities in different ways, adding layers of complexity that has helped fuel soaring franchise valuations and has provided profits for Am Law 100 firms.

"Technology makes these deals much more complicated than they used to be," says Covington corporate partner Douglas Gibson, who started doing work for the NFL during his first year at Covington in 1990 and began counseling the NHL four years later. "Teams and leagues want to monetize their content across multiple platforms—online streaming was almost nonexistent a decade ago."

Last fall Gibson and fellow Covington corporate partner Peter Zern helped the NBA secure a nine-year, \$24 billion broadcast rights agreement with ESPN and Turner Broadcasting System, just days after counseling the NFL on an eight-year, \$12 billion extension of its Sunday Ticket television package with DirecTV. The latter deal was instrumental in AT&T moving forward with its \$48.5 billion takeover of DirecTV, which awaits federal regulatory approval.

In late 2013, Gibson and Zern took the lead for the NHL as it announced a 12-year, \$4.9 billion media rights deal in Canada, where hockey is religion. Gibson says that once you do a few deals involving sports finance, media, M&A and sponsorships, it's not too long before a call comes for another one. He credits Covington's longtime relationship with the NHL and the NFL (the latter's former commissioner Paul Tagliabue is senior of counsel at the firm) with introducing him and Zern to other industry contacts.

Gibson and Zern are among the few who rival Leccese in orchestrating big sports deals, having counseled clients in most of the major leagues, the U.S. Tennis Association, the Ultimate Fighting Championship, the U.S. Olympic Committee and numerous collegiate conferences. Last year, when the NBA sought to find a new owner for the Los Angeles Clippers after then-owner Donald Sterling was taped making racist comments, it was Gibson who got the call to advise former Microsoft CEO Steve Ballmer on his \$2 billion acquisition of the team. (Leccese took the lead for the league.) It helped that Covington had also done work for Microsoft.

"Everybody knows everybody in this business, and word of mouth is critical," says Katten's sports group head, Adam Klein, whose first sports deal was negotiating a contract with Ron Karkovice, a backup catcher for MLB's Chicago White Sox, a team owned by former Katten tax partner-turned-businessman Jerry Reinsdorf. (He also owns the NBA's Chicago Bulls.)

For more on leagues and their Big Law ties, [click here](#).

Klein, whose office is decorated with jerseys bearing his name for each of the teams he's sold over the years, says he has represented prospective owners who saw a deal in one league fall through, only to subsequently secure another deal elsewhere as a result of the contacts they made the first time around.

Women and minorities are hard to find among the lawyers representing leagues and teams. On the players side, the field is more diverse. Wm. David Cornwell Sr., head of the sports group at Gordon Rees Scully Mansukhani, is a prominent players lawyer. And Michele Roberts, executive director of the NBA players union and a former Skadden partner, and DeMaurice Smith, who leads the NFL players union and is a former Latham and Patton Boggs partner, are other prominent African-American lawyers in pro sports.

Avoiding conflicts

"You have to choose whose side you want to be on in this business," says Leccese, who notes that Proskauer lawyers don't represent players. Most other Am Law 100 firms in sports law also want to be on the side of the deeper pockets of the leagues and the teams.

Here's a list of some of the fees firms have been paid.

Even so, sometimes problems arise. Proskauer last year was alleged to have a conflict of interest in its representation of MLB and the Washington Nationals in a dispute between the team and its local rival, the Baltimore Orioles, over revenues from a regional sports network. Proskauer has denied the allegations, and the litigation between the network, the Nationals and the league continues.

Covington's team-side M&A work is limited to the NBA and MLB, given the firm's close relationships with league management at the NFL and NHL, Gibson says. In January 2013 Gibson advised Time Warner Cable on an \$8.35 billion media rights deal with MLB's Los Angeles Dodgers. Only a few months earlier, Covington served as special media rights counsel to the team as it was sold out of bankruptcy for \$2.15 billion. Covington obtained a conflict waiver from the team to advise Time Warner Cable on its TV deal.

The small world of sports lawyers and legacy relationships between leagues and their outside firms mean that with a few notable exceptions, lateral hires are relatively rare.

Christopher Brearton, Joseph Calabrese and Robert Haymer are the exceptions. They recently joined Latham in a high-profile move from O'Melveny & Myers, where they worked on sports, media and entertainment deals. Latham, unlike Proskauer or Covington, hasn't traditionally had ties to any of the major sports leagues, and wants to leverage its entertainment and media expertise into doing more team and league work, Calabrese says.

A key client of the new Latham team is the International Olympic Committee, whose \$4.4 billion broadcast rights deal with NBC O'Melveny negotiated in 2011, a client relationship that Calabrese says stemmed from the late Warren Christopher, a former O'Melveny chairman and U.S. secretary of state.

Brearton, a former University of Georgia swimmer who helped carry the Olympic torch in 2010 on the outskirts of Vancouver, says his group is tapping into Latham's network of capital markets, finance and M&A

lawyers to examine opportunities to expand their practice. And Haymer, who in recent years advised clients on the \$800 million sale of MLB's San Diego Padres and the \$377 million purchase of the NBA's Memphis Grizzlies, says his team has already been brought to six pitch opportunities for clients looking to go public. Latham will continue to advise NFL players, just not on matters that are adverse to the league, Calabrese says. While Latham doesn't do work directly for the NFL, the firm is involved with a group seeking to bring a team to Los Angeles, a city the league left in 1995.

Brearton, Calabrese and Haymer say entertainment deals and sports deals are different in big ways, of course, but also in very subtle ways. Among entertainment executives, showing up for a meeting 15 minutes late is on time. In sports, be there five minutes early.

Besides Latham, firms such as Gibson Dunn, Kirkland and DLA Piper have made notable lateral hires to ramp up their transactional expertise. Gibson Dunn hired Richard Birns—who says about a third of his practice involves sports M&A—last summer, and Kirkland snagged McDermott Will & Emery private equity partner Ryan Harris shortly before Thanksgiving, about a month after he advised an investor group that agreed to pay \$250 million to build a stadium and acquire the rights to an MLS expansion franchise in Los Angeles.

In 2010, DLA Piper poached stadium finance expert Peter White to co-chair its global media, sports and entertainment group. White, a 57-year-old former hockey player, avid surfer and Long Island native, touts DLA Piper's recent role advising the Premier League on its \$7.8 billion media rights deal with Rupert Murdoch's Sky network and representation of the NBA's Atlanta Hawks on an expected sale of the team that could fetch between \$700 million and \$1 billion. (A deal had not yet been announced at press time.)

Looking ahead

Ever-bigger deals will mean more negotiations among leagues, teams and players over each side's fair share.

"The recent increase in franchise values are a reflection first and foremost of the incredible players who the fans pay to see and the broadcasters pay to cover," says Jeffrey Kessler, chair of the antitrust practice and co-chair of the sports law group at Winston & Strawn. The top Am Law 100 advocate for players' interests, Kessler has for 30 years battled lawyers from Proskauer and other firms representing leagues in antitrust litigation—the backdrop for many a player lockout and collective bargaining battle. "This is not lost on the side of the players, who deserve and expect to share in the increased economic success of the leagues," he says.

Another brewing controversy involves stadium financing and construction. The Supreme Court of Georgia heard arguments in February by plaintiffs opposing public funding for a new \$672 million stadium for MLB's Atlanta Braves in suburban Cobb County, a deal brokered by DLA Piper. Moreover, the Obama administration's federal budget includes a proposal to close loopholes for municipal stadium finance.

Foley & Lardner sports industry co-chair Irwin Raij, a former Clinton administration official who helped bring the Washington Nationals to the nation's capital a decade ago, believes that cutting off public funding is a mistake.

"Many of these facilities are community assets," says Raij, speaking from Honolulu, where he's advising local authorities on a plan to replace or renovate the city's historic Aloha Stadium. "People have an emotional stake in these projects, which have become too big to proceed without some public investment," he says.

Last year Raij, a Miami native, made the switch from adviser to owner by taking small stakes in the new MLS expansion team in Los Angeles and a Dodgers minor league affiliate in Oklahoma City. Teams in smaller leagues in the U.S. and overseas are becoming the new bargain buys for American investors as the valuations for franchises in larger leagues continue to soar.

But expect to see larger sales, too, sports lawyers say. "I think you're seeing a lot of multigenerational families that have owned some of these teams start to think about sales," says Kirkland's Harris. While previously at McDermott, he advised the Tribune Company in 2009 on its \$845 million sale of MLB's Chicago Cubs, their historic ballpark Wrigley Field and a 25 percent stake in the team's regional sports network. "It's hard to justify a business case for some of these transactions, but I think as we see prices get into the billions, we're going to see more non-U.S. ownership of teams, as well as increased private equity investment," he says.

The Cubs are now worth an estimated \$2 billion, according to the Sports Business Journal, something that Harris sees as a sign of things to come. But despite concerns about a potential bubble in valuations, lawyers such as Proskauer's Leccese believe that expansion into new media markets in Europe, Asia and elsewhere will allow leagues to continue finding new revenue streams for growth.

In January, the NBA announced a new digital partnership in China with Tencent Holdings Ltd., making the growing online media giant its exclusive partner in the country. The NBA handled that deal in-house, but a link to an Am Law 100 lawyer wasn't hard to find. David Shoemaker, CEO of NBA China, once worked as an associate at Proskauer.