SAUL EWING

Esports and the Law



News, case summaries, articles, and strategies concerning esports and the law

Betting on the Future: Riot Games Balances Revenue and Risk in Gambling Sponsorships

By Jeffrey Levine, JD, PhD - Associate Clinical Professor, Department of Sport Business Esport Business Program Lead, Drexel University

n June 26, 2025, John Needham, Riot Games' President of Publishing & Esports, announced that the company would reverse its longstanding prohibition on gambling sponsorships (Needham, 2025). In an open letter, Needham explained that betting operators would now be permitted as sponsors for tier-one League of Legends and Valorant teams. He justified the move by pointing to the

immense unregulated betting market already surrounding Riot's titles, estimated at \$10.7 billion in global turnover in 2024. Since Riot had previously been excluded from both the revenue opportunities, Needham argued that embracing esports gambling would allow it the ability to shape standards and provide oversight within this space.

Riot's reversal comes after years of resisting the growing trend of betting sponsorships in esports and reflects a broader industry shift. The company

See GAMBLING on Page 10

Artificial Intelligence Creates Real Litigation as Disney Sues Midjourney for Copyright Infringement

By Professor Robert J. Romano. JD, LLM, St. John's University

n June 11, 2025, Disney Enterprises, Inc, together with several of its affiliates (Marvel Characters, Inc., Lucasfilm, LTD, and Universal City Studios, to name a few), threw Thor's Hammer down and filed suit in the U.S. District Court, Central District of California, against one of the leading artificial intelligence (AI) image generators, Midjourney, Inc. The two count, one-hundred-andforty-three page complaint, which includes numerous images of Star War's Darth Vader and Yoda, various Simpsons characters, and Marvel's Spiderman, Hulk, Black Panther, and Iron Man, amongst others, claims direct and secondary copyright infringement in that Midjourney went Rogue and reproduced, publicly displayed and distributed Disney's copyrighted works in violation of Section 106 of the Copyright Act.1

For those of us over the age of thirty

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who don't know who Midjourney is or what it does, it is a company that has established an AI tool which allows a user to create realistic images from written text descriptions, or what is referred to as "prompts". That user can basically describe any image he or she wants, and Midjourney's AI system generates a graphic in an assortment of styles, such as realistic, painterly, or cinematic. The AI service runs as a "bot" on what is known as the "Discord" platform that allows

See AI on Page 12

¹ Case 2:25-cv-05275 Document 1 Filed 06/11/25.

Esports and the Law

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Editor's Note

ambling and Lawsuits and Scholarships, Oh My"

Another summer has come and gone, but another fall and winter of esports is charged up and ready to play. We have already seen some blockbuster games released this year, including Clair Obscur: Expedition 33, Death Stranding 2: On the Beach, and Donkey Kong Bananza. One of my personal favorites this year was Indiana Jones and the Great Circle, and I am very excited for the 'sequel' to Ghost of Tsushima coming in October, Ghost of Yotei. Big games can invigorate the entire industry, and that may be just what is needed after a series of canceled games and workforce reductions over the past year.

Two of the bigger stories of the summer were Microsoft ending its years-long clash with the Federal Trade Commission over the Activision Blizzard merger, and Riot Games opening up Valorant and League of Legends to gambling sponsorships. In this issue, we examine the potential long-term impact of these changes on the video game industry at large.

We also saw some key litigations filed over the summer, including Nintendo going after Switch 2 accessory manufacturer Genki, and Disney bringing suit against artificial intelligence image generator MidJourney, over the ability of the software to generate near identical depictions of famous characters like Darth Vader and Captain America. We also saw Motorsports Games (developer of NASCAR video games) prevail in a

securities fraud suit filed by a former minority shareholder.

On the college front, Rochester Institute of Technology joined the growing number of colleges with esports scholarships, and Southern Methodist University investigated how ChatGPT can be used to give Non-Player Characters (NPCs) in games more realistic reactions and dialogue.

We look at all these stories, and interview my friend and colleague Aloke Chakravarty, regarding his time as a state and federal prosecutor, his work in cybersecurity, and his experiences representing sports teams.

As always, Excelsior!

Darius C. Gambino, Editor-In Chief.



Motorsport Games Inc. Victorious Against Innovate 2 Corp

By Stephanie Barnes

In March 2022, Innovate 2 Corp ("Innovate") filed a lawsuit against Motorsport Games Inc. ("Motorsport") under the Securities Exchange Act of 1934 (Innovate v. Motorsport, 2022). The lawsuit included allegations of securities fraud, insider trading, and control person liability against Motorsport executives Mike Zoi, Jonathan New, and Dimitry Kozko. Additionally, Innovate brought common-law claims of breach of contract, breach of fiduciary duty, fraud, and unjust enrichment against the company. Judge Bibas of the Delaware District Court deemed all the claims to be plausible and allowed the case to proceed.

In February 2025, Judge Bibas granted summary judgment in favor of the defendant, Motorsport, on all counts. The outcome reinforced the notion that it does not matter what you believe, but only what you can prove.

Background

Motorsport serves as the controlling shareholder of the videogame developer, 704Games. In late 2020, Motorsport successfully acquired the three minority shareholders: HC2 Holdings 2 Inc., Continental General Insurance Company, and Leo Capital Holdings. Following this acquisition, Motorsport obtained full ownership of 704Games and went public in 2021.

On the first day of trading, the value of Motorsport stock rose significantly from the sale price of \$11.29 per share to \$38. Given that the 704 Games' Heat Series accounted for 99% of their total net revenue, this drove the value of

Motorsport's initial public offering (IPO), and the shareholders believed that this success reflected the actual value of 704 Games and that they should have benefited from it.

The former minority shareholders, angered by the increase in stock value, accused Motorsport of providing a misleading outlook regarding the future of 704Games. They claimed they were deceived into selling their shares at a lower price. Additionally, they alleged that critical information about the IPO was unlawfully withheld from them, specifically the fact that the IPO was already underway and that the valuation of Motorsport would primarily depend on the value of 704Games. As a result, the shareholders filed a claim for securities fraud, along with allegations of breach of contract, breach of fiduciary duty, and claims of fraud and unjust enrichment.

Securities fraud is "the illegal deception of investors in the stock market, tricking them into making decisions based on false information for the fraudster's gain" (Kohn, Kohn, & Colapinto, 2025). To establish a claim for securities fraud under §10(b) of the Securities Exchange Act of 1934, the shareholders must allege that: (1) the defendants made a "material misrepresentation or omission"; (2) intentionally or recklessly; (3) in connection with the sale of the stock; (4) and in that reliance, the shareholders suffered economic loss (Innovate v. Motorsport, 2022, p.4). To win the case, a plaintiff must prove each of their

The opening line of Judge Bibas's opinion states, "A shareholder with a controlling stake in a company has great power. With great power comes

great responsibility...And it may not exploit its insider position to buy out the minority shareholders at a discount" (*Innovate v. Motorsport*, 2022, p. 2). He asserted that if the allegations made by the shareholders were true, they would constitute securities fraud, thus rejecting Motorsport's "invitation" to dismiss the claims. By March 2022, they were, quite literally, off to the races.

Summary Judgment: It's Not What You Know, It's What You Can Prove

Summary Judgment is a judgment entered by a court for one party and against another party without a full trial (Cornell University, n.d.). It is awarded in civil cases if there is "no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." (*Innovate v. Motorsport*, 2025, p. 5). In simpler terms, summary judgment is a win for the requesting party without having to go to trial.

In this case, all eight claims made by Innovate interestingly focused on the same fraud claims under Section 10(b) of the Securities Exchange Act and Rule 10b-5(b). Innovate was required to demonstrate all six elements of fraud, but failed to even establish the first one. The failure of the first claim led to the dismissal of the subsequent claims as well.

It is possible that Motorsport did not act in good faith and may have intentionally misrepresented the value of the 704Games stock. However, allegations of fraud must be supported by essential facts that substantiate these claims. The claimant is required to provide evidence that allows for an inference of fraud based on the preponderance of the

evidence. Innovate was unable to present the necessary facts, leading Judge Bibas to rule in favor of Motorsport regarding the fraud claims (I-IV). As a result, Innovate's claims V-VIII, which included breach of contract, fraud in the inducement. breach of fiduciary duty, and unjust enrichment, were dismissed.

The Big Print Giveth, and the **Fine Print Taketh Away**

Motorsport filed a counterclaim for breach of contract, arguing that Innovate violated the Stock Purchase Agreement by bringing these claims. Innovate had agreed to release Motorsport from all claims related to the sale of shares. When granting summary judgment to Motorsport, Judge Bibas stated clearly, "Innovate violated the plain text of this release by bringing these claims against Motorsport" (Innovate v. Motorsport, 2025, p. 13). Adding insult to injury, Innovate was responsible for paying Motorsport's attorneys' fees and legal expenses arising from breaching their contract, as explicitly stated in the contract. Judge Bibas allowed those claims to move forward because Innovate asserted that the release was induced by fraud. However, it became evident that no fraud occurred, and he dismissed the claims.

Conclusion

"This is a securities-fraud case, but there was no fraud. One company sold its shares in another for what, in hindsight, appears to be less than it could have gotten if it had held onto them. But not every poor investment decision is due to securities fraud." (Innovate v. Motorsport, 2025, p. 2). Case closed.

Expert Analysis

Helen Maher of the Maher Legal Group, a solo practitioner who has worked extensively with stock car racing entities through the years, offered the following analysis:

"The judge properly held that Innovate's allegations were insufficient to substantiate fraud claims against Motorsport and its officers. Innovate alleged that 704Games misleadingly represented that its new videogame, Heat 5, would perform poorly and that the company was financially struggling. Innovate contended that these misrepresentations were made so that Motorsport could buy out the minority shareholders at a bargain price. However, the judge held that there was no evidence demonstrating that any of Motorsport's representations were false when they were made. Indeed, the evidence showed that Motorsport believed that its financial projections were accurate at the time they were rendered. The judge similarly found that there was no evidence showing that Motorsport (1) made its projections unreasonably; (2) did not properly consider its data; or (3) relied upon improper forecasting methods.

"While Innovate might have claimed there was fraud by omission, the court held that there was no duty to correct (because Motorsport made no false statement) and no duty to update Motorsport's representations because the claims were accurate at the time they were made.

"The summary judgment granted to Motorsport, while not unique in its legal underpinnings, is a reminder that "doom and gloom" projections are not necessarily wrong (or fraudulent) if they have a reasonable basis and are accurate at the time they are made. Here, the data indicated that games sales improved after Motorsports' representations were made at the board meeting. And although the company stated

that it was financially struggling, it was able to secure a loan, also after Motorsport's representations."

Stephanie Barnes is a doctoral student in Sport Management at Troy University. She is a professional swimming coach and holds two Master's degrees: one in Sport Management from Liberty University (2024) and another in Exercise Science from Auburn University (2003). She recently presented her thesis at the 2025 COSMA Conference in Las Vegas.

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Chakravarty Offers Experienced Counsel to Esports Organizations and Individuals

For decades, Saul Ewing's Al Chakravarty has defended organizations and individuals challenged by federal and state agencies, whether it included regulatory and compliance issues, whistleblower complaints, national security concerns, allegations of anti-competitive behavior, executive or employee malfeasance, insider threats and a variety of criminal allegations, such as fraud and corruption.

In recent years, as Esports has surged in popularity, Chakravarty's experience has proven invaluable for the Esports clients, feeding our curiosity to learn more about Chakravarty. Thus, here's our exclusive interview with the sought-after attorney.

Question: Tell us about your earliest experience with entertainment and sports law?

Answer: I was an athlete growing up, but for most of my legal career, I couldn't have been farther away from sports and entertainment law. I became a criminal prosecutor, and aside from a few cases involving athletes, my love of sports and entertainment did not involve my day job. That changed when the Boston Marathon bombing occurred, and I was fully invested in the response and the prosecution of that case which gave me newfound appreciation for both the people and the issues in these industries and how my skills could help them.

Q: How would you describe your overall practice?

A: As a former state, federal and international prosecutor, my practice involves protecting companies and individuals from government allegations of wrongdoing, often by conducting investigations to help show that the issues have been responsibly addressed.



Al Chakravarty

While I am a litigator by nature, I predominantly respond to corporate crises, conduct internal investigations, represent individuals in white collar criminal cases, and help address False Claims Act allegations.

In addition to my government enforcement practice, I also have developed a vanguard practice in cybersecurity and data privacy building on my experiences at the FBI and the Department of Justice's National Security Division. This has led me to intersect with the eSports and gaming industries, and I have represented cryptocurrency platforms and gaming platforms dealing with various cyber and government issues.

Q: How does you practice intersect with the entertainment and sports industries?

A: My current practice involves entertainment and sports in a variety of ways. For a few professional sports teams, I have provided cyber and data privacy counseling, including novel issues related to sports analytics and health data. These clients face some of

the most interesting legal issues involving league and employee obligations, consumer data, analytics, data sharing and AI, all under the watchful eye of a hyper vigilant media and fanbase. When I moved out to Denver, I befriended several former professional athletes and learned to think about the issues that they had to deal with in their businesses and sometimes in their personal interests. At the same time, I successfully represented athletes and performers who have encountered litigation challenges and when they seek advice on managing the myriad issues that celebrities encounter. In a sign of how times are rapidly changing, a few years ago, I extricated one of my clients who had been accused of fixing professional matches, and now I represent a platform that is built around games of chance and sports betting. In these dynamic times, being a litigator provides valuable flexibility.

Q: What trends are you closely following in your practice area that do or have the potential to intersect with the sports, entertainment and gaming industries?

A: Because I engage in these areas in different ways, there are a wide array of issues that I'm tracking. For example, Saul Ewing represents a lot of Universities and there are myriad issues involving investigations into Title IX allegations which are dynamic, including those created by the recent exodus from the Department of Education. Universities also receive federal funding which raise a host of other enforcement concerns. Practical issues are also accompanied by technology issues, such as the use of AI in predictive analysis of athletes, but also in digital marketing and retargeting

fans, as well as to simplify document review and make investigations more efficient. In relation to the gaming industry, I am closely watching government enforcement policy and activity, although as far as I can tell, there are many higher priorities that federal authorities are occupied with. Overall, I think Sports and Entertainment are growing industries with much greater profitability than they have ever experienced. Having people I grew up with and those I have gotten to know becoming team owners under the new private equity model has convinced me that careful legal

counseling today is more important than ever. This twenty-first century version of the Sandlot looks very different from what I grew up with. I love the legal issues, but the business dynamics today may be more exciting than those on the field.

Nintendo Sues Genki for Alleged Trademark Infringement

By Holt Hackney

Nintendo has filed a lawsuit against Human Things, Inc. in the Central District of California (*Nintendo of America Inc. v. Human Things, Inc., 2:25-cv-03960*), alleging, in part, that Genki, an accessory maker, had used Switch branding in an unauthorized manner, which confused consumers and damaged Nintendo.

At issue was the defendant's participation at CES 2025, where it sparked a publicity uproar by displaying its new products on a dummy Nintendo Switch 2. Allegedly, Genki suggested that its "mock-up" was based on a real Nintendo Switch 2 system and claimed that its accessories would fit the new handheld.

This was a big deal to the plaintiff, which noted in its complaint that its "loyal and longstanding fanbase excitedly anticipates each release of Nintendo's newest games and consoles. Given the extreme success of the Nintendo Switch, fan anticipation is especially strong for the upcoming release of Nintendo's next console: the Nintendo Switch 2."

No shrinking violet when it comes to litigation, Nintendo promptly sued after learning of the activity, claiming the defendant violated federal law pertaining to trademark infringement, unfair competition, and false advertising, as well as California laws pertaining to trademark infringement and statutory unfair competition.

As relief, Nintendo is requesting that the court:

permanently stop Genki from making products with the Nintendo Switch trademark,

permanently stop Genki from making false statements around Switch and Switch 2 products, and

that Genki destroy all said Nintendo Switch branded products.

It is also seeking to recover damages associated with the alleged unlawful activities, attorneys' fees, and Genki's profits earned during this period.

In its lawsuit, Nintendo maintained:

"Beginning at least as early as December 2024, Defendant embarked upon a strategic campaign intended to capitalize on the public interest surrounding Nintendo's next-generation console. In January 2025, Defendant began advertising that it gained unauthorized access to Nintendo's upcoming Nintendo Switch 2 console, which had not yet been released or even revealed publicly by Nintendo. 27. Defendant also advertised that because of its unique access to a genuine unreleased Nintendo Switch 2 console, it could manufacture gaming accessories that are compatible with the Nintendo Switch 2. Further, Genki announced it would sell those allegedly compatible accessories contemporaneously with Nintendo's release of its console. Following its initial claims of access to a genuine Nintendo Switch 2 console,

Defendant's statements were contradictory and inconsistent, with Defendant later stating that it was never in possession of a console.

"Nevertheless, Defendant has since maintained its representation to consumers that its accessories will be compatible with the Nintendo Switch 2 upon the console's release. Ensuring the compatibility of Defendant's accessories would not be possible unless and until Defendant has access to a Nintendo Switch 2 console or to proprietary technical specifications, neither of which Nintendo provided and/or authorized to be provided to Defendant.

"Therefore, either (1) Defendant is not in possession of a genuine console and thus cannot claim compatibility with enough certainty to make its advertising claims in good faith, or (2) Defendant unlawfully or illicitly obtained an authentic Nintendo Switch 2, or proprietary technical information about the Nintendo Switch 2, prior to the console's release to the public."

The "Genki Team" responded as follows to that lawsuit:

"You may have seen that Nintendo recently filed a lawsuit against us. We're taking it seriously and working with legal counsel to respond thoughtfully.

"What we can say is this: Genki has always been an independent company focused on building innovative gaming accessories for the community we love. We're proud of the work we've done, and we stand by the quality and originality of our products.

"While we can't comment in detail,

we're continuing preparations to fulfill orders and showcase our newest products at PAX East this week.

"We're grateful for the overwhelming support we've received so far.

We'll share more when we can, but for now, we're staying focused on doing what we do best: building gear for gamers."

FTC Drops Final Challenge to Microsoft's Activision Blizzard Merger: What It Means for Esports and Gaming

By Jeffrey Levine, JD, PhD – Associate Clinical Professor, Department of Sport Business Esport Business Program Lead, Drexel University

The U.S. Federal Trade Commission (FTC) has ended one of the most consequential antitrust battles in the video game industry. On May 22, 2025, the Commission dismissed its in-house case against Microsoft's \$68.7 billion acquisition of Activision Blizzard, citing that further litigation was no longer in the public interest (Perlman, 2025a; Godoy, 2025). The move followed the Ninth Circuit's decision two weeks earlier affirming a lower court's refusal to block the deal. With the case dismissed, Microsoft has cleared its last major legal hurdle in a fight that has spanned more than three years.

How We Got Here: District Court, Appellate Battles, and FTC's Decision to Drop Challenge

The FTC first sued in December 2022 pursuant to Section 7 of the Clayton Act, which prohibits mergers and acquisitions where the effect "may be substantially to lessen competition, or to tend to create a monopoly" (FTC v. Microsoft Corp., 2023, p. 1083) The FTC argued that Microsoft's acquisition would give it the ability and incentive to foreclose rivals in three markets: high-performance consoles, multi-game subscription services, and

cloud gaming (FTCv. Microsoft Corp., 2023). In June 2023, the Commission sought a preliminary injunction in the Northern District of California to stop the deal from closing while its administrative trial proceeded.

After a five-day evidentiary hearing, Judge Jacqueline Scott Corley denied the FTC's motion on July 10, 2023. She found that the FTC had not shown a likelihood of success in proving substantial harm to competition (Koenig, 2023). Her ruling emphasized several points, including the following: (1) Microsoft's Board relied on a valuation model assuming continued sales on PlayStation and other platforms, undercutting a foreclosure theory; (2) Microsoft pledged at the merger's announcement to keep Call of Duty on existing platforms and expand its reach; (3) Call of Duty's success hinged on cross-platform play and large multiplayer communities, making exclusivity economically irrational; (4) Microsoft entered into binding agreements to license Call of Duty to Sony, Nintendo, and various cloud services; and (5) Microsoft argued it would suffer serious reputational harm if it pulled Call of Duty from PlayStation (FTC v. Microsoft Corp., 2023).

The FTC appealed. On May 7, 2025, the Ninth Circuit unanimously affirmed Corley's ruling (FTC v. Microsoft Corp., 2025). Writing for the panel, Judge Daniel P. Collins explained that vertical mergers do not carry a presumption of illegality and

that the FTC failed to make a factspecific showing that the proposed merger was likely to create anticompetitive effects. The court found the FTC failed to show Microsoft had an incentive to withhold Call of Duty, and noted evidence of reputational and economic downsides to doing so." (Perlman, 2025b).

Having lost in both district and appellate courts, the FTC was left with only its in-house case. But pursuing an administrative trial to unwind a merger that had closed in 2023 presented steep hurdles. By May 2025, the agency's leadership had shifted: new Chair Andrew Ferguson signaled that the Commission would redirect its resources toward other priorities, including cases aligned with the Trump administration's enforcement agenda (Godoy, 2025). Against this backdrop, the FTC dismissed its case, formally ending its challenge.

Microsoft President Brad Smith called the decision "a victory for players across the country and for common sense in Washington" (Perlman, 2025a, para. 4).

Legal and Practical Implications for Esports and Gaming

This saga provides several important legal markers for the industry. First, the courts reaffirmed that vertical mergers require a fact-specific showing of probable harm, not presumptions based on market share or speculative theories (FTC v. Microsoft Corp.,

2025). This may invite future deals between publishers, developers, and platforms. Second, both decisions emphasized the importance of crossplatform play and reputational harm as economic deterrents to exclusivity. For esports ecosystems built around titles like Call of Duty, this provides reassurance that core competitive communities are unlikely to be fractured by platform lock-ins.

The Microsoft-Activision case offers potential guidance for the esports and gaming industry. First, although large vertical merger and acquisition deals will be scrutinized, courts require concrete evidence of likely harm. Companies considering acquisitions should prepare to highlight pro-competitive outcomes such as expanded access or consumer benefits, as highlighted in both opinions. Second, maintaining broad, cross-platform availability is not only good for community trust but now carries legal significance. Firms risk economic losses, reputational harm, and perhaps the legal high ground if they pursue exclusivity in ways that undermine player ecosystems. Third, the rulings highlight subscription and cloud services as pro-competitive opportunities, suggesting that adding major titles to

these platforms can expand access and reduce costs of buying individual game titles. As Judge Corely noted, "Adding Call of Duty to Game Pass gives consumers a new, lower cost way to play the game day and date" (FTC v. Microsoft Corp, 2023, p. 1098). Finally, while the FTC's retreat signals a shift in enforcement priorities under current leadership, companies should not assume lasting freedom. Political change can quickly alter regulatory focus, but the legal lessons from this case remain durable.

Conclusion

The FTC's decision to drop its challenge to the Microsoft-Activision merger marks the end of a landmark case. While the Commission lost in court, the litigation clarified the standards for evaluating vertical mergers in gaming and reaffirmed the commercial and reputational logic of cross-platform availability. For esports and gaming professionals, the message is clear: strategic growth is anchored in cross-play, scale, and thriving player communities. Exclusivity, once a tool of competitive differentiation, now risks reputational damage and shrinking ecosystems when applied to flagship titles. Looking ahead, companies

that pair growth strategies, including expansion into subscription and cloud services, with commitments to openness and access will be best positioned to withstand both regulatory scrutiny and the demands of an increasingly interconnected player base.

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Rochester Institute of Technology to Offer Esports Scholarships

Rochester Institute of Technology is launching its first esports scholarships.

The scholarships recognize students for their competitive video gaming skills and dedication to representing the university at the highest level. Since forming in 2016, RIT Esports has become one of the largest and best collegiate esports programs in the world.

Starting in fall 2025, RIT will offer 20 scholarships for new students—

providing \$2,000 each year. The university will also offer performance-based scholarships for select current students.

As the esports industry has grown—with millions of viewers and billions of dollars in revenue—more than 200 colleges have formed esports teams. Several have begun offering scholarships.

RIT is not only offering scholarships for competitive student-athletes. RIT scholarships are also available to students with the skills to run esports operations teams. RIT's seven student-led support teams help run everything from designing the jerseys to running events to broadcasting live-streamed matches.

"We want to attract and support these high-caliber esports students, who are hyper-intelligent and driven to succeed in all aspects of life," said Chad Weeden, director of esports and cybersecurity range at RIT. "Frankly, it's also fun to win national championships."

RIT Esports has brought home 18 national championships, and students have won more than \$100,000 in prizes. RIT Esports currently competes in 23 games, including Rocket League, Hearthstone, League of Legends, and Overwatch.

With more than 200 competitive players and around 2,600 community members, RIT Esports is bigger than many college athletics programs.

RIT community supports scholarships

RIT Provost and Senior Vice President for Academic Affairs Prabu David has been a big supporter of RIT Esports. He helped to make the new scholarships happen.

"These esports scholarships recog-

nize our talented student-athletes who use their technical expertise to perform at the highest level," said David.

David also noted that RIT is consistently ranked as one of the top 10 game design schools, according to international rankings from The Princeton Review.

"Esports at RIT is also a community builder, bringing together students from different majors and backgrounds, including our students who are deaf and hard of hearing," said David. "We realize that esports is male-dominated and one of the goals of this scholarship opportunity is for RIT to be a leader in showcasing the talents of women in esports."

Ben Feldstein, a fourth-year management information systems major

and vice president of RIT Esports, worked with the provost to develop the new esports scholarships. Feldstein has also won two national championships as part of RIT's Counter-Strike 2 team.

"It's like any other profession or skill, like traditional sports or playing musical instruments," said Feldstein, who is from Manhattan, N.Y. "There are so many young people who put their blood, sweat, tears, and love into honing their skills to play these titles."

Feldstein continued. "I think these scholarships are going to help set up students for success after school—whether they make it to the pros or not. We're proving to everyone that we have great students here and they dream big."

SMU Researchers Show Al Can Create Game Characters with Realistic Personalities

Study demonstrates GPT-4 can create believable non-player characters with consistent personality traits

hen Jake Klinkert was growing up, his father suggested that since he loved video games, he should make them. Klinkert took those words to heart and went on to earn a Master of Interactive Technology in Digital Game Development from SMU Guildhall. Now a PhD student in the Computer Science Department at SMU's Lyle School of Engineering, he is testing large language models (like ChatGPT) to create non-playable characters (NPCs) that act and respond more like real people.

In testing that generated more than 50,500 results, Klinkert and his colleagues found that GPT-4 achieved 73.98% accuracy in maintaining consistent personality traits—a significant improvement from earlier AI models that scored below 18%.

LLMs That Recognize,

Understand and Respond to Human Emotions

The research addresses a longstanding challenge in the gaming industry: creating NPCs that display realistic emotional complexity and consistent behavioral patterns instead of the limited, repetitive responses that often break player immersion.

"This represents a shift in how we can approach character development," explained Klinkert. "We've moved from a world where creating believable AI characters required complex systems and extensive technical resources to one where developers can quickly prototype personality-driven characters using text-based interactions."

Researchers used the International Personality Item Pool questionnaire, a 50-item test based on the Big Five personality model, to evaluate three OpenAI models: text-davinci-003, gpt-3.5-turbo-0613, and gpt-4-0613. The Big Five measures personality across five dimensions:

- Openness High creativity, readily embraces novelty, driven by tackling new challenges, engages in abstract thought
- Conscientiousness How organized and responsible someone is in their work and with other people
- Extraversion How outgoing and social someone is when around other people
- Agreeableness How willing someone is to consider different opinions and work toward shared understanding with others
- Neuroticism How anxiously or emotionally someone tends to view and react to situations

Gaming Industry Impact and Applications

Video game companies have long sought to integrate affective computing (technology that recognizes, understands, and responds to human emotions) into their games. This paper suggests that advanced language models could significantly enhance their efforts by generating dialogue and decisions that authentically reflect specific personality traits.

The implications extend beyond

simple dialogue systems. Klinkert envisions NPCs that could retell stories from their unique personality-driven perspectives, contribute to evolving narratives through improvisation, or solve in-game mysteries using personality-guided intuition. The advancement comes as players increasingly expect more sophisticated and emotionally engaging experiences.

The study's complete dataset and results are publicly available through GitLab repository, enabling other de-

velopers and researchers to build upon this work. The team is now exploring partnerships with game development studios to implement their findings in commercial projects.

Other researchers contributing to the study are Corey Clark, deputy director for Research at SMU Guildhall and associate professor of computer science in the Lyle School of Engineering, and Steph Buongiorno, a recent postdoctoral fellow at SMU Guildhall.

GAMBLING

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acknowledged that mounting pressure from partner teams, eager to unlock new revenue streams, was a key factor in its decision. Framing esports betting as both a rapidly expanding market and a potential solution to the industry's ongoing financial sustainability challenges, Riot emphasized that its rollout would be managed in a responsible manner. Yet while betting sponsorships may deliver significant revenue, the greater test lies in how effectively Riot establishes and enforces safeguards within this sector.

In its announcement, Riot emphasized that the new policy will be governed by a set of "guardrails" meant to balance the influx of betting sponsorship money with protections for players, fans, and the integrity of competition. All prospective betting partners must first pass Riot's vetting process and secure approval before linking with a team. To further reduce risks of manipulation, sponsors are required to use official data provided by GRID, ensuring transparency and legitimacy in wagering markets. Teams entering into such partnerships will also be expected to adopt internal policies that protect competitive integrity, shield younger audiences, and

highlight responsible gambling practices. Riot has additionally pledged to reinvest a portion of the sponsorship revenue into Tier 2 esports by bolstering prize pools, creating new tournaments, and expanding integrity training programs. Notably, betting brands will not appear on Riot's broadcasts, channels, or team jerseys, maintaining a gambling-free environment across its primary platforms.

The fan response to Riot's announcement on community forums and message boards was largely negative, as there were concerns that deeper ties to betting could fuel toxicity, increase the likelihood of match-fixing, and worsen rates of problem gambling (McWhertor, 2025). Younger audiences, who remain highly engaged in esports, may be particularly susceptible to exploitation if industry stakeholders treat them as a key source of revenue amid the sector's ongoing financial struggles. Riot's history with luck-based monetization systems further raised doubts about the company's capacity to manage gambling responsibly (Jones, 2025). Beyond economic risks and integrity issues, discussion also pointed to potential mental health consequences, drawing parallels to the well-documented pressures professional athletes face in traditional sports (Franklin, 2025).

Legal Issues and Legal Implications

Allowing gambling sponsorships exposes Riot and its teams to a complex web of gambling regulations across multiple jurisdictions regarding gambling advertising. Each state has its own laws regarding gambling advertising, especially as it relates to minors and online platforms. For instance, states like Maine and Ohio have implemented strict advertising regulations, including bans on targeting minors and problem gamblers (Staudenmaier & Carrasco, 2024). Therefore, Riot and its partners face heightened compliance risk when their broadcasts and promotional content are distributed nationally and internationally. Even unintentional exposure of restricted audiences could trigger enforcement actions, fines, or reputational damage.

The Federal Trade Commission (FTC) plays a key role in overseeing advertising practices in the United States, including those involving gambling sponsors. Its mandate is to ensure that advertisements are not

deceptive, misleading, or unfair to consumers, particularly in sensitive areas like online gaming and sports wagering. For instance, it would be in the purview of the FTC to scrutinize the advertising campaigns related to esports betting that could exaggerated players' chances of winning or induce buying behavior based on false pretenses. This could bring into focus the importance of accuracy and transparency in gambling promotions. As a result, Riot and its affiliated teams must carefully vet and structure all promotional content to align with FTC standards, ensuring that sponsorship messaging remains accurate, transparent, and responsibly targeted to avoid similar federal scrutiny.

The introduction of betting into esports increases the risk of match fixing and other forms of competitive manipulation such as bribery, raising significant integrity concerns. Riot's mandate that partnered leagues and organizations implement internal integrity programs and monitoring reflects an effort to mitigate these risks, yet questions remain about the consistency and effectiveness of enforcement. In esports, where audiences skew younger and may lack experience in assessing gambling risks, the stakes for ensuring integrity and clear protections are especially high. Without consistent enforcement, those commitments risk becoming more symbolic than substantive.

U.S. gambling operators are bound by strict legal duties to promote responsible play and protect consumers, including preventing underage participation and mitigating gambling addiction. The stakes of failing to meet these obligations were underscored in Baltimore's recent lawsuit against DraftKings and FanDuel, which accuses the companies of deceptive marketing practices aimed at vulnerable gamblers (Greenberg & Lavigne, 2025). For Riot and its partner teams, sponsorship

agreements with betting companies therefore carry both legal and contractual risks. Any deal must be structured with transparency, accurate messaging, and strong safeguards to remain compliant with Riot's rules, local laws, and platform terms of service. If a team or sponsor violates these requirements, whether through misleading ads, underage targeting, or breach of contract, Riot may face pressure to sanction the team, terminate the sponsorship, or intervene directly to protect its brand. And if Riot knowingly permits or amplifies questionable gambling promotions on its platforms, regulators could plausibly argue complicity, raising the stakes far beyond ordinary sponsorship disputes.

Conclusion

Riot Games' decision to allow esports gambling sponsorships is a significant shift, reflecting both the financial pressures facing the industry and the scale of the unregulated betting market already surrounding its title. This seems like the entry point of embracing betting as part of the esports ecosystem. While the move promises new revenue streams and greater oversight of gambling activity, it also introduces heightened risks of match fixing, underage exposure, and predatory advertising practices that have already drawn regulatory action in traditional sports wagering.

Although Riot has announced various safeguards, the move raises complex legal questions spanning regulatory compliance, protection of minors, competitive integrity, and consumer protection. The effectiveness of these measures will ultimately depend on how consistently they are enforced and whether they evolve alongside rapidly changing gambling regulations. The stakes are especially high given the reputational and financial risks of even a single misstep. For Riot, the issue is not simply adopting safeguards but demonstrating credible accountability to its stakeholders. In a sector already under scrutiny for its monetization models, Riot's approach to betting will serve as a litmus test for whether esports can balance growth with integrity.

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ΑI

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for users to generate images, create variations, and even upscale them to higher resolutions. Disney alleges that Midjourney *Trained its Dragon* of an AI system to create images of its famous characters, developing what is referred to in its complaint as a "virtual vending machine" and "bottomless pit of plagiarism" that spewed "endless unauthorized copies of Disney's and Universal's copyrighted works."²

In order to Guard its Galaxy of copyrighted images and prove direct infringement, Disney and its Minions must get to the *Groot* of the issue and establish that it owns the copyrighted work and then prove that Midjourney copied the protected elements of that work without Disney's authorization (Or as Yoda would say – "Used my image without permission you did."). Copying can be established through either direct or indirect evidence, which requires proof that the defendant had "access" to the copyrighted work and that the two works are "substantially similar". Interestingly, there are no provisions within the Copyright Act regarding secondary infringement, however, but judges have Used the Force and established that such a cause of action can be asserted against a party that does not directly infringe on a copyright owner's rights but does partake in the facilitating of an infringement by others. The elements of secondary infringement are similar to direct infringement but encompass two principal forms: contributory infringement and vicarious liability. Contributory infringement can be found when a party, with knowledge of the infringing activity, induces, causes or materially contributes to

the infringing material, while as for vicarious liability, a party must have both the right and ability to supervise or control the infringing action of the direct infringer, while also receiving a direct financial benefit from the infringing activity. Actual knowledge of an infringement is immaterial when determining vicarious liability. It should be noted, however, that a direct infringement claim must be established first before either a contributory or vicarious claim can move forward.

The Thing is, litigation is like an onion, it has layers, and Midjourney, in response to Disney's one-hundredand forty-three-page complaint, went to Infinity and Beyond and filed its own forty-three-page response that takes issue with Disney for trying to have it both ways, seeking to profit through their use of Midjourney and other generative AI tools—on the one hand, while on the other hand accusing Midjourney of wrongdoing for the same.³ More importantly, however, Midjourney argues that Disney is wrong on the merits of the case since copyright law does not confer absolute control over the use of copyrighted works. Midjourney argues that "The limited monopoly granted by copyright must give way to fair use, which safeguards countervailing public interests in the free flow of ideas and information," and that "Training a generative AI model to understand concepts by extracting statistical information embedded in copyrighted works is a quintessentially transformative fair use – a determination resoundingly supported by courts that have considered the issue."4

In the end, as with all court cases, nothing moves like Lightning McQueen, where things get bogged down and Frozen within the various nuances of litigation. Therefore, since this case can possibly test the boundaries of copyright law for generative AI and could set a precedent for how the AI industry is regulated, hopefully, both parties can come to the table and come up with a reasonable solution that can benefit all of those involved. Full disclosure—without the help of either Midjourney or Disney, this article was AI generated. (Or, as Linda McMahon, the Secretary of the Department of Education, would say – "A1 generated").5

WL 1752484, at *12 (N.D. Cal. June 25, 2025) (describing training as "highly transformative"); Bartz v. Anthropic PBC, 2025 WL 1741691, at *7 (N.D. Cal. June 23, 2025).

⁵ https://www.google.com/search?sca_esv=1f0 8cea1075aad4d&udm=7&q=linda+mcmaho n+a1+generated&sa=X&ved=2ahUKEwjX1 av33rWPAxUEKVkFHRHIBz0Q8ccDKAR 6BAgWEAY&biw=1424&bih=727&dpr=2 #fpstate=ive&vld=cid:bc5a5531,vid:6QL0c5 BbCR4,st:0

³ Id at page 3.

⁴ Id. See Kadrey v. Meta Platforms, Inc., 2025