

Soccer Antitrust Suit Moved To Illinois

Wednesday, October 25, 2006 --- A bankrupt soccer promoter has filed an antitrust lawsuit against United States Soccer Federation Inc., alleging it has perpetuated the idea that it is in charge of professional soccer in the U.S. to restrain competition against the soccer league it favors, U.S. Major League Soccer.

New Jersey-based ChampionsWorld LLC filed the suit against USSF and MLS seeking at least \$8 million in damages in the U.S. District Court for the Southern District of New York in May. The lawsuit was recently transferred, and was received Friday in the U.S. District Court for the Northern District of Illinois.

ChampionsWorld was a promoter and marketer of sporting events, including first division professional international soccer matches.

The company arranged contracts and matches, and made money through ticket sales, licensing, television rights and sponsorship agreements. From 2001 to 2005, the company hosted matches featuring the men's national and club teams of Ecuador, Yugoslavia, Real Madrid, Barcelona, Chelsea and Celtic.

However, ChampionsWorld filed for bankruptcy protection in the U.S. District Court for the District of New Jersey in January 2005. It says the company had financial problems largely because of fees levied by USSF.

The company sold its operating assets in May 2005. The court confirmed the third-amended plan of reorganization, which would completely liquidate and distribute the remaining assets, in March 2006.

The claims in the lawsuit against MLS and USSF are the "sole remaining of assets of plaintiff to be liquidated and distributed to creditors pursuant to the plan," the complaint says.

USFF is the national governing body for amateur sports in the U.S. MLS was formed in December 1993, and was selected to be the exclusive first-division professional soccer league in the U.S.

The lawsuit alleges the two are colluding and points out that the USSF Foundation loaned MLS about \$5 million as seed money, which has never been repaid. The two organizations also have overlapping board members and officers, the lawsuit says.

USFF says no professional sports competition can be held in the U.S.

without its prior written approval, which means new parties cannot enter the market unless they pay off USSF, the suit says. But MLS is free to sponsor as many matches as it wants without having to pay part of its profits to USSF, the lawsuit says.

USFF demanded contracts requiring ChampionsWorld to pay up to 20% of its gross revenues to USSF for matches between national teams, and up to 12% of its gross revenues for club teams. USSF also demanded a performance bond.

USFF did no work for the matches. But the suit says that USSF said it would tell the teams that ChampionsWorld was a promoter in bad standing if ChampionsWorld didn't go along with the contracts. It also threatened to tell the teams they would be subject to sanctions by governing bodies if they went through with their matches.

ChampionsWorld says it faced two alternatives: "Sign the contracts demanded by USSF (with an economic 'gun' pointed at its head) or refuse to sign and run the risk that USSF would convince the selected teams not to participate."

The company paid USSF more than \$3 million starting in 2001. It also escrowed nearly \$700,000 for USSF, as required by the contracts.

The lawsuit alleges that MLS also overpays international teams for MLS events, which limits competitors. ChampionsWorld says that USSF has no authority to sanction professional soccer events in the U.S.

Attempts to get comment from USSF and Major League Soccer Wednesday afternoon were unsuccessful.

Major League Soccer is represented by Proskauer Rose LLP. The U.S. Soccer Federation is represented by Latham & Watkins LLP. ChampionsWorld is represented by Pryor Cashman Sherman & Flynn LLP.

The case is ChampionsWorld LLC v. U.S. Soccer Federation Inc. et al, case number 1:06-cv-05724, in the U.S. District Court for the Northern District of Illinois.