

# Sports Litigation Alert

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## **Federal Judge Finds USSF Illegally Used Its Power to Quash Pro League**

A federal judge from the Northern District of Illinois denied the United States Soccer Federation's bids to throw out a lawsuit brought by a former promoter of international professional men's soccer matches, which had claimed that the USSF conspired to put it out of business.

ChampionsWorld LLC sued the USSF and Major League Soccer on May 2, 2006, claiming that the Federation took advantage ChampionsWorld by charging exorbitant fees and favoring the plaintiff's competitor, MLS. Specifically, ChampionsWorld alleged that, "through such anticompetitive, fraudulent, and extortionate acts, Defendants caused ChampionsWorld severe financial harm ultimately leading to bankruptcy."

Despite the bankruptcy, ChampionsWorld's reorganization plan provides for the commencement and prosecution of its lawsuit as its only remaining material asset, to be liquidated and distributed among its creditors.

The court wrote that "the heart of the controversy is the question of whether the USSF has the authority to oversee professional, as well as amateur, soccer in the United States. The USSF claims that it has this power. ChampionsWorld argues that USSF improperly arrogated this power to itself and used it to unreasonably restrain trade and to extract over \$3 million in arbitrary and 'back-breaking' fees from ChampionsWorld and to cause it many millions more in damages, substantially contributing to ChampionsWorld's demise.

"ChampionsWorld alleges that USSF's actions were part of an anticompetitive scheme to create a window of exclusivity for MLS by preventing other soccer entities or leagues from applying for first-division status in the United States. ChampionsWorld claims that USSF saw ChampionsWorld as a competitor to MLS because ChampionsWorld's matches between 2003 and 2005 had triple the attendance of MLS's matches. ChampionsWorld alleges that USSF organized MLS and underwrote its operations with \$5 million in seed money, which was never repaid. ChampionsWorld alleges that USSF and MLS have significant overlapping officers and board members and that the two entities have a 'historically close and anticompetitive association.'"

The instant opinion came in response to the defendants' motion for judgment on the pleadings.

The first question for the court was whether the USSF had authority to govern professional soccer in the United States, a question that is "central to most of the claims and defenses in this case."

On this point, the court found that the Amateur Sports Act "does not give USSF authority to govern professional soccer in the United States, except to the extent necessary for USSF to

govern the participation of professional players in the Olympics and related events. USSF is not entitled to an exemption from the antitrust laws regarding professional soccer, except to the extent necessary for USSF to oversee Olympic and related events. USSF has no clear mandate from Congress to govern the whole of professional soccer in the U.S."

The above finding would lead to the denial of the defendants' motion.

"ChampionsWorld alleges that USSF and MLS conspired together to damage ChampionsWorld's ability to compete by charging excessive sanctioning fees and requiring unreasonable performance bonds, all under color of an authority to govern professional soccer that USSF did not possess," held the court. "ChampionsWorld alleges that USSF and MLS conspired to bring ChampionsWorld down in order to enhance MLS's position as the premier professional soccer league in the United States. The Court finds that these allegations sufficiently state causes of action under the Sherman Act for conspiracy to restrain trade (§ 1) and conspiracy and attempt to monopolize (§ 2). USSF, of course, counters that it had the authority to impose its fees and bonds based on its power under the ASA and its antitrust exemption."

Similarly, the court sided with ChampionsWorld by denying the defendants motion for judgment on the RICO claim.

"ChampionsWorld alleges that since about 1993, MLS has exerted control over USSF and sought to perpetuate the false premise that USSF has legal authority to govern U.S. professional soccer. MLS officials allegedly drafted the USSF policy of charging sanctioning fees and performance bonds of MLS's competitors, such as ChampionsWorld."

The plaintiff "alleges that MLS committed extortion under the Hobbs Act, 18 U.S.C. § 1951, obtaining money from ChampionsWorld on at least two dozen occasions by the wrongful use of fear through economic threats and the color of official right. *See, Evans v. United States*, 504 U.S. 255, 261, 112 S. Ct. 1881, 119 L. Ed. 2d 57 (1992) (holding that Congress has expanded common-law definition of extortion to include acts by private individuals)."

ChampionsWorld LLC, v. United States Soccer Federation, INC., et al.; N.D.Ill.; Case No. 06 C 5724, 2010 U.S. Dist. LEXIS 73253; 7/21/10

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