

Fraser v. Major League Soccer

97 F.Supp. 130 (2000)

Facts: The individual plaintiffs, representative players of the professional soccer league, Major League Soccer, LLC, have asserted a number of antitrust claims against the defendant MLS. The plaintiffs believe that MLS have unlawfully combined to restrain trade or commerce in violation to the Sherman Anti-trust Act, which eliminates competition. Another antitrust count claims the defendants have jointly exercised monopoly power in violation of the Sherman Act. MLS, all operators/investors, and the US Soccer Federation (USSF) were alleged to have violated the Sherman and Clayton Antitrust Acts (starting at 15 U.S.C. § 1) by not operating like a single entity structure and illegal price fixing of players' salaries.

In 1988 when the United States was awarded the FIFA World Cup, the USSF promised a Division I soccer league. USSF also decided to only sanction one Division I soccer league. In what seems like a foregone conclusion really matters. The heart of this case is about competition for wages and player employment.

MLS was a group of independent investors governed by a board of governors. There were passive investors and team operators. MLS owned the teams, controlled the intellectual property rights, tickets, supplied equipment, and broadcast rights. MLS negotiated all stadium leases and assumed all related liabilities, paid salaries of referees (today MLS does not, USSF does) and most importantly controlled player employment. MLS recruited, negotiated, paid, and determined where players would play. Marquee players were balanced among the league.

Investor/operators controlled hiring of team staff, local broadcast licensing, paid one half of the rent (MLS covered the other half), and formed the majority of the MLS board. Their role in

selecting players was limited: trades were allowed with other MLS teams but independent bids on MLS players were not allowed.

MLS paid each investor/operator a "management fee": One-half of the tickets and concessions, the first \$1.125 million of local broadcast revenues plus 30% share of any amount above the base, one-half of MLS Cup and exhibition revenues, and all overseas tours revenues. Basically, nearly all revenues went to MLS to be kicked back to the investor/operators.

The plaintiffs have moved for summary judgment against the defense of MLS. Their defense is this, as long as their corporation runs as a Limited Liability Corporation, they are allowed to act as a "single entity". The league itself "owns" all the teams and the investors buy into the league, not individual teams. The MLS management committee runs all the teams and hires the players as employees. Their method of hiring players centrally is a quality of acting in the best interest of the entity, not in the best interest of the MLS operators / investors. MLS distributes profits and losses among all its investors. Second, the founding investors of MLS created a new company and market, causing competition to increase.

Issue: Is MLS a single entity (unlike most other professional sport leagues) for antitrust purposes?

Holding: Yes it is a single entity therefore a single entity corporation cannot violate section 1 of the Sherman Anti-trust Act

Rationale: The court ruled MLS was following the guidelines set forth under limited liability corporations. Designed as a single entity, MLS is protected from federal antitrust laws. MLS was acting in the best interest of the entire entity and in all actuality increased the level of competition from zero to one by creating a new company and new marketing. MLS was a single

entity which could not be liable under Sherman Act § 1 for arrangements among team operator-investors. The creation of MLS did not reduce competition in an existing market because when the company was formed there was no active market for Division I professional soccer in the United States.

Important Information: This case is important because MLS was able to create its league in a single entity format to protect itself from antitrust claims, perhaps unlike other sport leagues.