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Tech drives the secondary market for sports tickets

Weeks before tonight's MLB All-Star Game, the hosting Cleveland Indians issued a warning to fans looking to buy tickets for the event from secondary market vendors: Stick to StubHub, MLB's official secondary ticket market partner. Otherwise, fans could find out their tickets aren't accepted at the gate.

The Indians organization also said it was monitoring third-party ticket sales to discourage season ticket holders and others from cashing in by selling their tickets for an exorbitant amount. According to multiple media reports, a team spokesman said season ticket holders could lose future benefits if caught exploiting the demand for the sought-after tickets.

MLB isn't the only organization concerned about secondary-market ticket sales in sports. Regulators inside and outside the sports industry have been exploring ways to stop illegal practices and rein in the exploitation of fans who will pay just about anything to attend a hot sports event.

While there are state and federal laws and regulations aimed at specific aspects of the ticket resale industry, a comprehensive solution to make the secondary ticket market more transparent has yet to be articulated. Evolving technology may provide both solutions and challenges.

Reselling event tickets is hardly a new development in sports and entertainment. — who hasn't been to a game and been approached outside the venue by fans looking to buy or sell extra tickets?

ClickitTicket, a ticket resale marketplace, claims the concept goes all the way back to ancient Rome. In the U.S., resales date at least as far back as the 1860s. In a notable example, \$5 tickets to hear Charles Dickens read from one of his books were resold for \$50 on the secondary market, according to ClickitTicket.

The secondary ticket market resells tickets purchased from primary ticket sellers — including team or league official websites and box offices.

Resales can occur between individuals,



SPORTS MARKETING PLAYBOOK

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such as when someone sells a ticket privately to a friend or offers it for sale on an online marketplace like Craigslist.

Ticket resellers are a legitimate business, while ticket "scalpers" illegally sell tickets at jacked-up prices near the venues around the time of the event. Some critics question the difference between resellers and scalpers, however.

Ticketmaster, StubHub, ClickitTicket and many smaller players run clearinghouses for deals and sold-out tickets for major sports events.

But secondary ticket market websites and aggregator websites take the business of reselling tickets to a whole other level. Services like SeatGeek and FanSnap search across secondary ticket market websites of all sizes and offer ticket price comparisons.

Primary ticket marketers started outsourcing ticket sales to secondary players because it was convenient and cost-effective. These logistical benefits are particularly attractive in the sports world, which generates considerably more events during a season than the entertainment industry.

The sports industry also utilizes dynamic pricing, where ticket prices rise or fall depending on the demand for tickets, which further complicates ticket sales, explains ClickitTicket. An athlete poised to break a historic record might cause ticket prices to rise, while a team having yet another miserable season likely draws lower ticket prices. Even the weather can affect the price of tickets.

The secondary ticket market is susceptible to a variety of issues that can make it less than consumer-friendly. According to a 2018 report from the U.S. Government Accountability Office on event ticket sales, these issues include the failure to disclose added fees until the end of a transaction, the sale of fraudulent tickets, deceptive marketing that leads consumers to believe they are buying tickets from the venue directly, and the use of bots to snap up large blocks of tickets the moment they go on sale.

The ticket industry as a whole is not federally regulated, but the government keeps an eye on certain aspects of it. The Federal Trade Commission, which protects consumers from unfair or deceptive acts or practices, is charged with enforcing the Better Online Ticket Sales (BOTS) Act. Enacted in 2016, the act banned the resale of tickets purchased by bot technology — software which can facilitate the lightning-fast purchase of large numbers of tickets from primary ticket outlets. State attorneys general also have enforcement authority under the act, but critics complain enforcement of the BOTS Act is weak, in part because the fines levied for using bots aren't enough of a deterrent.

The FTC held a workshop in June for consumer advocates, industry representatives,

and government officials to assess practices in the ticket marketplace. The workshop addressed the BOTS Act as well as practices that limit ticket availability and mislead consumers about ticket prices or availability. While workshop participants agreed on the need for regulation to increase transparency around ticket fees, the FTC cannot regulate the industry on its own, noted attendee U.S. Rep. Bill Pascrell, Jr. (D-NJ) in a statement. Pascrell advocated for Congress to step in and do more to protect consumers and catch those who defraud ticket buyers.

At the state level, laws that regulate secondary ticket sales vary widely, from physical restrictions on where sellers can sell tickets around a venue to requiring ticket broker licenses.

Some states also restrict the use of bots, impose price caps on ticket resale markups, and limit the use of nontransferable tickets. In addition, the National Association of

Ticket Brokers requires members to adhere to a code of ethics that includes consumer protections and offers consumers a complaint procedure to resolve disputes with ticket resellers.

How much of an impact the current regulatory scheme of federal and state laws and industry self-regulation have on the secondary ticket market is unclear.

Meanwhile, a new study predicts that mobile ticketing for sports events worldwide will explode in the next four years. Juniper Research estimates that sports fans will spend \$23 billion on mobile tickets by 2023, up from \$14 billion in 2019. The force behind this surge is the increased use of apps to encourage fan engagement that incorporate the purchase of mobile tickets, says Juniper.

The days of camping out overnight for tickets to an event are long gone, and paper tickets may very soon be a thing of the past. The NFL and Ticketmaster quietly moved to

an all-digital ticketing platform last season.

The league said the move to drop paper tickets was spurred by the need for a better way to combat ticket fraud as well as the desire to know the identity of the individuals who actually attend the games. Electronic tickets that are emailed to buyers can still be printed out multiple times and resold to unsuspecting victims, but a growing practice is to require event attendees to present the credit card they used to purchase the ticket in order to access the venue.

Ticket sellers, whether primary or secondary, will need to keep pace with emerging app technology and compete with new, increasingly innovative ticket brokers. From a regulatory perspective, as is the case in many other areas in the sports world, new technology continues to outpace the legal framework, making it challenging to tackle current issues and anticipate future issues in sports ticketing.