

SheppardMullin

SOCIAL MEDIA & GAMES TEAM



2015 Year in Review

& Predictions for 2016

2015 was another year of evolution and dynamic growth in the social media and game industries.

- **Market Growth** – Game market revenues, including revenue from mobile and other platforms, continues to grow. Digi-Capital forecasts that games software revenue will grow from \$88 billion in 2015 to \$110 billion by 2018. The growth in mobile games compared to online or console also continues to grow. Digi-Capital forecasts that mobile games revenue will grow from \$29 billion in 2015 to \$45 billion by 2018. Big game companies are focusing more efforts on fewer games. For example, mobile game giant Kabam made a strategic decision to sell-off some of its older games to focus its efforts on its top games.
- **Convergence** – The social media and game industries are converging with traditional entertainment, including film and television and other broadcast media. The industries are also seeing rapid advancement of eSports, fantasy sports, virtual reality and augmented reality games. These developments will inevitably lead to further evolution of the technology and hardware platforms that support social media and games.





Trends for 2016

- **Virtual Reality (VR) and Augmented Reality (AR)** – Analysts expect the sale and adoption of VR platforms, such as VR head-mounted displays, and AR platforms, such as augmented heads-up displays, to continue to increase. While the industry will certainly see some winners and some losers, overall development of games and other applications for VR and AR platforms will continue to increase.
- **Social Games, Gambling and Gamblification** – Many of the top revenue generating games in the app stores are social casino games. Several of the leading companies in this space have been subject to class actions for allegedly using illegal gambling mechanics, but some of these cases were dismissed in favor of the game companies based on the courts' rulings that the games did not include illegal gambling. Nevada's passage of SB9 and New Jersey's legislative action promoting real-money, skill-based games may lead to tremendous new business opportunities, balanced by the need for careful legal structuring of these offerings.
- **Fantasy and eSports** – The rapid growth and success of fantasy sports and the emerging business models, particularly daily fantasy (and other short-term models), has led to intense regulatory and legislative scrutiny. Some states have moved to expressly legalize certain forms of fantasy sports. Some states have sought to impose limits and/or impose reporting and other requirements on fantasy sports companies.
- **Mobile Game Platforms** – Analysts have predicted games will continue to migrate from game consoles to mobile platforms. This may require legal protection of emerging technologies and/or business models. There is likely to be significant investment activity, from private equity and other sources, in mobile games.

The rapid growth of the different forms of interactive entertainment, hardware and software platforms, and business models related to the games industries requires a comprehensive understanding of legal issues companies are likely to face.



Our Experience

The Social Media & Games team at Sheppard Mullin, comprised of more than 60 seasoned professionals in all aspects of the social media and games industries, assisted industry clients in realizing their goals in 2015. The following represent just some of the recent successes Sheppard Mullin’s Social Media & Games team has achieved for our clients.

Mobile Games



- **Cosmic Forces** – Represented Cosmic Forces in licensing rights to make mobile game based on the Goosebumps movie.



- **Funplus Games** – Represent Funplus Games in the proposed US\$1 billion sale of its DianDian division (the leading simulation gaming publisher and developer in the world) to Chinese public company Century Huatong Group (the largest publisher of mobile games in China).



- **Machine Zone** – Advised on branding strategy, clearance, protection and enforcement of their global brands.



- **Toca Boca** – Represented Toca Boca, which produces popular kid-friendly games such as Toca Cars and Toca Hair Salon Me, in various licensing deals, including with Amazon for the Fire tablets, Amazon Fire TV, and Kindle e-readers.

eSports and Fantasy Sports



- **Fox Sports** – Represented Fox Sports in structuring and documenting several high-profile online fantasy sports collaborations with some of the biggest names in the booming daily fantasy sports industry.



- **Oculus and Oculus Story Studios** – Represented Oculus and Oculus Story Studios in various entertainment, licensing and production related transactions, including the production of a promotional video featuring founder Palmer Lucky and the band DragonForce to announce the launch of the VR version of Harmonix’s “Rock Band”.



- **Twitch Interactive** – Assisted Twitch in negotiations with eSports teams and sponsors.

Social Media



- **Game Show Network** – Represented Game Show Network in its interactive programming initiatives and online and social gaming campaigns.



hitch radio

- **Hitch Radio** – Provided corporate and strategic advice to social-listening application Hitch Radio.



SNAPCHEER

- **Snapchat** – Represented Snapchat in the development of its advertising program and launch of Discover in-app content platform as well as production of original content for Snapchat channel.

- **Snapcheer** – Represented Snapcheer with IP issues relating to its sports news aggregation application called Fanly.



- **SpeakBeat** – Represented SpeakBeat with the launch of its social polling application of the same name.

Other Media



- **Rainmaker Entertainment** – Represented Rainmaker Entertainment with production, distribution and financing issues relating to the theatrical motion picture “Ratchet & Clank” (based upon the well-known Sony Computer videogame), to be released domestically by Focus Features in the Spring 2016.



Additions to Our Team

In June 2015, we welcomed the former head of the Social Media & Games team from a competitor, along with two other partners and ten other team members. The group focuses on the intellectual property aspects of social media and games, with a strong emphasis on patent protection and monetization.

New partners include **Jim Gatto** and **Brad Blaise** in our Washington, D.C. office and **Ben Esplin** in San Diego (Del Mar), California. They counsel clients on business issues relating to the use of social media, videogames, mobile and social games, eSports, fantasy sports and online gambling (gamblification), virtual goods and currencies (including bitcoin), social networks, virtual worlds, augmented reality, virtual reality, cybersecurity, open source, user-generated content, mHealth and FinTech Apps, location-based services and gamification.

We further strengthened our team with the addition of **Adam Ettinger** as a partner in our Century City office, who joined from Strategic Counsel Corp. His practice emphasizes venture financing, technology development, channel relationships, licensing, privacy, online advertising, and eCommerce. He has represented networking technology, digital currencies, social gaming, internet advertising and mobile apps clients.



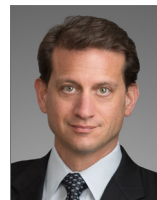
Jim Gatto



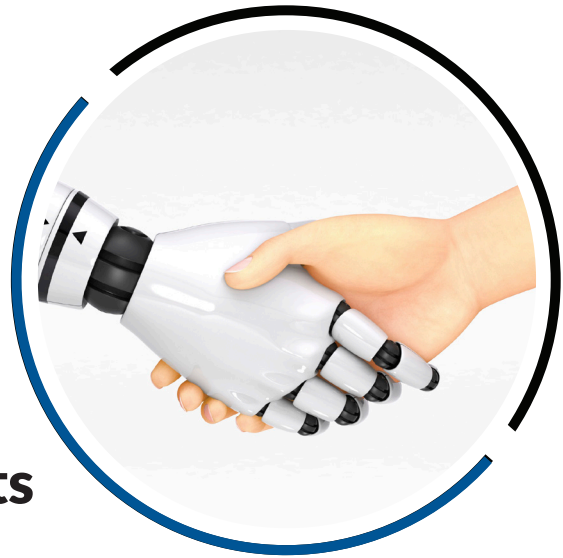
Brad Blaise



Ben Esplin



Adam Ettinger



Sampling of Representative Clients



SQUARE ENIX



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About Us

Sheppard Mullin was one of the first major law firms to create a multidisciplinary games industry team. Our Social Media & Games Team members include patent lawyers with strong technical backgrounds in the electrical and computer arts, transactional and entertainment lawyers, and lawyers with experience in sports industries, digital media and distribution, digital business, advertising, gambling, fantasy sports, digital and virtual currencies, and much more. Named by *Interactive Age* as one of the top two law firms serving the videogame industry, our team has expanded to more than 60 lawyers in 15 offices in the U.S., Europe, and Asia.

Thought Leadership

Recent publications, details on upcoming events, and additional information about our Social Media & Games Team can be found at www.sheppardmullin.com/social-media-and-games. Subscribe to our top rated games blog at www.lawofthelevel.com.

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