

# CONVERSATION WITH THE EXPERTS: CHRISTINA S. CHANG AND HON. KATHERINE CHILTON SHARE INSIGHTS AND UPDATES ON THE BUSINESS OF ENTERTAINMENT & SPORTS

The **Entertainment & Sports** 'Conversation with the Experts' section is produced by the L.A. Times B2B Publishing team in conjunction with JAMS and Nixon Peabody LLP.



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**W**ith a seemingly endless series of challenges and obstacles over the last few years, including protocol resets, health and safety concerns, supply chain shortages and industry-wide labor strikes, the entertainment and sports industries somehow manage to succeed, with creativity and innovation – always hallmarks of show business – sparking silver linings and trends that may actually benefit some sub-sectors of the industry long-term.

Many unanswered questions remain, however. What shifts are

here to stay for the long term? What legal, labor and financial issues need to be addressed? What new roles can technology play moving forward? What will the industry look like a year, or five years, from now?

The Los Angeles Times B2B Publishing team turned to two uniquely knowledgeable experts for their thoughts and insights about how Southern California's powerhouse entertainment and sports business sectors can continue to blaze new and creative paths to success.

**Q: WHAT DO YOU CONSIDER TO BE THE MOST CHALLENGING OBSTACLES FACING THE INDUSTRY IN 2024?**

**A: Chilton**

This is an easy one. Artificial intelligence (AI) is the most challenging obstacle, but it also has the greatest potential to be a useful tool. While it's a big problem for lawyers when ChatGPT "hallucinates" case citations, it can still create an MCLE presentation on ethics, compose a song in the style of a major recording artist, write a story in the style of a well-known author and draft a college application essay. In addition to

it. Lawsuits involving rights of publicity are likely to follow, and this is just the beginning. Besides AI, another obstacle is the future of back-end compensation. The streaming services changed the landscape and opened the door for the studios to rethink their old definitions, especially those studios that are so vertically integrated. It's hard to make changes in Hollywood because no one can predict whether a particular change will favor the talent or the studio.

**A: Chang**

A fragile economic climate continues to directly impact consumer spending habits, causing brands, advertisers, creators and sports leagues/teams to reallocate and prioritize spending. The industry needs to prioritize affordable experiences and campaigns that maximize engagement and actually convert. The industry also needs to keep up with technological advancements and the resulting disruptions of AI while protecting consumer data and celebrity/athlete likenesses against deepfakes. These technologies can disrupt and generate new revenue models, which can impact broadcasting rights and in-game attendance and affect opportunities for writers and actors post-strike.

**Q: WHAT'S THE CURRENT STATE OF THE MUSIC INDUSTRY IN THE WAKE OF THE MASSIVE SUCCESS OF MAJOR ARTIST TOURS IN 2023?**

**A: Chilton**

I don't know if the massive success of major artist tours will

substantially impact the music industry. While concerts have been wildly successful – and wildly expensive to attend – music has become more accessible than ever. Social media and streaming services allow anyone to distribute their music and attempt to attract fans, labels and producers. It has leveled the playing field for many talented musicians.

**Q: WHAT EFFECT HAS GLOBAL CONFLICT HAD ON ENTERTAINMENT AND SPORTS FROM AN OPERATIONS PERSPECTIVE?**

**A: Chang**

Global conflict has changed the industry discourse and protocol in responding to same. Consumers expect advertisers, brands, creators, athletes, sports teams and their executives, affiliates and partners to be educated, empathetic, responsive and vocal on world affairs, including conflicts, wars,

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a myriad of ethical issues, cases are pending before several courts to determine whether ChatGPT is infringing on copyrights when it is trained on copyrighted works. Courts are also considering whether to sanction lawyers for using AI or failing to disclose they used

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politics and individual rights. The industry has to continuously strike a balance between being appropriately responsive without offending its demographic. This means operations have to deploy

daily quality control checks to ensure brand safety. Silence is deadly, but saying too much could be polarizing. We've seen C-suite executives at major talent agencies and corporations fired for controversial comments on social media; talent and brands publicly blasted for failing to take a stand; even campaigns highly scrutinized and subsequently canceled for implicit or suggested undertones of divisive political or social commentary.

**Q: DO YOU BELIEVE THE SHIFT IN FILM AND TELEVISION PRODUCTION TO OTHER U.S. CITIES AND OVERSEAS WILL CONTINUE TO OCCUR? IF SO, HOW CAN WE REINVEST IN L.A. TO KEEP MORE ENTERTAINMENT PRODUCTION HERE?**

**A: Chilton**

During the strikes, a major streaming platform continued to produce content – much of it outside of the U.S. – so it seemed to be less affected than some of the U.S.-based studios. The company's global approach – moving to more regional content and a regional organizational structure – seems to be working. I expect other studios to follow suit and increase their international production to compete. Los Angeles has an incredibly skilled workforce, great schools and universities to teach courses related to filmmaking, myriad landscapes and ideal weather, but California is an expensive place to shoot. So much

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production – and talent – has moved to Georgia, New Mexico and Texas – all of which are less expensive places to live. However, Gov. Newsom recently signed a bill extending the film and television tax credit for five more years with a new “refundable” feature for studios if their credits are larger than their tax bills, which will help California compete with other states' similar benefits.

**Q: HOW IS THE BUSINESS OF SPORTS DIFFERENT IN SOUTHERN CALIFORNIA THAN OTHER PARTS OF THE COUNTRY?**

**A: Chang**

Southern California has a special allure – a trifecta of good weather, celebrity residency, and premiere

sports teams and events – that will always make it a hot spot ripe for opportunities, including attracting A-list athletes. More talent leads to additional opportunities, including endorsements and sponsorships, community investment and new venues for games, concerts, festivals and events.

**Q: WHAT NEW AVENUES TO FINANCIAL SUCCESS DO YOU ANTICIPATE FOR CREATIVE TALENT OVER THE NEXT FEW YEARS?**

**A: Chilton**

User-generated content (UGC) is becoming dominant – everyone is watching online videos all the time – and it already generates billions of dollars in revenue. Younger viewers who watch UGC that is shared via social media may view it as more reliable or relatable than traditional sources, such as television ads, because it comes from an information source embedded in their network. This type of content likely will continue its explosive growth, and creative talent will not have to rely on traditional means of distribution.

**A: Chang**

Talent will continue to leverage joint ventures and other partnerships that give them ownership and incentive for long-term investment and compensation through equity, royalties, guarantees or some combination of the foregoing. There's also growing interest and opportunities to invest in sports, including professional teams or exclusive sponsorship opportunities of the same.

**Q: WHAT ARE THE BENEFITS OF ALTERNATIVE DISPUTE RESOLUTION AND WHEN DO YOU RECOMMEND USING IT?**

**A: Chilton**

After my stint on the California Superior Court bench and my years of supervising litigation, I view arbitration as the answer to the inefficiencies in the court system, which are costly in and of themselves. As you already know, in arbitrations, you get to choose the arbitrator, who may have some special expertise, whereas, in court, you have almost no control over the judge to whom your case is assigned; you set the schedule, whereas in court, it's based on the judge's schedule, and that judge will always have more cases than any single arbitrator; discovery is more limited, and discovery disputes are resolved quickly; there are no expensive demurrers and generally no motions for summary judgment; and cases are decided expeditiously.

**Q: WHAT EFFECT HAS THE RISE IN DE&I AWARENESS HAD ON ENTERTAINMENT AND SPORTS?**

**A: Chang**

DEI awareness continues to have a positive impact in entertainment and sports, with organizations publicly committing to institutionalizing DEI programs, supporting DEI initiatives and

spotlighting and elevating diverse personnel within the organizations. The industry and its creators and athletes appreciate having diverse representation that has varied experiences and diverging viewpoints that will challenge the status quo.

**A: Chilton**

In entertainment, diversity and inclusion can manifest in a few different ways: on the screen, behind the camera and in the office. I have no experience with production, but for employees of studios with DEI as a goal, the key is patience when trying to find candidates. People tend to want to hire quickly and hire people who are like them. You often hear “I couldn't find any diverse candidates,” but that is simply laziness. Hiring diverse employees brings depth to any business, and evidence shows that diverse and inclusive companies outperform their peers. Studies further show that when people with different views and experiences and backgrounds come together to solve a problem, their solutions are more inventive. In entertainment, DEI is the only way for businesses to survive and grow, and I think the young talent coming up understands this.

**Q: WHAT DO SPORTS AND ENTERTAINMENT BRANDS WANT TO SEE IN TERMS OF SPONSORSHIP RENEWAL OR NEW BUSINESS PITCHES?**

**A: Chang**

Sports and entertainment brands want to maximize benefits received with minimal spend. They want

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to lock up exclusive multi-year partnerships with brand-safe but innovative and dynamic talent who can render various promotional services and use such proceeds on all mediums, including digital, print, editorial, etc.