

ESPN suing Verizon over unbundling of its sports channel

April 27 2015, by Michael Liedtke



This Sept. 16, 2013 photo shows the ESPN logo prior to an NFL football game between the Cincinnati Bengals and the Pittsburgh Steelers, in Cincinnati. ESPN on Monday, April 27, 2015 filed a lawsuit against Verizon in an escalating clash over how the popular sports channel is being sold in a discounted pay-TV package. (AP Photo/David Kohl)

ESPN is suing Verizon in an escalating clash over how the popular sports channel is being sold in a discounted pay-TV package.

The complaint filed Monday in New York's state Supreme Court alleges Verizon is breaking its contract with ESPN, owned by Walt Disney Co., by unbundling the sports channel from the main programming line-up of Verizon's FiOS TV.

The legal showdown could have ripple effects on how other pay-TV programming is packaged. Cable and satellite services are scrambling to retain subscribers as the advent of Internet video spawns new and less expensive ways to stay entertained and informed.

Verizon is allowing customers to subscribe to a bare-bones package of 35 channels for \$55 per month, with the option of adding other two other tiers of programming such as a sports package that includes ESPN. The streamlined packages are meant to appeal to budget-minded consumers weary of paying for dozens of TV channels that they rarely watch.

Pay-TV providers such as Verizon are under pressure to give subscribers cheaper and more flexible choices as they face intensifying competition from Netflix, Hulu, Amazon.com and other online services that stream TV series and movies over high-speed Internet connections.

Those market forces prompted Time Warner Inc.'s HBO, a long-time staple in pay-TV lineups, to recently begin selling an Internet-only service for \$15 per month.

"Verizon's current skirmish speaks to the trouble distributors will have in creating a slimmer package that is attractive both from an economic and content perspective," MoffettNathanson Research wrote in an analysis Monday.

ESPN is fighting Verizon's discounted "custom TV" package because it gives subscribers the option of bypassing the sports channel in their

programming selections. That violates pay-TV requirements stipulating that ESPN be included in the main bundle of programming, according to ESPN. Despite the alleged breach of contract, ESPN hasn't yet pulled its channel from the sports pack that Verizon is selling as part of its discounted service.

New York-based Verizon Communications Inc. denies its new options break its ESPN contract. "Consumers have spoken loud and clear that they want choice, and the industry should be focused on giving consumers what they want," the company said in response to ESPN's lawsuit.

In its statement, ESPN said it favors innovation as long as it doesn't violate existing agreements. The sports channel recently worked out a deal that enabled Dish TV's Sling service to include ESPN and ESPN2 in an Internet video service that costs about \$20 per month. ESPN is included in the main programming line-up of Sling, though.

While ESPN took Verizon to court, CBS Sports Network disclosed plans to join Verizon's separate sports package beginning May 1.

Few details of ESPN's claims against Verizon were available Monday because the material in the lawsuit is currently considered confidential.

ESPN is highly prized by pay-TV providers and advertisers because the channel has the rights to a variety of major professional and college sports that still command large audience who watch the programming live instead of on DVR recordings that let viewers skip the commercials.

The sports channel's allure has established ESPN as the most expensive channel in basic pay-TV channels, based on estimates from data provider SNL Kagan. ESPN charges pay-TV distributors \$6.61 per monthly subscriber compared to just \$1.65 per subscriber for the second most

expensive basic channel, TNT.

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