

Madison Square Garden Lawsuit May Have Far-Reaching Implications For Sports Industry

by Anthony Caruso on September 25, 2013

Several entertainment companies have been hit with lawsuits lately from unpaid interns alleging labor law violations, but a new Madison Square Garden lawsuit may have far-reaching implications for the sports industry as a whole.

The class-action suit filed by more than 500 former interns claim that they were misclassified as interns to avoid being compensated adequately, despite performing work responsibilities that would otherwise classify them as employees. Typically, the line between intern and employee status rests upon the specific roles and responsibilities that workers carry. An intern charged with running errands and providing coffee at board meetings may have fewer claims against a company than one tasked with projects that could have a considerable financial impact on the business.

In the Madison Square Garden case, interns worked five days a week and performed tasks relating to administrative projects, logistics during sporting and entertainment events, and sponsorship sales.

While the initial issues in the case surround labor and business law, the outcome of the lawsuit could have a financial impact on both sports agencies, as well as those trying to break into the industry. A recent Forbes article noted that in some ways, the unpaid intern scenario mirrors the arguments being discussed about unpaid college athletes. As sports commentators have argued that the experience, training, and career opportunities that stem directly from participating in college athletics justifies compensation bans, other analysts agree that the mentorship, guidance and business experience interns secure when working for large sports companies is unparalleled. In many cases, these interns are given full-time positions following their internships.

As the sports and entertainment industry is highly competitive, a verdict in favor of the plaintiffs may create a backlash among companies that frequently employ interns, which could lock many people out of entering the industry altogether.