

Ultimate Fighting Championship: From Near Bankruptcy to Monopoly Status

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I. Introduction

The Ultimate Fighting Championship (UFC) is the most popular Mixed Martial Arts (MMA) promotion in the world.¹ Founded in 1993 by Bob Meyrowitz, the UFC initially struggled to succeed because it lacked regulations, which led to politicians and critics disapproving of the sport, its profits, and its popularity.² In 2001, Frank and Lorenzo Fertitta bought the UFC for two million dollars and named Dana White as the president of the organization.³ Together, White and the Fertitta brothers revamped the organization into a multibillion-dollar company through controversial business practices and eventually sold it for four billion dollars.⁴ Although legal action has been taken pursuant to the Sherman Antitrust Act, antitrust laws are not being sufficiently enforced due to the company's lucrative success in the MMA market. The UFC, owned by TKO Group Holdings, has and continues to dominate this market through its monopolistic practices, including exclusivity contract clauses, competitor acquisition, low wages, and sponsorship regulation.

II. Antitrust Law

To be labeled a monopoly, a company or entity has to create “an unreasonable restraint of competition in a market.”⁵ Numerous laws have been passed to prevent companies from engaging in monopolistic activity. In 1890, the first antitrust law, the Sherman Antitrust Act, was

¹ The UFC was formerly owned by Zuffa LLC and is currently owned by TKO Group Holdings, a company formed by the merger of Zuffa LLC and World Wrestling Entertainment.

² Brand Vision Insights, *From the Brink of Collapse: How Dana White Revived the UFC* (Oct. 2024), brandvm.com/post/how-dana-white-revived-the-ufc#:~:text=1.,the%20nine%20months%20ending%20.

³ *Id.*

⁴ *Id.*

⁵ Legal Info. Inst., *Monopoly*, Cornell L. Sch. (July 2023), law.cornell.edu/wex/monopoly.

passed, declaring that “every contract...in restraint of trade or commerce among the several States, or with foreign nations” is illegal.⁶ In the past, the Standard Oil Company controlled the petroleum industry through a variety of monopolistic actions, including exclusive supplier contracts with independent sellers.⁷ In 1949, the United States Supreme Court decided that using this exclusive clause violates the Sherman Act.⁸ Similar to the Standard Oil Company, the UFC uses “exclusive contracts with specific provisions” preventing fighters from competing in different promotions for the duration of their contract.⁹ This clause restrains commerce because it renders the fighters unable to compete for different promotions, resulting in lessened competition and reduced bargaining power for fighters. Although other MMA promotions utilize similar clauses in their contracts, the UFC is the largest company in this market, so they are able to hold the biggest fighters in the world to long-term contracts, thus potentially violating a provision of the Sherman Act.

The Clayton Act, enacted in 1914, is the second notable antitrust law passed in the United States, and it prohibits specific monopolistic practices not addressed by the Sherman Act.¹⁰ In Section 7 of this law, it states that “mergers and acquisitions where the effect ‘may be substantially to lessen competition, or to tend to create a monopoly’” are prohibited.¹¹ As the UFC has grown, there have been numerous promotions that have tried to compete in the MMA market, both domestically and internationally. In the early 2000s, the Pride Fighting Championship was the largest promotion in Japan with a talented roster. Since the UFC saw

⁶ Sherman Antitrust Act, 15 U.S.C. § 1–8 (1890).

⁷ *United States v. Columbia Steel Co.*, 337 U.S. 293 (1948).

⁸ *Id.*

⁹ Steve Ross & Gurtej Grewal, *Cung Le v. Zuffa Promised To Change the UFC. What the Settlement Means for MMA Fighters and the Industry*, ProMarket (Apr. 2024), promarket.org/2024/04/17/cung-le-v-zuffa-promised-to-change-the-ufc-what-the-settlement-means-for-mma-fighters-and-the-industry.

¹⁰ Clayton Antitrust Act, 15 U.S.C. § 12–27 (1914).

¹¹ Fed. Trade Comm’n, *The Antitrust Laws*, ftc.gov/advice-guidance/competition-guidance/guide-antitrust-laws/antitrust-laws.

Pride FC as a threat to their market share, Zuffa LLC—the parent company of the UFC at the time—bought the Japanese promotion.¹² In the span of five years, Zuffa LLC purchased three prominent competitors: World Fighting Alliance in 2006, Pride Fighting Championships in 2007, and Strikeforce in 2011.¹³ Through the acquisition of these major MMA promotions, the UFC increased its market share and diminished competition, violating Section 7 of the Clayton Act.

In addition to the Sherman and Clayton Acts, the Federal Trade Commission Act (FTC Act), also enacted in 1914, serves to strengthen prior antitrust laws. During this time, businesses—specifically U.S. Steel and Standard Oil—were finding loopholes to the Sherman and Clayton Acts, so President Woodrow Wilson signed the FTC Act into law,¹⁴ prohibiting “unfair or deceptive acts or practices in or affecting commerce” across a variety of industries.¹⁵ The UFC has engaged in several activities that may violate this provision including paying low wages and controlling sponsorships. Although offering a low wage is not inherently breaking the law, White argues fighters in the UFC are “paid what they’re supposed to get paid,” since they receive around 20% of the UFC’s revenue.¹⁶ This is a deceptive business practice because the UFC advertises fair wages, but similar sports leagues like the NBA and NFL offer 50% of their revenue to their athletes.¹⁷ After advertising fair wages, White signs fighters to the UFC with contracts including exclusive clauses, which deceive the fighters and prevent them from fighting elsewhere.

¹² Katie Le, *UFC: A \$2 Million Legacy Transformed Into a \$4 Billion Juggernaut*, EnvZone (Apr. 2024), envzone.com/ufc-a-2-million-legacy-transformed-into-a-4-billion-juggernaut.

¹³ *Id.*

¹⁴ Marc Davis, *A Short History of the US Federal Trade Commission (FTC)*, Investopedia (Nov. 2023), investopedia.com/articles/financial-theory/10/the-us-federal-trade-commission.asp.

¹⁵ Federal Trade Commission Act, 15 U.S.C. § 45 (1914).

¹⁶ Marc Raimondi, *UFC President Not Planning Fighter Raises: ‘These Guys Get Paid What They’re Supposed to Get Paid’*, ESPN (Aug. 2022), espn.com/mma/story/_/id/34389555/ufc-president-dana-white-not-planning-fighter-raises-guys-get-paid-supposed-get-paid.

¹⁷ *Id.*

Additionally, the UFC is notorious for controlling its fighters' sponsorship deals. In the early 2000s, fighters could sign endorsement agreements, which usually required them to advertise company slogans or images on their fight gear, serving as an additional source of income.¹⁸ However, in 2015, the UFC signed an exclusive deal with Reebok, preventing fighters from being “sponsored by non-Reebok entities during fights, fight week, and weigh-ins, impeding fighters from generating [additional] income.”¹⁹ In 2020, the UFC signed a similar apparel contract with sportswear specialist Venum for two years and they renewed the contract to expire in 2029.²⁰ These exclusive brand partnerships are unfair business practices that affect commerce by preventing fighters from earning additional income and companies from expanding through advertisements.

III. Class Action Lawsuit

As the UFC became prominent, fighters in the promotion began noticing how the organization undervalued them. In 2014, the first class action lawsuit was filed on behalf of fighters who believed they had been exploited by the UFC.²¹ The plaintiffs—Cung Le, Nate Quarry, and Jon Fitch, representing themselves and other fighters—argued that the promotion’s fighters deserved “treble damages and other relief arising out of [the UFC’s] overarching anticompetitive scheme to maintain and enhance its (a) monopoly power...in the market for promotion of live Elite Professional mixed martial arts (‘MMA’) bouts, and (b) monopsony power in the market for live Elite Professional MMA Fighter services.”²² The UFC did not take

¹⁸ Andrew Brennan, *Why Is The UFC-Reebok Deal Exploiting UFC Fighters And Condoning Pay Gaps?*, Forbes (May 2016), forbes.com/sites/andrewbrennan/2016/05/16/is-it-the-ufc-or-is-it-reebok-that-is-exploiting-ufc-fighters-and-condoning-pay-gaps/.

¹⁹ *Id.*

²⁰ Euan Cunningham, *Venum and UFC Extend Exclusive Apparel Deal Until 2029*, Sportcal (Mar. 2024), sportcal.com/sponsorship/venum-and-ufc-extend-exclusive-apparel-deal-until-2029/#:~:text=Through%20the%20extension%2C%20Venum%20will,then%20struck%20in%20August%202022.

²¹ UFC Antitrust Lawsuit, *Case Timeline*, ufcclassaction.com/timeline.

²² Antitrust Class Action Complaint, *Le v. Zuffa, LLC*, 216 F. Supp. 3d 1154, 1159 (D. Nev. 2016).

this claim lightly; they fought back by attempting to withhold millions of documents and dismiss the case. In September 2024, TKO Group Holdings, the current parent company of the UFC, reached a settlement agreement that will pay \$375 million to the plaintiffs.²³ However, a second class action lawsuit was filed in 2021 by plaintiffs Kajan Johnson and Clarence Dollaway, as the suit filed in 2014 only included fighters who had been with the promotion from 2010 to 2017. This 2021 suit claims that fighters competing from 2017 to the present are entitled to the same treble damages as the fighters from the prior period.²⁴ This suit is currently active, and the UFC has filed a motion to dismiss it.²⁵

IV. Conclusion

Despite the class action lawsuits against the UFC, the MMA promotion continues to operate as a monopoly. They have not acquired a competitor since 2011, and the UFC maintains exclusive contract clauses, low wages, and control over sponsorships. These monopolistic actions lessen domestic and international competition, ensuring the UFC does not lose its position as the prominent MMA organization. While antitrust laws were passed to prevent companies from retaining such power in a market, the UFC has found a way to bend the laws in its favor. As a result, the UFC retains its position and power as the dominant MMA promotion, unjustly dictating the future of mixed martial arts and of its competitors.

²³ Raimondi, *supra* note 16.

²⁴ Antitrust Class Action Complaint, Johnson v. Zuffa, 2:21-cv-01189-RFB-BNW (D. Nev. filed 2021).

²⁵ Raimondi, *supra* note 16.