

Athlete Branding Legal Story: Double-edged Sword of Glory



Wednesday Wisdom
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The roar of the crowd echoed across the stadium as Virat Kohli notched his century against Pakistan in the Champions trophy match on 23rd February 2025, bringing smiles across India. Just as his on-field performance has captivated millions, Virat Kohli's astute brand choices, exemplified by his long-standing partnership with MRF, have solidified his position as a commercial powerhouse.[1]

Virat Kohli's Mega Deal: A Century Off the Field [2]

When Virat Kohli inked his first deal with MRF in 2016 for ₹8 crore, it raised eyebrows. But his 2017 renewal was on a whole different level: an eight-year, ₹100+ crore behemoth, translating to ₹12.5 crore annually—the most expensive bat sponsorship in cricket history. MRF's investment wasn't just about slapping a sticker on a bat; it was about tapping into Kohli's brand, synonymous with youth, performance, and winning. The payoff? A massive boost in visibility and appeal for MRF. This Kohli-MRF saga perfectly encapsulates how modern athletes are brands themselves, commanding mega-deals based on their on-field prowess, massive fan following, and smart market positioning- a testament to the power of athlete branding contracts in the modern sports landscape.

Today, we can see brands running after our favourite athletes to bring them onboard and ensure a long-term partnership to establish dominance in the market.



[1] The article reflects general work of the authors, and the views expressed are personal. No reader should act on any statement contained herein without seeking detailed professional advice.

[2] <https://thecricketlounge.com/how-much-money-mrf-pays-to-virat-kohli-for-bat-sponsorship/>

Why athletes?

Influence of global sporting icons transcends field of sports. Their actions, both on and off the pitch, resonate deeply with fans worldwide. A prime example is the famous incident involving Cristiano Ronaldo at a UEFA Euro 2020 press conference wherein he moved aside two Coca-Cola bottles placed in front of him and encouraged people to drink water instead. This seemingly small gesture sent shockwaves through the beverage industry, leading to a reported \$4 billion drop in Coca-Cola's market value within minutes of the incident[3]. This underscores the immense power athletes wield over public perception and how their endorsements can be a minefield for brands.



What is an Athlete Branding Contract?

Athlete branding contracts are legally binding agreements between a brand and an athlete. These contracts will have all the general terms of the contract and will also specifically outline the terms of the endorsement deal, scope of the athlete's responsibilities, the duration of the agreement, the compensation structure and other relevant aspects agreed amongst the parties.

[3]<https://www.nytimes.com/athletic/4209636/2021/06/15/ronaldos-coca-cola-gesture-followed-by-4bn-drop-in-companys-market-value/?redirected=1>

How is this a double-edged sword of legal risks?

The contract should cogently cover certain risks that are likely to be faced by both the parties as listed below:

Potential Risks to Brands

- **Reputation Damage:** Athlete's misconduct (doping, criminal charges etc.) can severely damage brand's image and contract should address such situations.
- **Loss of Investment:** If athlete underperforms or suffers a career ending injury, brand may lose out on significant portion of investment, and early termination may have to be considered.
- **Endorsing Competing brands:** The aspect of athlete simultaneously endorsing competition or similar industry to be restricted to avoid brand confusion in the market .

Potential Risks to Athletes

- **Exploitation of Image:** Brands may misuse athlete's image in ways that violate their personal values or reputation.
- **Brand's Misconduct:** Brand may engage in unethical business practices like sweatshop labour or environmental damage which can negatively impact athlete's image.
- **Lack of Support:** Brand may fail to provide adequate marketing and promotional assistance to the athlete.

To understand the athlete contract and risk mitigation better, let us take up a few important case studies:

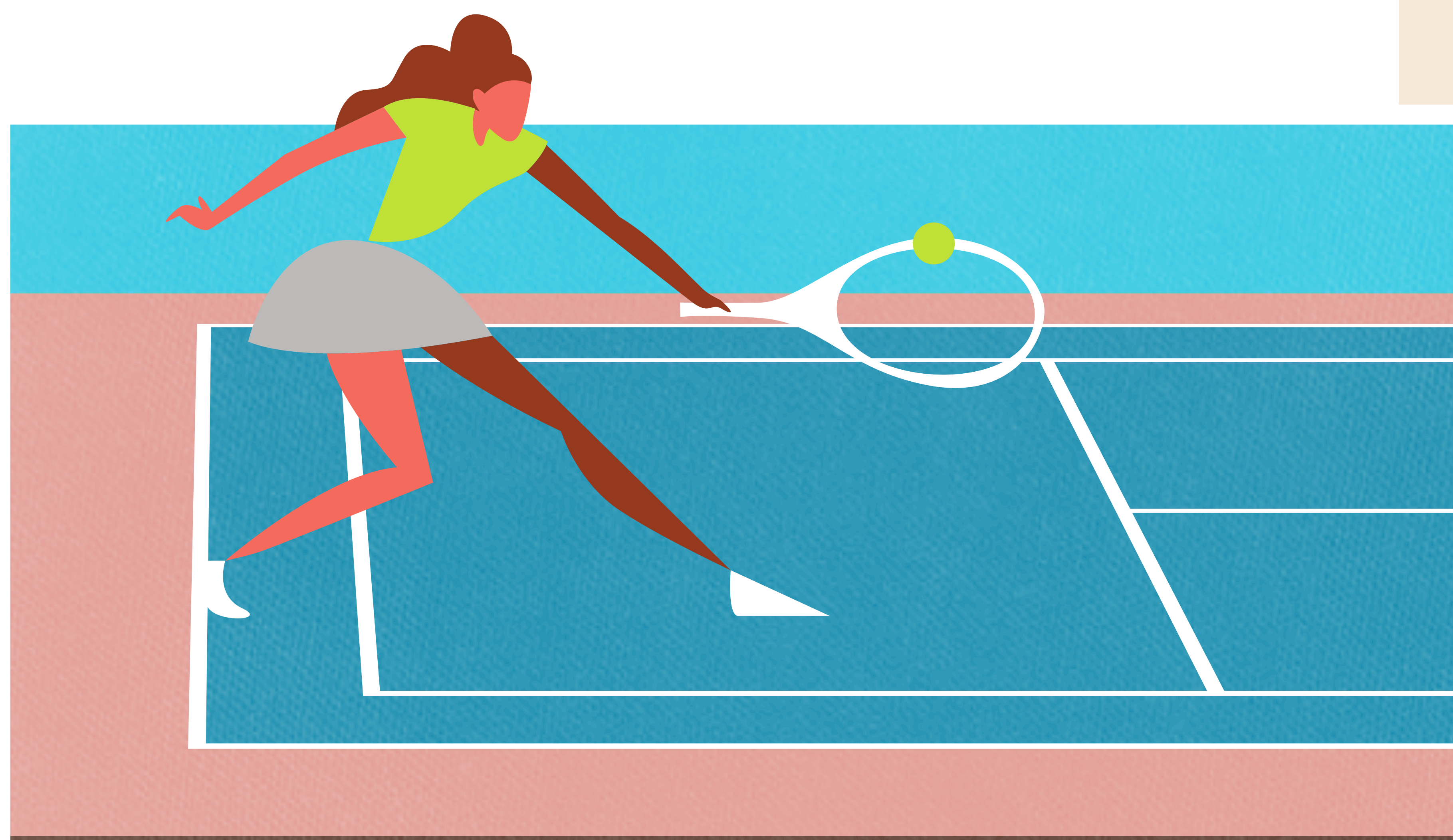
Maria Sharapova's Case Study[4] : The doping fallout

In 2016, Maria Sharapova's admission of a failed drug test at the Australian Open, due to the recently banned substance meldonium, triggered a swift reaction from her sponsors. One of her sponsors Porsche stated, "Until further details are released and we can analyze the situation, we have chosen to postpone planned activities." Another sponsor luxury watchmaker TAG Heuer announced, "We had been in talks to extend our collaboration. In view of the current situation, the Swiss watch brand has suspended negotiations." Nike, one of Sharapova's longest-standing sponsors, declared, "We have decided to suspend our relationship with Maria while the investigation continues. We will continue to monitor the situation." This suspension impacted a lucrative, eight-year extension with Nike, signed in 2010 and potentially worth up to \$70 million, including royalties, according to Forbes.

These actions underscore the significant financial and reputational risks brands face when associated with athletes involved in controversies, highlighting the importance of robust contractual safeguards.

Key Takeaways from this case- Crucial Clauses for Mitigation of Legal Risks

- **Clear Moral Turpitude Clause:** A vague morality clause is insufficient. Brands can insist on a precise and comprehensive definition of "moral turpitude" that covers a wide range of potential misconduct, including (but not limited to) criminal activity, drug use, unethical behaviour, and public statements that are offensive or discriminatory.
- **Unilateral Termination:** Brands generally adopt a unilateral right to terminate the contract immediately upon the occurrence of any event that, in the brand's sole judgment, could negatively impact its reputation or brand image without the right being contingent on a formal investigation or legal proceedings.



Stephen Curry's Case Study: A costly miss for Nike!

Brands should always be careful while dealing with athletes and not assume renewals, as mandatory. If brands do not give adequate attention or support to the athletes, it is likely that the athletes move away.

It was reported that in 2013, Nike made a costly miscalculation that reshaped the basketball endorsement landscape, failing to recognize the immense potential of a then-rising star, Stephen Curry. As detailed in reports, Nike's renewal pitch to Curry was riddled with disrespect, including mispronouncing his name and displaying a repurposed slide with Kevin Durant's name [5]. This, combined with their lower offer of \$2.5 million annually compared to Under Armour's \$4 million (plus a signature shoe and the chance to be the face of the brand), sealed the deal for Under Armour. Curry's subsequent rise to global icon status and his on-court success fuelled the growth of Under Armour's basketball division, including his own highly successful "Curry Brand," which reportedly generates \$250 million annually and has even expanded into lifestyle products. Nike's underestimation of Curry's marketability cost them dearly, missing out on a partnership that has not only generated massive revenue for Under Armour but also established Curry as a cultural force. Curry's recent lifetime deal with Under Armour, reportedly worth \$1 billion, solidifies his legacy in sportswear and positions him as a major influencer in both athletic and lifestyle markets, a testament to Nike's missed opportunity.

Essential Clauses from Perspectives of Mitigation:

[5]<https://timesofindia.indiatimes.com/sports/nba/top-stories/nike-vs-stephen-curry-a-billion-dollar-blunder-analyzed-decades-later-on-a-popular-radio-show-after-listeners-provocative-comment/articleshow/115269606.cms>



BRAND'S PERSPECTIVE

1. Compliance: This clause may address compliance issues and require that the athlete adheres to specific standards of conduct, both on and off the field, that align with the brand's image and values.

It often includes provisions related to social media behaviour, ethical conduct, and adherence to rules and regulations of their sport. This protects the brand from negative publicity or reputational damage due to the athlete's actions. For e.g. The athlete agrees not to engage in any activity that could be considered morally reprehensible or that could bring the brand into disrepute, such as using offensive language or associating with controversial matters.

2. Indemnity: This clause requires the athlete to financially protect the brand from any legal claims or losses arising from the athlete's actions or conduct. It safeguards the brand from losses and claims due to the athlete's missteps. For e.g. The athlete's social media post may lead to a defamation lawsuit against the brand and the indemnity clause requires the athlete to cover the brand's legal costs.

ATHLETE'S PERSPECTIVE

1. Termination for Convenience: This clause allows the athlete to terminate the contract without cause after a specified period, often with a notice period and potentially a buyout fee. It provides flexibility if the athlete's career trajectory changes or if they become dissatisfied with the partnership. For e.g. The athlete can exit the contract if the brand changes its marketing strategy in a way that no longer aligns with the athlete's image.

2. Quality Representations: This clause requires the brand to ensure that all claims made about the product's ingredients, nutritional value, performance enhancements, or any other related aspects are accurate and substantiated by scientific evidence. It protects the athlete's reputation by preventing them from being associated with products that make false or misleading claims. For e.g. if the product is a protein supplement, the brand must guarantee that the protein content and amino acid profile listed on the label are accurate and comply with relevant regulations.

BRAND'S PERSPECTIVE

3. IPR: This clause clarifies ownership and usage rights for any content created as part of the endorsement deal (e.g., photos, videos, slogans). It ensures the brand can continue using this content for marketing purposes even after the contract ends. Example: The brand retains ownership of all photos and videos from a commercial shoot, allowing them to use the content in future campaigns.

While the clauses above are crucial for risk mitigation, they are not exhaustive, and parties should incorporate all other necessary provisions based on the specific agreement.

ATHLETE'S PERSPECTIVE

3. Usage of Name, Image, Likeness and Persona Rights: This clause precisely defines how the brand can use the athlete's name, image, likeness and persona. It should specify the types of products/services, marketing channels, duration of use, and any restrictions. This protects the athlete's image and prevents unauthorized or inappropriate use of their name, image, likeness and persona. For e.g. the athlete can insist the brand to use name, image, likeness and persona only in online advertising and social media promotions, not in television commercials. Athlete contracts to specify on the authorized usage of the athlete's name, image and likeness

4. Creative Control/Approval Rights: Athletes should have the right to review and approve all marketing materials, advertisements, and other content featuring their name, image, likeness and persona before publication or release. This can extend to creative concepts, scripts, and even the selection of photographers or directors. This ensures the athlete's image is presented in a way that aligns with their personal brand and values.

When the grass is actually green!

Dwayne “The Rock” Johnson and Under Armour’s ‘Project Rock’ [6]

Famed for his wrestling skills, mark in Hollywood and dedication to fitness, Dwayne 'The Rock' Johnson decided to shake the fitness world, by teaming up with US-based sportswear producer Under Armour and launching "Project Rock"- a 25-million-dollar deal. His first product, a gym bag sold out faster than you can say his nickname- 'Brahma Bull'. Next, Project Rock's logo embossed t-shirts became instant classics. Wait, there's more, Project Rock launched an alarm clock app, a testament to the Rock's dedication to fitness which garnered over a million downloads in its first week! Then came 2018, and The Rock's sneaker collection hit the shelves. Again, it didn't last long and was sold out in 30 minutes. Apparently, The Rock's passion, combined with Under Armour's reach, has created a partnership that resonates with millions, turning inspiration into impressive profits.



Conclusion:

Athlete endorsements offer brands a powerful path to market success, but they also present significant legal risks for both parties. These risks, however, can be effectively managed with a well-crafted contract. Such an agreement, clearly defining rights and responsibilities, is essential for both brands and athletes to thrive in these partnerships, turning potential pitfalls into mutually beneficial opportunities.

[6] <https://fandomwire.com/inside-dwayne-johnsons-lucrative-25-million-partnership-with-under-armour/>

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