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Sponsorship deals get stickier as practice brings in more money

When Nike swooshed in and took over for Adidas as the National Basketball Association's official uniform supplier (starting this season), the athletic apparel giant probably didn't expect the players' socks to get so much attention. Or, more accurately, the way players wear their Nike-branded socks.

Nike's merchandising and marketing deal with the NBA for the next eight seasons is worth an estimated \$1 billion, according to ESPN, and includes a significant new benefit. For the first time, the NBA is allowing the company that supplies the uniforms to put its logo on the on-court apparel players wear — jerseys, shorts and socks (in replacing Adidas as the uniform supplier, Nike also replaced custom sock maker Stance as the official on-court sock provider).

The Nike logo appears on all but one of the team's uniforms. The Charlotte Hornets uniform sports the "Jumpman" logo of Nike subsidiary Jordan brand, because the Hornets are owned by Michael Jordan.

Two NBA stars recently made headlines, however, for hiding the Nike logo on their socks during games. Sharp-eyed observers noted that Stephen Curry of the Golden State Warriors and James Harden of the Houston Rockets, who each have deals with non-Nike shoe manufacturers, have taken various measures to obscure the Nike logo on their socks.

The footwear controversy is the latest example of conflicts that have arisen across the sports world between official league/team sponsorship deals and athletes' own apparel endorsement agreements. While some leagues and governing

SPORTS MARKETING PLAYBOOK



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sports bodies regulate sponsorships to keep conflicts to a minimum, how infractions should be handled is less clear.

Almost three-quarters of players in the NBA have a deal with Nike, according to Inc. But when Curry's Nike contract was up for renewal in 2013, he decamped to Under Armour. The company created a signature line of sneakers, clothing — including socks — and equipment and accessories in his name.

A number of media sources reported that once Nike took over the NBA uniforms, Curry started rolling his socks down to hide the Nike logo. Harden, who has an Adidas deal, also rolled down his socks before he apparently switched to cutting off the top of the socks to remove the Nike logo altogether. After the media noticed the custom tailoring he had been doing, Harden went back to rolling his socks down.

In 2012, the NBA became the first major U.S. sports league to approve the placement of advertisers' logos on team game and retail jerseys. At the time, 15 of the 30 teams in the league reportedly lost money during the 2010-2011 season.

In 2016, the league implemented a three-year pilot program for advertising on game jerseys, to begin this season, coinciding with the changeover to Nike as the uniform sponsor. Each team sells its own ad space on its jerseys (currently, at least 15 teams have sponsor patches on their uniforms).

Announcing the program last year, NBA Commissioner Adam Silver acknowledged the possibility of conflicts with individual player endorsements, as well as with arena and broadcast partners, and pointed to the need for "discussion" on these issues.

Five years later, the NBA's fortunes are looking up, due in part to its prospects overseas, with the average franchise valued at more than \$1.3 billion, as Forbes reported earlier this year.

Players are also reaping rewards from individual endorsements with an elite few making a stunning amount of money off the court. Sports apparel and shoes naturally drive many deals, and Nike in particular has invested heavily in NBA stars who have helped build its brands.

As Forbes notes, Cleveland Cavaliers superstar LeBron

James leads the way in shoe sponsorship endorsements this year with his \$55 million Nike deal, followed by Golden State Warrior Kevin Durant, who received \$36 million from Nike. But in third and fourth place are Curry, with \$35 million from Under Armour and Harden with \$20 million from Adidas, respectively.

Is it any wonder, then, that Curry and Harden don't want to be seen wearing Nike socks?

Other sports have been experiencing issues with players' individual endorsement deals clashing with league or team partnerships for years.

Nike has been on the other side of the controversy, most notably in Major League Baseball, when critics pointed out in 2011 that some players were wearing undershirts with the Nike logo that could be seen just above the collar of the players' uniforms, which were made by Majestic Athletic. MLB decided the undershirts were not part of the uniform and therefore the players could wear the undergarment of their choice.

Determining how tough to get with athletes whose own endorsements break league or governing body sponsorship rules continues to be an issue.

Organizers of pro golf tournament were ready to take a sponsorship dispute to the next level in 2010 when they decided to bar a leading golfer from participating. The organizers behind the St. Jude Classic considered not inviting Lee Westwood to the Memphis, Tenn.-based tournament because Federal Express was its main sponsor and Westwood was sponsored by FedEx's rival, UPS. Westwood received a last-minute invitation, however, after media coverage sparked a public outcry.

In 2012, fans were outraged when the Union of European Football Associations banned

Danish soccer player Nicklas Bendtner for one match and fined him 80,000 pounds for celebrating a goal against Portugal in the European Football Championship by pulling up his jersey and flashing the sponsored waistband of his underwear.

Players aren't allowed to reveal undergarments that have advertising on them; it likely didn't help that Bendtner's sponsor Paddy Power not only was not a FIFA sponsor, but was a Dublin-based sports bookmaker.

A sponsorship controversy also could be brewing ahead of the 2020 Tokyo Olympics, when surfing becomes an Olympic sport for the first time. For competitive surfers, displaying their sponsors' logos on their boards is how they make most of their income, *Surfer Magazine* explains. The International Olympic Committee has strict rules about endorsements that could pose a problem for the surf teams.

IOC Rule 40 prohibits athletes from endorsing a brand that is not an official sponsor of the Olympic Games — including commercial advertisements as well as in blogs and social media — during a “blackout period,” even if the athlete has an existing endorsement relationship.

Rule 40 works together with Rule 50, that allows athletes to use their own specialized equipment (sometimes including clothing and uniforms) during Olympic competition, but that branding and logos on equipment may not exceed a certain size. Outside of competition, including during medal ceremonies or press conferences, athletes must wear official sponsor apparel, even if Rule 50 permits them to compete in items of their choice — say, run races in a certain nonsponsor's track shoes. The risks may not be worth it — the penalties for breaking the IOC's rules could include fines,

removal of accreditation or complete disqualification.

Rule 50 does include an exception that surfers and their equipment sponsors may be able to exploit, much the same way that snowboard and ski manufacturers were able to during the 2014 Sochi Games. Certain Sochi snowboarders, for example, used Burton boards as their specialized competition equipment. The boards featured brightly colored — and large — letters spelling out Burton on the back of the boards, visible during competition and medal ceremonies, but the athletes had not violated Rule 50 because the snowboards used “the identification of the manufacturer ... as generally used on products sold through the retail trade during the period of 12 months prior to the games.”

In other words, the boards used the Burton mark in the same way as snowboards that had been available to retail

consumers in the 12 months prior to the Olympics.

Although brands, leagues, teams and athletes have been grappling with the issue of competing endorsement agreements for years, they have yet to come up with a viable solution. The fact that many sponsorship disputes involve clothing and footwear can complicate matters because not all items worn by athletes are deemed part of their “official” uniform, as seen with the MLB undershirt debate.

Another challenge is that in the United States, sponsorship dollars have become increasingly concentrated in the hands of a few of the biggest brands, which are all vying to sign leagues and the top athletes to their rosters.

As athletes' personal endorsement deals increase in number and the amounts continue to climb, the sports industry may have no choice but to deal with the competing interests head-on.