

# Sports Litigation Alert

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## Jerseys For Sale— \$500,000,000 Each

**By Benjamin Mulcahy**

General Motors recently reached a seven-year jersey sponsorship deal with Manchester United, the legendary English Premier League club, that will reportedly cost GM between \$60,000,000 and \$70,000,000 per season beginning in the '14-15 soccer season. In a deal for the record books, Chevrolet will be the GM brand that is prominently displayed on the club's jerseys. Other than NASCAR and Major League Soccer, the big four professional sports leagues in the United States have not historically sold sponsor space on the jerseys that athletes wear during game play. For the National Basketball Association, that will soon change.

The NBA Board of Governors is the management body that oversees the operations of the National Basketball Association. After the NBA's Board of Governors meeting on July 19, 2012, the following exchange occurred between Commissioner David Stern and Deputy Commissioner Adam Silver, on the one hand, and reporters, on the other:

Commissioner David Stern—"And then there was a discussion of jersey sponsorships, and Adam what did we decide?"

**Deputy Commissioner Adam Silver**—"We decided that we were going to continue to discuss it. I think it's likely that we'll implement some sort of plan for the Fall. We ultimately referred it to our Planning Committee so that we all understood the implications financially for what the additional revenue would mean on a team by team basis. But it's fair to say that our teams were excited about the opportunity and think there is potentially a big opportunity

in the marketplace to put a 2" by 2" patch on the shoulder of our jerseys."

**Question**—You said something would likely be finalized before the season?

**Silver**—"It's likely a set of guidelines for our teams would be finalized for the season but it would not be in effect until the season after next, but the view is the teams would need significant lead time (1) to sell the patch and (2) for adidas to manufacture the uniforms because the patch that would be on the players' uniforms would also appear on the jerseys at retail."

**Question**—How many teams want to do this?

**Silver**—"My sense is that every team is in favor of doing this in some form."

**Question**—Do you have a ballpark range of the revenue that could be generated from this?

**Silver**—"A loose projection league-wide our 30 teams could generate a total of \$100,000,000 per season."

The nearly inevitable emergence of jersey sponsorship, on field and at retail, starting in the 2013 NBA season offers an opportunity for leading brands in major categories to be identified with a team and connect with domestic and international basketball fans in a way that has not been available to date. The NBA is clearly taking a page out of soccer's playbook, and in valuing the anticipated ROI and negotiating the terms of the deal, sponsors can do the same.

So what do the jersey deals look like in soccer?



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As a threshold matter, jersey sponsorship is almost never the sole focus of the agreement. Instead, jersey sponsorship is one of many key rights that the sponsor secures as part of a broader deal that includes stadium signage or other on-site recognition, local media rights, tickets, player appearances, logo rights and other marketing and promotional assets that the sponsor can activate in the team's local market. But beyond the higher price tag between a sponsorship deal that includes jersey rights and other sponsorship deals, some of the other key differences are:

1. the jersey sponsor secures its presence on the jerseys (all versions, home, away, warm-ups and replica t-shirts, short sleeve and long) sold at retail worldwide, expanding the connection between the sponsor and the team beyond the team's local market;
2. the jersey sponsor's presence cannot be overshadowed by the logo of the jersey manufacturer, currently adidas for MLS (and the NBA);
3. the jersey elements are necessarily exclusive, allowing the jersey sponsor to overshadow every competitor in the same category and making it difficult for a competitor in the same category to secure or retain a non-exclusive sponsorship agreement with the same team (if such a non-exclusive arrangement were even attractive to a competitor in the first place);
4. with the NBA, a particular dollar allocation may be made specifically for the jersey

elements so that the NBA can determine the increase to basketball related income for purposes of sharing revenue between the teams and with the NBA Players Association; and

5. let's be honest, the jersey rights are most valuable only if the superstar players stay with the team or are replaced with other superstar players because those are the jerseys that sell at retail worldwide, so the sponsor would be shrewd to build in a reduction in the jersey piece of the sponsorship fee if one or more named superstar players are traded or fail to play.

Deputy Commissioner Silver's prediction that \$100,000,000 in additional revenue can be generated from jersey sponsorship each season will likely prove to be unduly conservative. Nevertheless, it is unlikely in the first round of jersey deals that any NBA team will be able to single-handedly generate the type of \$70,000,000 pay day that ManU just unveiled with GM. Instead, the average NBA jersey component will likely cost a sponsor an additional \$5,000,000 to \$7,000,000 per year. That number will not buy you jersey rights with the Miami Heat, the Los Angeles Lakers or even the New York Knicks post-Jeremy Lin. But it could very well buy you jersey rights in franchises that are newly emerging from the shadows of their historical cross-town rivals like the Clippers or the "Core Four" on the Brooklyn Nets, a team likely to generate jersey sales regardless of their record on the court. Let the deal making begin.