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Event Sponsorship and Naming Rights

Introduction

Sponsorship has been with us for some considerable time for all manner of events: concerts, garden shows, sports events, exhibitions, the list goes on. However, as the cost of hosting events and building new venues increases, so event and venue holders have opened up more and more avenues for sponsorship arrangements to raise more funds. One important and increasingly lucrative such avenue is "Naming Rights".

The Emirates Stadium and the O2 Arena are perhaps the two best known recent examples of naming rights in the UK. Arsenal sold Emirates the naming rights to their new stadium in North London for £100 million in 2006, plugging a gap in the costs of the construction of the new stadium and the move from their traditional home ground of Highbury. The Millennium Dome in Greenwich was renamed the "O2" in May 2007, when the owners of the site granted naming rights to the telecoms giant for £6 million a year. Both arrangements came with an assortment of collateral advertising, merchandising and other rights for the Sponsors, which have been extremely useful in raising their respective brand profiles.

Traditional football grounds across Europe are becoming too small for the number of fans who now want to see matches, and new stadiums are therefore being developed all across the continent. As a result, there has been a significant increase in naming rights deals. Sponsors need to ensure that, as with other sponsorship arrangements, they obtain as many benefits as possible in return for their fee.

This Ad Guide will summarise some of the main points that need to be dealt with when preparing event sponsorship contracts, and later considers some specific additional points in respect of naming rights.

Drafting Event Sponsorship Contracts

The contract will need to deal with the usual elements, such as the length of the term of sponsorship and the inclusion of any options to renew, termination provisions (particularly important if, for instance, the event changes dramatically before it starts) and whether the sponsor's rights cover only national or multi-national jurisdictions.

A few other important issues to deal with in a sponsorship contract are as follows:

1. Sponsorship of what?

The contract needs to be clear as to exactly what sponsorship is being offered by the event or rights holder. In return for the fee, the Sponsor may also want the name of the event to incorporate the Sponsor's name (such as "Barclays Premier League" or the "Man Booker Prize"). Some events, such as the Olympics and the FIFA World Cup will not allow such rights: others will. The Sponsor needs to know definitively what is on offer.

2. Exclusivity

Some events only require one Sponsor, but most have a number of Sponsors. The largest sporting events, such as FIFA's World Cup or the Olympics, will have a whole host of sponsors as the events require substantial sums in order to take place, and these sums therefore need to be provided by more than one sponsor. In these cases, Sponsors will usually be granted exclusivity in respect of their market sector, such as food, drink, energy etc. In such cases, the Sponsor will be allowed by the event holder to be the official and exclusive product or service supplier to the event.

A motor manufacturer sponsor, for example, may be allowed to be the only provider of cars for transport competitors and officials at the Event. Recently, the organisers of the London Olympic Games decreed that all tickets for the Games must be bought by Visa credit card, all credit card purchases made within the Games venues must be made exclusively with Visa cards and all ATMs within the Games venues will only accept Visa cards: Visa being a Sponsor of the London Games with exclusivity in the credit card market sector.

Client Alert 10-156

July 2010

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Sponsors will also want to ensure that there are no conflicting sponsorship deals with competitors, either by the event holder, or any associated part of that deal. For example, a sponsor of the Football Association's Premier League, which might include the right to advertise at Premier League games, will need to check whether any of their competitors are an existing sponsor of any of the football teams that play in the league. At the very least this would mean that the League Sponsor will not have exclusivity at the relevant football team's ground, but depending on the terms of arrangement, it could also prevent the League Sponsor from advertising at the ground at all.

3. Obligations of the Sponsor

The main obligation of the Sponsor is obviously to pay the fee. Consideration needs to be given, though, as to when payments are to be made. The event holder may well need the money up front in order to get the event staged in the first place, but the Sponsor may prefer to pay some, or all, of the fee after the event, in order to guarantee that the event runs successfully and in accordance with the terms of the sponsor arrangement. Payments could be staged or indeed made adjustable, depending on the outcome or success of the event.

4. Obligations of the Event/Rights Holder

In return for the (often not inconsiderable) fee, the event holder will be obliged to provide the Sponsor with a number of rights. These will vary considerably from contract to contract, but ought to include detailed provisions on the level of brand exposure for the Sponsor, such as the placing of logos and branding at the venue, the right to advertise at the event and in any commercial broadcasts of the event, the rights to hospitality, the right to receive and offer tickets for the event, the right to present trophies and so on.

Sponsors may also wish to feature participants at the event, or footage taken at the event, in advertising, and will no doubt want to associate themselves fully with the Event in their promotional material. All these rights need to be sorted out, and they can be quite extensive depending on what the Sponsor wants and what the event holder can, and is prepared to, grant.

Provisions also need to be included in the contract for the event holder to ensure that the event goes ahead, and also that it ensures that any named key individuals do actually participate. It would be galling for a Sponsor of an event to find all its top performers pull out at the last minute. Remedies for this type of eventuality need to be incorporated as well.

5. Intellectual Property Rights

The parties need to ensure that the contract protects each other's intellectual property rights and deals appropriately with any licence terms for the use of the other party's IP, such as names and logos, in promotional material. It is also sensible to deal with the ownership and rights of usage for any intellectual property which arises at the event such as film or sound recordings.

Specific contractual points for venue Naming Rights

Naming rights must be an exclusive right. Sponsors need to ensure that there is absolute exclusivity, but it is unlikely that the venue holder would offer such rights to more than one Sponsor. The contract also needs to be clear as to exactly what the name will be, and how it will be incorporated into the title of the venue.

Naming sponsors will also want a number of other associated rights. These will include not just the right to advertise at the venue, on pitch side hoardings for example, but also having the Sponsor's name, and possibly the Sponsor's logos, on the venue's staff clothing, the venue's stationery and their vehicles. In football stadiums, the naming rights sponsor's flag is in some cases draped across the field before the game. In return the venue holder may require that the Sponsor promotes the arrangement through its global network, in order to grow the venue's fan base.

A significant problem that may arise in relation to naming rights, though, is the loss of those rights during certain events. For example, the O2 Arena will not be branded during the Olympic Games in London because the London Games Organising Committee insists on a clean venue policy. (We should add that O2 were fully aware of this requirement when they bought the naming rights). Similarly, during the FIFA World Cup in South Africa, the Coca Cola Park stadium in Johannesburg was renamed Ellis Park, despite the fact that Coca Cola are a major sponsor of the World Cup. This was because the exclusivity accorded to the Sponsors prevented any stadium from promoting their own tie-ups, even if that tie-up was with an official sponsor of the event. Researchers have calculated that during the World Cup in Germany in 2006, naming rights partners for stadiums used for matches lost £13.6 million in branding value, as a result of this requirement.

Provision for such an eventuality needs to be made by the venue holder in the naming rights contract. A failure to do so, either specifically or by the inclusion of a properly drafted force majeure clause, may be a breach of contract.

Things to watch out for!

Parties to a sponsorship arrangement need to be aware that certain problems do arise. Ambush marketing is one such issue, whereby non-sponsors try and take advantage of the goodwill generated by the event without having to pay the costs of sponsorship. This is dealt with in detail in a separate Ad Guide, but suffice it to say that the Sponsor should seek a contractual duty from the event holder that it will take active measures to prevent ambush marketing.

A consequential issue for Sponsors is that, as event holders offer greater levels of exclusivity and protection from ambush marketing, so the costs of the Sponsorship itself increase. The Sponsorship Fee for the Beijing Games, for example, was one third higher than for Athens, four years earlier, and the Fee for the London Games is higher still.

Another issue that venue rights holders, especially football clubs, need to be aware of when selling naming rights to their stadium is the potential hostility of their fans. Where a new stadium is being built, a well-researched and sensible naming partner may well prove a success: the Arsenal/Emirates tie up has worked extremely well for both parties, for example. On the other hand, a badly thought out tie up, or a change of name for an existing stadium, is likely to annoy fans who may see it as a sell-out to the commercialisation of their sacred team, and thus generate ill-will.

Final Thoughts

Sponsorship is an expensive but potentially rewarding experience, but it is essential that the contractual rights and obligations are definitively set out and the parties know what to expect from their relationship. A successful arrangement can last for years: Coca Cola has been involved with the Olympic Games since 1928!

Naming rights for venues is a relatively new source of sponsorship, but since the benefits of such a long-term high-profile association are obvious to both parties, it is an area which will not doubt increase in importance.

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Client Alert 10-156

July 2010

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