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Contract Checklist

The following checklist is designed to act as a quick check that all standard requirements relating to sponsorship agreements are included.

The components of a sponsorship agreement will vary from sponsorship to sponsorship, however any sponsorship contract, whether it be of the legal variety or a letter in plain English, should contain some or all of the points contained in this checklist.

Note: This checklist is not to be regarded as exhaustive and it is recommended legal advice be sought when preparing or agreeing to a sponsorship contract, however the checklist will provide a useful tool in preparing the contract agreement.

Contract Checklist

Parties

- Clearly state who the parties are that are involved in the sponsorship agreement.
- Name all sponsors of the event and their relationship (ie, major sponsor).
- Name any licensees and/or merchandisers and any royalties payable.
- Name any third parties (Brokers) that are part of the agreement.

Property

- Describe the exact nature of the property being sponsored and whether it is an organisation, event, team, venue or individual.
- Detail any governing bodies, regulations that are to be complied with.
- Details the owner or management of the organisation.

If an event

- Clearly describe the nature of the event.
- Detail required attendance of particular personalities or artists.
- State the geographic boundaries of the event.
- State dates of occurrence.
- State venue.

If an individual

- State relevant required event.
- Detail required performance level (if applicable).

Organisation or team.

- Include any details of state governing body.
- Detail season dates.
- Detail level of competition to be entered.
- Outline required level of performance if applicable.

The Term

- State the length of the sponsorship agreement, ie, for a three year period.
- State the date of commencement.
- Detail whether the sponsor has first option to renew the contract?
- If so, when does the option have to be exercised, and under what terms and conditions?
- What term will the option be for (an additional one year)?

Sponsorship Rights and Benefits

- Detail the level of exclusivity being assigned to the sponsor.
- Clearly describe relationship to other sponsors, their position in the sponsorship hierarchy, and their individual rights.
- Naming or title rights sponsor has the right to have their company or product name included in the title of the sponsorship.
- Does your 'sole' sponsor have the right to be the only sponsor of the property?
- Major sponsor usually there will only be one major sponsor however in large projects there could be a number of major sponsors with equal rights. Each major sponsor should have the right of exclusivity by product or service category.
- Minor sponsors should have the right of exclusivity by category ie, only soft drink sponsor, and does being a sponsor provide exclusive rights to advertising, promotion and supply of product to the property?
- Official Supplier is a lower level of sponsorship where the sponsor has few of the other rights but has the right to be the sole purveyor of merchandise in a particular category to the property (and the right to promote this fact)?

Granting Of Rights

- Describe licensed use of the property logo and any conditions of use.
- Describe licensed use of trademarks and names and any conditions of use.

- Detail the use and approval for use of the sponsor's name and logos.
- Detail the sponsor's rights to use the official event logo in advertising promotions and detail any conditions of use, such as prior approval, size in relation to other logos, colour combinations etc.
- Detail the sponsor's rights to use the official event name in advertising, promotions and detail any conditions of use, such as prior approval, size in relation to other logos, colour combinations etc.
- Detail whether event logos are trademarks or copyright.

Advertising And Publicity

- Describe the use of the sponsor's company logos on event stationery, newsletters, signage, advertising, car stickers, size of logo colour, etc. Describe size of logo, positioning, relevance to other sponsor logos, and approval process that will be undertaken.
- Detail the ownership of telecast and/or broadcast rights. Advise whether they are owned by the property owner, the media outlet or the sponsor?
- Use of any resultant footage must be clearly spelt out. Does the sponsor have the right to use the footage in future advertising, if so are any fees payable and to whom?
- Will news cameras be permitted at the venue and if so do they have to acknowledge the correct naming rights?
- If the property is being televised is there a clause to protect the sponsor(s) from ambush through competitive advertising during the telecast?
- Describe all publications that advertising will be provided in. List publication dates, placement in the publication (ie, bottom left hand page in front half of book), deadlines for artwork, who pays for art production and what approval process will be used.
- Can non sponsors advertise in the publications and if so, does the sponsor have category exclusivity to combat ambush?
- Detail acknowledgment of sponsor(s) that will be made in the media (ie, naming rights), logo on media backdrop, company cap to be worn by personalities during media interviews, etc.
- Detail whose responsibility it is to collect all media related to the event.

Signage Rights

- Detail how many sites the sponsor is being provided with?
- Detail where the signage sites are situated?

- Detail the dimensions of the sites/signs?
- Specify the application material to be applied ie, paint, poster.
- Clarify who pays for manufacture and erection of the signs?
- Is the signage permanent or temporary?
- Mention whether approval (ie local authority) is required to erect signs and if so what is the approval process?
- Does the signage receive regular television or media coverage - if so how much?
- Is the signage exclusive? If not exclusive, detail size comparison to other sponsor's signs, where are other sponsor's signs?
- Which other organisations can place signage at the venue? Are they all sponsors? If not, do sponsors get better placement etc.?
- Can the sponsor purchase additional signage, and if so detail pricing?

Hospitality Rights

- Where are the seats (provide a seating plan, with the seats marked).
- Detail how many seats are available and at what standard.
- Clarify who pays for food and beverages.
- Are programs and car park passes provided. If not, detail cost
- Is there the ability to get extra tickets and if so at what standard and cost?
- Are tickets available for staff either free or at a discount.

Personalities

- Are there rights for the sponsor to use personalities or individuals for endorsements, sponsor functions, promotions or in advertising?
- Are there any conditions on the use of the personalities? Is payment required and if so what is the level of fees?
- Are individuals or personalities allowed to accept individual sponsorship? If so can it be a conflicting sponsor?
- Are individuals/personalities allowed to advertise or promote a non sponsors product?

Merchandising

- Who owns the merchandise and licensing rights - the sponsor or property owner or a third party?
- Detail how profits from merchandise and licensing rights will be distributed?

- Indicate whether approval is required for the use of the logo or name?
- Do specific suppliers have to be used by the sponsor, are license or royalties payable and if so to whom and how much?
- Are merchandise items to be of a particular quality?
- What merchandise is allowed, who approves?

Payment

- Who is to be paid?
- How much is to be paid?
- State when are payments to be made. It is normal that the first payment will be made on signing, with further payments happening at various intervals. It is not unusual to have a payment scheduled for near the end of the contract which could well be performance driven.
- Detail the payment of some or all of the fee in contra (products and services in lieu of cash).
- Detail the method for valuing contra. For example, retail cost, wholesale or cost price. Specify who will pay any taxes owing, delivery costs and time of delivery.
- Clarify whether interest is going to be charged for late payment, and if so the terms of penalties need to be outlined.
- Any conditions of use agreed to for the sponsorship monies should be detailed here.

Termination Grounds Can Include

- Either party bringing the other into disrepute (sponsorship of high profile individuals can be particularly dangerous in these days of outrageous behaviour and drug cheats.
- If a particular person is not available, or the event is cancelled.
- Non performance of a team or athlete.
- Either the sponsored organisation, or the sponsor, becoming insolvent.
- Breach of contract by either party.

Considerations Upon Termination

- Detail the process for dispute resolution this could be in writing, no public comment, and the nomination of an arbitrator.
- If either party has brought the relationship into disrepute are all payments to be refunded?

- If event is cancelled are further payments required or are the initial payments to be refunded?
- Force Majeure. The insertion of this clause covers events beyond the control of the contracted parties. For example, war, flood, earthquake, death of sponsored individual etc. If any of these happen the contract would normally be considered terminated without fault and liability by either party.
- Product withdrawal - how much longer can product be on shelves bearing event logos and when should advertising be withdrawn following termination or completion of the contract.
- No publicity. It is usual to include a non publicity clause if the contract is terminated or not renewed.
- Sunset Clause. This states for how long imagery /logo /name/ association with the brand can go on being used after the contract has been terminated/discontinued. This often involves product which is already in-store.

Performance Requirements

- Guarantee of a certain level of performance in the prescribed competition (ie, must make the finals series).
- Detail who is responsible for the sponsorships success.
- Details of responsibility for preparation of reports and dates for delivery.
- Amount of advertising and promotion support that is to be committed to the advertising of the event.

Ambush

- Detail who will police/monitor?
- Who will mount legal action in the event of ambush.
- Are non sponsor promotions allowed.
- State which party is responsible for ensuring naming rights are observed.
- Detail whether third party promotions, advertising, endorsements, etc. are allowed.

Warranty/Liability Clauses

- Guarantee seeker will not enter into any agreement that will adversely affect the value or standing of the event for the sponsor.

- ❑ Detail clearly who is responsible for organising public liability, insurance, wet weather insurance etc and what level is required?
- ❑ It is usual for both the sponsor and seeker to provide certain indemnities in areas which public liability, product liability, product endorsement by seeker and indemnity against production or design faults.

General Clauses

- ❑ State whether the rights can be assigned to a third party, through either selling or giving the rights to another company.
- ❑ Entire agreement. State that all parts of the contract are contained within the contract document.
- ❑ Right of veto. The right of the major sponsor to approve other potential sponsors is not uncommon. If this right is assigned it must be stated in the contract.
- ❑ State the governing law. This is particularly important where the sponsor company operates in one state and sponsors an organisation in another state. The contract must clearly state under which laws the agreement is made.

Please note: This book is not a substitute for professional legal advice. The services of a competent professional personal should always be sought with respect to contracts.