

# Sports Sponsorship in the Middle East: Some Key Considerations

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May 2015

What are the key considerations and best practices?

The core elements of sponsorship agreements negotiated and drafted for use in the GCC region tend to reflect global practices and contain many of the provisions you would expect to find in similar instruments drafted for use in other regions. Part of the reason for this is undoubtedly the globalisation of sponsorship, specifically the growth of sponsorship for major events, both those hosted in the GCC and those hosted elsewhere but sponsored by GCC-based corporate entities. Often major sponsors are multinational entities and they may have regional or global marketing strategies or CSR initiatives that inform their expectations in terms of preferred activation scope as well as return on investment.

Essentially a commercial contract between two private legal entities, sponsorship agreements will often include familiar framework provisions such as recitals, definitions, representations and warranties, compliance with law, termination, force majeure, notices, choice of law and dispute resolution clauses amongst other standard requirements. Where there is a sporting event at the center of the deal, the term of the agreement may need to be tailored to fit a season or an event cycle rather than a calendar year and IP clauses could need specific consideration to account for co-branding initiatives or to limit the scope of any name and likeness usage, etc. The specifics of the particular deal will (i) incorporate the rights and obligations that comprise the commercial bargain between the parties as well as (ii) attempt to identify and then allocate perceived risk. The nature of the bargain will typically be set forth in sponsorship fees on one side and sponsor rights or benefits on the other.

## **Are there any regional differences which create additional/fewer considerations?**

Some elements of the sponsorship agreement that may differ slightly in the GCC as against the larger sports markets in North America and Western Europe may require greater attention to detail and tailored drafting. For example, appreciation of local publications laws, which tend to reflect greater sensitivity to public morality in dress and behavior as well as restrictions on the advertising of certain types of products (alcohol, tobacco, etc.). Likewise, while it is true that sponsors are sensitive to negative impact on brand management across the globe, in the wake of recent scandals concerning doping and personal conduct involving household name athletes, these issues are potentially more injurious in the GCC region, so robust morality clauses are commonplace inclusions in sponsorship contracts.

## **Are there any relevant laws/regulations in this area?**

The Middle East is a diverse region and while there is a common passion for sport, the prudent advisor will account for variations between different jurisdictions.. The region's legal systems are predominantly based on the civil law tradition influenced by Sharia'a Law and, to varying degrees a strong trading heritage – but each is unique. In short, one-stop legal strategies for sponsorship – particularly where the sponsor or sponsored may be influenced by a global strategy – may not fit.

You first need to know (i) what market(s) the sponsorship relates to and (ii) what legal rules and

restrictions apply to the development and effective roll-out of the sponsorship strategy in those markets. Taking these steps early in the sponsorship relationship is an essential element in obtaining a proper understanding of identifying and then complying with relevant law. Each jurisdiction may have its own specific requirements. For example, if we look at the United Arab Emirates and consider the restrictions applicable to alcohol advertising we can gain some insight. In the U.A.E., advertising is regulated both at the Federal and Emirate level by a complimentary framework of laws.

On the Federal level, advertising is largely regulated by: (i) *Federal Law No. 15 of 1980 Concerning Publications and Publishing*; (ii) *Federal National Media Council Resolution 35 of 2012 Concerning the Standards of Advertisement Content in Mass Media*; (iii) *Federal Decree No. 5 of 2012 on Combating Cybercrimes*; and, buttressed by (iv) *Federal Law No. 3 of 1987 (the Penal Code)*. In each of the two largest Emirates, there are additional (albeit consistent) applicable statutes, the *Abu Dhabi Liquor Law (Law No. 8 of 1976)* and the *Dubai Liquor Control Law (of 1972)*, expressly prohibiting the advertising of alcohol.

### **What are the priorities of the sponsor and the sponsored person/entity?**

Historically the primary benefit sought by the sponsored entity (be that an event organiser or rights holder, federation, team or athlete) from the sponsor is simply the payment of a fee; however, there are increasingly opportunities for sponsors relevant to the particular sport or event to provide some V-I-K (value-in-kind). For example, sporting goods, equipment or apparel manufacturers may provide a certain committed number of equipment units or uniforms (sometimes including co-branding or research and development commitments). Some industry specific sponsors may offer a combination of fees and product supply (e.g. tyre manufacturers in motorsports). VIK sponsorship is a particularly good opportunity for smaller or entry-level sponsors to commence investing in promotion.

The range of sponsor benefits is significant and will depend on the nature of the sport, team or venue being sponsored. Traditionally signage and name recognition were provided to further the sponsor's branding and image. Increasingly, however, sponsors have a broad and dynamic IP portfolio and look for inventive ways to diversify the benefits they may gain from their investment. Equally, venues and teams seeking sponsorship are creating more imaginative packages to entice sponsors to invest. It is important to remember that packages can be flexible and should fit both sides to increase the likelihood of long-term or sustainable sponsorship relationships. Examples of the range of potential sponsorship benefits include:

- Designation as title sponsor, official sponsor, official supplier, etc. (possibly with categories)
- Signage
- Mutual website pages/hyperlinks
- Mutual access to customer databases for CRM purposes
- Media Event collaboration (e.g., sports stars participation in corporate events)
- Event hospitality (tickets, catering, corporate box suites, gift packs, etc.)
- Co-branding on marketing initiatives, brochures
- Content in company magazines, etc.
- Access to corporate nights at sporting facilities
- Preferential ticket or merchandise rates for sponsor staff

### **What are the standard consequences of breaching a sponsorship agreement?**

The remedies for breach will vary depending on what was agreed at the outset. Typically a material breach will give rise to an option to terminate (immediately or after a specified cure period, if applicable). There can also be indemnification obligations (e.g., an obligation to refund sponsorship fees and possibly also to make good losses sustained by the other party). In such

cases there is a divergence in practical remedies compared to common law jurisdictions to the extent that as a general rule, civil law jurisdictions will award only actual damages sustained. It is also significant to note that where the breach relates to confidentiality or any other anticipatory or ongoing breach, a civil law jurisdiction is unlikely to provide injunctive relief.

### **Have there been any international events which have shone a spotlight on these types of agreements?**

In addition to the bustling schedule of international sporting events hosted in the GCC each year, a recent report issued by Repucom confirmed what had previously been rising anecdotal evidence that the Middle East is arguably the most powerful growing force in international sports sponsorship. The report stated in part: "In 2014, UAE companies, led by Emirates and Etihad, invested \$163 million in shirt sponsorship as the Arab state surpassed Germany at the top of the sponsorship investment table."<sup>[1]</sup> Likewise Qatar Sports Investment, Emirates and Al Jazeera (BeIN Sports) were listed by SportsPro Magazine as amongst the 50 Companies shaping sport last year<sup>[2]</sup>. Quite apart from the shirt sponsorship deals that have made household names of GCC entities across the world, the broader regenerative and strategic investments into Manchester City FC and Real Madrid FC by Abu Dhabi based investors remind us that sponsorship is a dynamic field and further indicates that we can expect this trend to continue.

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*A version of this article first appeared in LexisNexis Middle East Magazine – April 2015*

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<sup>[1]</sup> GulfBusiness.com: "UAE Tops Global Sports Sponsorship Investment In 2014" 12 January 2015.

<sup>[2]</sup> [http://issuu.com/henleymedia/docs/50\\_companies\\_shaping\\_sport\\_in\\_2014?e=1254810/5938082](http://issuu.com/henleymedia/docs/50_companies_shaping_sport_in_2014?e=1254810/5938082)