HERRICK

New York Office
2 Park Avenue
New York, New York 10016
Phone: (212) 592-1400
Fax: (212) 592-1500

Princeton Office
210 Carnegie Center
Princeton, New Jersey 08540
Phone: (609) 452-3800
Fax: (609) 520-9095

Newark Office
One Gateway Center
Newark, New Jersey 07102
Phone: (973) 274-2000
Fax: (973) 274-2500

HERRICK QUARTERLY SPORTS UPDATE
WINTER 2011

Not-So-Artful Dodgers

A superior court judge ruled that the 2004 postnuptial agreement that granted Los Angeles Dodgers' owner Frank McCourt sole ownership of the franchise is not valid under California law, which may lead to the Dodgers being deemed shared property under California law.

The McCourts bought the team for about $430 million in March 2004, and signed the postnuptial agreement a few weeks later. Jaime McCourt's lawyers asked the judge to throw out the postnuptial agreement because one version gave the team to Frank McCourt and another called for joint ownership. In some copies of the agreement, the word "inclusive" is used, meaning Frank would be the sole owner, while in other copies, the word "exclusive" is used, meaning Jamie would be the co-owner. The lawyer who drafted the agreement admitted on the stand that he changed the agreement after it was signed, but insisted that he did not commit fraud by doing so.

The divorce dispute will decide who owns the baseball team, the stadium and the surrounding property, estimated to be worth hundreds of millions of dollars. Frank McCourt has filed an objection to the court's ruling and is expected to file an appeal, with sources saying that he will argue that he bought the team with a company he created before his marriage.

The Dodgers case illustrates the importance of proper planning for team owners, as the ownership of one of baseball's most storied franchises is being decided based upon the validity of a marital agreement. The lack of a valid postnuptial agreement has also caused franchise instability, which may have been a factor in the departure of several key executives recently.

Postnuptial agreements are less common than premarital agreements, and most states, including California, do not have statutes which govern their validity. Like a premarital agreement, the underlying premise of a postnuptial agreement is to provide the parties with rights with respect to property and support in the event of a divorce or death. Accordingly, when entering into a postnuptial agreement, it is vital that the statutory requirements are followed, financial disclosure is made and the agreement is not unconscionable. If the postnuptial agreement is held to be invalid, the parties will have to rely upon the laws of the state in which they are domiciled and those laws may not be favorable to the wealthier spouse, which, as we've seen, can get them stuck in quite a legal pickle.

NBA Takes Possession of New Orleans Hornets

In early December 2010, the NBA purchased the New Orleans Hornets from owners George Shinn and Gary Chouest for about $300 million, pending the anticipated approval by the league's board of governors. This is the first franchise owned and operated by the

NBA. Though not common practice, leagues have stepped in to save fledging franchises (e.g., Major League Baseball’s acquisition of the Montreal Expos to help find a stable ownership group).

Commissioner David Stern said the unprecedented move was made to stabilize the Hornets after a lengthy ownership transfer failed to be finalized and to absolve the franchise of significant debt problems that might hinder its overall value and salability. Though it may not be seeking to make a profit from the sale of the Hornets, the NBA might prevent the franchise from being sold at a discount, which was the case when Michael Jordan purchased the debt-laden Charlotte Bobcats, which was valued at $275 million—$25 million less than Robert L. Johnson paid for the club in 2002.

While Commissioner Stern has not speculated on the Hornets’ long-term future in New Orleans, he has stated that the league’s goal is to keep the team there. The possibility of an arena lease opt-out based on attendance made the Hornets future in New Orleans more uncertain; however, a successful campaign by state and local political leaders has helped boost the attendance at New Orleans Arena this season, thus ensuring that the attendance benchmark would be met. If the attendance benchmark was not reached, the Hornets would have been able to opt-out of their lease agreement upon payment to the State of Louisiana of a $10 million penalty.

While the Golden State Warriors sold for a record $450 million in 2010, and were recently valued by Forbes at $363 million, the Forbes’s average valuation for an NBA franchise is $369 million. According to Forbes, the Hornets current valuation of $280 million, ranks 26th out of 30 NBA teams in terms of value, with the New York Knicks topping the list with a valuation of $655 million. While New York and Golden State are in larger markets than the Hornets, other factors impact its valuation. The franchise’s instability, lack of consistent fan support, an unfavorable arena deal and lack of sustained success on the court all factor in and are inter-related: success on the court typically translates into increased fan support and civic pride, which can help keep a franchise from moving. These developments are important for sponsors and other corporate partners of the team, since their valuable agreements and licenses may be adversely affected if the franchise moves or suffers continued instability.

What’s In a Name?

For many professional athletes, developing a recognizable nickname or catchphrase can provide off-field revenues. While “Revis Island” is not very popular with NFL wide receivers, New York Jets cornerback, Darrelle Revis, is betting that fans will want to buy clothing items with the increasingly popular catchphrase. Recently, Revis sought federal trademark protection for “Revis Island,” applying to register the term for use on t-shirts, sweatshirts, sweatpants, hats, footwear, sleepwear and swimwear with the United States Patent and Trademark Office. Revis took this action in response to the growing popularity of the phrase, which had already begun showing up on unlicensed t-shirts and internet fan blogs.

Registration is not necessary to create enforceable trademark rights in the United States, where such rights arise only from the use of a mark “in commerce.” Nevertheless, registration does provide some important additional benefits, such as enhanced remedies and a presumption of validity of the registered mark.

An “intent-to-use” (ITU) application is also available for marks not yet in use. If an “ITU” application is approved, the applicant has six months in which to provide proof of first use, at which point registration will be issued. The effective date of such registration will be the retroactive date of filing of the ITU application.

Prior to registration, applicants should give thought to the particular international class of goods in which they would like to register, since there are 45 classes for various goods and services, such as clothing, toys, etc., and a separate filing fee charged for each class. The description of goods or services offered in each class under the mark must also be accurate.

Seeking trademark protection for nicknames and catchphrases is not new, with Pat Riley trade-marking of the phrase “Three-Peat” in 1989 being one of the more famous examples. More recently, particularly with the popularity of reality television, athletes are increasingly seeking to extend their brand beyond the sports world and into the larger entertainment universe. Terrell Owens is a prime example of an athlete who is leveraging his popularity on the field into increased recognition off the field. In addition to authoring a children’s book and starring in his own reality show on VH1, “The T.O. Show,” Owens has registered and sought protection for “I Love Me Some Me” and “Getcha Popcorn Ready,” as well as a logo for the initials “T.O.”

Celebrities should be aware of the requirements for seeking trademark protection, and should attempt to seek protection for distinctive marks or phrases as early as possible, including through filing ITU applications, in order to secure their valuable intellectual property. This will preempt others from making first use in commerce of the same or a confusingly similar mark or filing applications for such marks. A good early example is *Pistol Pete*, the famous moniker of Pete Maravich, the great NBA legend, who obtained registrations for his nickname at the height of his career between 1970 - 1975 for basketball instructional services, apparel and basketballs.

Of course, a stranger who tries to use an athlete’s own name or recognized moniker without consent will likely also run afoul of that player’s right of publicity. Publicity rights are governed by state laws that generally prohibit using someone’s name, likeness or image without permission for commercial advertising or promotional purposes. In many states, such as California and Florida (but not New York), publicity rights survive death for many years and can be a powerful weapon to shut down unauthorized nickname usage, where it can be established that a nickname is closely associated with a single player in the minds of the public. For example, in 1979, the Wisconsin Supreme Court found that the unauthorized use of “Crazylegs” —the popular nickname of Elroy “Crazylegs” Hirsch, who starred for the University of Wisconsin and University of Michigan in the 1940s and the Los Angeles Rams in the 1950s—violated Hirsch’s publicity rights when used the name on women’s shaving cream because that nickname clearly identified Hirsch even though Hirsch had been retired for over 20 years.

In addition to trademark protection and publicity rights, false endorsement advertising may be yet another avenue of recourse if the athlete can prove that unauthorized commercial use of his or her nickname or slogan creates a false impression to a substantial segment of the public that the athlete endorses or sponsors the offending party’s goods or services, so as to deceptively influence consumers’ purchasing decisions. False endorsement is a type of unfair competition that is actionable under both the federal trademark statute (Section 43(a) of the Lanham Act) and state laws.

While similar to a right of publicity claim, which is personal to the athlete regardless of whether the name is being used by the athlete commercially, a false endorsement claim requires proof of likelihood of confusion (similar to trademark infringement) as to sponsorship or endorsement. Thus, if the athlete is not actually using his or her nickname to sell goods or services in commerce, such a claim will not lie because the athlete can't establish protectable common law rights in an unregistered nickname or slogan. Defenses available in an unfair competition case —such as fair descriptive use of the name or, in cases of artistic portrayals, First Amendment protection—are not applicable to publicity claims. For example, in 2003 Tiger Woods lost a highly publicized case in which he tried to stop the use of his image in a painting of famous golfers because of a failure to have established any trademark rights on his image, versus his name, as required under the First Amendment. Nevertheless, all three bundles of rights—trademark protection, unfair competition/false endorsement and publicity rights—must be assessed when representing an athlete whose personal name rights have been violated.

Athletes, and all celebrities, should be aware of the requirements for seeking trademark protection and should seek protection for distinctive marks or phrases as early as possible to secure their valuable intellectual property and avoid others from trying to file applications for their marks.

Update: **Supreme Court Denies Review in SC Trademark Case**

In our March 2010 sports alert (click here to read), we reported the trademark battle over the interlocking "SC" logo between the University of Southern California and the University of South Carolina, in which the U.S. Court of Appeals for the Federal Circuit ruled in favor of Southern Cal. The circuit court affirmed the U.S. Trademark Trial and Appeal Board's refusal to register Carolina's interlocking "SC" logo, and agreed there was a likelihood of confusion between Carolina and Southern Cal's logo. In October, the U.S. Supreme denied Carolina's petition for review of the ruling.

Herrick Highlights:

Covering the Bases: Irwin Kishner and David Hoffman co-authored the article "Field of Dreams: The Benefits of Public and Private Cooperation in Financing Professional Sports Stadiums" in the Fall 2010 edition of *Entertainment and Sports Lawyer.* To read the publication, click here.

On the Ball: Herrick is the go-to law firm for players in the sports industry. Recently, we held a private movie screening of "Once in a Lifetime: The Extraordinary Story of the New York Cosmos." The event was well-attended by sports industry leaders and the feedback was overwhelmingly positive. Cosmos great Giorgio Chinaglia and new owner Paul Kemsley were on hand to take questions from those in attendance.

Helping the Heavyweights: Herrick is representing Top Rank, Inc. in drafting the primary agreements with Showtime, as well as the agreements with pay-per-view distributors and sponsors, for the distribution of "pound-for-pound king" Manny Pacquiao's next bout against Shane Mosley via Showtime Networks. CBS Corporation, the parent company of Showtime, will be heavily involved, through the CBS television network, in the marketing of this championship boxing program, including running commercials during the NCAA Men's Basketball Tournament and, leading up to the fight, airing episodes of a reality television show about the fighters during prime time.

Real Issues, Fantasy Sports: Herrick will host a seminar for The New York State Bar Association's Entertainment, Art and Sports Committee entitled "Clash of Sports Celebrities' Publicity Rights in Computer and Fantasy Sports Games." Topics to be discussed include right of publicity, state laws, defenses, treatment of athletes' personality rights and use of athletes' personal "property" rights in games. Speakers include Doug Masters of Loeb & Loeb, Jon Wertheim of Sports Illustrated and Wes Zirkle of Just Marketing International. Ayala Deutsch of NBA Properties will moderate. The seminar will be held on February 23, 2011, from 12:30 pm to 2:30 pm.

For more information on these and other sports law issues, please contact **Irwin A. Kishner, Esq.** at **(212) 592-1435** or **ikishner@herrick.com** or **Matthew D. Pace, Esq.** at **(212) 592-1481** or **mpace@herrick.com**.

To learn how we can help you succeed in the sports business, including information on our team, their experience, and our events and media appearances, visit www.herrick.com/sports.