



Playing ball?

Brad Sarna from Ocean Tomo takes us down the hall of fame of major sporting franchises in North America

Sports franchises in the four major professional sports leagues in North America, which are the National Football League (NFL), Major League Baseball (MLB), the National Basketball Association (NBA), and the National Hockey League (NHL), each individually own the legal rights to the trademarks that combine to create a franchise's brand. These typically include the name of the franchise, primary and secondary logos used by the franchise, team colours, and taglines that are registered with the US Patent and Trademark Office (USPTO) and protected vigorously by both the franchises and leagues.

Many sports fans are connected to their local team and follow with a die-hard attitude no matter how the team performs, but when examining a large geographic area few teams or brands can capture and hold the attention of the masses. The sporting culture is fickle when viewed in this manner as many people do not feel a connection to a team or event that is not near them. However, certain teams and sporting events transcend this notion and attract many followers across a broad area and establish themselves as strong, influential brands. A brand is a promise made by a product or service to a consumer that the offering will meet or exceed expectations. Typically a brand's foundation is an IP right,

such as a trademark, patent, or copyright. When viewed in a sporting context, this means that a team or event, which has trademarked names, logos, and designs also, has a brand. However, some of these brands are much stronger due to delivering consistently on their promise to consumers of providing entertainment above and beyond their competition.

When examining a sports club to see what makes it so powerful and able to attract a strong and committed following, examining traditional drivers of brand value while also looking at qualitative measures proves valuable. Some of the traditional drivers of brand value include brand loyalty, brand awareness, brand quality, and brand exposure, while some of the more qualitative factors include performance, tradition, geographic location, and civic pride. These factors combine to form the basis of a strong brand that has shown the ability to not only survive over time, but to grow and become stronger.

Most professional leagues negotiate licensing agreements on behalf of their member organisations. Such licensing is undertaken because each of the member teams has granted the exclusive rights to license and use their marks to the leagues marketing subsidiaries. Each of the four leagues operates an independent entity that controls the merchandising and licensing of all league and individual franchise marketing agreements with third parties. This prevents individual teams from finding third parties to negotiate and contract with for merchandising and licensing opportunities (unless it is on a local scale). This is a controversial model as teams with well known

brands suffer to aid those teams with lesser known brands due to the collective sharing and equal payout of revenues among league members. Successful teams with strong brands are limited in their ability to pursue individual and potentially lucrative merchandising and licensing agreements that would provide greater revenues which would be solely their own.

It is helpful to examine what makes franchise trademarks into strong brands and how these influential brands are used by their leagues to help the growth of the leagues. The following takes a closer look at two teams from each of the NFL, MLB, NBA, and NHL and the factors that contribute to the continued growth and strength of their brands.

Sports franchises

Sports are a form of entertainment for the residents of a city, but can also become woven into a community and become a fabric of life to those who follow sports religiously. To move from a primarily local following to a national following takes several factors, including a storied history, a sense of tradition, success (both recent and historical), star players, a rabid fan base, and typically a major metropolitan area. As teams build brand equity and exposure, their brands increase in value and create opportunities for the league's merchandising and licensing arms to derive significant revenue for the betterment of all franchises in the league.

National Football League

The NFL is the most popular league in the US and is expanding its presence globally by playing games in England, Canada,



Dallas Cowboys	Team	Pittsburgh Steelers
Arlington, Texas	Location	Pittsburgh, Pennsylvania
6.5 million (greater Dallas area)	Population (approx.)	2.5 million (greater Pittsburgh area)
5 Super Bowls	Championships	6 Super Bowls
27	Playoff Appearances	26
12 players	Hall of Fame Members	23 players
Roger Staubach, Emmitt Smith, Troy Aikman, Tony Dorsett	Iconic Players	Terry Bradshaw, Joe Greene, Franco Harris, Jack Lambert, Lynn Swann

and Mexico. Within the US there are many teams with great tradition, rabid fans, and a high level of success, but few are considered to be iconic teams within the NFL. Two teams that have reached iconic status are the Dallas Cowboys and Pittsburgh Steelers.

The Dallas Cowboys are often referred to as "America's Team" and following the lead of their current owner Jerry Jones, embody the state motto that "everything is bigger in Texas." The Cowboys have had two separate eras of success, many marketable players, and have an owner who invested his own money in building the largest and most expensive stadium to date in the US. This is in addition to playing in the state of Texas where football is a way of life and followed reverently. The America's Team nickname came about because so many of the Cowboys' games were on national television that the franchise developed a large national following.

The Pittsburgh Steelers have been one of the strongest and most consistently successful NFL teams. They are known for their unique helmet with its logo on one side, the yellow "Terrible Towel" that fans wave. It even has a popular rap song to its name titled "Black and Yellow,"¹ which was written in their honor and was heard over and over as the team reached the Super Bowl in 2011. The Steelers still have the most Super Bowl victories and consistently field a quality team that their fans travel around the nation to see play. The Steelers teams of the 1970's won several Super Bowls and coined the "Steel Curtain" nickname that gained so many fans and brought the Steelers brand to prominence. The continued success they have achieved has only strengthened the brand over time.

Licence holders

The NFL has an operating entity known as NFL Properties LLC that handles the merchandising and licensing duties for the league and its member teams. The Steelers were second and

the Cowboys were third among NFL teams in merchandise sales from April 2010 to March 2011, continuing their annual trend of leading the league in merchandising sales.² These are direct revenues brought in by the strength of these two brands that are distributed evenly among all member teams even though the revenues are developed in a disproportionate manner by team. Jerry Jones and the Cowboys fought with the NFL in 1995 on this issue after Jones signed lucrative agreements with companies like Pepsi and American Express that directly competed with official partners of the NFL like Coca-Cola and Visa.³ The suit and countersuit were dropped because the partners were not paying for use of the Cowboys trademarks, which is not allowed under the NFL Properties agreement with member teams.

Major League Baseball

The two teams that garner most of the attention in baseball are the New York Yankees and the Boston Red Sox. These two teams have many of the traits that are vital to having a strong brand that is influential. Below is a table containing vital statistics of the two MLB franchises:

The Yankees are probably the most famous North American based team and have cultivated an international following through their success and connection with one of the largest cities on the planet. They have their own television network and have had a consistent string of marketable players while also enjoying the economic benefits of playing in New York, and the many revenue streams and varied forms of exposure the city provides. All of these factors contribute to a large and committed fan base. The famous Yankee pinstripes and interlocking NY on their hats have never changed and are universally recognised as symbols of the Yankees.

The Red Sox have been historically significant in baseball and have experienced a recent rise to national prominence due to their recent success and constant battling with the

Yankees. Boston is home to some of the most rabid and loyal fans but who also suffer from a bit of "little brother" syndrome due to the historical success of their neighbor and division rival, the Yankees. Despite this, the Red Sox have a large fan base in the entire New England area that is rapidly expanding nationally. Combining recent success with ownership's continuous commitment to winning (the second highest payroll behind the Yankees) results in a strong connection between fans and the team.



Licence holders

Major League Baseball Properties, Inc., a subsidiary of MLB Enterprises, Inc., handles the merchandising and licensing agreements for MLB and its member franchises. The Yankees and Red Sox were first and second in terms of merchandise sales during 2010, according to MLB.⁴ The Yankees and Red Sox generate a larger percentage of revenue for MLB Properties than other teams while receiving only the same share as every other team in the league. The Yankees attempted to circumvent this restraint on individual team's abilities to create individual revenue streams by signing a 10-year (approximately \$95 million) sponsorship deal with Adidas in 1997. However, it did not include the ability to manufacture or sell any products bearing the team's name.⁵ This caused issues with MLB because it diluted the value of any deal that MLB Properties negotiated with national sponsors such as Nike or Reebok.

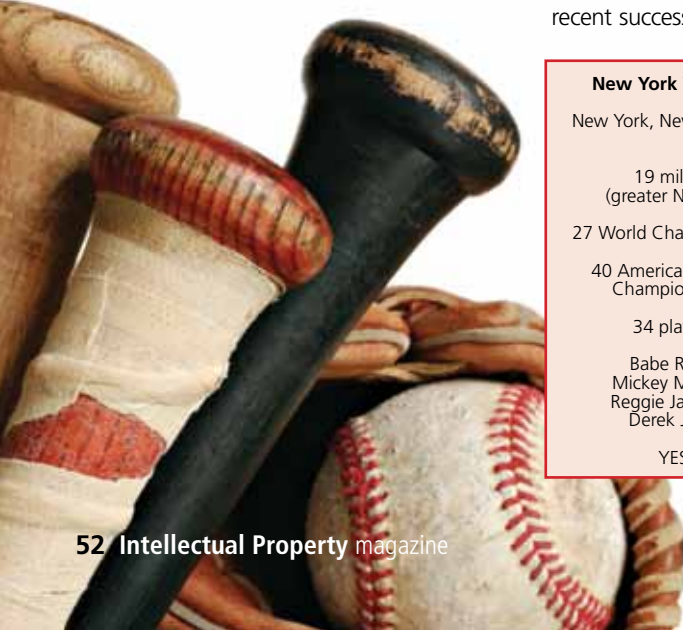
National Basketball Association

The NBA was the last of the four major sports leagues to be formed, but has gained significant popularity and continues to push the global growth of the game of basketball. Two of the most well known and followed teams in the NBA are the Los Angeles Lakers and the Boston Celtics. As shown below, both of these teams have experienced continued success throughout their existence and have developed many legendary players.

The Minneapolis Lakers moved to Los Angeles in 1960 and the team and town have had a perfect Hollywood connection ever since. Having franchise players like, Kareem Abdul-Jabbar, Magic Johnson,

New York Yankees	Team	Boston Red Sox
New York, New York, USA	Location	Boston, Massachusetts, USA
19 million (greater NY area)	Population (approx.)	4.5 million (greater Boston area)
27 World Championships	Championships	7 World Championships
40 American League Championships	Pennants	12 American League Championships
34 players	Hall of Fame Members	32 players
Babe Ruth, Mickey Mantle, Reggie Jackson, Derek Jeter	Iconic Players	Carl Yazstremski, Ted Williams, Carlton Fisk, Manny Ramirez
YES	TV Network	NESN

Picture: Marie C Fields / Shutterstock





to continued success over many decades. The Lakers have won the last two championships (2009 and 2010), but the Celtics beat them head-to-head in 2008 to retain its slight advantage in total championships.

Licence holders

NBA Properties, Inc, is the arm of the NBA that handles merchandising and licensing agreements for the league and its member

“NBA Properties has remained busy with lawsuits against counterfeiters who have been infringing on the trademarked properties of the leagues member teams.”

Chicago, Detroit, and New York) and two in Canada – Montreal and Toronto. While there are currently six NHL teams based in Canada these two clubs lead the way as they were the only Canadian teams for many years.

The Montreal Canadiens are the most storied club in the NHL with twenty-five championships and the most Stanley Cups by far over any other team. Winning in the national sport makes it very easy to accumulate

a very large following, a trend which has benefited the franchise. The Canadiens have had many iconic players and continue to maintain a large fan base as the only NHL team located in the province of Quebec which is the base of French Canada.

Their fans are known for

their passion and knowledge of the sport. The team has an iconic jersey known as “Le Bleu-Blanc-Rouge” that is recognised as one of the finest in sports and has remained unchanged due to its beauty.

The Toronto Maple Leafs may be viewed as the less successful of the two original Canadian franchises, but they still have experienced much success and have a large and faithful, if not demanding, following of fans. Most of the team’s success was in the past, but the team continues to be one of the strongest brands in sport due to its history and location in the center of hockey-mad Canada. Despite a lack of recent success, the team continues to sell out its arena, distribute branded merchandise, and be the daily topic of sports radio, despite the presence of the Toronto Blue Jays (MLB), Toronto Raptors (NBA), and Toronto FC (MLS).

Licence holders

NHL Enterprises, LP, is the marketing and licensing arm of the NHL and handles agreements and legal issues. The Canadiens led

the NHL in merchandise sales in 2009 when the franchise celebrated its 100th anniversary and continue a trend of strong merchandise sales.⁶ Canadian franchises like Montreal and Toronto perform quite well on an annual basis in merchandise sales due to their strong brands and the loyal following of hockey fans in Canada.

Los Angeles Lakers	Team	Boston Celtics
Los Angeles, California, USA	Location	Boston, Massachusetts, USA
13 million (greater LA area)	Population (approx.)	4.5 million (greater Boston area)
16	Championships	17
58	Playoff Appearances	49
18 players	Hall of Fame Members	28 players
Jerry West, Wilt Chamberlain, Kareem Abdul-Jabbar, Shaquille O’Neal, Kobe Bryant	Iconic Players	Bill Russell, John Havlicek, Kevin McHale, Robert Parish, Larry Bird, Kevin Garnett

teams. While there have not been any rogue franchises fighting against NBA Properties to the level of the Cowboys and Yankees, NBA Properties has remained busy with lawsuits against counterfeiters who have been infringing on the trademarked properties of the leagues member teams. The popularity of franchises like the Lakers

Shaquille O’Neal and Kobe Bryant, led to successful teams in different eras and drew the attention of the Hollywood glitterati. With Magic Johnson leading the “Showtime” Lakers being seen courtside at a Lakers game became fashionable. Winning championships with regularity since the 1970’s, being in the second largest city in the US, and having the Hollywood connection gives the Lakers brand lasting strength. The teams purple and yellow colour combination has become synonymous with NBA success.

The Boston Celtics reside on the East coast of the US and epitomise the opposite of the Lakers, which makes the rivalry between the two teams so fascinating. The Celtics have won one more championship than the Lakers and follow in the Lakers trend of restocking its team with legendary players and finding continued success over the years. The Celtics are considered a pillar of the NBA and the clover logo is instantly recognisable as that of the Celtics.

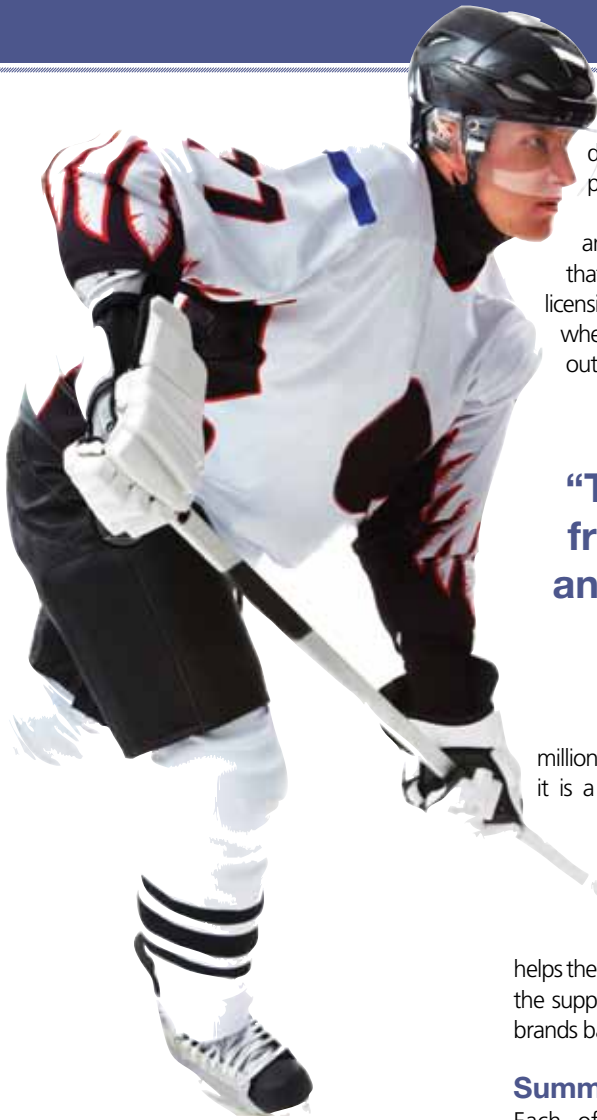
When these teams are doing well it is good for the NBA as both teams have strong local fan bases and have gained national followings due

and Celtics and their strong brands result in many infringers who take revenues away from the league and its members.

National Hockey League

The NHL has the majority of its teams in the US, but ice hockey is first and foremost a Canadian game. The whole nation is hockey-mad and the two primary teams are the Montreal Canadiens and the Toronto Maple Leafs. When the NHL began there were only six original teams with four in the US (Boston,

Montreal Canadiens	Team	Toronto Maple Leafs
Montreal, Quebec, Canada	Location	Toronto, Ontario, Canada
4 million (greater Montreal area)	Population (approx.)	5 million (greater Toronto area)
25 (23 Stanley Cups)	Championships	13 Stanley Cups
79	Playoff Appearances	64
47 players	Hall of Fame Members	57 players
Maurice Richard, Jean Beliveau, Jacques Plante, Larry Robinson, Guy Lafleur, Patrick Roy	Iconic Players	Darryl Sittler, Johnny Bower, Red Kelly, Tim Horton, Borje Salming, Mats Sundin



determine whether the circumstances prove to be anticompetitive.⁸

These cases, along with the many annual infringement lawsuits, show that not many entities are happy with the licensing practices of the four major leagues, whether it be a small vendor who is frozen out by a league due to its inability to pay

use of its brand. The use of each franchise's trademarks and brands in an interconnected manner assists the league. Nevertheless, such licensing may hurt those iconic franchises whose brand strength would allow them to garner significant financial benefit if allowed to pursue opportunities on their own.

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millions for the licensing rights, or whether it is a member club fighting to break free and independently increase its revenues. However, when viewed as a whole, the system helps the leagues and weaker franchises through the support provided by franchises with strong brands based on well-known trademarks.

Summary

Each of the NFL, MLB, NBA, and NHL marketing arms control the major revenue streams relating to merchandising and licensing of the leagues and their franchises. For the ability to garner higher rates and thus increase revenues, the leagues depend on strong brands that national partners want to associate with. Having the ability to include the rights to franchises like the Cowboys, Yankees, Lakers, and Canadians in the negotiations, provides the leagues the opportunity to generate larger sponsorship and licensing agreements that benefit all clubs in an effort to attain parity in revenue and a more level playing field for small market teams.

This concept of using the best known brands to help lesser known brands is counterintuitive to general business acumen wherein privately owned companies, like the above mentioned franchises, would be able to promote, grow, and profit from the success and strength of their brands. It is in the individual league's best interest to keep the league competitive and maintain widespread interest through allowing many clubs to compete and retain a strong fan base. Meanwhile, franchises try to find every possible manner to gain a competitive advantage and increase profitability through

Legal issues pertaining to the licensing relationships

There is a constant stream of legal battles from all sides regarding the merchandising and licensing arrangements between teams, leagues, and third parties. In 2007, the New York Rangers filed suit against the NHL regarding the ownership and development of its website. The two sides settled and the suit was dismissed because it was evident the court was siding with the NHL due to the fact that the Rangers, along with every other member club, had "granted the League exclusive worldwide rights to use or license team trademarks for various marketing purposes, such as advertising and the sale and distribution of 'products and services ... of any nature."⁷

The NFL recently was on the losing end of the US Supreme Court decision in October 2009 in *American Needle, Inc. v National Football League*, where it was held that the NFL is composed of 32 separate business entities. This is important because the case determined that the NFL is not exempt from the Sherman Antitrust Act and decisions related to its operations in licensing team trademarks to merchandisers need to be examined to

Footnotes

1. Black and Yellow by Wiz Khalifa, released 14 September 2010
2. <http://www.nfl.com/news/story/09000d5d81f410f2/article/polamalupackers-top-nfl-jersey-merchandise-sales-lists>
3. <http://www.nytimes.com/1996/12/10/sports/jones-nfl-lawsuits-may-end-in-a-draw.html>
4. <http://www.cnn.com/ID/42229344>
5. <http://www.nytimes.com/1997/03/03/sports/yankees-and-adidas-agree-on-a-big-sponsorship-deal.html>
6. http://www.thesportmarket.biz/archives/podiumnews_090313_1.htm
7. <http://www.trademarkandcopyrightlawblog.com/uploads/file/MSG%20Ruling0.PDF>
8. <http://www.supremecourt.gov/opinions/09pdf/08-661.pdf>

Author



Brad Sarna is an Associate in Ocean Tomo's Valuation practice in Chicago, Illinois. Prior to joining Ocean Tomo, Sarna was previously an associate in the valuation services group at Marsh &

McLennan and an associate with Absolute Brand LLC. He has experience valuing intellectual property within a wide range of industries, with a particular focus on both the Wine & Spirits and Sports & Entertainment Industries. Sarna is a member of the State Bar of Wisconsin. He holds a JD from Marquette University Law School and a Bachelor of Science degree in finance from Bradley University.

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