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## **TIGER'S WAKE-UP CALL FOR OTHER PROFESSIONAL ATHLETES AND ENTERTAINERS -- A BRIEF OVERVIEW OF MORALS CLAUSES IN ENDORSEMENT AGREEMENTS**

**By: Eric C. Perkins, Esq.**

The recent turmoil involving Tiger Woods and his potential loss of millions of dollars in endorsement deals has cast a spotlight on what is an all-too-often ignored provision in many business contracts---the morals clause (also referred to as moral turpitude or “bad boy” clauses). Morals clauses are found in most sponsorship and endorsement deals involving celebrities and professional athletes, and yet chances are that very few professional athletes and entertainers fully appreciate the potentially disastrous financial effect such a contract provision could have on them.

In a typical endorsement agreement, the morals clause provides the sponsor the right to terminate the agreement if the individual is convicted of a crime involving moral turpitude or commits an act that is likely, in the sole opinion of the sponsor, to adversely affect the sponsor and its goodwill. These clauses are often characterized by the following:

- (i) a lack of mutuality (i.e., the athlete or entertainer has no corresponding right to terminate the relationship if the sponsor commits a comparable offense);
- (ii) broad and ambiguous language (i.e., what does “moral turpitude” mean?); and
- (iii) a grant of unfettered discretion to the sponsor in determining how and when to apply or enforce the morals clause.

The rationale behind the morals clause is straightforward. In a business relationship where one party is aligning its corporate goodwill and brand with an independent party such as a professional athlete, the former wants to be free to sever the relationship if the latter does something “bad” with which the sponsor does not wish to be associated. This is not a controversial issue in and of itself. Companies that market their products and services to the public generally want to steer clear of the type of negative publicity and scandalous allegations—such as those that currently surround Tiger

Woods—and a morals clause is often going to be their way out of a long-term, multi-million dollar endorsement deal.

From a professional athlete's perspective, there are several things they can do to better protect themselves from being on the wrong end of a dispute arising from a morals clause in a sponsorship or endorsement agreement.

First, professional athletes should carefully read and understand these agreements before signing and negotiate changes where appropriate. Ambiguous language should be clarified and overly broad language should be narrowed.

Second, they need to understand whose actions can trigger problems under the morals clause—is it just him or her or does the morals clause encompass spouses, family members, and other representatives of the athlete? An athlete's entire "entourage" might be fair game depending upon the specific language in the contract.

Third, athletes should not forget about their contractual obligations once the agreement has been signed. In other words, they need to consider potential consequences before acting.