



# Image Rights: A Valuable Intellectual Property

**Kelvin King, Senior Partner, Valuation Consulting LLP, VRG U.K.**

Image Rights receive an abundance of international publicity. Scotland's national newspaper, [The Scotsman](#), reported that the "shrewd" actions of Sir Sean Connery, who portrayed film character James Bond, "...puts Scotland's most famous actor in the same company as global superstars like rapper 50 Cent...and singer Beyoncé" as "one of the world's most recognisable men discreetly trademarked his name to protect his brand and prevent others from cashing in on his fame." Documents filed in both the EU and the U.S. show the veteran actor enlisted the help of lawyers to ensure he and he alone can profit by licensing his name for use.

In other Image Rights-related news, Barcelona star footballer, [Lionel Messi](#), also captured headlines when he received a two year prison sentence in Spain (suspended) and €2 million fine for using Image Rights contracts to avoid tax. David Beckham, the famous retired Manchester United and England footballer, is the face of

Haig Club Whisky, which likely includes a licensing agreement between Beckham and the global Haig brand owner, Diageo. Many consider Beckham a trailblazer when it comes to Image Rights contract negotiations, particularly between football clubs and their players. Early in his career, his negotiation approach paved the way for enhanced earning potential for his personal brand and image beyond the football pitch.

Each story illustrates the importance of Image Rights (aka Publicity Rights in the U.S. and some other jurisdictions) as both a valuable personal asset and as front-page news, not least as they usually attach to famous people.



## INFRINGEMENT PREVENTION

Image Rights are a large bundle of rights associated with celebrities, professional athletes, artists, and entertainers. They can include rights over the use of the personality's still, moving and animated image; name, signature, recorded voice, catchphrases and associated iconic acts, logos, trademarks, and brands. Some countries legally define Image Rights while in others, like the U.K., Image Rights are recognised less formally yet sufficiently form the basis of contracts, securitisation, structuring, and tax planning. On the worldwide legal stage, Image Rights are often subject to many infringement

actions and damages claims. One such example is a damage claim based on the misuse of a photograph of a former Miss South Africa in an advertisement. This RSA case brought both sentimental and patrimonial damage claims for infringement of common law personality rights and constitutional rights to privacy. Although not declared in the pleadings, there was also the possibility of damage claims under passing off and potentially trademark infringements.

Similarly, in 2014 actress Katherine Heigl sued U.S. pharmacy retailer, Duane Reade (of the Walgreens family of companies) for unauthorised use of her image. In this case, the law did not focus on privacy rights but instead on the more straightforward question of unauthorised economic benefit by others in using images of the registered personality. The law recognised that a registered personality and the associated images have actual (or potential) financial value.

For many years intellectual property (IP) lawyers have urged personalities with valuable Image Rights to further protect their image by using conventional IP rights such as trademarks (name, signature, likeness) and copyright, often bundled together with a licensing and enforcement programme that controls and educates the use of their image. In the U.K. Channel Island of Guernsey, both the representation of a personality and their characteristics are registerable and protected through Image Rights. Examples of characteristics can include a personality's voice, signature, likeness, appearance, silhouette, feature, face, verbal or facial expressions, gestures, mannerisms, as well as other distinctive characteristics or personal attributes.

Icondia, a Guernsey-based Image Rights registration business, advises that an individual can own a registered personality during their lifetime and bequeath it upon their death just like any other personal property right. Image Rights can be placed in an appropriate corporate holding structure in a jurisdiction of choice, and rights can be renewed every ten years for as long

as desired. For many people, preserving and protecting the memory of a loved one in this manner is sufficient, and for some, there is an added commercial element. Sadly, it is often true that the value of Image Rights associated with a successful personality increases after their death mainly if they died young or at the height of their fame – consider James Dean, Marilyn Monroe, and Amy Winehouse, among others. Real people have rights merely by existing. In the U.S., states such as California also permit certain posthumous publicity rights, although they may be limited by visual images and a timeline. Unlike personality rights, more formally registered IP rights such as trademarks are more easily transferrable, easier to prove, and can better assist a financial valuer in understanding valuation and risk.

## ESSENTIALS OF DEAL NEGOTIATION

Real Madrid footballers, Cristiano Ronaldo and Gareth Bale, not only dominate their game but their earnings dominate as well. In 2017 for the fourth consecutive year, Ronaldo topped Forbes' 2017 World's Highest-Paid Athletes – due to not only his playing contract but also his image. Forbes likens Ronaldo to a “human billboard” when you consider his global image use portfolio that sells everything from football boots to men's hair products, to fragrances to a chain of luxury hotels. Of the 20 soccer stars who made the 2017 Forbes' list, Bale isn't far behind at #4. In 2013, Bale joined Real Madrid for a reported

£85m; he also then ceded 50 percent of his Image Rights to the Spanish football club, likely a result of tough negotiations between his sports agents and the club itself. The club was likely anxious to leverage their share of Bale's Image Rights, most notably from Asian market sales of Bale-branded shirts.

Athletes aim to retain as much ownership of their personality as possible in negotiations in both club and non-club situations, notably the Image Rights agreements established between the athlete's corporate sponsors and the sports club for the primary purpose of merchandising. Another case that highlights how ownership of Image Rights play into the negotiation process comes from a legal update published by Walker Morris, focusing on Manchester United manager, Jose Mourinho and club ownership of his Image Rights. In this case, conflicts were created as Image Rights in Mourinho's name were a registered trademark owned by his former employer, the Chelsea Football Club, “in respect of a range of goods including toiletries, clothing, watch straps, even talcum powder, and lingerie.” Mourinho is presently Manchester United's manager; just as the article notes we also assume “some solution was reached, possibly the grant of a license by Chelsea for United to use the marks or an assignment of the marks from Chelsea to United.” We must also consider the negotiations needed for endorsements Mourinho himself held with corporate sponsors in competition with United where a solution would be essential.





## IMAGE RIGHTS HAVE LONGEVITY

Research by XPro, a charity for U.K. ex-football players, suggests that three out five Premier League players with weekly average earnings of £30,000 declare bankruptcy within five years of retirement. In the U.S., a [2009 report](#) also found that within two years of departure, 78 percent of NFL players are bankrupt or under financial stress, and within five years post-career 60 percent of NBA athletes are broke.

Considering these alarming statistics, athletes, personalities, and celebrities must increasingly maximise their potential Image Rights valuation long after they retire. There are sponsorship contract opportunities, mainly associated with high-end goods, where a relatively young personality who develops Image Rights in their 'playing years' is then able to receive significant retirement earnings. Well-known Olympians regularly illustrate such valuable longevity of their Image Rights. Consider Ben Ainslie, the most successful sailor in Olympic history and America's Cup helmsman, and his relationships with luxury brand sponsors such as Land Rover, Louis Vuitton, Henri Lloyd, and Zenith. Or, the World's Fastest Human, Usain St Leo Bolt, the retired Jamaican sprinter who is first to hold both the 100 and 200 metres world records. Bolt's meteoric rise in Olympic history was followed by lucrative sponsorships with the likes of Puma, Gatorade, Gibson, Virgin Media, Hublot, and G.H. Mumm.

## THE INTERNATIONAL DIMENSION: JURISDICTIONAL CONSIDERATIONS

The valuer of Image Rights needs to note that different jurisdictions have different approaches. Personality rights are enshrined in the constitutions of Spain and Germany. In the U.K., celebrities can look to alternative claims in passing protection off, and copyright and actions in the fields of privacy and data protection.

The U.S. has perhaps the most complete and straightforward sets of laws. The U.S. Restatement of Unfair Competition defines the right of publicity and the appropriation of trade values in respect of a person's identity and using such without consent. The right of publicity is a state-based right as opposed to a federal-right, although it interacts closely with First Amendment rights. In most U.S. state jurisdictions without a specific statute, the right may still be recognised in common law and based in tort law (a civil wrong that causes someone else to suffer harm or loss).

Australia does not currently embrace a discreet legal category such as the right of publicity, though a celebrity would seek to file a claim within the common law or statutory IP regimes such as trademark, copyright, and design law.

Japanese courts acknowledge privacy and publicity rights, and constitutional, moral rights, even though they are not explicitly mentioned in the constitution or legislation. Names, likenesses, and signatures may be protected. Japanese courts acknowledge that a celebrity's right of publicity arises out of economic interest and protects that right under tort law even without a showing of suffering. Japan also recognises moral right in addition to economic right. The Tokyo District Court has held that the essence of the right to publicity is the power to attract public attention and that right extends to any matter with economic value arising out of that celebrity's fame or reputation.

## TAX-EFFECTIVE PLANNING

Valuable assets have always dominated the tax planner's mind and challenged tax authorities. For commercial and tax planning purposes, Image Rights are often transferred by outright assignment or by various forms of license to corporate structures where a company can exploit them. This approach has publically come under the scrutiny of tax authorities such as the U.K. HMRC and the U.S. IRS. The 2013 U.S. Tax Court cases concerning golfers Retief Goosen (*Goosen v. Commissioner*) and Sergio Garcia (*Garcia v. Commissioner*) laid some tax-advantaged groundwork for foreign athletes who compete in the U.S. as to how taxes are applied to compensation derived from royalty income.

In the U.K., the use of Image Rights contracts became popular in the new millennium, after the publicity given to Arsenal Football Club's use of financial and tax structures for two of its players, David Platt and Dennis Bergkamp. In this U.K. Tax Tribunal case, which did close in favor of Arsenal and its players, the idea was that a player's remuneration package would be split between playing services and Image Rights. A separate payment would be made for the use of Image Rights, usually into a U.K. or an offshore company. This approach offers tax benefits for the player, especially where they are non-domiciled in the U.K. and using an offshore company. The club benefits by receiving contractual certainty to use the Image Rights for their commercial purposes while also avoiding National Insurance Contributions on the payments. However, especially following the financial crisis of 2008, many sports clubs were challenged by tax authorities worldwide on their use of Image Rights, particularly about the relative proportional allocation between payments for services and those for Image Rights, an apportionment that needs to be justified commercially. The U.K. HMRC established guidelines for the clubs on what is acceptable, and that the total Image Right component could not exceed in total, an HMRC approved proportion of the club's commercial revenues in each case. The transfer to any corporate structure is a taxable, chargeable gain and the Image Rights must be valued on the date of transfer. Tax and commercial reasons require valuation or royalty rate advice.



## VALUATION CONSIDERATIONS AND IMPACTS

When valuing Image Rights, valuation professionals are assessing substantial figures. A recent story about golf superstar, Rory McIlroy, from [The Belfast Telegraph](#) ideally highlights this point:

*“Rory McIlroy’s management and image rights firm recorded a pre-tax loss of \$105.4m (£79.4m) last year. The paper loss stems from a non-cash write-down of \$99m in the value of McIlroy’s lifetime image rights. The Co Down golfer is unlikely to be too perturbed over the loss by his Dublin-based firm with Forbes magazine last year estimating that he earned \$42.5m in 2016 - \$35m from endorsements and \$7.5m in winnings.*

*The figures show that revenue at Rory McIlroy Management Services (RMMS) Ltd last year totaled \$21.7m – or \$418,269 per week. Revenues at the company declined by 15% from \$25m to \$21.7m.*

*Explaining the write-down, a spokeswoman for the four-time Major winner said yesterday: “RMMS Ltd own and manage Rory’s lifetime Image Rights. Each year, the directors review the value of these rights. The value the directors assign fluctuates in line with changes in Rory’s operating environment.” On the write-down, the directors state that it occurred following their assessment of the possible impairment of the company’s trademarks and intellectual property rights at the end of the financial year.*

*The company’s cash pile almost doubled during the year, from \$3.83m to \$6.7m. At the start of last year, the company had a massive \$400m book value placed on McIlroy’s image rights, but this decreased to \$280m at the end of last year. This was through a combination of the \$99m write-down and non-cash amortisation costs of \$21m.*

*The value of the McIlroy brand is underlined by the fact that it persuaded the likes of Nike to enter a reported \$250m 10-year deal with the 28-year-old. The firm paid \$2.1m in corporation tax. It generated its \$21m in income from royalties and management fees.”*



The starting point for the adoption of any methodology will have considered barriers to entry and economic ownership advantages, notably by legal protections and registrations. Sponsorship, merchandising, and other contractual arrangements identify specific earning streams. Survivorship curves; (personal, legal and economic), is how to think about modelling the valuation of these Rights under different scenarios. Historical and prospective income streams can be modelled individually in respect of the sometimes numerous legal agreements that control exploitation. Valuation practice observes both exclusive and non-exclusive use of rights to an image, the right of use in specific situations and in identifying the exclusive rights, the right to further prospect and extend conveyed sales. In the field of sports or media, stars can exploit and earn income separate from the terms of any club or studio contract, for many 'non-competing' sectors, goods, products, and services situations. Each income stream will be accorded a different risk profile but it does not stop there.

## **PERSONALITY-SPECIFIC RISK CONSIDERATIONS**

The model for valuation involves discounting each of the future rewards of exploitation to net present value, and in doing so we must also assess personality-specific risks, and probabilities of dilution or increase; either contract renewal options and, if forecasted, if new agreements are a realistic and assessable prospect.

These considerations will not overtly trouble an expert IP and intangible asset valuer, save for the unique difficulties in assessing the risk of an asset so inextricably linked to

an individual. Reputational damage, for example, is not uncommon in the sporting and media sectors, and the occurrence may allow licensees to contest and or rescind an Image Rights contract. Injury and or likely injury and the renewal of ageing contracts are relevant possibilities to consider, particularly for athletes. Thus, the ratios and analysis associated with determining remaining useful life, probable life, actuarial life, and marketing longevity are all essential considerations.

As evidenced by recent and multiple reports of harassment and abuse occurring across many industries – entertainment, media, hospitality, transportation, sports – the economic impact of reputational damage can be significant. And as a result, contract clauses, such as scandal clauses, may become more prevalent and will be relevant.

The challenge for valuation professionals is in weighing the risk impact on IP and intangible asset values; not least, the prospect of a successful counter-challenge to said allocations. In the last few months, public domain reporting in the UK has underlined this point in that “the Crown Prosecution Service is to review all current rape cases, to ensure that evidence that needs to be disclosed has been handed over to defendants. This emergency re-examination comes after the collapse of several trials and is likely to result in the discontinuation of some prosecutions according to a joint statement from the CPS, National Police Chiefs’ Council and College of Policing.” In the area of performing arts, you need to reflect, with lawyers, on how successful any likely objection about an alleged misdemeanor could be considering, for example, the moral and other rights you have as a performing artist.

In the valuation of a patent or brand, one will often need the input of experts from technology, marketing, and science. Speaking with the agents of personalities about current opportunities, expiring contracts, and arrangements, and their likelihood of renewal (either under formal option or otherwise) assists in assessing growth rates, prospective new deals, and the assessment of new talent who may be shifting from amateur to professional status. The music, film, and media industries can be fickle about working with one personality or another at any given time and are sensitive to potential headline-grabbing occurrences, such as the importance of an Olympic year or widespread reports of scandalous behavior. Sponsorship trends are evident throughout all sectors and information about how budgets are increasing or decreasing effect sponsorship deals and advertising spends. In the U.K., January 2018's football transfer window was a headline grabber and record breaker as we saw player prices continue to rise, such as Philippe Coutinho's £142m move to Barcelona. When considering this activity, we can only speculate about the impact on Image Rights arrangements and what the coming player and club negotiations will spawn.

## **IMPORTANCE OF AN IMAGE RIGHTS EXPERT**

The intellectual property of a personality is an important asset. Just as a corporation must know the full underlying value of its tangible and intangible assets and liabilities, it is critical for a personality and their closest advisors to understand the same level of detail to negotiate, manage and control risks and returns appropriately. When modelling and calculating the value of Image Rights, intangible assets present nuances and complexity when identifying and quantifying the earnings they generate. With strict confidentiality in place, an expert valuation professional will perform a careful due diligence analysis alongside a personality's legal, tax, and accounting advisors.

Considering the substantial sums a personality stands to gain (or lose), along with tax implications, estate planning, societal impacts, related insurance coverages, and potential litigation disputes, it is critical to seek the services of a qualified expert valuation professional. Valuation Research Group's international professionals offer the depth and breadth of experience and knowledge required to provide rigorous, reliable Image Rights valuations.

To learn more about Image Rights, our services, and our professionals, we welcome you to contact the author, [Kelvin King](#), or any a member of our [VRG international team](#).

**VRG.NET**  
**ARGENTINA** **AUSTRALIA**  
**BRAZIL** **CANADA**  
**CHINA** **COLOMBIA**  
**GERMANY** **INDIA**  
**JAPAN** **LUXEMBOURG**  
**MEXICO** **SINGAPORE**  
**SPAIN** **UNITED KINGDOM**

The logo for Valuation Research Group (VRG) features the letters 'VRG' in a large, bold, serif font. The 'V' and 'R' are connected at the top, and the 'G' is slightly larger and positioned to the right.

Valuation Research Group

## ABOUT OUR AUTHOR

**KELVIN KING** joined the Government in 1970. His early career was spent with the Government's Share Valuation (SV); which is responsible for all of the private company, business, intellectual property, and intangible asset valuation requirements of Government: the Capital Taxes Office (CTO) and Policy and Management divisions. In both SV and the CTO, Kelvin held senior positions in the HQ units, dealing with the most complex cases.

He left the Government after 17 years to establish a Valuation Unit for a large accountancy practice and, before the founding of Valuation Consulting, was the MD of specialist valuation companies within two major international investment banks. He has undertaken corporate finance work.

Kelvin is frequently asked to lecture for professional bodies and training organisations about commercial and tax valuation. He is a contributor to many journals, television and radio. He is a contributor to books (Business Valuation Digest – Thomson, Intellectual Property Rights and Their Valuation Gresham, Due Diligence Law and Practice – Sweet & Maxwell, The Trademark Handbook amongst others).

His book *Valuation and Exploitation of Intellectual Property and Intangible Assets* was published by EMIS Professional Publishing in May 2003, which attracted excellent reviews.

He has been one of two separately listed UK Expert Witnesses in the areas of intellectual property and intangible asset valuation and one of the five separately listed unquoted company Experts in The Law Society (now Sweet and Maxwell) Directory of Expert Witnesses (1996-2017). He is the founder of the Society of Share and Business Valuers, Chairman Royal Institution of Chartered Surveyors Business and IP Valuation Group, founding expert Lord Woolf's Expert Witness Institute, member of the Licensing Executive Society, Chartered Institute of Patent Agents (Associate), RICS (Fellow and Chartered Valuation Surveyor Registered Business Valuer) and International Association of Consultants, Valuers and Analysts.

He has been involved in a number of major cases including the professional negligence case Ball (the co-founder of The Eden Project) v Druces and Attlee concerning IPR, business valuation and royalty rates. Trademark litigation clients include Levi Strauss.