Intellectual Property Strategy

Palfrey, John

Published by The MIT Press

Palfrey, John.
Intellectual Property Strategy.
The MIT Press, 2011.
Project MUSE. muse.jhu.edu/book/22152.

▶ For additional information about this book
https://muse.jhu.edu/book/22152

🔍 For content related to this chapter
https://muse.jhu.edu/related_content?type=book&id=788979
Intellectual property accounts for about 40 percent of the net asset value of all corporations in the United States. One method of extracting value from these assets is by entering the licensing market for trademarks and copyrights, which involves a hundred billion dollars globally per year. The potential of this market is not limited to traditional firms and for-profit enterprises. Companies specializing in collegiate-sports licensing have been helping colleges and universities maximize revenue through licensing deals. Given that they are institutions that specialize in the creation and cultivation of knowledge and expression, universities and colleges should naturally be attuned to the potential that exists in these activities related to intellectual property.

The Collegiate Licensing Company

Founded in 1981, the Collegiate Licensing Company (CLC) is the oldest and largest collegiate licensing agency in the United States. The company provides licensing and marketing services for its clients, which include two hundred universities and colleges. The CLC’s clients sell more than
three billion dollars in merchandise annually. In 2007, IMG Worldwide acquired the CLC and subsequently purchased ISP, another collegiate-sports marketing firm with sixty college clients.⁴

Revenue Streams

Table 1 lists the top-ten CLC-affiliated institutions according to the royalties received on merchandise sold. Unfortunately, the CLC itself does not provide data on the amount of revenues that each institution received. Some universities, furthermore, jealously guard the total amount of royalties earned by their licensing programs.⁵ Nevertheless, data from other institutions provides an estimate of the size of these revenue streams. The University of Texas at Austin is easily the top seller of branded merchandise among the CLC’s clients, pulling in over $10 million in 2010. By comparison, Ohio State, the top seller among non-CLC schools, made about $8 million.⁶ Although data on the bottom half of the top ten is sparse, Auburn University, an institution with approximately the same size student body as the University of Tennessee, received $3.4 million in royalties in 2010.⁷
Table 1  Top CLC colleges, by royalties

<table>
<thead>
<tr>
<th>College</th>
<th>Royalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Texas at Austin</td>
<td>$10.15 million&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Louisiana State University</td>
<td>$4.9 million&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>University of Florida</td>
<td>$4.8 million&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td>University of Georgia</td>
<td>$4.75 million&lt;sup&gt;d&lt;/sup&gt;</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>$4.1 million&lt;sup&gt;e&lt;/sup&gt;</td>
</tr>
<tr>
<td>University of North Carolina</td>
<td>$4.2 million&lt;sup&gt;f&lt;/sup&gt;</td>
</tr>
<tr>
<td>University of Tennessee</td>
<td>$3 million&lt;sup&gt;g&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

A Range of Licensing Options

When you think of collegiate licensing, certain product categories make sense intuitively. It seems obvious to place the trademark of the licensing university on apparel, for example. Sure enough, royalties from apparel make up the bulk of the CLC’s royalties. Yet in 2008–2009, royalties from nonapparel products accounted for 40 percent of the CLC’s royalties.\footnote{8} The largest royalty-generating nonapparel category was video games, with EA Sports representing the single-largest licensee.\footnote{9} What might surprise you is the range of products that lend themselves to increased sales when combined with the strong brand of a college or university. Almost any type of product can become a market for collegiate licensing, including paper goods and printed matter, household utensils and glassware, toys and sporting goods, and education and entertainment services.\footnote{10}

Colleges and universities face a range of options when it comes to brand licensing. One question is what aspects of their identity should be trademarked in the first place. Registering a trademark confers several benefits, including greater remedies for infringement and the option of recording the mark with US Customs, which can then seize shipments entering the United States with infringing products.\footnote{11} Because colleges and universities are often comprised of many items that each can be potentially trademarked—for instance, names of stadiums, uniform
and helmet designs, and color schemes—but only limited funds to spend on registration, it is important to determine which marks should be registered, and the classes of products to which those registered marks should be applied. Given the lucrative nature of collegiate licensing, the maintenance of a trademark portfolio and attendant licensing deals is an endeavor worth pursuing.

Syracuse University successfully navigated a variety of trademark-development issues. Its example is illustrative. The challenge that the university faced was to develop a consistent brand identity. Since its founding in 1890, Syracuse has seen its brand identity undergo at least ten alterations, each time changing the logo, mascot, name, or some combination thereof.\(^{12}\) Syracuse had tried multiple times to create a consistent, successful identity, but it was not until 2004 that the university finally had success when it hired Nancy Cantor as chancellor and appointed Daryl Gross as athletic director.\(^{13}\) Once the two settled on a logo that they felt adequately drew on the traditions of the athletic program—the block S—their team had to research similar identifying marks used by other universities.\(^{14}\) Michigan State University, which also used a block S, albeit in forest green rather than the orange with blue outline desired by Syracuse, presented a potential problem.\(^{15}\) After initially refusing to enter into a coexistence agreement, Michigan State eventually agreed not to challenge Syracuse’s use of the block S, provided it was used with some
mark that would signal to audiences that it belonged to Syracuse and not Michigan State University.  

Issues in Collegiate Licensing

Collegiate licensing raises the potential erosion of a college athlete’s ability to control their image. In 2010, Sam Keller, former University of Nebraska and Arizona State quarterback, sued video game publisher Electronic Arts, the National Collegiate Athletic Association, and the CLC, claiming that his image was being used illegally. Although the National Collegiate Athletic Association amateurism rules prohibit the endorsement of products by college athletes, the players’ physical features, jersey numbers, and playing styles are closely duplicated in video games. The case presents the difficult question of when “a person’s right to control [their] image trump[s] the free-speech rights of others to use it.” Powerful groups have joined each side: the Motion Picture Association of America, Gannett, ESPN, Viacom, the First Amendment Coalition, and the First Amendment Project in the camp of Electronic Arts, and the players’ unions for baseball, basketball, football, hockey, and soccer along with the Screen Actors Guild and the AFL-CIO on Keller’s side.

Collegiate licensing also raises the possibility of infringement from other actors. Many apparel retailers sell
knock-off versions of what is otherwise properly licensed apparel. Smack Apparel, for example, sold T-shirts featuring the color schemes of collegiate institutions without obtaining a license. The US Court of Appeals for the Fifth Circuit affirmed a district court decision against Smack Apparel, holding that the company’s use of the institutions’ colors constitutes trademark infringement as a matter of law.

Infringement of the rights of colleges and universities can originate from unexpected sources. Consider the fact that many high schools have mascots and logos that sometimes intentionally bear a striking resemblance to those used by major colleges and universities. Glades Day School, for example, used a gator mascot and logo that were nearly identical to the University of Florida’s. In the past, these types of infringements would go largely unnoticed, but now the Internet makes the identifying marks of high schools around the country readily available. Certainly, colleges do not relish the prospect of forcing typically smaller, less-powerful high schools to change their designs. Colleges and universities often don’t want to appear to be overly aggressive litigants, but at the same time, they fear that selective or weak enforcement can result in a loss of trademark protection or diminution of the value of the licenses that it might sell in the future.