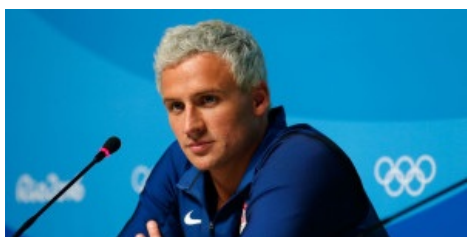


Rio, Swimming, Lies, and Morals Clauses

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This week, four companies announced that they were cutting ties with Ryan Lochte after the swimmer



admitted to lying about being robbed at gunpoint during the Olympics. Speedo, for example, said that although they enjoyed the relationship they've had with Lochte for over a decade, "we cannot condone behavior that is counter to the values this brand has long stood for." If your company is working with a celebrity who does something that runs counter to your values, do you have the right to terminate your agreement?

Morals clauses generally give companies the right to terminate an endorsement agreement, if an endorser commits an act that falls within the scope of the clause. Given what's at stake, the scope of that clause is often one of the most-negotiated provisions in these agreements. Endorsers naturally want the clauses to be as narrow and specific as possible. (For example, a clause might only kick in if an endorser is convicted of, or pleads guilty to, a felony.) Companies, on the other hand, want more flexibility. (For example, they may push for a clause that allows termination if the endorser's actions would subject the company to ridicule, contempt, controversy, embarrassment, or scandal.)

Keep in mind that the effectiveness of your clause depends not only on its scope, but also on how it works in conjunction with other provisions in your agreement. Consider, for example, how things work if your payments are stacked towards the front of the term. You may be able to terminate for a breach later in the term, but you may not be able to recoup the money you've already invested. (That said, our friends at Drye Wit [wrote about](#) a type of insurance that could help.)

There isn't a one-size-fits-all approach here, but the Lochte scandal demonstrates that companies should give serious thought to these issues whenever they negotiate with an endorser.