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Contract of Agency in IPL

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Indian Premier League (IPL) is a Twenty 20 cricket tournament introduced by the Board of Control of Cricket in India (BCCI) in 2008. This league uses a round-robin group and knockout system. The IPL has grown to be the most lucrative and very well-known cricket league in the world. But did you know that law is involved in IPL? The contract of agency plays a vital role in IPL. An agent is a person employed to do any act for another or to represent another in dealings with third persons. The person for whom such an act is done, or who is so represented, is called the principal. The relationship between a principal and an agent is that of a fiduciary one. In this research paper, we would look at the contracts that are formed in the Indian Premier League (IPL) and how one can terminate the contract of an agency.

Keywords: *agency, contract, principal, agent, player.*

INTRODUCTION

As per Section 182¹, principal and agent are defined. 'An agent is a person employed to do any act for another or to represent another in dealings with third persons. The person for whom such act is done, or who is so represented, is called the principal.'² In all sports, an athlete's

¹ Indian Contract Act 1872, s 182

² *Ibid*

relationship with his agent is frequently only seen from one perspective: What does the agent do for the player? This perspective overlooks the fact that a player also owes his agent certain obligations. It is essentially the same legal arrangement that exists between, for instance, a homeowner who wants to sell his house and a real estate broker or an investment firm and a broker. An agent's responsibilities are much more extensive than those of the principal. These obligations include, always acting in the principal's best interest, carrying out his duties with due care and diligence, and giving the principal prompt access to all funds obtained on the principal's behalf. But once a player decides to work with an agent, he then takes on the responsibility and commitment to paying the agent. For instance, Rhiti Sports,³ a sports event management owned by Arun Pandey is an agency that works for many renowned cricketers like M.S Dhoni, Bhuvneshwar Kumar, etc. The cricketers who have hired the agency have the responsibility to pay Rhiti Sports Management, their agency fee.

WHO REGULATES THE AUCTION PROCESS AND HOW DOES IT WORK IN IPL?

The BCCI oversees organizing the IPL auction event.⁴ In the IPL auction, each of the eight-ten teams assembles players to compete. The teams that placed the highest bid for each player receive that player, who must play for that bidder's team for the entire season. The players are divided into groups according to their areas of expertise, such as batsmen, wicketkeepers, fast bowlers, or spinners. There is a limit of eight foreign players that each team may pursue. Franchisees have the chance to purchase back a player who was unavailable before the auctions thanks to the Right To Match or RTM card. The team that formerly owned a particular player has the right to match the highest bid and reassign that player to their team after the highest bid for that player is established. There is a limit of two RTM cards per franchise per auction.⁵ The

³ Soham Nag, 'Mahendra Singh Dhoni-linked Rhiti Sports makes IPL bid, goes in vain' (*Crictracker*, 15 July 2017) <<https://www.crictracker.com/mahendra-singh-dhoni-linked-rhiti-sports-makes-ipl-bid/>> accessed 31 January 2023

⁴ Aprita Chauhan, 'Indian Premier League – Terms Of Contract' (*LawyersclubIndia*, 21 April 2021) <<https://www.lawyersclubindia.com/articles/indian-premier-league-terms-of-contract-13885.asp>> accessed 31 January 2023

⁵ 'What is RTM Card? Is it Available in IPL 2022 Mega Auction?' (*LatestLY*, 11 February 2022) <<https://www.latestly.com/sports/cricket/what-is-rtm-card-is-it-available-in-ipl-2022-mega-auction-3346003.html>> accessed 31 January 2023

Right To Match or RTM card did not prevail at the IPL 2022 Mega Auction due to the addition of two new teams. The reason for the RTM card to be disqualified for IPL 2022 is that it would have been improper for the franchise owners that will be joining the auction for the first time and engaging in the bidding war.

TYPES OF CONTRACTS THAT ARE FORMED IN THE INDIAN PREMIER LEAGUE (IPL)

General terms of a contract between a franchise and a player:⁶ When any IPL team purchases a player, a contract is created between the two parties, and both parties are required to abide by the terms of the contract. A player and team contract contains a few specific general terms and conditions:

- It is stated that the player was purchased for the first three years.
- The amount for which the player was purchased at the auction constitutes their total fee.
- If a team releases a player of their own free will, they must uphold the terms of the contract and pay the player the agreed-upon sum.
- Additionally, if a player is not available for the season after a team has placed a bid for him, the team or franchisee will only be required to pay a ten percent retainer to keep the player on staff. The respected player will still be compensated on a per-match basis.
- The contract also states that the team owner is responsible for covering any related costs if a player sustains an injury during the league and needs medical attention.
- If the players do not deliver to the best of their expertise during the tournament, they risk having their contracts terminated.

Standard IPL Player Contract: IPL players who agree to play for a franchise for a particular season must sign this contract. Some cricketers had a dream IPL auction, as Ishan Kishan received revenue of Rs 15.25 crore (Rs 152.5 million) deal from Mumbai Indians, and his Indian teammate Deepak Chahar was procured back by Chennai Super Kings for Rs 14 crore (Rs 140 million).⁷ Have you ever questioned how the players are paid, whether it is all at once or in

⁶ Aprita Chauhan (n 4)

⁷ Harish Kotian, 'IPL: How Do The Players Get Paid?' (*Rediff*, 15 February 2022)

<<https://www.rediff.com/cricket/report/ipl-how-do-the-players-get->

installments, or what the payment schedule is? It appears that the payments are made in three installments rather than all at once. According to the most recent IPL contract, the following payment framework has been suggested going forward:

- 20% within ten days of the season's opening game.
- Throughout the season, 60%.
- 20% following the end of the season.

Before giving players their money, the corresponding franchises deduct the TDS (Tax Deducted at Source) by income tax regulations. While foreign players must pay 20% TDS on the total amount and Indian players must pay 10% TDS. The players sign a tripartite agreement with the BCCI and the franchise regarding the payment. The BCCI will make the payment and deduct the adequate amount from the franchise's central revenue pool if the franchise is in default on a payment. The three-year agreement is revocable every year. The player compensation is determined by the bid amount that each franchisee is required to pay for each season. It is interesting to note that regardless of whether they are chosen for the playing 11 or not, every member of the squad receives their full payment. For foreign players, the national cricket associations receive 20% of their IPL salary. A player is entitled to receive his full salary in the event of an injury while competing or while working with the nets, and the team will pay for his medical bills. If the BCCI is unable to run the entire IPL season, the players still receive their full salaries. A pro-rata payment is made to an international player who is only able to participate in a certain number of games, usually with a 10% retainer. The contract is paid in whole if a franchise releases an athlete before the end of the term. But if a player is available for only a limited number of matches, the player should inform the franchise well in advance and would be paid only for the number of matches the athlete has played. If the athlete is injured, they should inform beforehand to be compensated by the franchise.

[paid/20220215.htm#:~:text=The%20players%20sign%20a%20tripartite,the%20auction%20are%20per%20season.>](#)
accessed 31 January 2023

Endorsements Contracts:⁸ Contracts with endorsements are independent agreements that do not call for an employer-employee connection. An endorsement agreement gives the sponsor permission to license the athlete's name, likeness, or other personal information in connection with promoting the sponsor's goods or services.

Appearance Contracts: Appearance contracts are agreements that provide compensation to a player or athlete for their participation in a corporation, institution, or organization's public event. Consequently, it is an agreement between the athlete and the venue. It consists of sports camps, competitions, etc. It specifies the time and dates for an athlete's appearance at the site. Additionally, under section 27 of the Indian Contract Act, of 1872, which prohibits restraint of trade, any contract in which the contracting party goes beyond the terms of the contract is unlawful and unenforceable.

HOW ONE CAN TERMINATE THE CONTRACT OF AN AGENCY

The contract of an agency⁹ can be terminated in five various ways:

When the Principal revokes the agent's authority: As per Section 203 of the Indian Contract Act, 1872, the principal can revoke the agent's authority.¹⁰ The principal may end the agency by rescinding the agent's authority. Only when the Agent has not used his or her authority can the principal revoke it. Such revocation shall be subject to reasonable notice. Revocation can be implied or expressed. In the case of ¹¹R. Sayani v Bright Bros (P) Ltd, if an agency is terminated early without good reason after being established for a specific amount of time, compensation must be paid. There was no reasonable advance notice of the agency's premature determination.

⁸ Tanisha Yadav, 'Contracts in the Sports Industry and the Clauses Covered Under it' (*Enhelion Blogs*, 19 January 2021) <<https://enhelion.com/blogs/2021/01/19/contracts-in-the-sports-industry-and-the-clauses-covered-under-it/#:~:text=Apart%20from%20offer%2C%20acceptance%20and,if%20the%20athlete%20is%20minor.>> accessed 31 January 2023

⁹ Wardah Beg, 'Law of Agency under the Indian Contract Act' (iPleaders, 26 March 2019) <<https://blog.iplayers.in/law-of-agency-what-is-principal-agent-relationship/>> accessed 31 January 2023

¹⁰ (Singh, 2022- Termination of Agency)

¹¹ R. Sayani v Bright Bros (P) Ltd AIR (1980) Mad 162

The agent received Rs. 4,000 each month. According to the court, at least three months' notice should have been given. As a result, a remuneration of Rs. 12,000 was permitted.

When a revocation is done by the principal or renunciation by the agent, compensation should be made: As per Section 205 of the Indian Contract Act, 1872, the principal is required to compensate the agent or the agent, as the case may be, for any prior revocation or renunciation of the agency without good reason where there is an express or implied contract that the agency should be continued for any period.¹²The agreement will also end if the principal's business shuts down. In ¹³*Rhodes v Forwood* (1876), it was determined that the agency agreement was terminated when the principal's business was sold.

When the agency's business is finished: The relationship between the principal and the agent ends automatically once the business of the agency is finished. For this, when an agency is established for a set period, it automatically expires at the end of that period.¹⁴ In the case of *Sukhdev v Commr. of Endowments* (1998) when an agency's term expires, it automatically terminates. It was decided that the agent was required to leave the premises at the end of the agreed-upon time when the agency was contracted to operate a gas station. Both a renewal clause and a renewal itself were absent.

When either party passes away or develops a mental illness: The agency relationship ends immediately upon the death of either the principal or the agent.¹⁵In the case of *Carter v White* (1883), a principal gave his agent an acknowledged invoice of exchange with the power to fill in the drawer's name because he owed him money. The principal passed away before the agent could pay the full amount. His ability to enter the drawer's name was upheld as continuing.

¹² 'Rights of Agents on Agency Agreements' (*Law Teacher*, 6 August 2019) <<https://www.lawteacher.net/free-law-essays/commercial-law/rights-of-agents-on-agency-agreements-commercial-law-essay.php>> accessed 31 January 2023

¹³ *Rhodes v Forwood* [1876] App Cas 256

¹⁴ *Sukhdev v Commr. of Endowments* (1998) 1 BC 403 (AP)

¹⁵ *Carter v White* [1883] 2 Ch. D. 666

When the Principal has been declared insolvent: As per section 201¹⁶, the agency relationship ends when the principal is found to be insolvent.

CONCLUSION

In sports law, an agreement establishing an agency relationship is very common. These agencies might be expressed or implied.¹⁷ An agency is formed when one person transfers control to another, designating them to carry out one or more specific tasks in each field of endeavor.¹⁸ However, a subsequent event may end an agency. These could be tangible like when the object is destroyed, the principal or agent passes away, or they develop mental health issues. When a contract is terminated, the rights that were granted to the principal and agent at the time of the termination continue to exist, but no additional powers can be created at least not before the agent receives notice of the termination. The agency will be definite in the same manner where it was established by agreement. Finally, the agency will be terminated if either party behaves in a way that is inconsistent with its continued existence, though this may lead up to rights of action for breach of contract. If an agency exists for a specific transaction, the relationship will end when that transaction is finished in terms of termination by the operation of law. If it is a time-procured contract, it will end when the contract passes the agreed limit.

Due to an inadequate sports law,¹⁹ the Indian sports business frequently experiences scandals and unfair athlete terminations. The implementation of sports legislation is urgently needed in today's time. Considering that it is the only light that can address this issue and provide fairness to this business. Therefore, a balanced approach to the enforcement of contracts is necessary for the sustained growth of the Indian sports business.

¹⁶ Indian Contract Act 1872, s 201

¹⁷ Wardah Beg (n 9)

¹⁸ Simran, 'Termination of Agency under Contract Act' (*Academike*, 14 February 2015)

<https://www.lawctopus.com/academike/termination-of-agency-under-contract-act/#:~:text=Section%20201%20Termination%20of%20agency,the%20principal%20being%20adjudicated%20an>
accessed 31 January 2023

¹⁹ Tanisha Yadav (n 8)