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Not your father's baseball cards: NFTs are newest sports collectibles

The sports collectibles market is hot — again. NFL tight end Rob Gronkowski recently auctioned off a set of five trading cards valued at more than \$1.6 million, including one card that sold for a reported \$435,000.

While high, the values weren't top-of-the-collectibles-market high — the most expensive card sold recently was a rare, mint condition, signed, Patrick Mahomes rookie card that sold at auction for a record \$861,000 in January, just days before the Kansas City Chiefs quarterback lost to Gronk's Tampa Bay Buccaneers in the Super Bowl.

What's newsworthy about Gronk's auction is that the five cards were digital trading cards in the form of a nonfungible token — or NFT, as most people know them. Gronkowski is reportedly the first professional athlete to launch his own. (Mahomes lost that contest to Gronk as well, coming next as the second athlete with NFT cards). The National Basketball League has also launched its own online marketplace and community around NFT trading cards and collectibles, leading the way for other leagues.

NFTs are digital assets that use blockchain technology to be verifiably unique, and they are being created for everything from virtual artwork to digital sports highlights to trading cards. The rise of NFTs is ushering in a new era of sports collectibles that is generating revenue, engaging fans, promoting athlete, team and league brands and capitalizing on the growing interest in cryptocurrencies.

Collectible sports trading cards have been around since the 1880s, when tobacco companies included cards with baseball players' images in their cigarette packs. Decades later, kids started collecting baseball cards when candy and gum companies began including the cards in their packaging. By the 1970s, collecting sports trading cards had become a cultural phenomenon.

NFTs aren't your father's trading cards, however. Instead of a static image, NFT trading cards and artwork may include short video



SPORTS MARKETING PLAYBOOK

**DOUGLAS N. MASTERS and
SETH A. ROSE**

DOUGLAS N. MASTERS is a partner at Loeb & Loeb LLP, where he litigates and counsels clients primarily in intellectual property, advertising and unfair competition. He is co-chair of the firm's intellectual property protection group. dmasters@loeb.com
SETH A. ROSE is a partner at the firm, where he counsels clients on programs and initiatives in advertising, marketing, promotions, media, sponsorships, entertainment, branded and integrated marketing, and social media. srose@loeb.com

clips or other active features. NFTs exist purely in the digital world and can only be purchased with cryptocurrency, most often Ethereum, or ETH. An NFT is a unique digital asset or token that is linked to digital art, music or collectible. A network of computers record the sale of NFTs on a blockchain, also known as a digital ledger, which gives buyers proof of ownership and authenticity, explains The New York Times.

Sports trading cards are just one of the latest crypto collectibles, which can sell for seriously big money on online marketplaces. In February, Christie's auctioned off a JPG file of a collage of images called "Everydays — The First 5000 Days" for \$69.3 million. Created by artist Mike Winkelmann, also known as Beeple, the NFT sale set a record for digital artwork, the NYT reported.

Gronkowski's digital trading cards could be considered works of art in themselves.

The Rob Gronkowski Championship Series NFT Collection, designed by Brazilian visual arts studio Black Madre, commemorate each of Gronk's four Super Bowl victories

and include the Tampa Bay tight end's signature. The four NFTs are limited to 87 copies each — a salute to Gronkowski's jersey number, according to the collection's official website, Gronknft.com.

The fifth NFT is the Rob Gronkowski Career Highlight Card, of which there is only one copy, making it a very rare digital collectible. The bidder who scored this card also won the opportunity to meet Gronk and attend one of his games.

Bidders snapped up every copy of each of the five digital cards, Gronknft.com stated. The auction took place in March on crypto marketplace OpenSea, and bidders paid a total of 830 ETH, or more than \$1.6 million.

Right behind Gronkowski on the NFT trend is Mahomes, who announced the launch of his "Museum of Mahomes" NFT collectible series, which was auctioned off in mid-March along with physical memorabilia. Part of the proceeds of the auction benefited Mahomes' charitable foundation, 15 and the Mahomies, and the Boys & Girls Clubs in Missouri.

Mahomes teamed up with the duo of digital artists known as Impossible Brief to create a series of NFTs representing important moments in the celebrated quarterback's career. The digital collection includes limited-edition depictions of a jewel-encrusted helmet and football, artwork featuring Mahomes' career highlights, and a one-of-a-kind piece of digital art called "Mahomes Magic," which is digitally signed by Mahomes and showcases a 2018 game highlight. Mahomes Magic sold for \$246,688.49, or 135.69 ETH, according to online marketplace MakersPlace.

Mahomes sweetened the deal by giving away five signed helmets and five signed jerseys to 10 randomly selected individuals who participated in the sale.

Like the trading cards of years past, NFTs can be sold or exchanged by their owners. The NBA is seeking to capitalize on the burgeoning NFT market and replicate the social aspect of collecting and sharing trading cards

with Top Shots, an online marketplace and community for collectors of digital trading cards, known as “Moments.”

The league offers packs of Moments, featuring players’ signature moves, game-winning shots and memorable plays across four tiers, states the Top Shot website. The Common tier offers packs containing relatively ubiquitous digital trading cards — at least 10,000 editions are up for sale.

The Rare tier offers packs with between 500 and 4,999 editions, and the Legendary tier offers 50 to 499 editions. Packs in the top two tiers contain only the most popular players and sought-after highlights, and are available only through auction, with packs in the Platinum Ice Ultimate tier having only three editions each and the Genesis Ultimate tier offering only a single edition, according to Top Shot. Common Moments can cost under \$10, while single-edition NFTS can sell for six figures.

Created by blockchain tech firm Dapper Labs and run by the NBA and the National Basketball Players Association, Top Shots launched in October and has generated \$396 million in sales, with half of those sales coming from outside the United States, reported Front Office Sports. Players also have a

vested interest in promoting their NFT collections because they get a percentage of the sales.

The NBA announced at the end of March that Dapper Labs secured \$305 million in private funding to expand Top Shots, with some of the funding coming from current and former NBA players, including Michael Jordan.

Other leagues are poised to follow the NBA. Dapper Labs is preparing to bring cryptocurrency-backed digital collectibles to mixed martial arts with a marketplace for the UFC.

The NFL and NHL are in talks with Dapper Labs and others to create their own NFT marketplaces. The MLB ended its initial effort, called MLB Champions, and has reached out to Dapper Labs as well, according to Front Office Sports.

Meanwhile, Mets pitcher Taijuan Walker recently became the first active MLB player to take the digital collectible plunge. Walker auctioned off NFT artwork of himself in game-day gear on OpenSea. The proceeds — more than \$4,200 or 2.35 ETH — benefited the team’s charity, the Amazin’ Mets Foundation, reported the NYT.

Critics of the NFT craze point out the short video highlights that are central to the

digital collectible sports trading cards can be viewed by anyone online for free. While that’s true, images of cardboard trading cards can also be posted online to be viewed by anyone. Plus, the original, physical trading card can be created, torn or destroyed if it isn’t protected. NFTs, on the other hand, cannot be stolen or duplicated because they are linked to the owner’s cryptocurrency account and backed by blockchain’s ledger technology.

NFTs also raise a few legal questions. Are NFTs original works that qualify for copyright protection? Who owns the copyright to the underlying artwork of the NFT — the artist or the owner of the NFT? Are NFT owners limited in how they can use their digital assets? How can NFT marketplaces limit their liability? As these issues are confronted by NFT creators, sellers and owners, their attorneys will need to apply current copyright and intellectual property law to a new framework.

Highly successful NFT collectible sales and auctions by the NBA and athletes like Gronkowski and Mahomes means the trend is likely to explode, at least over the next few years. Because the value of collectibles in general is entirely market driven, the future value of NFTs is ultimately anyone’s guess.