

Non-Fungible Tokens, Sports, and Intellectual Property Law Issues: A Case Study Applying Copyright, Trademark, and Right of Publicity Law to a Non-Traditional Ownership Vehicle

Mark Conrad

Non-fungible tokens (“NFTs”) are a recent addition to the cryptocurrency universe and have attracted the attention of different stakeholders in the sports world over the last two years. Because they can identify and authenticate particular content, NFTs have become a hot commodity among collectors and investors, in some cases selling for millions of dollars. The sports industry has been a major contributor to NFTs, with athletes, teams, colleges, and leagues issuing or planning to issue NFTs. Because of their recent vintage, NFTs are creating novel and significant intellectual property law issues. This article will explore some of the key issues by utilizing a case study of a hypothetical NFT production of an image found in a painting, which is based on a copyrighted news photo. The article will analyze the copyright issues—whether the NFT can be copyrighted, whether it constitutes a “transformative work,” and whether there are grounds to consider it a derivative or secondary work. This article will also discuss traditional concepts and dilution issues by trademark holders and publicity rights claims against the issuer of the NFTs by the estates of the athletes portrayed based on various state laws. It will then examine the balancing between the rights of estates to protect and profit from their images, and the free expression rights of the creator of the NFT. It will compare two principal standards for making this determination—the “transformative use” test adopted by the majority of federal circuits and the “predominant use” test utilized in Missouri. Recent case law will be cited, in addition to key statutes.

Keywords: intellectual property, copyright, trademark, right of publicity, licensing

Introduction

In a pre-online era, many young (and not so young) people collected tangible items, often coins, stamps, or baseball cards. Their valuation was based on their

Mark Conrad, JD, is an associate professor of law and ethics in the Gabelli School of Business at Fordham University. His research interests include sport law, sport governance and ethics, media law, and intellectual property law. Email: conrad@fordham.edu



scarcity and grade, thereby creating value beyond their face price.¹ The same can be said for works of visual art, where values are based on the popularity of the artist, famous past owners of the work, and its historical significance.²

In this age of cryptocurrency, collectibles have joined the digital world, and in doing so, raise important and fascinating legal issues. Since 2018, the new artistic, collectible, and investment vehicle is a creation called a “non-fungible token” (“NFT”). NFTs have become a prominent method of crypto monetization. The sports industry has been a focus for NFT issuances, which focus on branding for fans and profits for investors.³

An NFT is a data unit stored on a digital ledger (or digital wallet), known as a blockchain.⁴ Like a traditional work of art, the NFT unit certifies that a digital asset (an illustration, reproduction, or use of one’s image) is unique and thus not interchangeable, hence the “non-fungible” designation.⁵ And, like the visual art market, the NFT becomes a unique asset.

NFTs can represent ownership in photos, videos, audio files, and other types of digital files. Therefore, NFTs are authentication devices. They differ from fungible assets, which are readily and easily exchangeable. Think of cash money or millions of pairs of sneakers. NFTs, however, impose distinct properties in an item that cannot be easily exchanged or duplicated.⁶ Hence, NFTs retain exclusivity, scarcity, and (hopefully for the investors) value. In other words, they are one of a kind and no two NFTs are the same. Think of signed and numbered limited prints of a particular work of art.

¹ In some cases, values of rare coins can reach very high amounts. Recently, an 1804 Silver Dollar could be auctioned for a price of over \$7.6 million. See Fang Block, *An 1804 Silver Dollar Sells for \$7.68 Million, Becoming the Second-Most Valuable U.S. Coin Ever Sold*, BARRONS PENTA, Aug. 20, 2021, <https://www.barrons.com/articles/an-1804-silver-dollar-sells-for-7-68-million-becoming-the-second-most-valuable-u-s-dollar-ever-sold-01629487322> (accessed Dec. 4, 2021).

² See India Irving, *These Are the 11 Things that Make a Painting Valuable*, THE CULTURE TRIP, March 13, 2018, <https://theculturetrip.com/north-america/usa/articles/these-are-the-11-things-that-make-a-painting-valuable/> (accessed Dec. 4, 2021).

³ See Christopher J. Brooks, *Sports NFTs are Popular, but Are They a Good Investment*, CBSNews.com, Nov. 12, 2021 (outlining the potential risks and rewards of this investment).

⁴ A blockchain acts as the decentralized ledger that tracks the ownership and transaction history of each unique NFT. See Ghaiht Mahmood, Jordan Naftalis, & Veronica Ye, *Creative Crypto: IP Implications of Selling Creative Works Tied to Non-Fungible Tokens*, GLOBAL FINTECH AND PAYMENTS BLOG, March 15, 2021, <https://www.fintechandpayments.com/2021/03/creative-crypto-ip-implications-of-selling-creative-works-tied-to-non-fungible-tokens/> (accessed Oct. 11, 2021). See also, *What is a Digital Wallet?* Ticketmaster.com, https://help.ticketmaster.com/s/article/What-is-a-Digital-Wallet?language=en_US (accessed Nov. 20, 2021).

⁵ See Jazmin Goodwin, *What Is an NFT? Non-Fungible Tokens Explained*, CNN.com, Nov. 10, 2021, <https://www.cnn.com/2021/03/17/business/what-is-nft-meaning-fe-series/index.html> (accessed Dec. 4, 2021).

⁶ *Id.*



Generated on the Ethereum blockchain, the NFTs have two ideal characteristics: their content can be transferred and sold on the blockchain, yet their authentication is specific so that ownership is provable.⁷ NFTs evolved from “colored coins” first issued on the Bitcoin blockchain in 2012–2013 to store assets such as digital collectibles, coupons, property, company shares, and more.⁸ Shortly afterward, it became possible to “trade” these currencies in a decentralized exchange. This led to the creation of the first NFT in 2014.⁹

It turned out that a vibrant market existed and continues to exist for NFTs. In the first half of 2020, NFT sales totaled \$13.7 million; in the first half of 2021, those sales reached almost \$2.5 billion.¹⁰ One estimate predicts sales of all NFTs to reach \$75 billion in 2025.¹¹ NFTs were sometimes sold as “initial coin offerings,” raising questions as to whether NFTs can be regulated as “securities” under the Securities Act of 1933 or the Securities and Exchange Act of 1934.¹² This is a significant issue, but beyond the scope topic of this article.

Sports and NFTs

The sports business constantly strives to find new ways to monetize its business operations. In an earlier era, it was radio and television broadcasting. Later, it was cable and satellite, and more recently, it is streaming and wagering. In the last two years, sports NFTs are selling briskly because, as one digital executive stated, “these fans seek exclusive tokens tied to their teams — like an autographed jersey or signed baseball bat—and this is just a digital extension of that quest.”¹³

Issuances of NFTs may be a lucrative way to earn revenue for various stakeholders. Leagues, teams, athletes, and schools have become players in this

⁷ See *The History of NFTs and How They Got Started*, [Portion.io](https://blog.portion.io/the-history-of-nfts-how-they-got-started/), <https://blog.portion.io/the-history-of-nfts-how-they-got-started/> (accessed Dec. 8, 2021).

⁸ *Id.*

⁹ *Id.*

¹⁰ See Jonathan Schmalfeld, *Copyright Violations Could Crash the NFT Party*, [Fortune.com](https://fortune.com/2021/08/04/nfts-copyright-violations-penalties-non-fungible-tokens-collectibles-nfttorney-jonathan-schmalfeld/), Aug. 4, 2021, <https://fortune.com/2021/08/04/nfts-copyright-violations-penalties-non-fungible-tokens-collectibles-nfttorney-jonathan-schmalfeld/> (accessed Dec. 5, 2021).

¹¹ See *Brooks*, at n. 3.

¹² See *SEC v. W.J. Howey Co.* 328 U.S. 293 (1946). See also, *Framework for “Investment Contract” Analysis of Digital Assets*, [SEC.gov](https://www.sec.gov/corpfin/framework-investment-contract-analysis-digital-assets#_ednref5), https://www.sec.gov/corpfin/framework-investment-contract-analysis-digital-assets#_ednref5 (accessed Dec. 10, 2021). (“The focus of the *Howey* analysis is not only on the form and terms of the instrument itself [in this case, the digital asset] but also on the circumstances surrounding the digital asset and the manner in which it is offered, sold, or resold [which includes secondary market sales]. Therefore, issuers and other persons and entities engaged in the marketing, offer, sale, resale, or distribution of any digital asset will need to analyze the relevant transactions to determine if the federal securities laws apply.”)

¹³ See *Brooks*, at n. 3.



growing business. NFTs featuring a video clip of a LeBron James slam dunk sold for more than \$200,000.¹⁴ Recently, the NFL Players' Association and DraftKings announced a plan to release "gamified" NFL player NFTs, where, in addition to buying and selling functionality, customers can use these collectibles against others on the betting platform.¹⁵ A few collegiate athletes, newly liberated from prior NCAA restrictions regarding name, image, and likeness, have made NFT deals. University of Alabama quarterback Bryce Young and University of Iowa basketball player Luka Garza launched their own NFTs in 2021.¹⁶ As of early 2022, this activity has accelerated. In November 2021, the NFL announced that fans attending games through the end of 2021 will be able to receive a "virtual commemorative ticket" as an NFT in a Ticketmaster digital wallet.¹⁷

NFTs are not just limited to U.S.-based sports. Sorare, a European fantasy soccer and digital collectible platform, increased sales of its NFTs 54 times between second quarter 2020 and the same period in 2021. Based on its success, the Paris-based company received close to \$700 million in new funding from investors.¹⁸ The9 Limited announced that its NFT community and trading platform, NFTSTAR (www.nftstar.com), signed an exclusive license agreement with South Korean soccer star Son Heung-min. NFTSTAR will develop, sell, and trade NFT collectibles authorized by Son.¹⁹

The NFT vehicle has its share of skeptics, who consider it a "bubble" and part of the crypto scam.²⁰ But as of early 2022, the NFT craze shows few signs of a bust.

Intellectual Property Issues: Case Study Background

Some NFTs comprise still and video imagery. Others include the name, image, or likeness of a well-known figure. Still others may include a famous and

¹⁴ *Id.*

¹⁵ See *The NFLPA and DraftKings Unveil Plans for Gamified NFT Collaboration*, [GloboNewsWire.com](https://www.globenewswire.com), Dec. 7, 2021, <https://www.globenewswire.com/news-release/2021/12/07/2347533/0/en/The-NFLPA-and-DraftKings-Unveil-Plans-for-Gamified-NFT-Collaboration.html> (accessed Dec. 8, 2021).

¹⁶ See *Brooks*, at n. 3.

¹⁷ See Stacy Elliot, *NFL and Ticketmaster Launch Ticket Stub NFTs on Polygon*, DECRYPT, <https://decrypt.co/86407/nfl-ticketmaster-ticket-stub-nfts-polygon> (accessed Nov. 20, 2021).

¹⁸ See Eli Tan, *European Football NFT Platform Sorare Raises \$680M Series B*, CoinDesk, Sept. 21, 2021, <https://www.coindesk.com/business/2021/09/21/european-football-nft-platform-sorare-raises-680m-series-b/> (accessed Jan. 4, 2022).

¹⁹ See *Son Heung-min Signs Exclusive License Agreement with The9 Limited for NFT Collections Development and Sales Through NFTSTAR*, [Yahoo.com](https://www.yahoo.com), <https://www.yahoo.com/now/son-heung-min-signs-exclusive-083800325.html> (accessed Jan. 4, 2022).

²⁰ See, e.g., Emily Stuart, *Money Never Felt More Fake*, *Vox*, Dec. 31, 2021, <https://www.vox.com/the-goods/22832438/nft-gamestop-amc-crypto-bubble> (accessed Jan. 4, 2022).



recognized trademark. Given that they are creative works that are sold and could be subsequently transferred to third parties for investment and other purposes, there is a strong commercial component to their existence. Hence, intellectual property issues surrounding their creation and distribution are significant.

We will examine the various intellectual property issues involving NFTs by using a hypothetical case and determining copyright, trademark, and right of publicity issues using the following case study:

Hotcrypto, LLC, a company in the business of minting and creating NFTs, decides to create a token depicting Muhammad Ali's knockout of Sonny Liston in their rematch for the heavyweight title in Lewiston, Maine, in 1965. The design of the token contains many elements from an iconic photo of Ali looking over the fallen Liston with an air of contempt.²¹ The photo was taken by a photographer for the Associated Press ("AP") and for purposes of this example, let us assume that the AP owns the copyright of the photo. In 2005, Alison Artist created a painting to commemorate the event. In her work, she illustrates key aspects of the photo (Ali peering over the knocked-out Liston and the same-colored trunks for each fighter, a darkened boxing ring and photographers in the first row)²² but her depiction shows Ali in a more contemplative image, with the images of some of the greatest boxers in history—including Joe Lewis, Jack Johnson, and Jersey Joe Walcott—looking over both boxers in the background. All the ex-boxers are smiling. The background shows a "Black Lives Matter" ("BLM") design and faint images of demonstrators that are behind the images of the boxers. Alison adds logos of Coca-Cola, Buick, and an image of the Grand Dragon of the Ku Klux Klan (with the letters "KKK") surrounding those logos, representing, as she said, "the nexus of racism and corporate America." Alison's painting was praised by art critics. About six months after she completed the painting, she sold signed, limited copies of the painting for \$5,000 apiece.

²¹ See *When Mohammad Ali Knocked out Sonny Liston: The Story Behind the Most Famous Image in Sport*, FOX SPORTS, <https://www.foxsports.com.au/boxing/when-muhammad-ali-knocked-out-sonny-liston-the-story-behind-the-most-famous-image-in-sport/news-story/f11e95c8a5c172b-5c48852e8fe80bef9> (accessed Dec 5, 2021).

²² For a view of the photo in question, see https://www.amazon.com/Pyramid-America-Muhammad-Liston-Boxing/dp/B000Y3I0VE/ref=asc_df_B000Y3I0VE/?tag=hyprod-20&link-Code=df0&hvadid=309777427635&hvpos=&hvnetw=g&hvrnd=3539863779024642801&hvppone=&hvptwo=&hvqmt=&hvdev=c&hvdvcmdl=&hvlocint=&hvlocphy=9067609&hvtargid=pla-569777103720&psc=1 (accessed Dec. 11, 2021).



In 2021, Hotcrypto contacted Alison and commenced negotiations for a license to reproduce the painting “in online form.” There would be no content changes. She accepted, for a price of \$50,000, but she retained rights for “off-chain” distributions and sale. Hotcrypto produced 100 specific tokens, selling them for \$750 each. They sold out in one day. In just four months, the value increased to a point that one of these NFTs was resold for \$2.5 million. By the end of 2021, the selling price was \$4.5 million for one of these tokens.

Given the high prices realized, Alison has second thoughts about the agreement she made. But let us assume that the contract’s terms are clear and she has no cause of action against Hotcrypto for breach of contract. However, the AP, Coca-Cola, General Motors (manufacturer of Buick), and the estates of Ali and Liston are considering legal claims against Hotcrypto based on copyright, trademark, or right of publicity arguments. The validity of these claims is at the heart of this case.²³

Copyright Issues

The first issue involves the copyrightability of the NFT as a derivative work of the original photograph and whether the use of the images in the NFT constitutes infringement. Copyright is defined as an “original work of authorship fixed in a tangible medium of expression.”²⁴ The work must have some level of creativity and some level of originality, particularly if based on another work.²⁵ Several interrelated, though distinct issues are found in this case. Although it is debatable whether *all* NFTs can be copyrightable, the depiction of Alison’s art would fulfill the standard set forth in the Copyright Act.²⁶ Although NFTs are considered a data unit, the use of the painting on the NFT constitutes a “copy” or “derivative work” under section 106 of the 1976 Copyright Act.²⁷ Although no court has yet

²³ Although it is possible that the companies may pursue a defamation action, the standards for defamation—public figure status and malice would be subjects for a different article.

²⁴ 17 U.S.C. §101.

²⁵ *Id.* (“... work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted.”).

²⁶ 17 U.S.C. §101.

²⁷ 17 U.S.C §106. *See also*, *Andy Warhol Foundation v. Goldsmith*, 11 F. 4th 26 (2d Cir. 2021) (“Under the 1976 Act, copyright protection extends both to the original creative work itself and to derivative works, which it defines as, in relevant part, “a work based upon one or more preexisting works, such as a[n] ... art reproduction, abridgement, condensation, or any other form in which a work may be recast, transformed, or adapted.”).



ruled whether artwork in an NFT is copyrightable, it is likely that it would fit the definition of a “work” in a “fixed tangible medium.”²⁸ If Allison copyrighted her painting (which would be considered a derivative work from the original photo or so transformative to be an original work in its own right) and licensed rights to the painting to Hotcrypto, then the company has the right to reproduce the work in NFT form (assuming that the license would grant such a right). For that reason, Hotcrypto would have a defense from a copyright infringement action by Allison.

But there are complicating factors involving the rights Allison has in her original painting. If Alison was able to copyright her painting, it would constitute a “derivative work” as it was based on the photo. If her painting contains original elements that differ from the previously copyrighted work in scope and medium,²⁹ it would be copyrightable, but only to cover the “new” materials she created. Suffice it to say, if the content of the painting was essentially lifted from the AP photo, that would present copyright issues for *both* Alison and Hotcrypto, and it is possible that Hotcrypto could be engaging in infringement, subject to statutory damages.³⁰ The scope of the infringement would be a factual question for a court to determine. Penalties are significant; the seller is liable for actual damages and/or statutory damages of \$750 to \$30,000 per infringement, even if the infringement was not intentional.³¹ But the issue of “original” versus “derivative” content would be a vexing one. The easiest way to solve this problem would be to obtain a copyright license from the AP. However, for our purposes, we are assuming that is not the case.

The next copyright issue may be the most important and intriguing. It involves the initial photograph, which was copyrighted by the Associated Press for purposes of our example. Assuming that the AP did not grant a license to reproduce the photo as an NFT, the issue centers on whether the fictionalized version of this very familiar photograph would constitute infringement against Hotcrypto. To answer this question, a court would have to look to its “transformative” nature.

The transformative use defense is a subset of the “fair use” standard found in the Copyright Act.³² Fair use is one of the most confounding areas of copyright law and its contours are difficult to define. The present Copyright Law lists four factors that courts are to consider, including: (1) the purpose and character of the

²⁸ See *Digital Art and Copyright Law*, THE INFORMED ILLUSTRATOR, Sept. 12, 2016, <http://www.theinformedillustrator.com/2016/09/digital-art-copyright-law.html> (accessed Dec. 11, 2021).

²⁹ See 17 U.S.C. §103. See also Copyright in Derivative Works and Compilations, U.S. Copyright Office Circular 14, <https://www.copyright.gov/circs/circ14.pdf> (accessed Dec. 10, 2021).

³⁰ See 17 U.S.C. §504.

³¹ See 17 U.S.C. §504. See also Schmalfeld, at n. 10.

³² See 17 U.S.C. §107.



use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.³³ Transformative use is a key part of the first portion of the Fair Use defense, and if the work is deemed transformative, some courts have concluded that it immunizes the work from an infringement claim.

The definition and standard for transformative use is murky. The Supreme Court issued one significant case that discusses the issue, but did not craft a precise standard of determining transformative status. That case, *Campbell v. Acuff-Rose Music*, concluded that a parody of a well-known song is transformative because it has “a different character, a new expression, and employs new aesthetics with [distinct] creative and communicative results.”³⁴ However, later cases have grappled with how to employ this standard to a derivative work. Two recent rulings, which deal with issues like those in our hypothetical case, resulted in different conclusions in the U.S. Court of Appeals for the Second Circuit, one of the most important appellate courts in dealing with art and intellectual property. The first case, *Cariou v. Price*,³⁵ involved the appropriation of photographs into a series of paintings and collages.³⁶ The Second Circuit reversed the lower court, concluding that Richard Prince’s collages were different enough from the original to create a “fundamentally different aesthetic.”³⁷ Therefore, it was a transformative fair use of Patrick Cariou’s photographs and not a copyright infringement.

A more recent case, *Andy Warhol Foundation v. Goldsmith*,³⁸ involved a similar situation. It centered on a series of silkscreen prints and pencil illustrations created by the visual artist Andy Warhol based on a 1981 photograph of the musical artist Prince. That photograph was taken by Lynn Goldsmith in her studio, copyrighted by the photographer. The Foundation argued that the use

³³ *Id.*

³⁴ See *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 579 (1994) (The court concluded that a commercial rap parody of the song “Oh, Pretty Woman” was transformative and a fair use.).

³⁵ 714 F.3d 694 (2d Cir. 2013).

³⁶ Cariou, a professional photographer, published a book of portraits and landscape photographs titled “Yes Rasta.” Prince, a well-known “appropriation artist,” altered and incorporated a number of Cariou’s photographs into a series of paintings and collages titled “Canal Zone,” which Prince exhibited at a major New York gallery. In 2009, Cariou sued Prince and the Gagosian Gallery for copyright infringement.

³⁷ See 714 F. 3d at 700. (“[L]ooking at the artworks and the photographs side-by-side, we conclude that Prince’s images, except for those we discuss separately below, have a different character, give Cariou’s photographs a new expression, and employ new aesthetics with creative and communicative results distinct from Cariou’s.”).

³⁸ *Andy Warhol Foundation*, n. 19



constituted fair use because it was transformative, but the court issued a contrary ruling to the *Cariou* case. In “clarifying” the rationale of *Cariou*, the court in *Warhol Foundation* concluded that the work was not a fair use because it cannot be reasonably perceived as having a new message or meaning and thereby not transformative.³⁹ It critiqued the approach in the *Cariou* ruling as focused too much on the subjective aesthetics and purpose,⁴⁰ and neglected to address other factors in the four-factor list found in section 107 of the Copyright Act.⁴¹

What makes this issue of transformative use challenging for the NFT in our hypothetical case is that the law is not precise and that the question of correct level of subjectivity or reasonableness in determining transformative use and fair use remains unclear. In fact, *Warhol Foundation* made a certiorari petition to the Supreme Court⁴² and the high court may make the final determination of a standard for transformative use for secondary works.

In our case, it may be true that the painting and the resulting NFT incorporates different elements and captures a different spirit of Ali’s victory over Liston. There are additional materials—the images of the other boxers and the BLM reference. But whether it is sufficiently transformative is an open question. Until this matter is definitively resolved, there is a risk that without a copyright license, the use of a secondary or derivative work that has elements of an earlier copyrighted work may be infringing and both Alison and Hotcrypto could run significant legal risks of infringement litigation.

Another argument in defense of the NFT from copyright infringement is that the painting’s (and the NFT’s) contents serve as a parody of the original photo. Parody centers on the Fair Use standard for the legitimate use of copyrighted works “for purposes such as criticism [or] comment.”⁴³ As the Supreme Court explained in *Campbell v. Acuff-Rose Music*, “Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim’s (or collective victims’) imagination, whereas satire can stand on its own two feet

³⁹ 11 F.4th 26.

⁴⁰ *Id.* (The court concluded that the test for a transformative work requires an “objective assessment” of the character of the work with *Cariou*, which utilized a more subject test of the character of the work in question.)

⁴¹ *Id.*

⁴² See Alex Greenberger, *Warhol Foundation Seeks Supreme Court Review of Lynn Goldsmith’s Prince Portraits Case*, ART NEWS, Dec. 9, 2021, <https://www.artnews.com/art-news/news/warhol-foundation-lynn-goldsmith-prince-portraits-supreme-court-petition-1234613026/> (accessed Dec. 10, 2021).

⁴³ See *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 580 (1994).



and so requires justification for the very act of borrowing,⁴⁴ which would also be protected under the Fair Use provision of the Copyright Act.

Let's add another wrinkle to our hypothetical. Even though an NFT's authenticity is protected, let us say that counterfeiting has taken place, which has led to improper transfers or sales of the ersatz NFTs.⁴⁵ Because the counterfeits could be found on online providers, the provisions of the Digital Millennium Copyright Act ("DMCA")⁴⁶ will apply. The DMCA shields online service providers from liability for copyright infringement unless the copyright owner gives actual notice of the infringing material. If such notice is given, then the service provider must expeditiously "take down" the infringing material.⁴⁷ For example, in 2021, Larva Labs, the creator of one of the earliest crypto art, submitted a takedown request to an NFT platform for the online display of counterfeit CryptoPunk work.⁴⁸ Because the DMCA requires takedown notices from those adversely affected, it will be up to copyright holders like Alison and Hotcrypto (and possibly the AP) to police these sites as part of the DMCA requirements.

The use of the Coca-Cola and Buick logos may present copyright issues. Although the use of logos is more closely associated with trademark rather than copyright law, pictures and logos with a requisite amount of creativity and originality may have copyright protection.⁴⁹ For the purposes of this example, let's assume that the Coca-Cola logo was the scripted form and that the Buick brand was its three-shield logo,⁵⁰ which are registered copyrights. Given the nature of the use (in connection with the KKK), each firm could, at least in theory, sue for infringement given that the designs in the NFT were identical to those logos.

Even if copyright infringement could be shown, Hotcrypto would have defenses rooted in First Amendment expression. The problem is that there is no

⁴⁴ *Id.* at 580-81.

⁴⁵ See Bijan Stephan, *NFT Mania Is Here, and So Are the Scammers*, THE VERGE, March 20, 2021, <https://www.theverge.com/2021/3/20/22334527/nft-scams-artists-opensea-rarible-marble-cards-fraud-art> (accessed Dec. 10, 2021).

⁴⁶ See 17 U.S.C. §512.

⁴⁷ *Id.*

⁴⁸ As of mid-December 2021, this dispute has not been resolved. For more information, see Gregory J. Chinlund & Kelley S. Gordon, *What Are the Copyright Implications of NFTs?*, WESTLAW PRACTITIONER INSIGHT COMMENTARIES, Oct. 29, 2021, [https://1.next.westlaw.com/Document/10d18524e38c611ecbea4f0dc9fb69570/View/FullText.html?originationContext=typeAhead&transitionType=Default&contextData=\(sc.Default\)](https://1.next.westlaw.com/Document/10d18524e38c611ecbea4f0dc9fb69570/View/FullText.html?originationContext=typeAhead&transitionType=Default&contextData=(sc.Default)) (accessed Dec 5, 2021).

⁴⁹ See Thomas McCarthy, *Trademarks and Unfair Competition*, 5th Ed., § 6:18 (Westlaw, 2021).

⁵⁰ See Todd Wenzel, *What Is the History of the Buick Logo?*, TODDWENZEL BUICK, <https://www.toddwenzeldavison.com/what-is-the-history-of-the-buick-logo/> (accessed Jan 6, 2022).



definitive balancing test between copyright protection and free speech rights.⁵¹ The strongest First Amendment defense would be parody, which, as noted previously, involves comment on or criticism of a copyrighted work by appropriating elements of the original work in the newly created work.⁵² Some courts have inferred a “bad faith” standard to determine the purpose of the use,⁵³ but even in those jurisdictions, the use in this situation was for political commentary and the prominence is relatively minor in the context of the whole painting and the subsequent NFT. Although one can argue that this constitutes “criticism and comment” under the fair use standard, a definitive case that delineates where copyright ends and the First Amendment begins is rare.

However, there are two cases that are worth mentioning. The first is *Suntrust Bank v. Houghton Mifflin Co.*,⁵⁴ which involved an “alternative novel” based on a different perspective from Margaret Mitchell’s “Gone with the Wind.” Mitchell’s estate sued for copyright infringement and after a lower court judge enjoined publication,⁵⁵ the Eleventh Circuit Court of Appeals lifted the injunction, concluding that “The Wind Done Gone” was a parody and was protected, even though it used characters from the earlier novel. Even though this clearly was a commercial use, it was protected under the Fair Use doctrine. In our hypothetical case, the images were taken from those of the photo but placed in a different context with different characteristics, which, relying on the Suntrust ruling, could constitute parody. The second case involved the creation of a digital copy of a copyrighted photo of former President Barack Obama during the 2008 campaign. The copy was used as a poster with the word “Hope” on it, along with some transformative elements.⁵⁶ The Associated Press held a copyright to the photo, while the artist claimed fair use. The matter was not resolved in court, as the parties settled. Yet,

⁵¹ See Georgios Zikos, *Copyrights and Trademarks in Cyberspace: A Legal and Economic Analysis*, 15 CHI.-KENT J. INTELL. PROP. 313 (2016) (“There is no per se ban on First Amendment challenges to copyright infringement claims, but there has yet to be a case in which First Amendment arguments prevailed. Additionally, no act of Congress has, to date, been held to unconstitutionally alter the traditional contours of copyright.” [citing *Eldrid v. Ashcroft*, 537 U.S. 186 (2003)]).

⁵² See, e.g. *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257, 1268–1269, (11th Cir. 2001) (holding that a book based on different perspective of “Gone with the Wind” fell within fair use), *reh. den.* 275 F.3d 58 (11th Cir. 2001).

⁵³ See *NXIVM Corp. v. Ross Institute*, 364 F.3d 471, 478, 70 U.S.P.Q.2d 1538 (2d Cir. 2004).

⁵⁴ 268 F.3d 1257 (11th Cir. 2001)

⁵⁵ 136 F. Supp.2d 1357 (N.D. Ga., 2001).

⁵⁶ See Natalie Boyd, *Fair Use or Infringement? A Look at Politics & Copyright*, PRINT MAGAZINE, Nov. 7, 2016, <https://www.printmag.com/article/fair-use-or-infringement-a-look-at-politics-copy-right/> (accessed Jan 6, 2022).



it can be argued that the use was a more literal depiction of the photo and could possibly not be deemed a fair use.⁵⁷

Trademark Issues

This hypothetical case also involves issues centering on trademark law. A trademark is defined as any word, name, symbol, or device, or any combination thereof (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register ... to identify and distinguish his or her goods.⁵⁸ In the hypothetical case, we have three potential trademarks: the logos for Coca-Cola, Buick and BLM. Clearly, the first two are registered and famous marks, but there is a serious question whether “Black Lives Matter” is worthy of trademark protection. While the term has been used in connection with the sale of merchandise, that alone would not warrant trademark registration. In fact, the U.S. Patent and Trademark Office (“USPTO”) has rejected applications for trademark status, concluding that the term “merely convey[ed] an informational message” and “the public would perceive the slogan ‘BLACK LIVES MATTER’ as an expression of support for anti-violence advocates and civil rights groups” rather than a source for goods and services.⁵⁹ So any owners of the BLM slogan or mark would not be successful in seeking relief.

Focusing on the use of the Coca-Cola and Buick trademarks, there is little doubt that the use of a trademark in cyberspace is subject to the provisions of the Lanham Act and that such use could cause consumer confusion.⁶⁰ However, in this case, there would be significant defenses, some similar to the copyright defenses mentioned earlier, but others that are more unique to trademark law.

First, we note that the actual marks are used, not imitations or closely related substitutes. A court would have to decide whether there is likelihood of confusion with another mark. The question was whether the use of those marks in the background of the NFT, taken from a fictionalized painting, may be considered

⁵⁷ See David Kravets, *Associated Press Settles Copyright Lawsuit Against Obama ‘Hope’ Artist*, WIRED, Jan. 12, 2011, <https://www.wired.com/2011/01/hope-image-flap/> (accessed Jan 10, 2022).

⁵⁸ See 15 U.S.C. §1127 (2012).

⁵⁹ See U.S. Trademark Application Serial No. 88951557 - BLACK LIVES MATTER (Sept. 17, 2020), <https://tsdr.uspto.gov/documentviewer?caseId=sn88951557&docId=OOA20200917123958#docIndex=1&page=1> (accessed Jan 6, 2022).

⁶⁰ See J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 25A:1 (Westlaw, 2021).



an infringement? It probably would not, although an argument could be made that it could be a form of false advertisement. The Lanham Act states that a false advertising claim can arise when a person uses another company's trademark in an ad in the course of disparaging the product or comparing the product unfavorably to the company's competing product, if the ad makes false or misleading statements about the trademark owner or its product.⁶¹

Yet, the question of "item in commerce" is an intriguing one. If the NFT was a free item or published as a purely news commentary, this would easily preclude an infringement claim. However, the NFT was sold and continues to be sold in resale for significant prices. Therefore, because the Coca-Cola and Buick marks are a part of the item used to generate income for the creator, it may be possible to make a claim of dilution (discussed later).

Even assuming that a prime facie case could be made for trademark infringement, constitutional protections may trump that claim. Like copyright law, there is no statutory guidance between First Amendment expression and trademark infringement, at least under traditional trademark law.⁶² However, the courts have utilized a two-part test known as the "Rogers Test" to determine whether the use of the trademark violates the Lanham Act.⁶³ Only if the mark has: (1) "no artistic relevance" to the accused work and (2) if there is artistic relevance, use of the mark in the accused work "explicitly misleads as to the source or the content of the work."⁶⁴ This test applies to a situation, such as this NFT, where the mark is not used as a traditional commercial setting, but rather in an expressive work. In this case, a strong argument could be made that the use of the marks would be immune from liability under this standard. It would be hard to argue that the NFT is not expressive or artistically relevant and it is not part of an expressive work. Therefore, Hotcrypto would likely survive a traditional infringement claim.

However, that would not end our inquiry. The case study may involve the more recent (and distinct) trademark law issue of dilution. Trademark dilution, codified in amendments to the Lanham Act, involves the unpermitted use of a famous mark on *unrelated goods or services* (emphasis added) that are not likely to cause confusion, but can still cause a weakening or reduction in the ability of a

⁶¹ See 15 U.S.C. 1125(1).

⁶² *Id.* at § 31:139.

⁶³ See *Rogers v. Grimaldi*, 875 F. 2d 994 (2d Cir. 1989).

⁶⁴ *Id.*



famous mark to distinguish only one source.⁶⁵ Unlike a classic infringement case, the focus on dilution is the “blurring” or “tarnishment” of the mark by the unauthorized use. Of the two, blurring is the more frequent and it centers on degrading the reputation of the mark, such as using it in connection with sexual products.⁶⁶ However, this case centers on the latter type of dilution. The First Circuit has defined dilution by tarnishment in terms of impairing consumer associations between the mark and the reputation signified by the mark.⁶⁷ In this hypothetical, the use of the Coca-Cola and Buick marks with the KKK term and Grand Dragon image surrounding them could qualify as a dilution by tarnishment. A venerable district court case that used the Coca-Cola script for posters titled “Enjoy Cocaine” that were sold to the public constituted such dilution,⁶⁸ as it gave an inference that the soft drink company’s reputation may be sullied by the inference of the association of its trademarks with shoddy or sleazy activities, such as traffic in illegal drugs. One can argue that the connection between the KKK insignia and the two famous marks could result in the same public confusion.

However, Hotcrypto defenses against the tarnishment claim are significant. It could argue that the use of the marks constituted a commentary about the connection of major firms and the racial climate of the country at the time. If that was the goal of the NFT, the uses would be protected as First Amendment free speech. As one court stated: “If the antidilution statute were construed as permitting a trademark owner to enjoin the use of his mark in a noncommercial context found to be negative or offensive, then a corporation could shield itself from criticism by forbidding the use of its name in commentaries critical of its conduct.”⁶⁹

⁶⁵ See McCarthy, at § 24 at 67. The statutory provisions are found in Federal Trademark Dilution Act, 15 U.S.C. §1125. It constitutes “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.”

⁶⁶ See *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) (Use of the “Victor’s Secret” in the sale of sexual toys did not dilute the Victoria’s Secret mark and the court reversed the circuit court’s ruling).

⁶⁷ See *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26 (1st Cir. 1987) (“A trademark is tarnished when consumer capacity to associate it with the appropriate products or services has been diminished. The threat of tarnishment arises when the goodwill and reputation of a plaintiff’s trademark is linked to products which are of shoddy quality or which conjure associations that clash with the associations generated by the owner’s lawful use of the mark.”), as cited in McCarthy, supra n. 60 at § 24 at 89.

⁶⁸ See *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, (E.D. N.Y. 1972).

⁶⁹ See *L.L. Bean*, at n. 67.



Hotcrypto could argue that the use of the marks constituted parody. This defense may have its basis in statute or based on first amendment free speech. The former argument is indirectly related to parody. The federal Trademark Dilution Act has a statutory exemption from dilution claims for the non-commercial use of the mark.⁷⁰ An argument can be made that the marks were used in a political context and not intended to tarnish the mark in commerce. One federal appeals court case may be a guide. The Ninth Circuit held that the use of the mark “Barbie” was permitted in a song and its title, which parodied and made fun of the vacuous, party-girl image that has evolved from the Barbie doll. Dismissing both infringement and dilution claims, the song and its title were speech that is fully protected from liability for dilution under the aforementioned federal noncommercial use statutory exemption.⁷¹ The marks were ancillary to the main image of the NFT, which was Ali’s knockout of Liston.

However, parody claims with respect to traditional infringement or commercial-based dilution are governed by constitutional issues. Such claims in trademark law are different than the case of the copyright claims previously noted, as the parody would constitute the nature of the use of the marks, rather than the use of the work itself (in this case, the original copyrighted photograph). As there is no doubt that using the Buick and Coke trademarks next to a KKK symbol is distasteful and crude, some have argued that it presents a stronger parody claim than if the use was more subtle.⁷² Despite the argument that the logos are used as part of a commercial sale of the NFTs, the use is political in nature and would be constitutionally protected.

Fair use in trademark has two components, “descriptive” fair use and “nominative” fair use, and neither one would be applicable in this hypothetical case. Descriptive fair use (also known as “classic” fair use) involves the use of the mark in a descriptive manner used fairly and in good faith only to describe the goods or services of such party.⁷³ An example would be the use of the term “Playmate of the Year” on the former Playboy model’s website.⁷⁴ Nominative fair use refers to the use of a protected trademark to describe or “name” the protected trademark owner’s goods or services, rather than describing one’s own goods and services,

⁷⁰ See 2006 Trademark Dilution Revision Act (TDRA), 15 U.S.C.A. § 1125(c)(3)(A)

⁷¹ See *Mattel v. MCA Records*, 296 F.3d 894 (9th Cir. 2002).

⁷² See McCarthy, *supra* at n. 60 at 153.

⁷³ See 15 U.S.C. § 1115(b)(4); See also McCarthy, at n. 60 at §23:11.

⁷⁴ See *Playboy Enterprises, Inc. v. Terri Welles, Inc.*, 78 F. Supp. 2d 1066 (S.D. Cal. 1999), *aff’d* in part, *rev’d* in part on other grounds, 279 F.3d 796 (9th Cir. 2002) (Use of term “Playmate of the Year” to describe defendant on the home page of her website was fell within this defense, as the use of the term was merely descriptive of who she was).



and there is no false suggestion of endorsement of that product.⁷⁵ It simply is a reference and not intended to confuse the public.⁷⁶ It is unlikely that either would apply in this case, as no descriptive words were used.

Right of Publicity and NFTs

Unlike copyright and trademark laws, which are federal statutes,⁷⁷ the regulation of right of publicity law rests on state jurisprudence, whether by statute or common law.⁷⁸ While differences as to the scope of protection exist, it is universally agreed that this right centers on the use of one's name, likeness, or image, or "other indicia of identity" for commercial or trade purposes.⁷⁹ It has morphed from a branch of the tort of privacy (originally one of the four categories of that tort)⁸⁰ to a broader property right.⁸¹ While right of publicity cases have traditionally applied to the use of a name or image (a literal or "look-alike" image or "sound-alike" audio),⁸² the scope of the right of publicity with regard to visual artistic depictions has been marked by a conflict between the scope of the protection and the protection of free speech under the First Amendment.

With the rise of online creations, this issue has only become more acute. For example, in the case of the use of "avatars" in electronic sports games, two federal appeals courts ruled in favor of the athlete plaintiffs, who claimed that their images were used for these games without consent or payment.⁸³ Despite the fact

⁷⁵ See *New Kids on the Block v. News America Publications*, 971 F.2d 302 (9th Cir. 1992).

⁷⁶ See *McCarthy*, at §23:11.

⁷⁷ See *Copyright Act of 1976*, 17 U.S.C. §§ 101–1401 (2012); see *Lanham Act*, 15 U.S.C. §§ 1051–1141 (2012).

⁷⁸ California has both a statutory and common law right of publicity. See, e.g., *Cal. Civ. Code* § 3344 (West 2019); see *Eastwood v. Superior Court*, 198 Cal. Rptr. 342 (Ct. App. 1983) (explaining the standard for a common law right of privacy action in California).

⁷⁹ See *Restatement (Third) of Unfair Competition* § 46 (AM. LAW INST. 1995).

⁸⁰ See Samuel D. Warren & Louis D. Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193, 211 (1890) ("The right of property in its widest sense, including all possession, including all rights and privileges, and hence embracing the right to an inviolate personality, affords alone that broad basis upon which the protection which the individual demands can be rested."); see also William L. Prosser, *Privacy*, 48 *Calif. L. Rev.* 383, 389 (1960).

⁸¹ See *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866, 868 (2d Cir. 1953) (first recognizing the right as a property right).

⁸² See *White v. Samsung*, 971 F. 2d 1395 (9th Cir. 1992) (use of robot image that shared substantial similarities to a prominent TV show hostess); see also *Midler v. Ford Motor Co.*, 849 F. 2d 460 (9th Cir. 1988) (use of a sound-alike voice that could be confused with actress/singer).

⁸³ See *Hart v. Elec. Arts, Inc.*, 717 F.3d 141 (3d Cir. 2013), *cert. dismissed*, 573 U.S. 989 (2014); see also *Keller v. Elec. Arts, Inc.*, No. C 09-1967 CW, 2010 U.S. Dist. LEXIS 10719 (N.D. Cal. Feb. 8, 2010); see also *In re NCAA Student-Athlete Name & Likeness Licensing Litig.*, 724 F.3d 1268 (9th Cir. 2013); see also *O'Bannon v. NCAA*, 802 F.3d 1049 (9th Cir. 2015), *cert. denied*, 137 S. Ct. 277 (2016).



that these avatar images did not state the name of the athlete, the courts were persuaded by the fact that the images used the actual player's number and team for that season and that the depictions were more "literal" rather than artistic, thereby rejecting First Amendment protection.⁸⁴

If the creator of the NFT simply enters into a commercial licensing agreement for image rights with an athlete or a team (which may have those rights either through contract or under the collective bargaining agreement between the respective league and players' association), or, in the case of the NFL, a licensing agreement with its players' association (which has exclusive group licensing rights to the NIL of its players),⁸⁵ then the parties' rights are outlined in the agreement, which often involves some compensation or royalty scheme. While the language and scope of these agreements would be examined as to whether they cover use in a minted NFT, it is likely that more and more licensing agreements will feature NFT rights. However, if such a license does not exist (which is the case in this case study), then the courts must apply a combination of venerable common law, statutory enactments, and constitutional principles to a technology barely half a decade old.

In our case study, the focus is on the use of the images of Ali and Liston, not on the "work in a fixed tangible medium" (as in the case of a copyright) or a logo used in commerce (trademark). Rather, the issue here is the use of depictions of the two central characters in the NFT: Ali and Liston. In certain respects, the right of publicity issues may become even more challenging than those of copyright or trademark. First, there is the question of whether the estates of either party have rights to bring right of publicity claims. Since both boxers are deceased, does the right of publicity exist in their images after their passing? The copyright law has a specific period of protection,⁸⁶ but with right of publicity, it is less clear. Most states have post-mortem rights for those who domiciled in those states. However, those time periods vary. California, for example, has a 70-year

⁸⁴ *Id.*

⁸⁵ See J. C. Tretter, *NFL Players have Ownership in the Business of Football*, [NFLPA.com](https://nflpa.com), <https://nflpa.com/posts/nfl-players-have-ownership-in-the-business-of-football> (accessed Feb. 5, 2022).

⁸⁶ For works created after 1978, it is life of the author plus 70 years or 95 years from creation for a "work for hire." See 17 U.S.C. §302.



post-mortem right and New York has 40 years.⁸⁷ Indiana has 100 years.⁸⁸ Some states, such as Wisconsin, have no such right. Other states are unclear.⁸⁹

Assuming their respective estates sue in a jurisdiction that covers the post-mortem period (for Ali, who died in 2016, that would pose little problem, but for Liston, who passed in 1970, it would be more difficult due to the length of time that has passed since his death). In Ali's home state (Kentucky), the post-mortem right is 50 years after death for those who are "public figures" (which Ali clearly was).⁹⁰

If post-mortem rights exist, the next issue is central: whether the use of their depictions on the NFTs are sufficiently "commercial" to trigger a valid cause of action. There are two key factors in this case: (1) whether the depictions of Ali and Liston are primarily artistic or primarily "commercial" as a way to help sell the NFT and (2) if commercial in nature, whether the images are a more literal depiction of the two boxers used to sell the NFTs or are so imaginative, artistic, or transformative to be protected as free speech and outside the zone of the right of publicity.

Let's take each point separately. Commercial use is an inherent component of the right of publicity,⁹¹ and courts have had to strike a balance between commercial use and non-commercial commentary, parody, or newsworthiness. Many state statutes craft specific defenses to right of publicity claims, such as use in a newscast or sports broadcast or "literary and theatrical works."⁹² Courts have not been specific in delineating whether the item is more "artistic" or "newsworthy" (and likely protected under the First Amendment) or more commercial (when the right of publicity is more likely to apply). A case that raises similar issues to our case study is *ETW v. Jireh Publishing*.⁹³

⁸⁷ See Cal. Civ. Code §3344.1; See N.Y. Civ. Rts. Law § 50-f.

⁸⁸ See Ind. Code § 32-36-1-8a

⁸⁹ See *Hagen v. Dahmer*, 38 U.S.P.Q.2d 1146, 1149 (E.D. Wis. 1995); See also *Allison v. Vintage Sports Plaques*, 136 F.3d 1443, 1444, 1446–47 (11th Cir. 1998) (11th circuit noted that Alabama is silent on the issue). For greater treatment of this issue, see Erik W. Kahn & Pou-I "Bonnie" Lee, *Delebs and Postmortem Right of Publicity*, LANDSLIDE, Jan./Feb., https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2015-16/january-february/delebs_and_postmortem_right_publicity/#27 (accessed Dec. 8, 2021).

⁹⁰ See Ky. Rev. Stat § 391.170

⁹¹ See Restatement (2d) Unfair Competition §46

⁹² See, e.g., CAL. CIV. CODE § 3344; see also IND. CODE § 32-36-1-7.

⁹³ 332 F.3d 915 (6th Cir. 2003).



ETW involved the creation of a painting called “The Master of Augusta.” The artist made limited edition prints from that work, selling them for about \$700 each. The painting and prints were intended to honor Tiger Woods’ first victory at the Master’s Tournament that year. The painting showed a depiction of Woods in three different positions with ghostly images of past winners and the scoreboard and the clubhouse at the August Golf Club.⁹⁴ Like our case, it was based on a real event (though not involving a copyrighted photograph), and Woods sued on the grounds of trademark infringement and violation of Ohio’s right of publicity law.⁹⁵ The question was whether a reproduction of an actual event, albeit with fictionalized components, could be a violation of Woods’s publicity rights or was the work “sufficiently artistic” to be granted protection under the First Amendment, thereby negating his claims. The majority found that the artist’s work “contain[ed] significant transformative elements ... and [was] less likely to interfere with the economic interest protected by Woods’ right of publicity.”⁹⁶

Although transformative use is traditionally a copyright defense, it has been applied in a number of jurisdictions in cases involving right of publicity.⁹⁷ Applying the rationale of *ETW* (echoed in other rulings), it is likely that the design for the NFT would escape a right of publicity claim because of the artistic and fictionalized changes from the original photograph.

However, another way to look at this NFT is more pecuniary. The prints in the *ETW* case sold for a reasonable, but not outlandish, sum. With an NFT, the investment potential may well be far greater. In our hypothetical, the value of these items has skyrocketed and if there is a thriving buyer and seller market, it can be argued that no matter how “transformative” the work is, its predominant purpose is commercial.

⁹⁴ In the foreground of Rush’s painting are three views of Woods in different poses. In the center, he is completing the swing of a golf club, and on each side he is crouching, lining up and/or observing the progress of a putt. To the left of Woods is his caddy, Mike “Fluff” Cowan, and to his right is his final round partner’s caddy. For an illustration, see Lawrence Donegan, *Tiger Woods Sues Artist to Draw a Line Between Painting and Profit*, THE GUARDIAN, July 7, 2002, <https://www.theguardian.com/world/2002/jul/07/arts.artsnews> (accessed Dec. 9, 2021).

⁹⁵ Woods also claimed false endorsement under section 43(a) of the Lanham Act, 15 USC 43a, but that cause of action was separate and won’t be discussed in this article.

⁹⁶ See 332 F. 3d at 937. The court used a similar theory to dismiss the § 43(a) false endorsement claims.

⁹⁷ See *Comedy III Productions v. Gary Saderup, Inc.*, 25 Cal. 4th 387, 106 Cal. Rptr. 2d 126, 21 P.3d 797 (2001) (California adopted the transformative test in a case involving replicas of The Three Stooges.). See also, *In re NCAA Student-Athlete Name & Likeness Licensing Litig.*, 724 F.3d 1268, 1271 (9th Cir.2013), *Hart v. Elec. Arts*, 717 F.3d 141, 165–66 (3d Cir. 2013).



A different standard based on the commercial purpose of the item was used by the Missouri Supreme Court in *Doe v. TCI Cablevision*.⁹⁸ The case involved a comic book and related merchandise that used the nickname of a professional hockey player as the name for its villain.⁹⁹ The court found that the publisher's main reason for using the athlete's name in a totally fictionalized portrayal (even the name was somewhat altered) was to exploit the commercial value of his identity. Although this approach was adopted only in the Missouri courts, a strong argument can be made that the "predominant purpose" test may be the better approach in protection of the image rights of Ali and Liston. Given that most NFTs are bought and sold, a strong pecuniary results. And if the predominant purpose test would be utilized in this case, the estates would have a much greater likelihood of success (assuming that they met the post-mortem standard).

A final right of publicity issue involves the interpretation of the scope of the "newsworthiness" of the image in the NFT. As previously noted, many state right of publicity laws have a specific "newsworthy" exception and some courts have utilized it quite broadly. A case in point is *Daniels v. FanDuel*.¹⁰⁰ The case involved the use of the names, photographs, and statistical information of college athletes for an online daily fantasy sports service. The Indiana Supreme Court concluded that this information fits under the newsworthy exception of the state's right of publicity law. While one could argue that the exception applies for the use of the statistical information, it was less compelling regarding the players' images.¹⁰¹

Indiana's statute is clearer than Kentucky's (Ali's residence), since Kentucky does not have a specific newsworthiness exception, and does not limit liability to commercial speech.¹⁰² But the newsworthiness issue may be a weak argument, since it would be debatable whether the use of the Ali and Liston images would be newsworthy in our case study. However, since the images came from a painting based on a photo of a news event, it is not inconceivable that a court may

⁹⁸ 110 S.W. 3d

⁹⁹ *Doe*, 110 S.W.3d at 371-74. The hockey player's name was Tony Twist, who was known as an "enforcer" for the St. Louis Blues. The comic book character was named "Tony Twistelli" and he was a mob enforcer.

¹⁰⁰ No. 18S-CQ-00134, (Ind. Oct. 24, 2018).

¹⁰¹ For more information on the Daniels case, see Mark Conrad, *Should Athletes Have Publicity Rights in Their Statistics? Daniels v. FanDuel and the Subjugation of Athletes' Statistics in the Fantasy Sports-Gambling Era*, 38 CARDOZO ARTS & ENT. L. J. 1 (2020).

¹⁰² See Ky. Rev. Stat § 391.170. See also, Rothman's Roadmap to the Right of Publicity, https://rightofpublicityroadmap.com/state_page/kentucky/ (accessed Jan 11, 2022).



employ a broad newsworthy analysis—something that would help Alison and Hotcrypto—but that would be a stretch.

Any right of publicity issues involving the images of the other boxers (Jack Johnson, Joe Lewis, and Jersey Joe Walcott) would likely not be the basis of a right of publicity action, since they are long dead (and beyond the post-mortem periods in most states), and would be so transformative to be almost entirely artistic or beyond the primary purpose of this NFT.

Conclusion

With sports-oriented NFTs increasing in popularity and in profit, the hypothetical case described in this article demonstrates the difficult intellectual property issues creators of NFTs will continue to face. While it would be preferable to have licensing agreements between creators of original works and those who images will be used, the present state of the law is such that questions remain as to what content is protected under copyright, trademark, and right of publicity. While the issues discussed are not new, their application in the world of cyber-creations pose interesting and potentially difficult intellectual property challenges.

