

Todas las entradas



May 5 15 min read



# Non fungible token (NFTs), useless, niche art thing or a great innovation?



Authors: Bibiana Barrera Suárez (more information [here](#)), Carlos Valderrama (more information [here](#)) and Diego Montes Serralde (more information [here](#))

## Context

How much money would you spend on your favourite artist’s work (physical art, physical assets, traditional art or real world assets) or buying a collectible comic book of your favorite brand such as Marvel or DC Comics?

Throughout history there have been different ways of reflecting something exceptional and making that something worth millions, for example it is known that the most expensive masterpiece “Salvator Mundi” from Leonardo da Vinci was sold in a Christie’s auction for an historic amount of US\$450,312,500.00 in 2017 (more information [here](#)).

Hola! Soy Parabot 1.0 creado por Legal Paradox® Conoce más de iintech aquí.





Also, the “Action Comics #1 – CGC 9.0”, viewed by many fans as being the “holy grail” of comic collectables, was sold for a massive amount of \$3.2 million dollars, making it the most expensive comic book in the world (more information [here](#)).



But, imagine if there were another kind of art or different types of collectibles, maybe in a digital form, do you think this form will make them less valuable?

Maybe you are thinking: “Yes, of course it is less valuable because it could be copied very easily”.

But, what if there was an alternative? Imagine a digital collectible or digital artwork or a unique piece of digital art that you can possess being the only copy in the World, specifically in the Virtual World. This are Non-fungible tokens or NFT tokens and are revolutionary.

The big question is, why something that is essentially scarce is more valuable? and what it has to do with fungible asset, nft art, digital collectibles, cryptographic token, virtual land, nft contract, nft ecosystem, virtual cats, nft market, social media, crypto collectible, digital cat, digital ownership, art world, token metadata, erc 20 tokens, ethereum network, blockchain network, game items, unique nft, non fungible digital assets, unique asset, token owner, digital token, digital currency, non fungible asset and other related concepts thereto? We invite you to discover it with Legal Paradox®.

### 1. Scarcity Theory

As human beings, we occupy a finite world in which we experience desires that can't be fulfilled, we always seek what we do not have. The scarcity principle states that a limited supply of a good, followed by a high demand, results in a mismatch between the desired supply and demand balance.

This principle is related to the pricing theory, the price for a scarce good will rise until a balance is reached between supply and demand.

Hola! Soy Parabot 1.0 creado por Legal Paradox® Conoce más de intech aquí.



*"(...) NFTs create a sense of scarcity that's inherently artificial—the token is rare, not the artwork itself."* - Pitchfork March 5, 2021

## 2. Origin and definition of NFTs

### Definition

NFTs or NFTs, stands for "Non-Fungible Tokens".

NFTs are cryptographic assets on blockchain with unique identification codes and metadata that distinguish them from each other. Unlike cryptocurrencies, such as Bitcoin, they cannot be traded or exchanged at equivalency (more information [here](#)).

Not clear enough?

Non-fungible, more or less, means that it's unique and can't be replaced with something else. For example, a cryptocurrency is fungible — trade one for another, and you'll have exactly the same thing. A one-of-a-kind trading card, however, is non-fungible. If you traded it for a different card, you'd have something completely different (more information [here](#)).

Think of it as a way of creating scarcity online, and to provide proof of authenticity and ownership. It's most commonly applied to digital art, although it can really be applied to just about anything where uniqueness is the chief selling point (more information [here](#)).

But, how do NFTs achieve scarcity in a digital world?

### ERC-721

The Ethereum blockchain (more information [here](#)) has various technical standards for different types of tokens on its network to allow its interactions to work properly.

The "ERC" stands for "Ethereum Request for Comment." The most common standard is ERC20 (more information [here](#)), which has rules that allow tokens to interact with each other in an expected manner.

This standard framework is massively helpful for developers when they are creating tokens that need to interact with other tokens or applications on Ethereum. Although ERC20 tokens work well for many functions on Ethereum, they are not best for creating unique tokens. For this, ERC721 was invented.

ERC-721 is a free, open standard that describes how to build non-fungible or unique tokens on the Ethereum blockchain. While most tokens are fungible (every token is the same as every other token), ERC-721 tokens are all unique (more information [here](#)).

The main difference between the two standards is that ERC721 tracks ownership and movements of individual tokens in the block, which enables the chain to recognize the non-fungible tokens (more information [here](#)).

Origin (more information [here](#) and [here](#))

Hola! Soy Parabot 1.0 creado por Legal Paradox®. Conoce más de [intech](#) aquí.



On March 27, 2012 the paper “Bitcoin 2.X (a.k.a. Colored Bitcoin) — initial specs” by Yoni Assia was published (more information [here](#)).

This paper specified the creation of a new currency using the genesis transaction on the Bitcoin blockchain. The new currency was the Colored Bitcoin.

Colored bitcoins are ordinary bitcoins that at one point in history were transferred in the Genesis transaction.

Since all the history of each bitcoin is saved in the blockchain, it is possible to check for each bitcoin if it is colored or not (colored means that this bitcoin in one of his previous transactions has been part of the Genesis transaction).

The main idea was to identify the colored bitcoins as the equivalent to rare coins and therefore their value can vary from the bitcoin value according to the demand of those rare coins.

Later that year, a paper from Meni Rosenfeld titled “[Overview of Colored Coins](#)” (more information [here](#)) discussed the colored coin as the new asset class they could become.

A few months later in 2013, another paper was published titled, “Colored Coins — BitcoinX.” (more information [here](#)) by renowned authors like Vitalik Buterin (founder of Ethereum)(more information [here](#)), Yoni Assia, Meni Rosenfeld and Lior Hakim (more information [here](#)).

This last paper stated that:

*“By the original design bitcoins are fungible, acting as a neutral medium of exchange. However, by carefully tracking the origin of a given bitcoin, it is possible to “color” a set of bitcoins to distinguish it from the rest.*

*These bitcoins can then have special properties supported by either an issuing agent or by public agreement, and have value independent of the face value of the underlying bitcoins. Such colored bitcoins can be used for alternative currencies, commodity certificates, smart property, and other financial instruments such as stocks and bonds”.*

- Counterparty (2014)

In 2014, Robert Dermody, Adam Krollenstein, and Evan Wagner founded Counterparty, a peer-to-peer financial platform and distributed, open-source Internet protocol built on top of the Bitcoin blockchain (more information [here](#)).

Counterparty provided a way for users to create their own tradable currencies or assets. It was used for, among other things, meme trading.

The game creators of Spells of Genesis (more information [here](#)) were not only pioneers for issuing in-game assets onto a blockchain via Counterparty, but they were also among the first to launch an ICO (more information [here](#)). Spells of Genesis funded development by launching a token called BitCrystals, which was used as the in-game currency.

Hola! Soy Parabot 1.0 creado por Legal Paradox® Conoce más de intech aquí.



- Peperium in Ethereum (2016)

In October of 2016, people began to issue “rare pepes” on the Counterparty platform as assets (more information [here](#)). There is even a type of meme exchange called the Rare Pepe Meme Directory (more information [here](#)).



The important thing is that the Rare Pepe Meme Directory has “experts” that certify the rareness of the pepe memes.

In March of 2017, a project by the name of “Peperium” (more information [here](#)) was announced to be a “decentralized meme marketplace and trading card game that allowed anyone to create memes that live eternally on IPFS and Ethereum”.

Similar to Counterparty, Peperium also had an associated token, with the ticker symbol of RARE, which was used for meme creation and paying listing fees.

- CryptoPunks (2017)

In June 2017, John Watkinson (more information [here](#)) and Matt Hall (more information [here](#)) realized they could create unique characters generated on the Ethereum blockchain. Characters would be limited to 10,000 and no two characters would be the same. They called their project Cryptopunks (more information [here](#)).

Interestingly enough, Cryptopunks do not follow the ERC721 standard, as it had not been invented yet, but they were also not entirely ERC20 due to its limitations. Thus Cryptopunks can best be described as an ERC721 and ERC20 hybrid.

This is the most expensive Crypto Punk, it cost around US\$7.57 million dollars.

Hola! Soy Parabot 1.0 creado por Legal Paradox® Conoce más de fintech aquí.





#7804

4.2K€ (\$7.57M)

Mar 11, 2021

- Crypto Kitties (2017)

The most successful NFT campaign of 2017, the official description for Cryptokitties is: “*CryptoKitties is a game centered around breedable, collectible, and oh-so-adorable creatures we call CryptoKitties! Each cat is one-of-a-kind and 100% owned by you; it cannot be replicated, taken away, or destroyed*” (more information [here](#)).

The game was clogging and slowing down the Ethereum blockchain and people were making crazy profits trading them (more information [here](#)).

Some Cryptokitties were sold for more than US\$100,000.00.



CryptoKitties was launched in October 2017 by a Vancouver-based company called Axiom Zen (more information [here](#)).

Axiom Zen then spun out a company called [Dapper Labs](#) (more information [here](#)), which secured \$15 million dollars in funding (more information [here](#)) from top investors including a16z (more information [here](#)) and Google Ventures (more information [here](#)).

After witnessing the activity within the CryptoKitties community and seeing top investors pour money into Dapper Labs, people began to realize the true power of NFTs.

- Decentraland (2017, I know, it was a huge year)

A decentralized, Ethereum-based VR platform, Decentraland (more information [here](#)) lets players buy up empty parcels of 3D virtual space, measuring 10 meters by 10 meters.

In Decentraland, gamers can explore, build, play games, collect items, and more. They have a specific marketplace in which you can buy NFTs to use within the platform like wearables, unique names, parcels and estates and many more (more information [here](#)).

Hola! Soy Parabot 1.0 creado por Legal Paradox®. Conoce más de [intech](#) aquí.



1. In March, 2021 an NFT was sold for 5 million pounds on a Christie's auction (more information [here](#)).
2. Kings of Leon became the first band in history to release an album in NFT (more information [here](#)).
3. Jack Dorsey sold genesis tweet as an NFT for \$2.9M (more information [here](#)).
4. Grimes sold \$6 million worth of digital art in NFT (more information [here](#)).
5. Elon Musk Is Selling An NFT-Themed Song As An NFT (more information [here](#)).
6. Sophia, the popular humanoid robot will become the first AI to NFT based art works (more information [here](#)).
7. On March 16, British-American auction house Sotheby's announced that they too would be entering this ecosystem with the sale of tokenized art by a creator known only as "Pak." (more information [here](#)).

it is very clear that the NFTs will revolutionize the internet as we know it. So, what are the possibilities for NFTs?

### 3. Use Cases

NFT's have become a revolutionary way for proving ownership of a particular piece of work through blockchain technology. This technology can also tokenize art, tickets and music and has been used by several artists that sold their pieces at thousands and even millions of dollars.

- Art Industry

In the Art Industry, we find Sophia, the humanoid robot that will become the first of her kind to create NFT's artworks (more information [here](#) and [here](#)).

*"Even though I am a robot, I feel that human beings need love and compassion, and the simple artworks are a simple way to deliver those messages to people everywhere. Sometimes one becomes overwhelmed by the absolute mystery of life: What is it that we are really doing here?"- Sophia*

Sophia's art is created in collaboration with the artist Andrea Bonaceto and curated by Los Angeles- based IV Gallery, this "human-like robot" is capable of responding to her perception of Bonaceto's artworks as well as data from her life experiences.

Hola! Soy Parabot 1.0 creado por Legal Paradox® Conoce más de [intech](#) aquí.





World icons and artists like Jason Momoa, also known for his interpretations of *Aquaman* and *Khal Drogo* in *Game of Thrones* are also creating NFT's through Cryptograph, a tectonic shift created to sell digital content to support charitable causes (more information [here](#)).

Momoa's Cryptograph shows Aquaman's golden trident destroying a plastic water bottle with the words "Stop Single Use Plastic" written above. The piece was bought for 7.449 ETH.



The famous model, singer, actress, DJ, socialite and businesswoman Paris Hilton also collaborated with Cryptograph with a hand drawn portrait of her cat named Munchkin.

Hilton's Kitty was bought for 40 ETH and for some Ethereum fans, the drawing was very assertive given that the Crypto Kitties are so popular around the blockchain world.

Hola! Soy Parabot 1.0 creado por Legal Paradox®. Conoce más de intech aquí.







Another Cryptograph collaborator is Ashton Kutcher, the famous American actor, producer, entrepreneur and venture capitalist. He is well known for his role in *“That 70s Show”* and *“Two and a half man”*. Ashton drew a physical sketch inside a book which was digitized and burned afterwards.

The title of his piece is *“The Eye Of The Beholder”* which shows multiple eyes looking up at a star. This sketch is very symbolic and plays with the subjectiveness of art, it was last sold for 20 ETH.



Josh Hutcherson, the award winning actor and producer, better known for his role of *“Peeta”* in the Hunger Games movies has also drawn his first NFT.

Hutcherson's piece is an artistic portrait of the beloved fictional character Mickey Mouse, which shows the phrase *“Don't Mouse Around”* in the centre of his artwork. Don't Mouse Around was bought for 4.2 ETH.

Hola! Soy Parabot 1.0 creado por Legal Paradox® Conoce más de Paratech aquí.





NFT's not only involve Hollywood iconic superstars, but they also attracted some of the most famous modern street artists of the last decades. One of them is the mastermind behind Mr. Monopoly, a character that often satirizes capitalism, Alec Monopoly.

Alec's Cryptograph shows Mr. Monopoly happily holding his money bag amongst bitcoins and dollars. His artwork was bought for 8.548 ETH.



Another of the most talented artists is Banksy, an anonymous british graffiti artist that delivers political messages. Banksy has noted that he doesn't like his work to be sold for tons of money, his self-destruction of the Girl With Red Balloon made it very clear.

The original Banksy "Morons" was burned by some collective unknown NFT investors and became his first authentic piece converted into a NFT which was sold at almost \$400,000.00 (more information [here](#)).

Hola! Soy Parabot 1.0 creado por Legal Paradox® Conoce más de [intech](#) aquí.





- Music Industry

Kings of Leon, the famous American band, was the first one to release an Album as an NFT. *When You See Yourself* includes special perks like a limited-edition vinyl and front row seats to future concerts (more information [here](#) and [here](#)).

The collection titled “NFT Yourself” was sold at the OpenSea market, and some of the funds were destined to charity. The Band visualizes NFT’s as a massive opportunity for artists to directly sell their work.

The entrepreneur Elon Musk, also created an electronic music track, an NFT-themed song as an NFT. The video posted by Musk shows phrases like “Vanity Trophy”, “NFT”, “Hodl”, and “Computers Never Sleep”.

On March 15, Musk posted a tweet in which he announced that he was going to sell his song, but after 4 days of speculations, he decided not to sell it at all (more information [here](#) and [here](#)).



Steve Aoki, one of the greatest DJs and music producers of our time, is a true believer of the NFT future. He collaborated with the visual artist Antoni Tudisco to launch his “Dream Catcher” collection which was sold for \$4.25 million (more information [here](#)).

Hola! Soy Parabot 1.0 creado por Legal Paradox® Conoce más de intech aquí.





- eSports

¿What are eSports? They are video games played in a highly organized and competitive environment. Some of the most popular ones are: League of Legends, FIFA, Call of Duty, Fortnite and even Ferrari eSports.

The tournaments have millions of fans and billions of dollars up for grabs, they become more popular by the day (more information [here](#) and [here](#)).

The introduction of non-fungible tokens into the gaming world will allow players to own NFTs that immortalize and commemorate their accomplishments and items in games.

Therefore, an eSport platform, *eSportsStars*, is now planning on rolling out DeFi and NFT Functionality in order to connect professional players with fans and allow them to interact and receive coaching to improve their strategy (more information [here](#)).



- Digital Real Estate

Digital real estate might be the next big area for investment, according to the co-head of Republic Real Estate Janine Yorio (more information [here](#)).

NFT sites that capitalize on virtual reality and real estate include Decentraland (more information [here](#)), which is built on Ethereum and owned and created by users.

Decentraland operates as a multiplayer role-playing game and allows users to build an entire virtual world as an NFT. Yorio calls it a more sophisticated "SimCity," "Minecraft," or "Fortnite."

On Monday, Atari, the gaming company known for Pacman, announced plans to develop a cryptocurrency casino in Decentraland (more

Hola! Soy Parabot 1.0 creado por Legal Paradox® Conoce más de [intech](#) aquí.



#### 4. Who are the players in the NFTs game? (more information [here](#))

Most digital-art trading platforms allow creators to gather a royalty. Some art platforms are more exclusive, while others focus on letting anyone create and sell their art.

First, Some traditional auction houses have already started to get in on NFTs, like Christie's and, recently, Sotheby's.

For multimillion-dollar digital artists like Mike Winkelmann — more commonly known as Beeple — platforms like Super Rare (more information [here](#)), Foundation (more information [here](#)), and Nifty Gateway (more information [here](#)) allow buyers to pick from carefully curated work.

Platforms like Zora (more information [here](#)) operate as invite-only, while Rarible (more information [here](#)) and Mintable (more information [here](#)) allow any user to upload and sell images and text as NFTs on the site.

OpenSea (more information [here](#)) claims to be the largest NFT marketplace and is home to anything from art to virtual reality, sports and trading cards. The site has over 200 categories and 4 million items.

On the sports side, NBA Top Shot (more information [here](#)), a site where people can buy video highlights as NFTs, has sold over \$260 million in NFTs in the past month, according to CryptoSlam (more information [here](#)).

The site Sorare (more information [here](#)) operates as a fantasy soccer game, where people can buy, sell, and manage virtual teams via digital player cards.

If you are interested in gaming, Axie Infinity (more information [here](#)), a site that sells cartoon characters that are created to fight, much like Pokémon, is one of the top 10 most popular crypto-collectible platforms, according to CryptoSlam.

Other popular trading card and memorabilia sites include Myth.Market (more information [here](#)) and Treasureland (more information [here](#)).

The site, Valuables (more information [here](#)), allows anyone to auction off their tweet for payment in the form of ether. The platform focuses solely on selling tweets as NFTs.

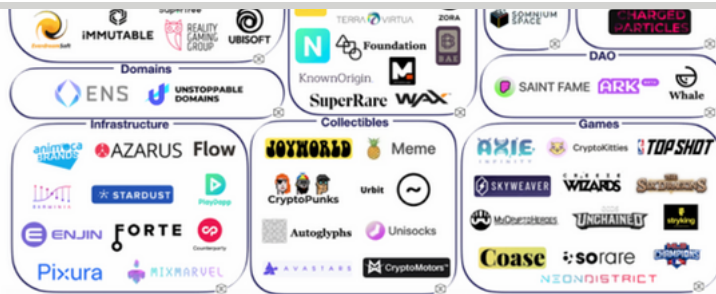
One person, Petter Rudwall, has even put himself up for auction on Mintable (more information [here](#)).

Finally, many sites have found success in niche NFT collectible markets, including Looking Glass Factory (more information [here](#)), a site that generates digital holograms and allows them to be sold as tokens.

#### 5. NFTs Ecosystem

Hola! Soy Parabot 1.0 creado por Legal Paradox®. Conoce más de intech aquí.





Popular companies and applications in the modern NFT ecosystem building the next-generation of NFTs in areas like gaming and collectibles like art ([source](#))

## 6. Future of NFTs

First, we need to mention some important facts (more information [here](#)):

1. NFTs account for a rapidly growing market that is valued at US\$250 million (more information [here](#)).
2. NFTs have sold for millions, while those who flip NFTs have made nearly 1,000% profit in some cases (more information [here](#)).
3. NFT marketplaces encompass anything from digital art to trading cards, virtual games or real estate.
4. Investments in NFTs rose 299% in 2020 (more information [here](#)).

These are the facts, NFTs brought the game to the digital arena and is not going to fade soon.

Future applications (more information [here](#))

The existing models of commerce are monopolistic. NFT-enabled decentralized commerce could offer a viable alternative and save small businesses.

The very concept of non-fungibility itself allows for new kinds of transactions, where users are not limited to monetary exchanges, but can enjoy the exchange of assets, be it digital or physical.

Transaction data is also preserved for the transacting parties, while the asset's royalties are forever stamped on the smart contract itself. In other words, NFTs are in a position to power the next generation of commerce, namely, decentralized commerce (or dCommerce) (more information [here](#)).

Conflux Network (more information [here](#)) stated that digital asset tracking is already commonplace (art and gaming), but tracking real-world assets like luxury goods has only just begun. NFTs can prove provenance to combat counterfeit products, and improve marketplace efficiencies by facilitating transactions through smart contracts. Physical goods can use a variety of tags to connect them to NFT identification ranging from QR codes to electronic NFC tags and even DataDots — microscopic laser-engraved identifiers sprayed or painted on to products.

Data economies can use NFTs as a representation of specific data. Fungible tokens could be used to indicate general access to a data set, but NFTs can be used to create even more specificity such as the data set generated over 15 minutes. In a data economy, that allows the

Hola! Soy Parobot 1.0 creado por Legal Paradox® Conoce más de intech aquí.



greater level of flexibility to a standard NFT. The NFT standard (described as a proposed ERC-1633) (more information [here](#)) allows for an NFT asset (ERC-721) to be divided up as ERC-20 tokens.

The ability to divide up an NFT into smaller “shares” has huge possibilities especially for NFTs that represent expensive assets. For example, an NFT can represent a real-estate property, and the RFTs can allow multiple individuals to receive corresponding shares to their investment in the property. Because RFTs are compatible with ERC20 tokens, this also can create a market for the fraction of the assets they represent which can range from fractional shares of stocks, partial ownership of property, and even the monetization of intellectual property.

The possibilities are endless, NFTs are the next step in digital commerce evolution.

### Conclusion

NFTs are here to stay, if you don't believe us, believe Andressen Horowitz who is leading a \$23M round for NFT marketplace OpenSea (more information [here](#)).

There is a young market but with a lot of new opportunities to decentralize commerce in a way we do not know yet.

This is the beginning, we are eager to see what is going to happen in this \$250 million market.

---

Legal Paradox® is a 100% Mexican law firm focused on the FinTech & Blockchain sector.

Our challenge is to empower the sector. When we started, FinTech & Blockchain were not concepts of reference in the country; therefore, day by day we have pursued this mission and thus we have generated a change in the Mexican financial world. Since the creation of this firm in June 2017, we have worked hand in hand with more than 200 companies in the sector, that is, more than 30% of those existing in the country.

In less than 2 years we were recognised by Chambers & Partners as part of the legal FinTech elite in Mexico. These results are due to the fact that we base our operation on technology, even working on our own developments such as the FinTech Tour map and Parobot, an artificial intelligence-based assistant that aims to help a person or company find FinTech solutions.

Our deep understanding of technology has led us to find out how it is possible to achieve innovative disruption in the financial sector, which is why our clients recommend us mainly for understanding their business and even empowering it.

The use of names, trademarks, images and links of third parties contained in this article are the property and responsibility of such third parties and are used for illustrative and informational purposes only.

This article and its contents shall not be construed as legal or financial advice and we recommend that you seek the advice of your preferred advisor.

Hola! Soy Parobot 1.0 creado por Legal Paradox® Conoce más de fintech aquí.





195 views 0 comments



Recent Posts

See All

Mexican Neobanks, who is the leading Neobank in the market?

 993  0



The Definitive Guide: Mexican FinTech Law, a look 3 years afte...

 380  0

1 

Hola! Soy Parabot 1.0 creado por Legal Paradox<sup>®</sup>. Conoce más de FinTech aquí.





## Contact us


### How can we help?

Email \*


Message \*

Sent

Where we are?



Volcan 150, Floor 5  
Lomas de Chapultepec  
Mexico City  
11910



Bldv. Adolfo López Mateos 172  
3rd floor  
Merced Gomez  
Mexico City  
03930

If you are looking to join our team as a partner or service provider, we would appreciate it if you could send an email to [contacto@legalparadox.com](mailto:contacto@legalparadox.com)

### Or, schedule a call directly, we will be happy to meet you

Schedule

[Notice of Privacy](#)

[Terms and Conditions](#)

© 2017 - 2020 Legal Paradox ®

Hola! Soy Parabot 1.0 creado por Legal Paradox® Conoce más de [intech](#) aquí.

