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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X		:	
NIKE, INC.,		:	No. 22-CV-983-VEC
		:	
	Plaintiff,	:	
		:	ANSWER
	v.	:	
		:	JURY DEMANDED
STOCKX LLC,		:	
		:	
	Defendant.	:	
		:	
-----X		:	

StockX LLC (“StockX”), by and through its undersigned counsel, hereby submits its Answer to the Complaint, filed by Nike, Inc. (“Nike”) on February 3, 2022.

PRELIMINARY STATEMENT

StockX is an online global marketplace that provides its customers access to items of current culture, including coveted sneakers, apparel, collectibles, trading cards, and accessories, among other products. Customers use StockX’s platform not only to sell or acquire physical products for consumption, but also to trade such physical products for investment purposes. StockX’s recent introduction of non-fungible tokens (“NFTs”) to track ownership of frequently

traded physical products is transforming the trading experience on its marketplace by increasing efficiencies and decreasing transaction costs for buyers and sellers. Using NFTs in this manner is lawful and violates no legitimate right of Nike or any of the manufacturers of the underlying goods. Nike's claims lack merit, disregard settled doctrines of trademark law, including the doctrines of first sale and nominative fair use, and show a fundamental misunderstanding of the various functions NFTs can serve.

Unlike most online marketplaces, which do not authenticate goods sold on their platforms, StockX uses a proprietary, multi-step authentication process for every product sold on its platform. This process ensures that items traded on StockX conform to the product descriptions and condition standards advertised by StockX, and that the products offered for sale are what they claim to be, and are not counterfeit, defective, or used—meaning StockX's customers can trust that transactions made through StockX are safe. StockX has authenticated tens of millions of products since its formation, combining its authentication team's expert knowledge with AI-enhanced technology to allow global customers to trade with confidence.

While StockX's authentication process is critically important, it does not come without costs. Upon each sale, the seller ships the product to one of StockX's eleven authentication centers around the world; StockX performs its multi-step authentication process; and StockX then ships the product to the buyer and ensures that the seller is paid. As a practical matter, this means that for each subsequent trade of the same item, consumers not only incur costs and fees associated with multiple legs of shipping and authentication, but also experience a delay in ownership and payout until the process is complete.

For many reasons, including StockX's reputation as a place to purchase authentic products, as well as the incorporation of stock market-like mechanics inspired by the world's financial

exchanges, StockX's platform has attracted a significant number of customers who are interested in acquiring and trading current culture products, without any interest in immediately or ever wearing (or "consuming") those products or taking physical possession of those products. Nonetheless, until recently, such customers had to incur the transaction costs and shipping times commonly associated with e-commerce experiences, even though physical possession was unnecessary to these customers' goals and needs.

To innovate and expedite the process of trading physical products, StockX recently turned to NFTs. NFTs are traded on a blockchain, which permanently stores records of each NFT transfer, visible to all users in the network. In contrast to most NFT projects to date, which consist of digital images (including JPEGs or GIFs) created for the metaverse, with or without additional utility attached, StockX Vault NFTs are one of the first NFT applications tied to a physical product. StockX's Vault NFT program enables secondary trading on StockX to be more efficient, track ownership of goods, and cut out unnecessary costs and fees for customers.

StockX Vault NFTs *are absolutely not* "virtual products" or digital sneakers. Rather, each Vault NFT is tied to a specific physical good that has already been authenticated by StockX. Consumers purchase the Vault NFTs and have two choices regarding ongoing possession: (1) retain digital possession of the Vault NFT and leave the authenticated physical good in StockX's climate-controlled, high-security vault (a "Stored Item"); or (2) take possession of the physical good from the vault at any time, in which case the Vault NFT is removed from the customer's digital portfolio and permanently removed from circulation. The Vault NFT itself has no intrinsic value—it is effectively a claim ticket, or a "key" to access the underlying Stored Item. Nor can the Vault NFT be traded separately, or decoupled, from ownership of the underlying Stored Item. As explained on StockX's product pages, a "Vault NFT represents and tracks proof of ownership

of the actual sneaker stored within [the] StockX Vault.” The actual product of value is the underlying Stored Item, and there is no mark-up for the actual Vault NFT. While StockX sets the initial price for Vault NFTs, StockX does not set or control prices for subsequent trades, which are dictated completely by StockX users.

The benefit of taking possession of the Vault NFT, rather than the Stored Item, is that the owner can make a future trade without incurring transaction costs, delay, or risk of damage or loss associated with shipping physical sneakers to StockX and then to the ultimate recipients. Instead, the owner need only transfer the Vault NFT, which can be performed almost instantaneously through the Internet. The Stored Item remains safe in the StockX vault, and the transfer of ownership to the buyer is immediate. Because the Stored Item never leaves the StockX vault, the product does not need to be authenticated again. This novel process is ideal for a growing group of consumers (who already make up a significant portion of StockX’s customer base), who trade current culture products and do not want to take physical possession of products for use.¹

To date, StockX has released Vault NFTs associated with twenty-eight different types of physical products, including sneakers, trading cards, and collectibles. Eleven of these products are styles of shoes originally manufactured and sold by Nike, adidas, and Puma. In selecting the styles of shoes to include in the Vault NFT program, StockX looked to best-selling products of which sufficient quantities in a certain shoe size were available for purchase. Examples of Vault NFTs and Stored Items that StockX offers for sale are included below.

¹ In addition, customers experiencing storage constraints due to their existing physical inventory may choose to purchase StockX Vault NFTs to take advantage of the convenience of storing physical goods in the StockX vault, allowing them to sell or hold the underlying physical goods without the inconvenience of managing the storage logistics or risks.

StockX Vault NFT adidas Yeezy Boost 350 V2 Beluga Reflective - US M 10

A StockX token representing ownership of a physical pair. (250/500 available to date)



NFT StockX Verified Edition of 500



[Buy for \\$295](#)

[Sell This Item for \\$276](#) →

Last Sale:

\$272

-- (0%)

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StockX Vault NFT Puma MB.01 LaMelo Ball Rick and Morty - US M 10

A StockX token representing ownership of a physical pair. Drops 3/11 at 1pm ET.



NFT StockX Verified Edition of 50



[Buy or Bid](#) **Lowest Ask \$240**

[Sell or Ask](#) **Highest Bid --**

Last Sale:

--

No Sales Yet

[View Asks](#)

[View Bids](#)

[View Sales](#)

StockX Vault NFT Nike Dunk Low Retro White Black - US M 10

A StockX token representing ownership of a physical pair.



NFT StockX Verified Edition of 100



[Buy or Bid](#) **Lowest Ask \$410**

[Sell or Ask](#) **Highest Bid \$375**

Last Sale:

\$415

▲ \$5 (1.2%)

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