

## Advertising + Marketing

# Kim Kardashian and Floyd Mayweather Sued Over Cryptocurrency Promotions

### The Bottom Line

- Cryptocurrency companies are subject to various federal laws and may be regulated by a number of federal agencies, including the Securities and Exchange Commission. Though the cryptocurrency market has matured in recent years, there are still plenty of risks, and agencies, media platforms, and influencers must ensure that they are selecting their cryptocurrency partners wisely and complying with all applicable laws.
- This case serves as a reminder that companies in every industry should ensure that their influencers, endorsers, and spokespersons are complying with all applicable laws and regulations.

Kim Kardashian and Floyd Mayweather were sued in a class action lawsuit in the United States District Court for the Central District of California on January 7, 2022 over their promotion of the cryptocurrency token EthereumMax (EMAX). The celebrities were named as co-defendants with the creators of the cryptocurrency, and are alleged to have helped bilk millions from investors.

### What is EMAX?

EMAX was launched in May 2021. Soon thereafter, the creators of the token announced that they were partnering with Floyd Mayweather, including by acting as the exclusive cryptocurrency of a boxing match between Mayweather and Logan Paul and providing free items like Mayweather-signed boxing gloves in exchange for purchases of EMAX. According to class allegations, the trading volume for EMAX exploded after the press release, increasing ten-fold in the course of two days.

In the subsequent months, both Kardashian and Mayweather personally promoted EMAX, leading to further publicity and sales of EMAX. For example, Mayweather allegedly promoted EMAX at a cryptocurrency conference and during his boxing match with Logan Paul, causing the trading volume of EMAX to increase from \$15.7 million to \$24.5 million in the course of three days.

Similarly, Kardashian promoted EMAX on her Instagram account stating that "A few minutes ago Ethereum Max

burned 400 trillion tokens – literally 50% of their admin wallet giving back to the entire E-Max community.” According to the complaint, the post was disseminated to Kardashian’s 250 million followers, and a survey found that up to 21% of American adults and nearly half of cryptocurrency owners had seen the ad, and 19% of respondents who said they heard about the post invested in EMAX. Although EMAX rose 1,370% from its initial price, it dropped 98% one month after Kardashian’s post.

### The Allegations Against the Defendants

The complaint alleges that EMAX’s creators, as well as Kardashian and Mayweather, made false and misleading statements to investors about the ability for investors to make money with EMAX. The complaint also faults Kardashian and Mayweather for failing to appropriately disclose their paid relationship with EMAX, alleging that Kardashian’s promotion disclosure was “tucked in the far bottom right of the post” and that Mayweather never disclosed any payments for his promotion of EMAX.

According to plaintiffs, these activities helped instill trust in uninformed investors and artificially inflated the price of EMAX, enabling its creators to extract significant profits for themselves when they sold their EMAX tokens, while causing plaintiffs to lose significant amounts of money when the value of EMAX ultimately dropped. All of these activities are alleged to violate California consumer protection laws.

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### For More Information

Please contact the attorneys listed below or the Davis+Gilbert attorney with whom you have regular contact.

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