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"CAVEAT VENDITOR"—THE CELEBRITY ENDORSER LIABILITY LANDSCAPE AFTER THE FTX COLLAPSE

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ABSTRACT

In 2022, cryptocurrency exchange FTX paid NBA legend Shaquille O'Neal $750,000 to promote its platform. Months later, FTX collapsed amid allegations of massive fraud, and O'Neal—along with Tom Brady, Stephen Curry, and other celebrity "Brand Ambassadors"—were named in a multibillion-dollar investor class action. In June 2025, O'Neal settled for $1.8 million, a development that sent shockwaves through the sports and entertainment industries. This Commentary examines the evolving landscape of celebrity endorser liability. It traces the history of celebrity endorsements, reviews the FTC's Endorsement Guides and key enforcement actions such as those involving Pat Boone and Steve Garvey, and surveys early cryptocurrency endorsement cases, including SEC "anti-touting" actions against Kim Kardashian, Floyd Mayweather, and Paul Pierce. It then analyzes the FTX multidistrict litigation, in which the court dismissed most fraud-based claims for lack of actual knowledge but allowed state securities claims alleging promotion of unregistered securities to proceed, as well as the resulting settlements. The Commentary concludes that this shift toward strict liability theories is reshaping endorsement agreements, prompting stronger disclosure, due diligence, indemnification, and insurance protections, and that celebrities considering financially related endorsements—particularly in crypto—must now proceed with far greater caution.

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I. INTRODUCTION

In the early summer of 2022, FTX Trading Ltd. ("FTX"), a cryptocurrency exchange marketplace, added NBA legend Shaquille O'Neal ("O'Neal") to its already extensive roster of celebrity endorsers.[1] FTX paid O'Neal $750,000 for his promotional services.[2] A few months later, FTX collapsed amidst allegations of massive fraud in one of the world's most infamous business bankruptcies. Soon after FTX's collapse, O'Neal, along with several other FTX celebrity endorsers, including NFL football legend Tom Brady and NBA basketball superstar Stephen Curry, were named as defendants in a class action lawsuit brought by FTX investors seeking $11 billion in damages from the endorsers for their roles in promoting FTX.[3]

Fast forward to June 2025, when O'Neal settled his potential liability in the class action lawsuit for $1.8 million.[4] Summarizing this turnabout in fortune, O'Neal went from *earning* $750,000 to promote FTX to *paying* $1.8 million to extract himself from his involvement with the discredited and bankrupt company.[5] Despite losing over $1 million on this failed endorsement partnership with FTX, O'Neal's settlement was widely considered a good deal for the former NBA player given his potential liability exposure in the case.[6] But the settlement nevertheless sent shockwaves throughout the celebrity endorsement community and caused many in both the sports and entertainment industries to reconsider the potential liability celebrities can incur from their marketing partnerships.[7]

1. Julia Shapero, *Shaquille O'Neal Settling FTX Class Action Lawsuit for $1.8M*, HILL (June 13, 2025, at 14:47 ET), https://thehill.com/policy/technology/5349552-shaquille-o-neal-settles-ftx-lawsuit/ [https://perma.cc/9Y6N-J2RK].

2. Ben Horney, *Shaq's $1.8M FTX Settlement May Be a Great Deal in the Long Run*, FRONT OFF. SPORTS (June 13, 2025, at 14:13 ET), https://frontofficesports.com/shaqs-1-8m-ftx-settlement-may-be-a-great-deal-in-the-long-run/ [https://perma.cc/37KN-3XFH].

3. Chris Cwik, *Tom Brady, Stephen Curry, Shaq and Naomi Osaka Among Celebrities Sued in Class-Action Crypto Lawsuit*, YAHOO SPORTS (Nov. 16, 2022), https://sports.yahoo.com/tom-brady-stephen-curry-shaq-and-naomi-osaka-among-celebrities-sued-in-class-action-crypto-lawsuit-181117155.html [https://perma.cc/LV6M-H6N2].

4. Mackenzie Sigalos, *Shaquille O'Neal to Pay $1.8 Million to Settle FTX Investor Lawsuit*, CNBC (June 11, 2025, at 17:32 ET), https://www.cnbc.com/2025/06/11/shaq-settle-ftx-lawsuit.html [https://perma.cc/627S-ME5R].

5. *See* Horney, *supra* note 2.

6. *Id.*

7. *See* Michael McCann, *Shaq's FTX Fraud Settlement May Reshape Athlete Deals*, SPORTICO (June 16, 2025, at 05:55 ET), https://www.sportico.com/law/analysis/2025/shaq-ftx-investor-settlement-1234856502/ [https://perma.cc/42ES-LB8Z].

O'Neal was not the first FTX celebrity endorser to settle the class action lawsuit. Trevor Lawrence, the Jacksonville Jaguars quarterback, settled in September 2023 for an undisclosed amount.[8] In addition, YouTube influencers Kevin Paffrath and Tom Nash also settled in September 2023.[9] Despite these earlier settlements, many legal observers were surprised by O'Neal's settlement. As one expert commentator on sports law observed: "The fact that O'Neal agreed to pay seven figures in a settlement, which must be approved by U.S. District Judge K. Michael Moore, is a significant development in an area of law that has historically favored endorsers."[10]

This Commentary examines the rapidly evolving landscape of celebrity endorser liability through the lens of the FTX litigation, in which multiple high-profile endorsers have been sued, and has been further highlighted by the Shaquille O'Neal settlement. Part II traces the history of celebrity endorsements from the eighteenth century through the rise of radio and television. Part III turns to the federal framework governing endorsements, including the Federal Trade Commission's ("FTC") Endorsement Guides, and surveys both FTC enforcement actions and private suits against celebrity endorsers. Against this backdrop, Part IV examines early endorsement litigation and the high-profile cryptocurrency settlements that followed. Part V analyzes the FTX endorser class action and its current posture, and Part VI considers what the settlements in that case mean for future endorsers. Finally, Part VII and the Conclusion look ahead to where endorser liability is heading and propose contractual provisions that endorsers can use to limit their exposure.

II. HISTORY OF CELEBRITY-ENDORSER LIABILITY

Among the earliest recorded third-party endorsements was that of Josiah Wedgwood, the founder of the Wedgwood Pottery Company

8. Adam Stites, *Trevor Lawrence Settles FTX Crypto Endorsement Lawsuit*, JAGSWIRE (Sep. 16, 2023, at 14:08 ET), https://jaguarswire.usatoday.com/story/sports/nfl/jaguars/2023/09/16/trevor-lawrence-ftx-lawsuit-crypto-cryptocurrency-settlement/79593808007/ [https://perma.cc/BP9D-EGKD].

9. Andrew Cohen, *Trevor Lawrence Settles Lawsuit Over FTX Crypto Endorsement*, FRONT OFF. SPORTS (Sep. 18, 2023, at 14:15 ET), https://frontofficesports.com/article/trevor-lawrence-settles-lawsuit-over-ftx-crypto-endorsement/ [https://perma.cc/4S6F-T3TF].

10. McCann, *supra* note 7.

("Wedgwood").[11] Although technically not a "celebrity" endorsement in the usual sense—though one may credibly argue that there was no greater celebrity than the King of England at that time—Wedgwood leveraged royal endorsements in the 1760s to add prestige and value to his brand of pottery and chinaware.[12] The "Royal Warrant of Appointment" was a prestigious mark of recognition granted to businesses that provided high-quality goods to the British Royal Household for a period of years.[13] It allowed the recipient of the Warrant to display the Royal Coat of Arms in promoting their products and to use the phrase "By Appointment to H.M. King..."[14] This designation and association with the Royal Family elevated the prestige of Wedgwood's products.[15]

With the advent of radio and television in the twentieth century, the growth of celebrity endorsements dovetailed with the overall growth of advertising. From the 1920s to the 1950s, when radio shows dominated American entertainment, businesses often paid the stars of popular radio programs to endorse their products.[16] Examples included comedian Jack Benny pitching for Jell-O and legendary entertainer Bob Hope for Pepsodent toothpaste.[17] Early TV advertisements featured legendary actors John Wayne and Ronald Reagan promoting cigarettes and hand-cleansing products.[18]

III. FEDERAL LAWS AND REGULATIONS GOVERNING CELEBRITY ENDORSEMENTS

The FTC has issued Guides Concerning the Use of Endorsements and Testimonials in Advertising (the "Guides"), which address the use of paid celebrity endorsements and testimonials in advertising.[19] The Guides implement the provisions of Section 5 of the Federal Trade Commission

11. Sandeep Goyal, *Blog: Raising a Toast to 250 Years of Celebrity Advertising*, CAMPAIGN INDIA, (Sep. 20, 2018), https://www.campaignindia.in/article/blog-raising-a-toast-to-250-years-of-celebrity-advertising/447282 [https://perma.cc/X5XR-7QEP].

12. *Id.*

13. *Royal warrants*, ROYAL U.K., https://www.royal.uk/royal-warrants [https://perma.cc/Y29S-SHXW] (last visited Sep. 24, 2026).

14. *See id.*

15. *Id.*; Goyal, *supra* note 11.

16. Isaiah Flair, *Celebrity endorsement*, EBSCO (2019), https://www.ebsco.com/research-starters/social-sciences-and-humanities/celebrity-endorsement [https://perma.cc/5EXP-GSFJ] (last visited Oct 31, 2026).

17. *Id.*

18. *Id.*

19. 16 C.F.R. pt. 255 (2026); *see also* 15 U.S.C. § 45.

Act ("FTC Act"), which prohibits unfair or deceptive acts or practices that mislead or deceive consumers.[20] The Guides provide standards "for voluntary compliance with [the] law by advertisers and endorsers."[21]

Key requirements for compliance with the Guides and with Section 5 of the FTC Act are as follows:

(1) "Endorsements must reflect the honest opinions, findings, beliefs, or experience of the endorser."[22]

(2) "An advertisement need not present an endorser's message in the exact words of the endorser unless the advertisement represents that it is presenting the endorser's exact words, such as through the use of quotation marks."[23]

(3) "When the advertisement represents that the endorser uses the endorsed product, the endorser must have been a bona fide user of it at the time the endorsement was given. Additionally, the advertiser may continue to run the advertisement only so long as it has good reason to believe that the endorser remains a bona fide user of the product."[24]

(4) "Advertisers are subject to liability for misleading or unsubstantiated statements made through endorsements or for failing to disclose unexpected material connections between themselves and their endorsers."[25]

(5) "Endorsers may be liable for statements made in the course of their endorsements, such as when an endorser makes a representation that the endorser knows or should know to be deceptive, including when an endorser falsely represents that they personally used a product. Also, an endorser who is not an expert may be liable for misleading or unsubstantiated representations regarding a product's performance or effectiveness, such as when the representations are inconsistent with the endorser's personal experience or were not made or approved by the advertiser and go beyond the

20. 16 C.F.R. § 255.0(a).
21. *Id.*
22. *Id.* § 255.1(a).
23. *Id.* § 255.1(b).
24. *Id.* § 255.1(c).
25. *Id.* § 255.1(d).

> scope of the endorser's personal experience. Endorsers may also be liable for failing to disclose unexpected material connections between themselves and an advertiser, such as when an endorser creates and disseminates endorsements without such disclosures."[26]
>
> (6) "Advertising agencies, public relations firms, review brokers, reputation management companies, and other similar intermediaries may be liable for their roles in creating or disseminating endorsements containing representations that they know or should know are deceptive. They may also be liable for their roles with respect to endorsements that fail to disclose unexpected material connections, whether by disseminating advertisements without necessary disclosures or by hiring and directing endorsers who fail to make necessary disclosures."[27]
>
> (7) "The use of an endorsement with the image or likeness of a person other than the actual endorser is deceptive if it misrepresents a material attribute of the endorser."[28]

A. FTC Investigation and Enforcement

The FTC plays an active role in policing celebrity endorsements, with the goal of promoting transparency and preventing deceptive advertising. Enforcement concerns in this area generally involve either the failure to disclose a commercial connection between an endorser and a brand, such as a payment arrangement, or misleading claims about the products being promoted. The cases discussed below illustrate how the FTC has approached each of these concerns.

1. Pat Boone: Acne Cream

In 1978, American singer and actor Pat Boone ("Boone") was the first celebrity endorser targeted in an FTC crackdown on false-claim product endorsements.[29] Boone appeared in a television commercial for an acne

26. *Id.* § 255.1(e).
27. *Id.* § 255.1(f).
28. *Id.* § 255.1(g).
29. S*how Business: Let the Stellar Seller Beware*, TIME (May 22, 1978, at 12:00 ET) [hereinafter *Show Business*], https://time.com/archive/6853635/show-business-let-the-stellar-seller-beware/ [https://perma.cc/TGU9-8477].

product called Acne-Statin, claiming that his daughters had found it a "real help."[30] The FTC filed a complaint against the manufacturer, alleging the product was ineffective.[31] Boone eventually signed a consent order, agreeing to pay a percentage of any refunds the manufacturer might be ordered to pay consumers.[32]

With its action in the Boone case, the FTC strongly signaled that it would hold celebrities personally liable for any false claims made in the advertisements in which they appear, and make them pay legal penalties that might be assessed for their misconduct.[33] Legal scholars often cite the Boone case as one of the earliest precedents for holding celebrities accountable for false claims in advertisements, helping set the standards for future celebrity endorsement liability. In its March 2013 monthly newsletter to clients, the international law firm Finnegan wrote about the implications of the Boone FTC action: "When actors, athletes, or other entertainers endorse products, they must make 'reasonable enquiries' that the claims are legitimate and cannot make claims that contradict what they've seen or know."[34]

2. *FTC v. Garvey*

In *FTC v. Garvey*, the FTC sued former professional baseball player Steve Garvey ("Garvey") over his role as a celebrity spokesman in infomercials for the Enforma System, a weight-loss supplement.[35] The case centered on allegations that Garvey made false and unsubstantiated advertising claims for the products, in violation of the FTC Act.[36]

The Enforma System, which included two supplements—"Fat Trapper" and "Exercise in a Bottle"—was advertised as allowing users to lose weight without dieting or exercising.[37] The FTC filed suit against Garvey and his management group in 2000, alleging he was liable for the deceptive marketing practices due to his participation and statements as

30. *Id.*
31. *Id.*
32. Lynn Rosellini, *Special Case at the F.T.C.*, N.Y. TIMES, Oct. 29, 1981, at A24.
33. *Show Business*, *supra* note 29.
34. Robert D. Litowitz, *Boone to Consumers: Pat Boone First to Fess Up to False Celeb Endorsement*, FINNEGAN: INCONTESTABLE (Mar. 2013), https://www.finnegan.com/files/Upload/Newsletters/Incontestable/2013/March/Incontestable_Mar13_Print.pdf [https://perma.cc/N89J-J9WP].
35. FTC v. Garvey, 383 F.3d 891, 893–94, 896 (9th Cir. 2004).
36. *Id.* at 895–96.
37. *Id.* at 893–94.

co-host of the infomercials.[38] The FTC sought to make him repay the royalties he had received for his endorsement activities, estimated at $1.1 million.[39]

The trial court ruled in favor of Garvey in 2002 after a bench trial, concluding he was not liable for any violations of the FTC Act.[40] "The court found that Garvey did not have actual knowledge of any material misrepresentations," nor was he "recklessly indifferent to the truth or falsity of" the weight loss products' claims.[41] Garvey and his wife had personally used the product and lost weight, and he had reviewed product-related materials, providing him with "reasonable substantiation" for his promotional statements.[42]

The FTC appealed the ruling.[43] In 2004, the Ninth Circuit affirmed the judgment in favor of Garvey.[44] The court agreed with the trial court that the FTC had not shown Garvey knew his claims were false or was recklessly indifferent to the truth.[45]

The outcome of *Garvey* was significant because it established a relatively high bar for liability for celebrity endorsers and spokespeople in false advertising cases under the FTC Act.[46] The decision clarified that to be held liable, an endorser must have actual knowledge of a material misrepresentation concerning the product's attributes or be recklessly indifferent to the truth or falsity of their representations.[47]

The Ninth Circuit noted that Garvey's personal use of the product and his review of its marketing materials were sufficient to avoid being

38. Press Release, *FTC Files Charges Against Additional Defendants Involved in the Deceptive Advertising of "The Enforma System"*, FED. TRADE COMM'N (Sep. 1, 2000), https://www.ftc.gov/news-events/news/press-releases/2000/09/ftc-files-charges-against-additional-defendants-involved-deceptive-advertising-enforma-system [https://perma.cc/6LZX-SBAH].

39. *Venable Scores One for Celebrity Endorsers; Steve Garvey Cleared of Wrongdoing in Truth-in-Advertising Case*, VENABLE LLP (Nov. 12, 2002), https://www.venable.com/about/news/2002/11/venable-scores-one-for-celebrity-endorsers-steve-g [https://perma.cc/T3HS-LVL3].

40. *See Garvey*, 383 F.3d at 896.

41. *Id.*

42. *Id.* at 894, 896.

43. *Id.* at 896.

44. *Id.* at 905.

45. *Id.* at 896, 901–02.

46. *Steve Garvey Walks on Celebrity Pitch; Ninth Circuit Affirms Former Baseball Star Not Liable in FTC Action*, VENABLE LLP (Sep. 3, 2004) [hereinafter *Steve Garvey Celebrity Pitch*], https://www.venable.com/about/news/2004/09/steve-garvey-walks-on-celebrity-pitch-ninth-circu [https://perma.cc/KZ3K-GQQW].

47. *See Garvey*, 383 F.3d at 900.

found "recklessly indifferent" to any false or misleading statements.[48] According to one law firm's analysis, the *Garvey* case is one of the most significant rulings applying FTC policies on celebrity endorsements since the settlement involving singer Pat Boone in the 1970s.[49]

B. Private Class Action Litigation—Power Balance Litigation

Power Balance was a bracelet with an embedded hologram that was introduced into the market in 2007.[50] Power Balance LLC (the "Company") claimed that its technology could increase strength, balance, and flexibility, thereby improving athletic performance in those who wore the band on their wrists.[51]

In 2011, a federal class action lawsuit was filed in Los Angeles, alleging that the defendants had made false and unsubstantiated claims about the effectiveness of Power Balance's bracelets.[52] The lawsuit named the Company, O'Neal, and Lamar Odom ("Odom"), among others, as defendants, alleging claims under the California Consumers Legal Remedies Act as well as the California Unfair Competition Law.[53] The complaint also asserted a statutory false advertising claim under Section 17500 of the California Business and Professions Code, as well as a common law claim for unjust enrichment.[54]

The plaintiff alleged that the products were "nothing short of snake oil" and that O'Neal and Odom each lent their "personal reputation to the sale and advertisement" of Power Balance products.[55] Specifically, the complaint alleged that O'Neal and Odom, as paid endorsers, made personal claims about the product's effectiveness—such as O'Neal representing that he had undergone kinesiology testing and vouched for the accuracy of the results.[56]

48. *Id.* at 901–02.

49. *Steve Garvey Celebrity Pitch*, *supra* note 46.

50. Class Action Complaint ¶¶ 1, 17, 47, Casserly v. Power Balance, LLC, No. 11-CV-00670 (C.D. Cal. Jan. 21, 2011), Dkt. No. 1.

51. *Id.* ¶¶ 1, 19, 27; *see also* Scott Neumyer, *The 25 Biggest Fitness Fads of All Time That Shaped How We Train (for Better or Worse)*, MEN'S J. (Apr. 24, 2025, at 2:59 ET), https://www.mensjournal.com/style/the-25-biggest-fitness-fads-of-all-time [https://perma.cc/EU8S-MXVA].

52. Class Action Complaint, *supra* note 50, ¶¶ 2, 4, 28–30.

53. *Id.* ¶¶ 7–10, 41–53, 60–71.

54. *Id.* ¶¶ 54–59, 72–76. Because the FTC Act provides no private right of action, and only the FTC may bring enforcement actions under it, the plaintiff did not assert any claims under that statute. Holloway v. Bristol-Myers Corp., 485 F.2d 986, 988–89 (D.C. Cir. 1973).

55. Class Action Complaint, *supra* note 50, ¶¶ 2, 22, 24.

56. *Id.* ¶¶ 21–24.

Power Balance ultimately agreed to pay $57.4 million to misled buyers who bought the bogus bands and acknowledged that there was "no credible scientific evidence" for its medical and therapeutic claims.[57] In November 2011, Power Balance filed for Chapter 11 bankruptcy protection.[58]

Although the original lawsuit sought to hold the celebrity endorsers liable alongside the Company for the alleged deception, the endorsers ultimately reached a separate settlement with the plaintiff and were dismissed from the case.[59] But in an ironic twist, O'Neal and Odom filed legal claims against the Company in the bankruptcy proceedings, asserting they were owed money as creditors—O'Neal for his endorsement activities and Odom, as a minority investor.[60] In the bankruptcy settlement agreements, the Company agreed to pay O'Neal and Odom a combined $287,000 to settle their claims.[61]

While the Company itself bore the financial liability, the case signaled that celebrity endorsers can and will be named in false advertising lawsuits for making unsubstantiated claims as paid spokespersons. Although private plaintiffs, rather than the FTC, brought claims against the celebrity endorsers in *Power Balance*, the litigation still underscores the importance of the FTC's Guides, whose standards overlap with the statutory and common-law remedies available to deceived consumers under state law.[62] Three principles in the Guides are particularly relevant to celebrity endorsers:

(1) Truthfulness: Endorsements must reflect the honest opinions, beliefs, or experience of the endorser.[63]

57. *Power Balance Hit with $57 Million Settlement; Declares Bankruptcy*, CBS NEWS (Nov. 21, 2011), https://www.cbsnews.com/sacramento/news/report-power-balance-hit-with-57m-settlement-plans-to-declare-bankruptcy/ [https://perma.cc/3M44-9XM7].

58. Voluntary Petition at 1, *In re* Power Balance, LLC, No. 11-BK-25982 (Bankr. C.D. Cal. Nov. 18, 2011), Dkt. No. 1.

59. Stipulation of Dismissal, Casserly v. Power Balance, LLC, No. 11-CV-00670 (C.D. Cal. Dec. 18, 2012), Dkt. No. 99; Order on Stipulation of Dismissal, Casserly v. Power Balance, LLC, No. 11-CV-00670 (C.D. Cal. Dec. 19, 2012), Dkt. No. 100.

60. *Power Balance Agrees to Cough Up $287K*, TMZ (June 17, 2020, at 13:57 ET), https://www.tmz.com/2013/08/11/shaq-lamar-odom-power-balance-settlement-lawsuit [https://perma.cc/7HFB-LBKY].

61. *Id.*

62. *See* Class Action Complaint, *supra* note 50, ¶ 25.

63. FED. TRADE COMM'N, FTC'S ENDORSEMENT GUIDES: WHAT PEOPLE ARE ASKING (2023).

(2) Disclosure: An endorsement must clearly disclose the material commercial connection—such as payment or a free product—between the endorser and the seller of the product or service.[64]

(3) No False Claims: Endorsers cannot make any statements about a product that the advertiser cannot legally make—and an endorser who makes unsubstantiated claims about a product's performance may be liable in certain circumstances, such as when those claims are inconsistent with the endorser's personal experience.[65]

O'Neal and Odom may have ended up collecting from the company in bankruptcy, but the lawsuit against them nonetheless served as a public warning: celebrities who lend their names to products with unsubstantiated scientific claims can find themselves named as defendants.

IV. EARLY CELEBRITY ENDORSER CRYPTOCURRENCY CASES

A. The EMAX Cases

1. Kim Kardashian

The liability of celebrity endorsers in the crypto space has been a major focus of U.S. securities regulators, most notably in the case involving Kim Kardashian ("Kardashian") and the EthereumMax ("EMAX") token. Kardashian's case serves as a high-profile example of the Securities and Exchange Commission's ("SEC") aggressive enforcement against celebrity endorsers who fail to disclose the compensation they receive for publicly promoting crypto asset securities.[66]

The key legal action against Kardashian was brought by the SEC in October 2022.[67] The SEC charged Kardashian with violating the "anti-touting" provision of federal securities laws, which requires anyone who promotes a security to disclose the nature, source, and amount of any compensation received for the promotion.[68]

In June 2021, Kardashian posted about EMAX tokens on her Instagram account, which at the time had approximately 225 million

64. *Id.*

65. *Id.*

66. *See* Press Release, U.S. Sec. & Exch. Comm'n, SEC Charges Kim Kardashian for Unlawfully Touting Crypto Security (Oct. 3, 2022), https://www.sec.gov/newsroom/press-releases/2022-183 [https://perma.cc/9RKQ-5MHX].

67. *Id.*

68. *Id.*; *see also* 15 U.S.C. § 77q(b).

followers.[69] While the post included the hashtag "#AD," it failed to clearly disclose the payment she had received for promoting EMAX.[70] Kardashian was separately named as a defendant in an investor class action lawsuit over the EMAX token, together with other celebrity endorsers Floyd Mayweather ("Mayweather") and Paul Pierce ("Pierce").[71] The lawsuit accused the celebrities and EthereumMax of engaging in a "pump-and-dump" scheme, alleging that their endorsements caused investors to purchase the tokens and drive up their prices, after which the company's executives and promoters sold their own tokens at those inflated prices, reaping "substantial profits."[72] According to the alleged scheme, prices for the EMAX tokens surged 1,370% above their launch price, then dropped 98% as insiders cashed out.[73] The plaintiffs also alleged that the EMAX tokens were unregistered securities, and that certain defendants had violated California and Florida securities laws by selling them without proper registration.[74]

The class action has faced a complex legal path. The court dismissed the core claims against Kardashian, Mayweather and Pierce in December 2022, with the judge noting that the plaintiffs' lawyers had not adequately alleged RICO standing or a RICO enterprise, or that the investors had actually relied on the celebrities' promotions.[75] Later that month, the plaintiffs filed a new 162-page amended complaint.[76] In a lengthy 84-page decision in June 2023, the court largely denied the motions to dismiss the consumer law claims in the amended pleading, allowing claims for consumer fraud against Kardashian and Pierce to go forward.[77] The class action plaintiffs filed yet another amended pleading to cure deficiencies that the court found in its June 2023 ruling.[78] In August 2025, the court denied the plaintiffs' motion to certify a national

69. Kardashian, Securities Act Release No. 11116, File No. 3-21197, ¶¶ 3, 9 (Oct. 3, 2022).

70. *Id.* ¶¶ 9–10.

71. Class Action Complaint at 1, ¶¶ 10-12, Huegerich v. EthereumMax, No. 22-CV-00163 (C.D. Cal. Jan. 7, 2022), Dkt. No. 1.

72. *Id.* ¶¶ 2–4, 51, 54.

73. *Id.* ¶¶ 49–51.

74. Third Amended Class Action Complaint at 140, 155–56, ¶¶ 412–13, 482–84, *In re* EthereumMax Investor Litig., No. 22-CV-00163 (C.D. Cal. June 26, 2023), Dkt. No. 163.

75. *In re* EthereumMax Investor Litig., No. 22-CV-00163, slip op. at 3–4 (C.D. Cal. Dec. 6, 2022), Dkt. No. 99.

76. Second Amended Class Action Complaint at 1, *In re* EthereumMax Investor Litig., No. 22-CV-00163 (C.D. Cal. Dec. 22, 2022), Dkt. No. 102.

77. *In re* EthereumMax Investor Litig., No. 22-CV-00163, slip op. at 2–5 (C.D. Cal. June 6, 2023), Dkt. No. 161.

78. Third Amended Class Action Complaint, *supra* note 74, at 1.

class of defrauded investors, but allowed state law claims to go forward on a class-wide basis under the laws of California, New York, New Jersey and Florida.[79]

2. Floyd Mayweather, Jr.

Boxing legend Mayweather has been involved in several high-profile cases related to his endorsement of cryptocurrency products, most notably the foregoing class action lawsuit over the EMAX token and a landmark case brought by the SEC concerning Initial Coin Offerings ("ICOs").

Mayweather is a defendant in the same class action lawsuit against Kardashian and Pierce filed by investors who lost money on the EMAX token.[80] The lawsuit alleges that Mayweather was a "marquee" promoter of EMAX tokens at boxing matches, by providing incentives like ringside seats and signed gloves for those who bought tickets with the token.[81] He allegedly participated in the same "pump-and-dump" scheme as the other celebrity endorsers.[82]

Mayweather has contested the claims, arguing that the celebrity promotions were inconsequential "puffery" upon which "a reasonable consumer could not rely."[83] The court agreed in part, holding that Mayweather's statement at the Bitcoin 2021 conference was a statement of his "belief" regarding EMAX's future growth and therefore "quintessential nonactionable puffery."[84] As noted above, the case is still ongoing.

3. Paul Pierce

The SEC also has moved against Pierce for his involvement with EMAX. In February 2023, the SEC charged the Basketball Hall of Famer with failing to disclose $244,000 that he had received for promoting the EMAX tokens on social media and for posting misleading claims about

79. *In re* EthereumMax Investor Litig., No. 22-CV-00163, slip op. at 1, 3, 25, 33–34 (C.D. Cal. Aug. 6, 2025), Dkt. No. 288.

80. Class Action Complaint, *supra* note 71, at 1, ¶¶ 1, 6, 11.

81. *Id.* ¶¶ 29–30, 34.

82. *Id.* ¶¶ 4, 51, 54, 90.

83. Defendants' Omnibus Motion to Dismiss State Consumer Law & Common Law Claims at 14–15, *In re* EthereumMax Investor Litig., No. 22-CV-00163 (C.D. Cal. Feb. 21, 2023), Dkt. No. 119.

84. *In re* EthereumMax Investor Litig., No. 22-CV-00163, slip op. at 5 (C.D. Cal. June 6, 2023), Dkt. No. 161.

his investment.[85] Pierce had tweeted a screenshot of a high-profit account with EMAX—falsely implying that he held large amounts of tokens, while his actual holdings were far lower.[86] Pierce paid $1.4 million in disgorgement, interest, and penalties to settle the SEC case.[87] Although Pierce did not admit to any wrongdoing, the SEC Chair at the time, Gary Gensler, said Pierce's case was a "reminder" to celebrities that "the law requires you to disclose to the public from whom and how much you are getting paid to promote investment in securities, and you can't lie to investors when you tout a security."[88]

The class action brought against Kardashian, Mayweather, Pierce, and others outlines reasons why Pierce may have chosen to settle the SEC case. It describes several devoted basketball fans who follow his career closely and say they repeatedly saw him promote EMAX tokens as having strong growth prospects and rising value.[89] According to the lawsuit, those endorsements encouraged them to purchase the tokens.[90] The plaintiffs argue that if Pierce had revealed his own holdings and other information he allegedly left out, his followers would have understood the true situation.[91]

In May 2021, Pierce posted on social media that he planned to remain invested in EMAX "for the long haul."[92] However, the plaintiffs claim that just three days later, a public wallet linked to him sold millions of EMAX tokens and continued selling more shortly afterward.[93] They further allege that Pierce had access to material, nonpublic information about the timing of celebrity promotions for EMAX, including his own, and used that knowledge to strategically buy and sell tokens in order to maximize his personal profits.[94]

85. Pierce, Securities Act Release No. 11157, File No. 3-21305, at 1–2, ¶¶ 1–2, 4, 22 (Feb. 17, 2023).

86. *Id.* ¶¶ 13–14.

87. *Id.* § IV.C.

88. Press Release, U.S. Sec. & Exch. Comm'n, SEC Charges NBA Hall of Famer Paul Pierce for Unlawfully Touting and Making Misleading Statements about Crypto Security (Feb. 17, 2023), https://www.sec.gov/newsroom/press-releases/2023-34 [https://perma.cc/TC4R-U5JG].

89. Third Amended Class Action Complaint, *supra* note 74, ¶¶ 205, 207, 210.

90. *Id.*

91. *Id.* ¶¶ 257, 293.

92. *Id.* ¶¶ 82–83.

93. *Id.* ¶¶ 71, 83–84.

94. *Id.* ¶¶ 85, 453.

B. Mayweather's SEC Charges for Undisclosed ICO Promotion (2018)

Mayweather was one of the first major celebrities to be publicly sanctioned by the SEC for promoting cryptocurrencies without disclosing payments from the company for the crypto products that he endorsed.[95] The SEC charged Mayweather with violating the same "anti-touting" provisions of the federal securities laws with which it had charged Kardashian and Pierce in the EMAX matters.[96] Mayweather promoted three separate ICOs on his social media accounts, including an offering from Centra Tech Inc.[97] One of his tweets concerning Centra Tech stated: "Centra's ICO starts in a few hours. Get yours before they sell out, I got mine."[98] He also posted on Instagram: "You can call me Floyd Crypto Mayweather from now on."[99]

The SEC alleged that Mayweather failed to disclose that he was paid $300,000 for these promotions.[100] Without admitting or denying the SEC's charges, Mayweather agreed to disgorge the $300,000 he received for the promotion, pay a $300,000 civil penalty plus $14,775 in prejudgment interest, and refrain from promoting any securities, digital or otherwise, for three years.[101]

V. THE FTX CLASS ACTION LAWSUIT

The FTX class action lawsuit is a consolidated Multidistrict Litigation ("MDL") brought by investors who lost money in the collapse of the FTX cryptocurrency exchange.[102] One focus of the MDL, pending in the U.S. District Court for the Southern District of Florida, is holding

95. Pete Blackburn, *Floyd Mayweather Fined for Cryptocurrency Fraud by Securities and Exchange Commission*, CBS SPORTS (Nov. 30, 2018, at 00:39 ET), https://www.cbssports.com/boxing/news/floyd-mayweather-fined-for-cryptocurrency-fraud-by-securities-and-exchange-commission [https://perma.cc/U35T-QB7G].

96. *See* Corrado Rizzi, *'Truly a House of Cards': Bankman-Fried, Celebs, Athletes Hit with Class Action Over FTX Collapse*, CLASSACTION (Apr. 30, 2024), https://www.classaction.org/blog/truly-a-house-of-cards-bankman-fried-celebs-athletes-hit-with-class-action-over-ftx-collapse [https://perma.cc/4UFY-X6MT].

97. Press Release, U.S. Sec. & Exch. Comm'n, Two Celebrities Charged With Unlawfully Touting Coin Offerings, (Nov. 29, 2018) [hereinafter SEC Press Release], https://www.sec.gov/newsroom/press-releases/2018-268 [https://perma.cc/BR6R-WPR4].

98. *Id.*

99. *Id.*

100. Blackburn, *supra* note 95; SEC Press Release, *supra* note 97.

101. SEC Press Release, *supra* note 97.

102. *See FTX Promoter & Influencers Class Action*, MOSKOWITZ LAW FIRM (May 29, 2025), https://moskowitz-law.com/ftx-promoter-class-action?rq=ftx [https://perma.cc/PZ4C-52K2].

the company's extensive list of celebrity endorsers and influencer promoters accountable for the investors' losses.[103]

The lawsuit alleges that FTX's A-list of promoters, known as "Brand Ambassadors," misled investors by promoting FTX's products—specifically the Yield-Bearing Accounts ("YBAs")—which the plaintiffs claim were unregistered securities.[104] The endorsers are alleged to have materially assisted in the illegal offer and sale of those unregistered YBAs in violation of state securities laws, specifically those of Florida and Oklahoma.[105] The plaintiffs also allege that the promoters failed to disclose the nature and extent of the compensation for their endorsements, thereby violating the "anti-touting" provisions of the federal securities laws.[106] At its core, the lawsuit accuses the promoters of engaging in consumer fraud and deceptive business practices, leveraging their popularity and celebrity status to promote a crypto platform that was later revealed to be a massive Ponzi scheme.[107] The class action names numerous high-profile celebrities, athletes, and sports organizations as defendants, including: Tom Brady, Gisele Bündchen, Larry David, Stephen Curry, Shaquille O'Neal, Kevin O'Leary, David Ortiz, Naomi Osaka, the Golden State Warriors, Major League Baseball and the Mercedes-AMG Petronas Formula One Team.[108]

After FTX filed for bankruptcy in November 2022, numerous investors filed lawsuits alleging losses resulting from the exchange's collapse.[109] One track of the MDL litigation involves claims against these celebrity endorsers, social-media influencers, promoters, and other third-party actors who promoted FTX.[110]

In a major ruling on May 7, 2025, the court dismissed 12 of the 14 claims brought against the celebrity endorsers—including Tom Brady,

103. *See id.*

104. *See* Wendy Davis, *FTX And Celebrity Endorsers Sued by Investors*, MEDIAPOST (Nov. 16, 2022), https://www.mediapost.com/publications/article/379875/ftx-and-celebrity-endorsers-sued-by-investors [https://perma.cc/UY6F-FETL].

105. *Id.*

106. *See* Kori Hale, *Shaq's $1.8 Million FTX Settlement Signals the Fall of Celebrity Crypto Hype*, FORBES (July 11, 2025, at 17:45 ET), https://www.forbes.com/sites/korihale/2025/07/11/shaqs-18-million-ftx-settlement-signals-the-fall-of-celebrity-crypto-hype/ (on file with the Rutgers University Law Review).

107. Davis, *supra* note 104.

108. First Amended Administrative Class Action Complaint & Demand for Jury Trial at 28–38, ¶¶ 71–106, *In re* FTX Cryptocurrency Exch. Collapse Litig., No. 23-MD-03076 (S.D. Fla. May 28, 2025), Dkt. No. 908.

109. *In re* FTX Cryptocurrency Exch. Collapse Litig., 677 F. Supp. 3d 1379, 1379–80 (S.D. Fla. 2023).

110. *See FTX Promoter & Influencers Class Action*, *supra* note 102.

Gisele Bündchen and Stephen Curry—for promoting FTX.[111] The court found that the plaintiffs had failed to sufficiently allege that the celebrities had "actual knowledge" of FTX's alleged fraud or that they conspired to defraud investors.[112] In the words of one legal commentator: "Judge K. Michael Moore reasoned that although these celebrities probably should have been more curious about FTX before telling their fans to invest, that type of shortcoming doesn't establish the celebrities had actual knowledge of fraudulent acts—a required element for some of the claims."[113] In the words of the court: "[I]n the extensive list of promotions, advertisements, and statements, Plaintiffs have not provided any details related to Defendants' alleged scheme to engage in knowingly false or deceptive practices, other than that Defendants promoted the FTX products in exchange for a substantial compensation package."[114]

The court further explained that the celebrities may have been "uninformed, negligent, or even reckless" in urging fans to make "risky financial decisions" about products for which they lacked relevant expertise.[115] But the plaintiffs had not shown that these celebrities knew about FTX's fraud or that they had any intent to deceive or defraud.[116] However, the court allowed some state-securities law claims—under Florida and Oklahoma statutes—to proceed.[117] Judge Moore held that, although the plaintiffs' fraud-based state-law claims failed to meet the federal heightened pleading standard, the celebrity promoters may still be liable for aiding in the sale of unregistered securities under Florida and Oklahoma law.[118] The court also noted that the endorsers' alleged negligence or lack of due diligence did not establish the intent to defraud required under California securities law or the actual knowledge required to aid and abet fraud.[119]

The reactions to Judge Moore's ruling were swift and mixed in both the legal and sports communities. While many legal experts believe the

111. *See In re* FTX Cryptocurrency Exch. Collapse Litig., 781 F. Supp. 3d 1324, 1333 n.1, 1361 (S.D. Fla. 2025).

112. *Id.* at 1350–51.

113. Michael McCann, *Brady, Ohtani, Other Celebs Get Most of FTX Case Dismissed*, SPORTICO (May 9, 2025, at 08:00 ET), https://www.sportico.com/law/analysis/2025/tom-brady-shohei-ohtani-ftx-lawsuit-mostly-dismissed-1234851774/ [https://perma.cc/RQX9-5EF5].

114. *In re FTX Cryptocurrency*, 781 F. Supp. 3d at 1348.

115. *Id.* at 1345.

116. *Id.*

117. *See id.* at 1344, 1346.

118. *Id.* at 1341–51.

119. *Id.* at 1345, 1351 n.7.

ruling significantly narrows the liability exposure of celebrity promoters in the FTX litigation, others believe that it will not end their legal exposure because of the surviving state-law claims. Alan Milstein ("Milstein"), "a litigator who has represented celebrity athletes such as Allen Iverson and Carmelo Anthony, told *Sportico* that Moore 'rightfully dismissed the claims, recognizing that paid spokesmen should not be held liable if a consumer finds that, say, light beer neither tastes great nor is less filling.'"[120] Milstein added that professional athletes "'are often the targets of litigation because of their deep pockets' and 'in no case was this more obvious' than endorser-related litigation 'arising out of the FTX collapse.'"[121]

Conversely, the Moskowitz Law Firm ("Moskowitz"), lead counsel for the plaintiffs, reacted positively, calling it an "excellent order" and expressing hope of settling with the remaining promoter defendants once discovery begins.[122] The surviving claims matter because, as Moskowitz argued before the ruling, state "blue sky" laws can hold promoters liable for selling unregistered securities even if they did not understand what they were endorsing.[123] Consistent with that theory, the court allowed the Florida and Oklahoma claims to proceed without requiring allegations that the promoters knew of FTX's fraud.[124] It found it plausible that the FTX products were unregistered securities and declined to rule out that the celebrities acted as FTX's agents.[125]

A. Amended Complaint After Judge Moore's Decision

Following Judge Moore's decision, the plaintiffs filed a 582-page amended complaint.[126] The Moskowitz Law Firm's press release provided a detailed summary and rationale for the amended complaint:

120. McCann, *supra* note 113.

121. *Id.*

122. Michael A. Mora, *'Eight of Nine:' 'Fine Print' Attorney Influencer Erika Kullberg Settles FTX Case*, LAW.COM (June 20, 2025), https://www.law.com/dailybusinessreview/2025/06/20/eight-of-the-nine-fine-print-attorney-influencer-erika-kullberg-settles-ftx-case/ (on file with the Rutgers University Law Review).

123. Steven Zeitchik & Julian Mark, *Tom Brady Pushed Crypto to His Fans. This Lawyer Wants Him to Pay Up*, WASH. POST (Dec. 14, 2022), https://www.washingtonpost.com/business/2022/12/14/ftx-class-action-lawsuit/ (on file with the Rutgers University Law Review).

124. *See In re FTX Cryptocurrency*, 781 F. Supp. 3d at 1341, 1345–46.

125. *Id.* at 1340–41, 1343–46.

126. First Amended Administrative Class Action Complaint & Demand for Jury Trial, *supra* note 108, at 1.

> This multidistrict litigation tells two stories. The first is familiar: a global, multibillion-dollar fraud made possible only through the knowing promotion and participation of dozens of powerful insiders and celebrity influencers. The second is unprecedented: (1) a global class action securities case where the underlying illegal misconduct is not speculative, but already proven "beyond a reasonable doubt" in a federal criminal jury trial before the Honorable Judge Lewis A. Kaplan; (2) where bankruptcy courts, including the Honorable Judge John T. Dorsey, have already returned over $4.5 billion to creditors; (3) where the total damages to the certified class members yet-to-be-recovered exceeds tens of billions of dollars more; (4) the fraudulent FTX plan was hatched and emanated mainly from here in South Florida; and (5) binding precedent in this Circuit holds allegations regarding these exact types of social media promotions of unregistered securities state a cause of action for soliciting sales of unregistered securities.[127]

The amended complaint shifted its theory of liability away from "actual knowledge" of fraud, which the judge found lacking as to the celebrities, and toward the strict liability standard for promoting unregistered securities.[128] Because Judge Moore had ruled that the plaintiffs' claims lacked sufficient detail to plausibly allege that the celebrities knew about FTX's fraud, the amended complaint focuses on the objective acts of promotion, such as Tom Brady's "Are You In?" campaign, as direct violations of securities registration laws.[129]

Since the amended complaint was filed, the remaining defendants—including the Golden State Warriors and Tom Brady—have filed new motions to dismiss.[130] They argue it is a "shotgun pleading" that still fails to link their specific promotional acts to any investor losses.[131] By contrast, the plaintiffs maintain that because the unregistered securities claims survived the most recent round of dismissal motions, they are now

127. *FTX Promoter & Influencers Class Action*, *supra* note 102.

128. *See* David Zaslowsky, *Tom Brady, Larry David, Gisele Bündchen, and Other Celebrities Partially Let Off the Hook for Their Promotion of FTX*, BLOCKCHAIN (May 12, 2025), https://blockchain.bakermckenzie.com/2025/05/12/tom-brady-larry-david-gisele-bundchen-and-other-celebrities-partially-let-off-the-hook-for-their-promotion-of-ftx/ [https://perma.cc/D93H-N7TB].

129. *Id.*

130. *See* Brief in Support of Motion to Dismiss at 1, *In re* FTX Cryptocurrency Exch. Collapse Litig., No. 23-MD-03076 (S.D. Fla. July 27, 2025), Dkt. No. 943.

131. *In re* FTX Cryptocurrency, 781 F. Supp. 3d at 1338.

entitled to full discovery, including access to the celebrity endorsers' private emails and their depositions.[132]

VI. CELEBRITY ENDORSER SETTLEMENTS IN THE FTX CASE

A. Trevor Lawrence

In April 2021, Trevor Lawrence, a quarterback for the Jacksonville Jaguars, entered into an endorsement deal with FTX, reportedly receiving a payment of approximately $500,000 in cryptocurrency.[133] The partnership generated significant fanfare at the time. FTX co-founder—and now convicted felon—Sam Bankman-Fried declared: "Trevor Lawrence is the future of professional football and cryptocurrency is the future of money, so the partnership was a no-brainer."[134]

In September 2023, Bloomberg Law reported that Lawrence, along with YouTube influencers Kevin Paffrath and Tom Nash, agreed to settle the claims against them in the class action lawsuit by investors who lost billions in FTX's collapse.[135] The terms of the settlement were not disclosed.[136]

B. Shaquille O'Neal

FTX was not the only crypto company promoted by NBA legend Shaquille O'Neal. Nor was it his first settlement. O'Neal and his son, Myles O'Neal, were the founders of the Astrals Project, a collection of 10,000 non-fungible tokens ("NFTs"), three-dimensional avatars designed by artist Damien Guimoneau.[137] An NFT is "a unique cryptographic key contained within a digital token on the blockchain that

132. *See FTX Promoter & Influencers Class Action*, *supra* note 102; First Amended Administrative Class Action Complaint & Demand for Jury Trial, *supra* note 108, at 16.

133. Cohen, *supra* note 9.

134. *Id.*

135. Jef Feeley, *Jaguars QB Trevor Lawrence Settles FTX Endorsement Lawsuit*, BLOOMBERG L. (Sep. 15, 2023, at 21:22 ET), https://news.bloomberglaw.com/crypto/jaguars-qb-trevor-lawrence-to-settle-ftx-endorsement-fraud-suit (on file with the Rutgers University Law Review).

136. *Id.*

137. David Zaslowsky, *Shaquille O'Neal and Associates Agree to Pay $11 Million to Settle NFT Lawsuit*, BLOCKCHAIN (Nov. 26, 2024), https://blockchain.bakermckenzie.com/2024/11/26/shaquille-oneal-and-associates-agree-to-pay-11-million-to-settle-nft-lawsuit/ [https://perma.cc/MF2S-GRGK].

verifies the corresponding content file as genuine."[138] NFTs are most often used with music or art.[139] O'Neal marketed these products as long-term investment opportunities.

Shortly after FTX's collapse, O'Neal posted on the social media platform, Discord, a graphics interchange format ("gif") from the movie The Wolf of Wall Street that read: "I'M NOT F^ING LEAVING."[140] In a lawsuit by investors, plaintiffs alleged that O'Neal served as the "face" of the Astrals Project, using his celebrity status to encourage investment, urging buyers to "not F***ing Leave" and driving up the prices of the NFTs, only to later abandon the Astrals Project.[141] A court's earlier ruling that the NFTs might properly be classified as "securities" and that O'Neal could plausibly be considered a "seller" of those unregistered securities under federal securities laws was a significant factor leading to his and the other defendants' decision to settle that NFT litigation for $11 million.[142]

In June 2025, O'Neal agreed to a settlement in the FTX case. Unlike the initial confidential settlement reached by Trevor Lawrence, the financial terms of O'Neal's agreement were disclosed in a court filing.[143] The NBA legend paid $1.8 million to settle all claims against him in the FTX class action lawsuit.[144]

C. Udonis Haslem

In 2022, shortly after FTX's collapse, former Miami Heat forward Udonis Haslem ("Haslem") expressed personal frustration, stating he had been "gypped out of $15 million" as a result of his association with FTX.[145] He explained that his original promotional compensation had ballooned to that amount before becoming worthless when the exchange filed for bankruptcy.[146] Like other celebrity endorsers of FTX, Haslem was accused of promoting unregistered securities and failing to disclose

138. David Zaslowsky, *Shaquille O'Neal Must Face Lawsuit Over NFTs*, BLOCKCHAIN (Aug. 23, 2024), https://blockchain.bakermckenzie.com/2024/08/23/shaquille-oneal-must-face-lawsuit-over-nfts/ [https://perma.cc/4NQS-J6TH].

139. *Id.*

140. *Id.*

141. *Id.*

142. *See id.*; Zaslowsky, *supra* note 128.

143. Horney, *supra* note 2.

144. *Id.*

145. Ben Horney, *Udonis Haslem Settles Out of FTX Litigation*, FRONT OFF. SPORTS (Dec. 1, 2025, at 15:46 ET), https://frontofficesports.com/udonis-haslem-settles-out-of-ftx-litigation/ [https://perma.cc/H628-AKF7].

146. *See id.*

the compensation that he had received for his endorsement of FTX.[147] He also was accused of misleading investors through statements touting FTX as "safe" and stating that he was "100% in," which encouraged inexperienced investors to use the platform.[148]

On November 26, 2025, it was revealed in a court filing that Haslem had reached a settlement with the plaintiffs in the FTX class action lawsuit.[149] The specific financial terms of the settlement were not publicly disclosed.[150]

D. Erika Kullberg

Beyond the Lawrence, O'Neal, and Haslem settlements, personal finance attorney and legal influencer Erika Kullberg and her talent management agency, the Creators Agency LLC, agreed in July 2025 to settle claims arising from their promotion of FTX.[151] The claims alleged they hyped FTX in a way that contributed to investor losses after the exchange's collapse in 2022.[152] The settlement amount was reported to be $372,500.[153]

VII. HOW THE FTX CLASS ACTION LAWSUIT AND RECENT SETTLEMENTS MAY AFFECT CELEBRITY ENDORSEMENT DEALS IN THE FUTURE

High-profile settlements in recent cryptocurrency class action lawsuits, most notably that of Shaquille O'Neal, have undoubtedly sent shockwaves through the celebrity endorsement community and the sports and entertainment industries. They have significantly altered the mindset and practices of celebrities, dealmakers, and attorneys who work in the $3.4 billion global industry.[154]

147. *See id.*
148. *See id.*
149. *Id.*
150. *Id.*
151. Gillian R. Brassil, *Influencer Erika Kullberg Agrees to Pay $372,500 in FTX Suit*, BLOOMBERG L. (July 11, 2025, at 08:37 ET), https://news.bloomberglaw.com/securities-law/influencer-erika-kullberg-agrees-to-pay-372-500-in-ftx-suit (on file with the Rutgers University Law Review).
152. *Id.*
153. *Id.*
154. *See Future Scope of Celebrity Endorsement Market Set to Witness Significant Growth by 2025-2032*, OPENPR, (Nov. 13, 2025, at 11:27 ET), https://www.openpr.com/news/4268829/future-scope-of-celebrity-endorsement-market-set-to-witness [https://perma.cc/GS2D-4L57].

Moving forward, the impact of the FTX class action lawsuit and subsequent settlements on the celebrity endorsement landscape remains unclear. Some legal experts, including the lead plaintiffs' counsel in the FTX class action litigation, believe there is now an "FTX effect" that has fundamentally reshaped the celebrity endorsement marketplace.[155] Following Judge Moore's 2025 ruling and the series of high-profile settlements, the industry has adopted a defensive posture that treats "Brand Ambassadors" as potential "unregistered brokers" rather than mere faces of a brand.

Focusing on the nature of the product itself rather than on the statements or conduct of celebrity endorsers can be a game-changer when it comes to potential liability. Rather than meet higher standards of pleading—and proof—for claims of fraud, the sale of unregistered securities is subject to a strict-liability standard whereby celebrities can be held liable for promoting those products even if they have no knowledge of any fraud or other underlying misconduct by others.[156] Although Judge Moore dismissed claims for fraud because defendants, such as Tom Brady, lacked "actual knowledge" of the scam, he upheld claims under state "blue sky" laws which, like their federal counterpart, prohibit the sale of unregistered securities.[157] The court ruled that by encouraging fans to get in on FTX, celebrities potentially acted as "agents" of the seller.[158] This can shift a plaintiff's burden from proving fraud to simply proving the celebrity participated in the sale of a regulated product that was not registered with the SEC.[159]

A. Contractual Practices: Due Diligence, Disclosure and Risk Clauses

1. Stronger Disclosure Requirements

In direct response to the lawsuits, celebrity endorsement agreements increasingly require explicit and conspicuous disclosure of financial compensation and material commercial ties—such as equity in the company—not just in broad terms but in the context of how that information is actually presented on social media or in ads.[160] These

155. *See* Lucy Brewster & Jackson Fordyce, *The Lawyers That Are Trying to Kill Crypto*, FORTUNE (May 8, 2023, at 11:13 ET), https://fortune.com/2023/05/08/legal-liability-crypto-celebrity-endorsements-ftx-voyager/ (on file with the Rutgers University Law Review).

156. *See* Zaslowsky, *supra* note 137.

157. *See id.*

158. *See id.*

159. *See id.*

160. *See* Stefanie D. Fischer & Daniel J. Procaccini, *'Negative Influencing' Pushes FTC Rules on Ads and Testimonials*, BLOOMBERG L. (Jan. 15, 2026, at 04:30 ET),

disclosures align with updated FTC advertising rules that emphasize real-time transparency, allowing audiences to recognize paid promotions immediately.[161]

2. Stronger Due Diligence Requirements

With the recent proliferation of celebrity endorser class action lawsuits, attorneys tasked with protecting their celebrity endorser clients are increasingly including more robust due diligence requirements in endorser agreements, such as provisions requiring that the celebrity or influencer, or their counsel, have reviewed and verified a product's claims and have actually used the product before endorsing it.[162] In addition, the risk disclaimers and indemnification clauses that assign responsibility if legal claims arise from endorsements—particularly for financial products—have been strengthened in the contracts.[163] Each of these changes responds directly to the risk that investors will sue, claiming they relied on celebrity endorsements to their detriment.

3. Insurance and Liability Protections

In addition to the expanded due diligence and fortified representations and warranties, influencer liability insurance has emerged as another tool available to mitigate risk in celebrity endorsement agreements.[164] This type of coverage can protect against suits alleging deceptive endorsements or misrepresentations.[165] While this was not a standard practice historically, the growth of high-cost

https://news.bloomberglaw.com/legal-exchange-insights-and-commentary/negative-influencing-pushes-ftc-rules-on-ads-and-testimonials (on file with the Rutgers University Law Review).

161. *See id.*

162. *See* Caitlin Zeytoonian et al., *Influencer Marketing Class Actions on the Rise: Common Themes & Key Takeaways*, MORGAN LEWIS (June 16, 2025), https://www.morganlewis.com/pubs/2025/06/influencer-marketing-class-actions-on-the-rise-common-themes-and-key-takeaways [https://perma.cc/R6R2-C8UW]; Seth Girsky, *FTC Compliance and Transparency in Influencer Marketing: Complete 2026 Guide*, INFLUENCEFLOW (Aug. 15, 2026), https://influenceflow.io/resources/ftc-compliance-and-transparency-in-influencer-marketing-your-2025-guide/ [https://perma.cc/8RS8-HBZR].

163. *See* Girsky, *supra* note 162.

164. *See* Jonathan Selby, *Why Celebrities Are Facing FTX-Related Lawsuits*, FOUNDER SHIELD (June 26, 2025), https://foundershield.com/blog/celebrities-ftx-related-lawsuits [https://perma.cc/AC9V-Y6A7].

165. *See id.*

influencer litigation and class action celebrity endorser lawsuits has heightened interest in this type of coverage.[166]

4. FTC Rules

The FTC has strengthened and clarified its rules on endorsements and testimonials—making "clear and conspicuous" disclosure of sponsorship unavoidable and applying these standards broadly across platforms and content formats.[167] These rules have real, enforceable penalties and are reshaping how contracts specify marketing compliance.

5. Federal and State Securities Law Considerations

Litigation like the FTX class actions and other crypto suits has underscored that when an endorsed product may be construed as a security—or when the public perceives it as an investment—celebrities and brands face heightened regulatory scrutiny and should treat those endorsement arrangements as implicating securities law obligations.[168] Protective and precautionary language should be built into those contracts.

VIII. CONCLUSION

Since the first celebrity endorsement deals appeared in the 1700s, the case law has generally shielded celebrities from liability stemming from endorsement partnerships. Historically, endorsers have rarely been held liable for misconduct carried out by the companies they promote.[169] While they are compensated for allowing their name, image, or likeness to support a brand, they often have limited or no actual insight into the company's operations or leadership.[170] Because endorsers typically are not involved in management or strategic decision-making, they are generally not in a position to detect improper financial or accounting practices.[171]

166. *See* Zeytoonian et al., *supra* note 162 (describing proliferation of influencer marketing class actions); Selby, *supra* note 164 (discussing influencer insurance as a solution to litigation risk).

167. Fischer & Procaccini, *supra* note 160.

168. *See* Alison R. Manzer et al., *From Memes to Millions: Regulating Celebrity-Backed Crypto Offerings*, CASSELS (Apr. 17, 2025), https://cassels.com/insights/from-memes-to-millions-regulating-celebrity-backed-crypto-offerings/ [https://perma.cc/7JD4-GFWA].

169. McCann, *supra* note 7.

170. *Id.*

171. *Id.*

The recent high-profile crypto celebrity endorsement lawsuit settlements, most notably involving Shaquille O'Neal and FTX, coupled with Judge Moore's May 2025 ruling in the FTX class action lawsuit, have dramatically changed the landscape of celebrity endorsements and potential liability claims tied to those endorsements. Notable sports law scholar Michael McCann described this as a potential seismic change in celebrity endorser liability, calling O'Neal's seven-figure settlement "a significant development in an area of law that has historically favored endorsers."[172]

Regardless of how the cases against the remaining FTX endorsers, including Tom Brady, Stephen Curry, and Larry David, are resolved, celebrities considering a partnership with any financial brand, especially one in cryptocurrency, are likely to proceed with far more caution. Caveat venditor—let the seller beware!

172. *Id.*