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Understanding Non Fungible Tokens -: What You Should Know

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The disruption in technology has given rise to the adoption of new and improved technologies, creating a widely accepted medium of exchange and investment all over the world. These technologies have extended beyond cryptocurrencies to the creation, ownership and sale of digital assets through tokenization. These digital assets are referred to as non-fungible tokens(NFTs). This article talks about understanding Non Fungible Tokens.

To aid understanding of this concept, the terms “**fungible**” and “**token**” will be considered individually. The word “fungible” indicates an item (such as money or commodity) that can be interchanged or substituted for another item of the same type or value. Like physical money, cryptocurrencies are fungible, meaning that they can be traded or exchanged, one for another. They’re also equal in value—one dollar is always worth another dollar; one Bitcoin is always equal to another Bitcoin.

A token on the other hand is a unit of digital information (which represents an asset) that is stored on the blockchain and executed through a smart contract; programs on the blockchain allows the automatic transfer of ownership of a digital asset once it is paid for.

A **non-fungible token ("NFT")** therefore is a non-interchangeable unit of data (token) stored on a blockchain which is a form of digital ledger, that can be sold and traded because of its unique characteristics. NFTs are one of a kind and possess unique identification codes and metadata that distinguish them. Their ownership is easily identified, incontestable, and guaranteed by blockchain technology and the fact that they cannot be replaced or exchanged makes them valuable and in high demand.

FORMS OF NFTs

Much of the current market for NFTs is centred around collectables such as digital artwork, sports cards, GIFs, Music, virtual avatars and video games skin. Even Tweets count. Recently, Twitter's ex-CEO, Jack Dorsey sold his first-ever tweet "just setting up my Twitter" as an NFT for over $2.9 million.

These NFTs are bought and sold online, frequently with cryptocurrencies on platforms such as Opeansea.io, Rarible etc. and they are generally encoded with the same underlying software as many cryptos. An NFT allows the buyer to own the original item and contains built-in authentication, which serves as proof of ownership. People who buy NFTs are called collectors and their catalogue, collections. Essentially, NFTs are like physical collector's items, only digital. So instead of getting an actual oil painting to hang on the wall, the buyer gets a digital file instead.

WHO OWNS THE INTELLECTUAL PROPERTY RIGHTS IN AN NFT?

From our submission that NFTs are digital representations of physical assets, a curious question arises is; who owns the intellectual property rights in these digital representations?

The answer to this is simple! In accordance with the Copyrights laws in countries, including Nigeria, the rights in a work; be it an artwork or music lies in the author. All that the creator of the NFT has is a license or authorization to copy.

WHY ARE NON-FUNGIBLE TOKENS IMPORTANT?

Like other forms of digital trade, NFTs are gradually gaining the spotlight. By enabling digital representations of physical assets, NFTs are a step forward in the reinvention of this infrastructure.

For most individuals, the most obvious benefits lie in the creation of new markets and serve as a form of a good investment. The conversion of a physical asset into a digital one streamlines processes and removes intermediaries. NFTs representing digital or physical artwork on a blockchain remove the need for agents and allow artists to connect directly with their audiences. Furthermore, an NFT when purchased can be listed for double or triple the purchase price, buying for less, selling for more.

When chosen right, NFTs serve as great investments!

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