

A hand is shown holding a glowing blue globe. The globe is surrounded by a network of white lines and dots, representing a digital or metaverse environment. The background is dark blue with a subtle grid pattern.

Future of the Digital Economy Program: Business in the Metaverse

New Laws For the New World of the Metaverse

Dubai Chambers Guest Specialist: Rabya Anwar



Rabya Anwar

Lawyer and Leading Metaverse Specialist

About Rabya

A Solicitor of the Senior Courts (UK), an Advocate with Higher Rights of Audience (UK) and an Attorney (USA).

A partner at a top 100 International Law Firm which was recently voted Law Firm of the Year.

Managing Director of a Fintech and Metaverse specialist advisory firm.

Rabya is widely recognised for her high-profile international work in Financial Services, Energy, Fintech, Crypto, Blockchain, Metaverse and more!

Credentials and client testimonials can be found by following this link:

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Agenda

Permeation of Industries, Countries and Cultures

Legal Challenges and Risks

Enforcing Contracts, Validating Transactions, Possession, Intellectual Property

Data Security, Privacy and Human Rights

Legal Risks of Interactions and Advertising in the Metaverse

Financial Crime & the 'Darkverse'

Solutions to Legal Challenges and Conclusion

Permeation of all Industries

Examples – Fashion, Yachting, Beauty and Beyond

Travel and Tourism

- Providing prospective tourists with 'taste' of what could experience to help choose holiday venues and experiences in advance
- Virtual experiences of landmarks for those who can not visit, e.g. Louvre Museum in Paris can now be visited virtually

Yachts

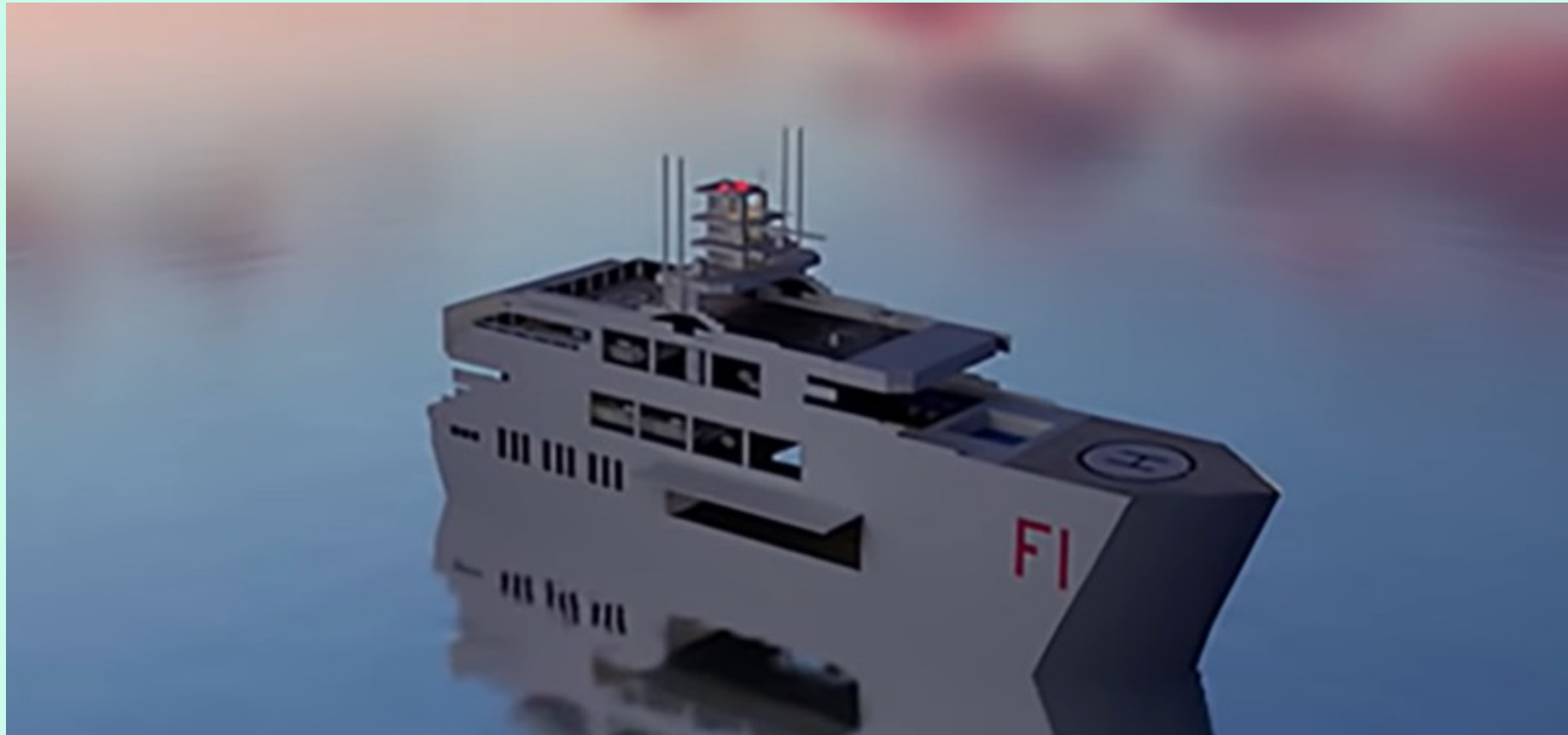
- Purchase of yacht NFTs in the metaverse to provide holders with real life access to the VIP yacht world
- Fractional ownership of yachts
- Access to yacht shows, yacht parties and other yacht experiences

Fashion and Beauty

- Estee Lauder participated in Decentraland's Metaverse Art Week 2022
- Dior Beauty has also created a 'Miniverse' in the tones of its brand image where users are able to create an avatar and get a sense of immersion

Metaflower Super Mega Yacht

ETH 164 = \$650k



Permeation across Countries and Cultures

Examples of plans across the globe

Barbados

- Will launch an embassy in the Metaverse and provide governmental services in the Metaverse

Seoul, South Korea

- Will use the metaverse to provide access to public services, events and historical sites

Tuvalu, Pacific Island

- Will use the metaverse to preserve its heritage and history amidst rising sea levels

Legal Challenges and Risks

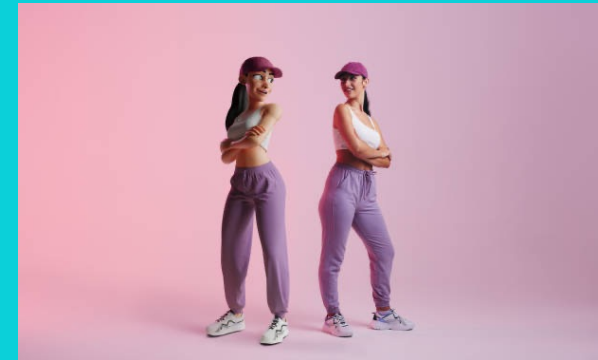
Interoperability, jurisdictional uncertainty, lack of protections

- Interoperability. Do not yet have one universal, organised, authenticated infrastructure.
- Physical v digital assets.
- Borderless and lack of tangibility creates complexities e.g. which laws apply
- Working out the correct venue for bringing any legal action can already be challenging in the real world with tangible physical assets. More challenging in the metaverse
- Country hosting the server for the metaverse v country where digital asset is sold v country where purchaser resides...

Enforcing Contracts and Validating Transactions

Contractual and Civil Law Issues

- Smart contracts
- Breach of contract
- Enforceability
- Validity of transactions
- Counterparty default
- Settlement risk



'Possession is nine-tenths of the Law'

The complexities of proving ownership of assets in the metaverse

Artwork

- Ownership of physical art
- Ownership of digital art
- NFTs.
- Licensing with owner getting royalties from that digital artwork

Virtual Real Estate

- Plots of virtual land in metaverse can cost millions of USD
- \$450,000 to purchase land in metaverse next to Snoop Dogg
- Trespass on property in metaverse?
- Multiple sales of same property and scams
- Leasing, nuisances and other property law rights associated with physical properties



Intellectual Property

Applicability of IP Law to the Metaverse

Qualifying for Protection

- Significant disagreement amongst lawyers regarding how and when IP rights could apply to assets in the Metaverse
- 23 June 2022: EU IP Office guidance that such virtual goods and services to be considered Class 9: computers and scientific devices
- On NFTs “treated as unique digital certificates registered in a blockchain, which authenticate digital items but are distinct from those digital items...”

Trademark Applications

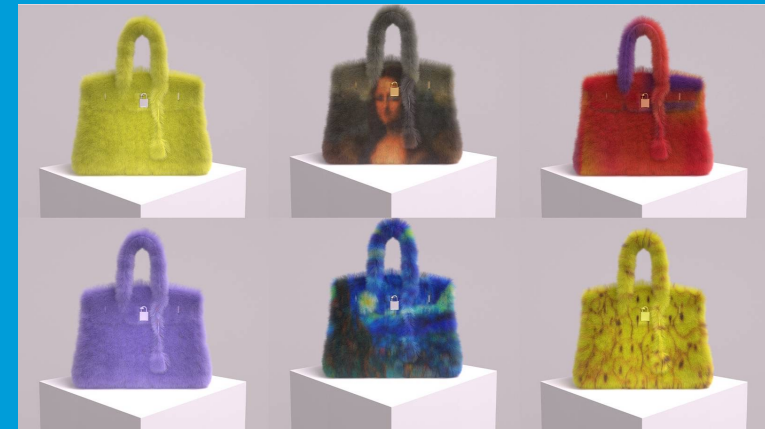
- Unprecedented surge in number of trademark applications for virtual goods and services in Europe

Trademark Incidents in the Metaverse



Nike's new trademark applications

On 14 November 2022, three new patents for virtual footwear, clothing and sports equipment filed.
Online retail stores featuring virtual goods.



'Metabirkins' – Rothschild, Hermes case

Rothschild's creation and sale in November 2021 of one hundred NFTs depicting digital Hermes Birkin bag. Hermes lawsuit against creator of NFTs marketed as 'MetaBirkins'.

Data Security, Privacy, Human Rights

Legal Protections are needed to safeguard rights

- Traceability
- Recording user movements, bodily reactions and even brainwave patterns allows metaverse infrastructure providers to personalise experience but this is at the cost of the right to privacy – balance needs to be struck
- Balance between right to privacy, freedoms and anonymity v protecting others from harm and monitoring for crime
- Freedom of expression v defamation and discriminatory views
- Right to privacy
- Harassment, non-consensual exposure
- Misuse of avatars and identity theft
- Applicability of existing legal rights e.g. GDPR.
- Right to be forgotten, right of erasure, right to correct data, etc



Legal risks of interactions in the Metaverse

Real crimes in a virtual world

- Interacting with others in the Metaverse, even though doing so using virtual 'avatars', can expose individuals to risk of committing crimes which can be punished in the real world
- Causing physical trauma
- Causing mental trauma
- Devaluing or damaging assets of others in the Metaverse
- Theft
- Assault
- Defamation
- Harassment
- Indecent exposure
- Discrimination or insults e.g. racial, sexual, religious or other discrimination



Advertising in the Metaverse

Concerns and Challenges

- Distinguishing between entertainment and advertising content in the metaverse
- Enforcing censorship and advertising restrictions
- Real-world companies could face legal action over misrepresentation through advertisements in the metaverse
- Sponsorship transparency and disclosures



Financial Crime

Money Laundering

- Crypto, NFTs and other digital assets
- Criminals may shift money derived from illegal activities
- Difficult to control without centralized authority to oversee the global regulatory standard of digital assets
- <https://www.fn london.com/articles/why-we-need-a-new-crypto-regulator-20210906>



Darkverse

The new 'dark web'

- New space for underground marketplaces, criminal communications and illegal activities
- Lookalike avatars with stolen identities or other users that have been hacked will allow for anonymity when conducting criminal activities in the metaverse
- Criminals offering illicit goods and services on the dark web will be able to offer them in a more tempting way in the 'darkverse'
- Metaverse courts and metaverse law enforcement
- Political rigging, fake news



Solutions to Legal Challenges

Legally safeguarding the future: the long road ahead





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