# Legal Issues for Web 3/Metaverse Startups

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# Format of Presentation

- Highlight of main legal issues facing tech startups generally.

- Mostly Q & A. Ask me all your legal questions. I'm normally $2000/hour.

- My expertise is international securities law, intellectual property, and working with startups.

- Based in Dubai, UAE, but have truly international perspective.

# Issue: Form your company

- Form your company immediately, do not wait.
- The company provides your main vehicle to establish the necessary relationships, including receiving investor funds and getting licensed.
- It also provides a liability shield. Otherwise, you are a "general partnership" with unlimited personal liability for project obligations.
- If the initial entity is unsuitable, with proper advance planning, you can always create a new (more suitable) entity and assign everything to that entity.
- Consult with specialist about best initial company location and structure.

# Issue: Founder relationships

- Immediately document founder relationships.
- Ownership positions, responsibilities, contributions, etc.
- Don't be afraid of having the hard conversations at the start. They get much harder later.
- If founder contributing labor over time in exchange for equity, need some sort of vesting or buyout provision.
- Make sure founder key intellectual property (IP) properly owned or licensed by company.

# Issue: "Almost founder" relationships

- These are very early employees, contributors, or contractors who add key value. They may (with some justification) believe that they are co-founders. May have equity expectations.

- This is especially tricky if they are not being paid immediately or directly. Watch out for vague relationships.

- They may take company IP, relationships, etc. and start a competitor – it happens.

- Document relationships from the start and be clear.

# Issue: Intellectual Property (IP) generally

- Key IP areas are copyright, patent, trademark and trade secrets.

- Copyright is (mostly) creative works of original authorship. Watch out for AI creations and procedural worlds!

- Patent is (mostly) newly invented physical devices, objects or (sometimes) processes.

- Trademark is the name of company and its products/platforms. Protected to prevent consumer confusion as to source.

- Trade secrets are information which may or may not fall under traditional IP, but are private and protected (e.g., customer lists).

# Issue: Web 3/Metaverse IP

- IP is extremely tricky in the Web 3/metaverse.
- Consider NFT IP issues (will discuss some examples)
  - Copyright
  - Celebrities
  - Organizations (i.e., sports teams or leagues).
- Consider employee/contractor contributions.
  - Default rule is that contractors (not employees) own the IP they create!
- Beware issues with FOSS (free and open source software). Tricky FOSS licenses are a thing…

# Issue: Web 3/Metaverse – Who Owns What?

- Metaverse is filled with virtual goods, including personalized user avatars.

- Who owns these? The users? Or, are they "Amazon licensed".

- Need strong and clear user terms and conditions.

- Consider roll of NFTs in these worlds. These can be "owned". Should everything be an NFT?

# Issue: Connected Worlds

- The "Metaverse" can be defined as distinct, but connected, online worlds.

- If your Metaverse is connected by you to another Metaverse, and your user gets "hurt" in that other Metaverse, who is responsible?

- How do you integrate the rules of one online world with the rules of another online world ?

# Issue: Employment and Tax in the Metaverse

- Consider "play to earn" in these worlds.

- Are users then employees?

- Do they need to pay tax on their earnings?

- Are you responsible for them paying those taxes? Do you need to withhold some of those earnings?

# Issue: Contracts and Crime in the Metaverse

These worlds will only become more immersive and "real". Actual business and relationships will form there.

*** Do you (already) have friends who you have never met in real life?

- Contracts – which rules apply? How are disputes resolved?

- Fraud

- Theft

- "Violence"
  - What happens when an avatar becomes subject to an assault?

- Who is ultimately responsible for the above?

# Question and Answer

# ASK!