

Doctrinal article

METaverse: THE NEW DIGITAL SOCIETY ON BLOCKCHAIN AND THE LEGAL FUNCTION

DECENTRALISED NETWORKS, DIGITAL IDENTITY, NFTS
AND CRYPTO ASSETS

ALMUDENA DE LA MATA MUÑOZ

UNIVERSITY PROFESSOR & PHD,
MANAGING PARTNER OF BLOCKCHAIN INTELLIGENCE AND
PRESIDENT OF BLOCKCHAIN INTELLIGENCE LAW INSTITUTE

Metaverse: The new digital society on Blockchain and the legal function.

Decentralised networks, digital identity, NFTs and crypto assets.

Almudena de la Mata Muñoz

CEO, Blockchain Intelligence

President of the Blockchain Intelligence Law Institute



“Metaverses involve new markets in which contracting and contract perfection and value exchange occur digitally on the basis of blockchain technology. Exploiting this new economic and social reality requires the involvement of lawyers and compliance advisors capable of co-designing business strategies taking into account current regulatory requirements. Currently, law firms mainly advise on cryptocurrencies, token issuance and NFTs, fraud, privacy in blockchain networks and governance of private networks and web 3.0 applications. At Blockchain Intelligence we have adapted our advisory activity to the most dynamic sectors, as well as the contents of our Certified Legal Expert and Compliance Courses in Blockchain, Smart Contracts, Tokenisation and Crypto assets and our research activity”.

We are facing a new economic and social revolution. The change is brought about by the possibilities that technology opens up for new forms of human relations, contracting and the generation of business models. Blockchain has made it possible to generate digital value exchange systems without intermediaries.

This technology makes it possible to obtain trust in digital operations, opening up a wide world of new relationship and business possibilities. We now have all the necessary pieces to develop our social activity on digital media. **Distributed networks** provide an environment of greater cybersecurity and decentralised trust. Added to this is the possibility of developing **automated contracting with the use of smart contracts**, the execution of **genuinely digital payments** using cryptocurrencies (issued or not by central banks), the **generation of digital assets representative of value** through tokenisation and the

use of sovereign **digital identity** that brings versatility and security to the interaction between the parties.

The so-called **Metaverses** link this entire infrastructure or digital tools for the exchange of value with interfaces that facilitate human access through virtual reality tools. It is about accessing in a highly visual and immersive way a new world of relationships and contracts with real legal and property effects. These effects are possible thanks to the tools that Blockchain technology offers. In addition, IOT devices connect physical terminals to this whole new environment and the use of data and [Artificial Intelligence](#) introduces greater versatility to the new relationships of people and things.

The human and the technological intertwine to create a new reality that we must approach fearlessly and creatively.

The development of this new reality poses unknown legal challenges. It is necessary to identify risks and adapt regulation to ensure that the social effects of these new technological possibilities are positive. One of the great challenges of the new digital economy is undoubtedly the protection of personal data in a way that guarantees individual and collective freedom but achieves the most productive use of data for social benefit. In this sense, the development of sovereign digital identity is key to the balanced development of the new metaverse-based reality. These are identity management tools that allow the individual to control his or her personal data and its use by decoupling it from the person's identity. In this way we can develop the data economy, guaranteeing individual freedom. The publication last June 2021 of the European Commission's EIDAS2 Regulation proposal, together with the project to develop European digital identity wallets, will be a fundamental element for the exponential adoption of the metaverse economy.

Tokenisation (digital representation of value) and the use of Smart Contracts has also already opened up a new world of possibilities that is revolutionising various sectors. The metaverse economy uses NFTs to represent the value of distinctive elements of social status or to facilitate relationships between people. The avatars that represent us in these virtual worlds wear clothes by well-known brands, listen to the music by certain authors or place paintings on the walls of their offices in this on-screen world. All these goods are unambiguously represented through NFTs and consumed by the actors in these new virtual environments.

Outside the metaverse, one of the areas most affected by NFTs and the Blockchain economy in recent years has been the cultural environment. The generation of the well-known NFTs (non-fungible tokens) enables the creation and exchange of art and other forms of intellectual property. New challenges arise in this legal field marked by the presence of technological elements and the diversity of jurisdictions present in the digital exchange of these values.

Thanks to these NFTs, we can identify a work of art or a piece of music, know who its author is and transfer its ownership accessing the Internet. In other words, we can, among other things, buy intellectual property on the internet without the need for intermediaries. How is this possible? NFTs are an application of Blockchain technology that allows assets to be represented digitally. These non-fungible tokens offer the possibility of identifying a specific asset digitally, generating scarcity, exclusivity, or certain rights over it and facilitating its exchange.

The possibilities of generating new business and social management models in this new digital era with tools such as NFTs are endless. The example of digital artists who are being allowed to sell their works to international investors through Blockchain platforms is very clear. Without having to go to the well-known example of the work that the digital artist Beeple sold for 69 million dollars, national artists have seen their value recognised and have been able to disseminate their art in this technology-based market. NFTs also open up beautiful opportunities for analogue art. It is now possible to co-own historic works, such as Picasso's "Fille au béret", and we have also ensured that such digital assets enjoy much greater levels of liquidity, encouraging investment in the cultural environment. But we can think of other fascinating options that NFTs and Blockchain technology make possible both in the world of culture and beyond. We can equate it to the infinite variety of applications that have been developed on the internet in all sectors and the incalculable impact that this technology has had in recent years. Of course, the possibilities are vast in the management of intellectual property, opening up a range of marketing possibilities for content creators (musicians, journalists, artists, writers, etc.), but it can also have a definite effect on the fight against fake news and the generation of trust in news content. Undoubtedly, blockchain in general and NFTs in particular open the door to disintermediation. Think of how the role of auction houses, video or music platforms or licensing access to scientific content will change if creators can directly

access their markets. We can also generate new funding schemes for science and research.

The sector of culture, art, creativity, aesthetics, the senses, in short intellectual property, are also being profoundly affected by the arrival of Blockchain technology and NFTs. People who often feel alienated from technology are beginning to understand that the digital world opens up new ways of tailoring an activity without corrupting its essence and are increasingly losing their fear of approaching it. We are even devising new ways of interlinking worlds that operate in parallel, such as the art sector and the social sector. We manage, for example, to make a work of art change according to the pollution levels in a neighbourhood.

In reality, the concept of **NFT** is easy to understand. We all understand the difference between fungible goods (the 5-euro note) and non-fungible goods (a work of art, the access card to a building or an opera ticket with the details of the buyer and the seat number, day and time of the show). In the case of NFTs we transfer this concept to the digital environment. Non-fungible tokens (assets) are unique, identifiable and non-exchangeable representations, unlike fungible tokens such as cryptocurrencies or, in the future, the Digital Euro. The content we include in such a non-fungible token, or the trading schemes linked to it can be very diverse in nature. The purchase of an NFT on a song or a work of art could give me ownership of that asset or certain rights of use, publication, or reproduction. It would be something like buying a song on the internet and directly obtaining title to it. We can also generate digital rights to access or use a service or platform ("utility tokens") or we could create investment schemes in negotiable securities ("Security Tokens") derived, for example, from a work of art. This new tool allows us to devise new models of business and social organisation, blurring the barrier between the digital and the real.

At present, no specific legal regime has been defined for NFTs. It remains to be seen whether the Proposed European Crypto Asset Markets Regulation (MiCAR) currently being negotiated in Brussels will apply to NFTs. The applicable regulation will be determined on a case-by-case basis depending on the content and specific characteristics of each NFT. It could be said that a regulation will apply to each NFT. In this respect, the legal work of interpreting the content of the CLS is key. Supervisors will also need to have a good understanding of how tokens work in order to be able to properly interpret their nature and thus define the applicable law. For example, if the characteristics of the

token or the linked financial scheme lead us to consider it as a security token, securities regulations under the control of the CNMV would apply. However, if it is considered a utility token, i.e. a digital form of access to a service, ad hoc regulation will apply. It is therefore important for NFT developers to have a comprehensive design that includes these legal and regulatory issues. Once again, we see how the cultural, legal and technological worlds are intertwined in this new digital reality.

We still face major legal challenges. The first challenge is to understand the phenomenon and the functioning of the technology in order to be able to define which law is applicable in each case. Once again, the difficulty of jurisdictional definition, the determination of liability in cases of fraud or loss of the underlying intellectual property, and the very difficulty of transposing intellectual property law to the digital environment are all apparent. We must also bear in mind that the value of an NFT will be diluted if we generate several non-fungible tokens on the same asset on different blockchains. Finally, which blockchain the NFT is launched on, its governance and operating rules will also be key.

In short, this new and rich reality full of possibilities requires the generation of a complete ecosystem. A major barrier to mass use is the lack of knowledge and training to enable responsible and secure use of the technology.

At Blockchain Intelligence we have been working for years to generate knowledge, training and real use cases for inclusive and sustainable digitisation. European recovery funds are a great possibility to boost this new world, based on a public-private cooperation that can make Spain a centre of legal and compliant use of Blockchain and NFTs.

We are in a new era. Let's take advantage of the tools that technology provides us with to design a more democratic and open society with new opportunities for all. Let's do it in a sustainable way within our current legal framework.

CURSOS CERTIFICADOS BLOCKCHAIN



**CURSO
EXPERTO LEGAL Y COMPLIANCE
EN BLOCKCHAIN**

[VER CURSO](#)



**CURSO
CRIPTOACTIVOS Y CUSTODIA:
REGULACIÓN Y NEGOCIO**

[VER CURSO](#)



**CURSO
EXPERTO COMPLIANCE
EN BLOCKCHAIN**

[VER CURSO](#)



**CURSO
EXPERTO LEGAL
EN BLOCKCHAIN**

[VER CURSO](#)



**CURSO
BLOCKCHAIN
Y POSIBILIDADES DE USO**

[VER CURSO](#)



**CURSOS Y
WORKSHOPS
INHOUSE**

[MÁS INFO.](#)

www.blockchainintelligence.es

info@blockchainintelligence.es