



## METaverse

### Law and Legal Issues

Sheppard Mullin’s [Blockchain and Fintech Team](#) includes attorneys with various legal backgrounds relevant to advising clients on legal issues with metaverse technology and business models. We view metaverses as a confluence of technologies and business models including those set forth below. While the term “metaverse” has received a lot of attention recently, many of the technologies and business models involved are not new. Our attorneys have been at the forefront of navigating these legal issues and we are well equipped to advise on any legal issue that metaverses may raise.

We work with lawyers from various other industry teams and legal practices to advise clients on a range of legal issues raised by these technologies and business models, including:



[Advertising](#)



[Art](#)



[Entertainment](#)



[Esports and Games](#)



[Intellectual Property](#)



[Music](#)

Metaverse Elements (Technologies and Business Models)	Description	Sample Legal Services
Virtual Worlds	Shared, immersive social spaces where users, represented by an avatar, interact with the world and other users, where often land is sold to users for users to build spaces and experiences, often involving an in-world economy	<p>We have advised clients on many aspects of virtual worlds, including:</p> <ul style="list-style-type: none"> <li>• Governance, TOS and EULAs</li> <li>• IP protection and infringement</li> <li>• Virtual currencies and virtual property</li> <li>• Money laundering</li> <li>• Avatar issues</li> <li>• Virtual data and communications</li> <li>• Virtual advertising</li> <li>• Protecting U13</li> </ul>

Metaverse Elements (Technologies and Business Models)	Description	Sample Legal Services
Avatar Issues	Users' immersive experiences often will be implemented via one or more avatars associated with a user	<p>We have advised clients on various aspects of avatar-related issues including:</p> <ul style="list-style-type: none"> <li>• Right of publicity</li> <li>• Brand and third party rights used in avatars</li> <li>• Trademark protection for avatars</li> </ul>
User-Generated Content (UGC)	Many metaverses provide building blocks for users to build out spaces and experiences and transact via in-world commerce	<p>We advise on the many issues with UGC including:</p> <ul style="list-style-type: none"> <li>• IP protection</li> <li>• IP infringement, including DMCA takedowns</li> <li>• Ownership and licensing of UGC</li> <li>• TOS and EULAs</li> <li>• Open source licenses</li> <li>• Virtual marketplaces</li> <li>• Consumer protection</li> </ul>
Games	Many metaverses will include games and apps	<p>We have one of the leading game practices in the country and advise clients on:</p> <ul style="list-style-type: none"> <li>• Developer and publisher agreements</li> <li>• App store policies</li> <li>• IP protection for games/apps</li> <li>• Clearance issues with third party content in games/apps</li> <li>• Gambling issues with loot boxes, chance-based mechanics, social casino games and gaming activity</li> <li>• Digital currencies and virtual items</li> <li>• Live event production and broadcasting</li> <li>• TOS and EULAs</li> <li>• Regulatory issues</li> </ul>
AR/VR/XR	Many metaverses will include enhanced reality technologies	<p>Our games and interactive entertainment lawyers advise clients on many aspects of XR, including:</p> <ul style="list-style-type: none"> <li>• Hardware and platform agreements</li> <li>• Intellectual property protection</li> <li>• Data rights</li> <li>• Safety issues</li> <li>• Virtual advertising</li> <li>• Content licensing</li> <li>• TOS and EULAs</li> </ul>

Metaverse Elements (Technologies and Business Models)	Description	Sample Legal Services
Blockchain, NFTs and DAOs	At least some metaverses will be decentralized and/or rely on blockchain technology, NFTs and DAOs for governance, management of communities, ownership of virtual items, and/or entitlements	<p>Our Blockchain Team is one of the largest in the country and we advise clients on:</p> <ul style="list-style-type: none"> <li>• NFT licensing (IP owners, NFT creators, marketplaces)</li> <li>• NFT marketplace agreements and regulatory issues</li> <li>• Securities and other financial regulatory issues</li> <li>• Money laundering and KYC</li> <li>• OFAC and sanctions compliance</li> <li>• IP protection and licenses</li> <li>• DAO structures and governance</li> <li>• Smart contracts issues</li> <li>• Gambling</li> <li>• Tax</li> </ul>
Digital Currency and Cryptocurrencies	Many metaverses will have a native digital currency (e.g., Linden Dollars, Mana or Sand) or will facilitate use of crypto currency (e.g., ETH)	<p>We advise clients on various legal issues with digital currencies, including:</p> <ul style="list-style-type: none"> <li>• Securities law</li> <li>• Commodities law</li> <li>• Money laundering and KYC</li> <li>• OFAC and sanctions issues</li> <li>• ICOs</li> <li>• Tax</li> </ul>
Social Media and Communications	Metaverses will include in-world communications tools and often will integrate IRL communications and management of communities	<p>We advise on all aspects of communications, including:</p> <ul style="list-style-type: none"> <li>• Epublishing</li> <li>• First Amendment</li> <li>• Regulatory issues</li> <li>• Community governance</li> </ul>
Advertising	Many spaces include virtual advertising and brands will own or lease virtual land, use NFTs, and branded virtual items to promote their products and services, employ avatar-based influencers, participate in sponsored events and engage in other metaverse activities.	<p>We advise on all aspects of in-world advertising including:</p> <ul style="list-style-type: none"> <li>• Endorsements and sponsorships</li> <li>• Branded entertainment initiatives</li> <li>• Virtual events</li> <li>• Customer loyalty programs</li> <li>• Advertising agency and media agreements</li> <li>• Use of influencers</li> <li>• Contest and sweepstakes promotions</li> <li>• Gift cards and prepaid currency</li> </ul>
Music and Movies	Some metaverses will enable users to create music and use existing music. Some will enable users to create movies or machinima.	<p>We advise clients on all aspects of music and movie rights and licensing, with particular experience with digital distribution</p>
Data Mining and AI	Metaverses will generate vast amounts of data which will be tracked and leveraged by the platform operators, some of which will be personal data	<p>Our Privacy and Cybersecurity Practice advises on all aspects of data privacy and protection in connection with virtual worlds and metaverses.</p>

## Our Approach

Given the plethora of legal issues that can arise with metaverses and the unique legal issues that can arise based on the specific combination of technologies and business models that may be present in any metaverse, each client's needs are unique. However, despite this uniqueness, we find that most clients (whether developing a metaverse platform, or engaging within a third party metaverse) need a certain set of services. Our team leaders typically work with metaverse clients to identify the unique legal issues that they need to address based on their specific metaverse offering or involvement. As part of our typical engagements, we often will cover the following with our metaverse clients:

- Assess regulatory issues based on the combination of technologies and business models, including money transmitter/AML issues, gambling, securities, commodities, data privacy and other regulatory issues and help mitigate any regulatory risks identified
- Develop and implement comprehensive intellectual property protection and liability avoidance strategies, including patent, copyrights and trademarks (we have very deep experience with patenting games, XR and blockchain inventions)
- Negotiating and drafting all types of technology related agreements (partnerships, licenses, development, marketing and other agreements), prepare customized Terms of Service and EULAs to protect our client's business and mitigate legal risks
- Advise on all aspects of blockchains, NFTs, cryptocurrencies, smart contracts, DAOs, and related issues
- Develop customized data privacy and protection policies and address other data privacy and protection issues
- Advise on all aspects of virtual advertising
- Develop open source policies and advise on open source use
- Handle corporate formation, financings, mergers, acquisitions, IPOs and other corporate transactions

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