



HKI Arb Webinar:

“Blockchain, NFTs and the Metaverse: Implications for Disputes and the Dispute Resolution Process”

19 October 2022 | 6:00 pm (HKT)



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Introduction

- *In recent months, tech giants, international brands and artists have invested millions of dollars in the metaverse and blockchain technology. And this is only the beginning.*
- *However, how can legal concepts created for the physical world protect investors in this new virtual environment? These new technologies will certainly give rise to new and complex legal issues.*
- *International arbitration will play a key role in the resolution of digital disputes.*

Part 1

The Basics

Part 1 : The basics

a- Blockchain

i- Blockchain defined

- Blockchain is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network.



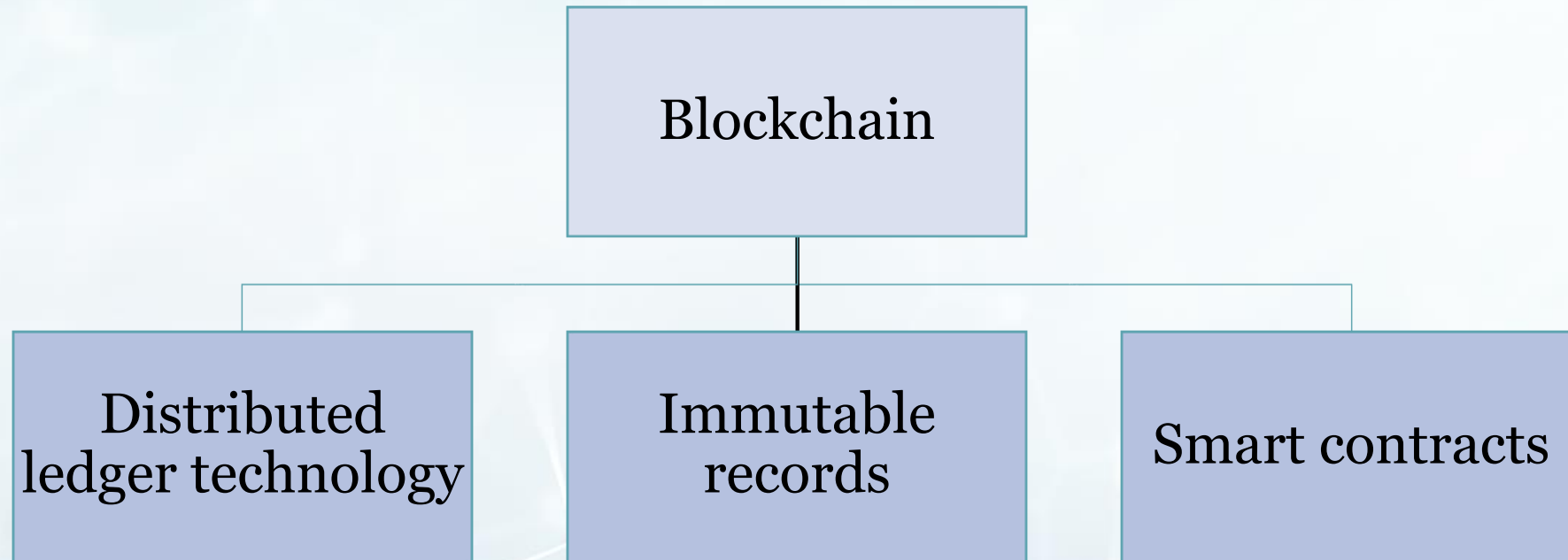
Source : Blockchain France

- An asset can be tangible or intangible.
- Virtually anything of value can be tracked and traded on a blockchain network, reducing risk and cutting costs for all involved.

Part 1 : The basics

a- Blockchain

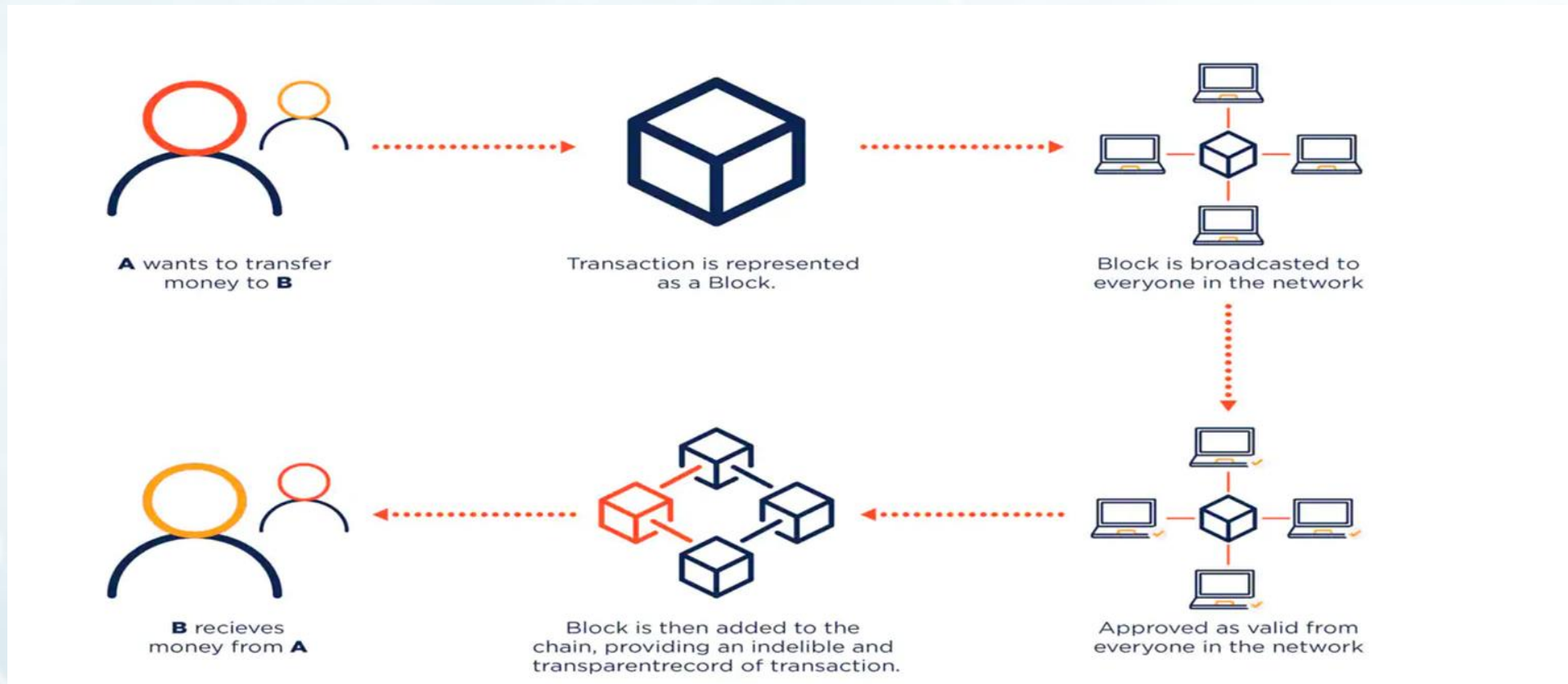
ii- Key elements of a blockchain



Part 1 : The basics

a- Blockchain

iii- How blockchain works



Source : CoinDCX

Part 1 : The basics

b- NFTs

i- NFTs defined

What are NFTs ?

- Non-fungible tokens (NFTs) are cryptographic assets on a blockchain with unique identification codes and metadata that distinguish them from each other.
- NFTs shift the crypto paradigm by making each token unique and irreplaceable, thereby making it impossible for one non-fungible token to be equal to another.

Examples of NFTs

- Digital artwork
- Real estate
- Digital and non-digital collectibles
- Domain names

Part 1 : The basics

b- NFTs

ii- Benefits of NFTs



Part 1 : The basics

c- The metaverse

What is the metaverse ?

- The metaverse can be defined as a simulated digital environment that uses augmented reality (AR), virtual reality (VR), and blockchain, along with concepts from social media, to create spaces for rich user interaction mimicking the real world.

How does the metaverse work?

- It works by establishing a vast network where individuals, via their avatars, can interact socially and professionally, invest in currency, take classes, work, and travel in 3-D virtual reality.

Part 2

A new universe of/for disputes

Part 2 : A new universe of/for disputes

a- Arbitration of blockchain-related disputes and using blockchain tech in the dispute resolution process

i- Arbitration of blockchain related disputes

Intersection of crypto assets with arbitration

- International arbitration disputes are different depending on whether they involve commercial or investment arbitration.

Valuation of crypto assets

- Valuating cryptocurrency has a significant impact on the quantification of damages.

Enforcement of the award

- In *Tulip Trading Limited v Bitcoin Association for BSV* [2022] EWHC 141 (Ch), an English court refused to accept bitcoins as security for costs because its “*high level of volatility (...) could result in their security being effectively valueless*”.

Part 2 : A new universe of/for disputes

a- Arbitration of blockchain-related disputes and using blockchain tech in the dispute resolution process

ii- Using blockchain tech in dispute resolution process

Cybersecurity

- Blockchain can impede fraudulent activities and detect data tampering.

Confidentiality

- Blockchain can provide an extremely confidential platform minimizing the risk of the leakage of sensitive data.

Efficiency

- Reduce the time consumed in dispute resolution.

Part 2 : A new universe of/for disputes

a- Arbitration in the field of arts and NFTs

i- Legal issues arising from NFTs in the field of arts



Source: La revue du digital

Potential claims by rightsholders in underlying works

- Copyright infringement claims



Source: Deutsches Institute für Altersvorsorge

Potential claims by buyers of NFTs

- Fraud claims
- Breach of contract claims

Part 2 : A new universe of/for disputes

a- Arbitration in the field of arts and NFTs

ii- Regulatory issues with NFTs

- Sellers and buyers should be aware that NFTs may be subject to compliance and trade regulations, anti-money laundering and bribery laws, and other rules.
- Because the buyer or seller of an NFT could be anywhere in the world, participants in the NFT market should evaluate whether they are in compliance with international and national laws.

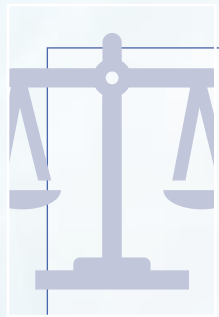


Source: The metaverse – the “Internet 3.0” – offers tremendous opportunities for growth & creativity

Part 2 : A new universe of/for disputes

c- The metaverse: applications and implications for dispute resolution

i- Disputes arising in the metaverse



**Claims by users against
metaverse platforms**

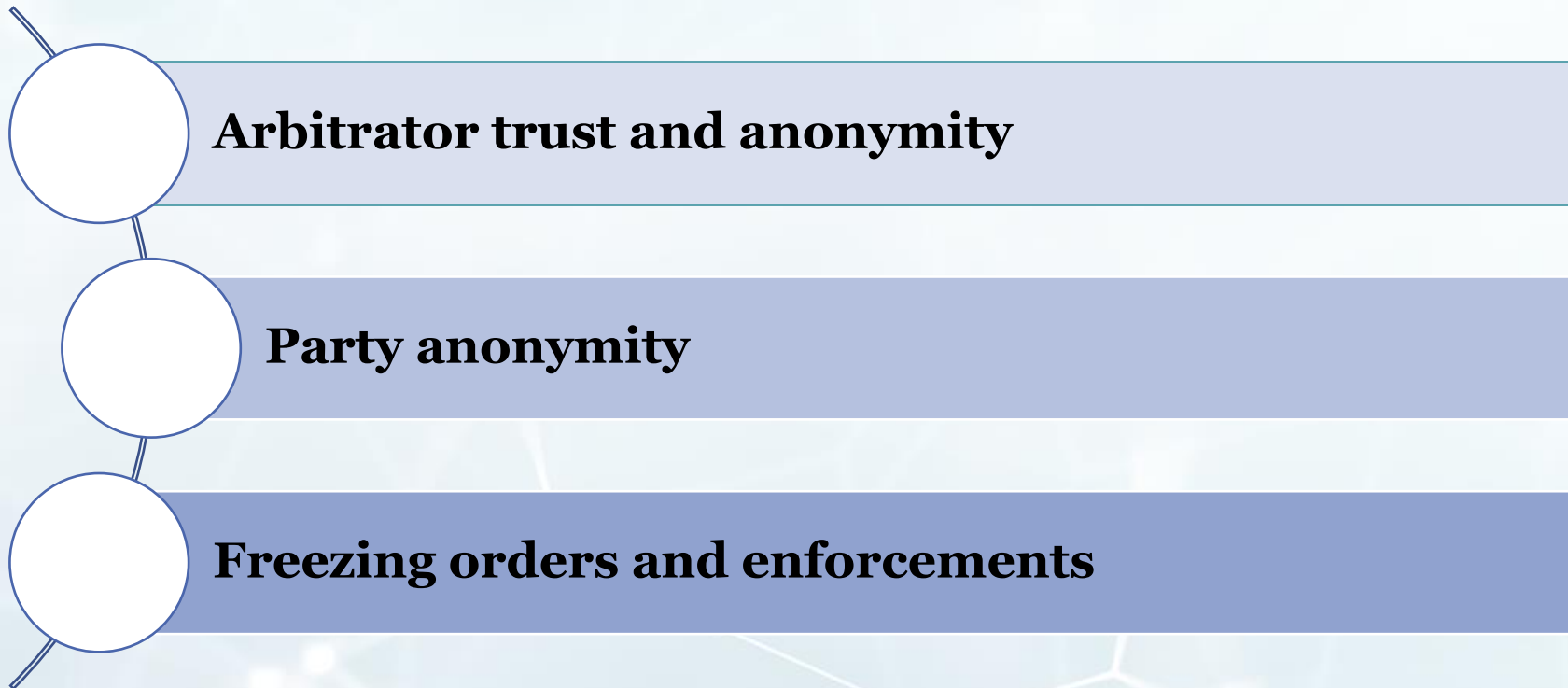


**Claims by users against
other users**

Part 2 : A new universe of/for disputes

c- The metaverse: applications and implications for dispute resolution

ii- Implications for international arbitration in the metaverse



Questions





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