



DISPUTE RESOLUTION IN THE METAVERSE, A REALITY

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Introduction.

Metaverse, the term coined by Neal Stephenson in his cyberpunk novel, Snow Crash., means beyond-universe. Metaverse is a concept evolved from the internet, which is made of shared 3D virtual spaces. A digital representation of people or “Avatars,” can live, work and play in a metaverse. The Metaverse is a persistent virtual space. Which means, it does not vanish when you quit, but stays there for other people to use.

But I've spoken enough about what the Metaverse is, and this is my fourth article in the NFT series. The readers are welcome to read my earlier articles to get your basics on NFTs and Metaverse.

Several companies have taken the path of Metaverse. Tech companies ranging from large multinational corporations to startups, are now in line for a taste of the Metaverse and to secure their permanent position in the world of Metaverse. Significant amounts of money are being invested and even properties are being bought in metaverses for massive amounts of dollars. The Metaverse has already proven its potential to revolutionize the marketing industry and numerous brands have already successfully migrated to offering a bespoke experience to their virtual customers.

I know what most of you are thinking by now. All these companies on the line, in a space that was virtually unknown until very recently, several knowns and unknowns, so, what about disputes? I'm coming to that.

Dispute Resolution in the Metaverse.

It is said that, the disputes that arise from transactions in the Metaverse will come back to the Metaverse for resolution of the same. Yes, that's right. Dispute resolution in the Metaverse. But how?

In November 2022, the Guangzhou Arbitration Commission (GZAC) reported on its social media platform that its Metaverse Arbitration Court awarded the first case involving the virtual world.

The GZAC set up the first Metaverse Arbitration Court, Meta City (Yuanbang) Arbitration Court, in July 2022. It is located in the main building of Meta City Hall, the Scales Floating Island, making it the first Metaverse arbitration court worldwide.

Now let's talk about the first metaverse arbitration that was awarded by the GZAC. It all started when a Hong Kong-funded company, upon the knowledge that the GZAC had set up the Metaverse Arbitration Institute, approached them.

In July 2022, the Hong Kong-funded Internet investment company sold a digital avatar of a mechanical armor image to a bar owner in Guangzhou through marketing in the Metaverse. At the end of August, the Hong Kong-funded company discovered that the digital avatar was printed on the cultural shirts of the buyer's bar for promotion. According to the agreement between the two parties, the digital avatar cannot be used in the real world. Terming the above as a violation, the Hong Kong Company demanded compensation from the buyer.

The parties then agreed to resolve the dispute by arbitration and decided to file a case through Metaverse and submit the dispute to the Metaverse Arbitration Court for resolution.

Huang Minxin, an arbitrator in the case said that, after obtaining the digital image, one party in this case applied it to offline clothing printing and planned to sell it, which affected reflected the copyright income when the digital collection and virtual image were transferred offline. Finally, under the witness of the arbitrator, the Hong Kong-funded company granted new authorizations to digital image holders and users, and the users properly shared the benefits with the Hong Kong-funded company.

It only took 5 days from the acceptance to the settlement of the Metaverse virtual property dispute case. "In the era of the digital economy, both parties to the transaction are affected by flow thinking. The large amount of funds occupied and financial profits based on supply and demand in a short period of time make such disputes often urgent. If they are not resolved in time, the economic The loss will increase several times or even dozens of times." Huang Minxin told reporters.

The Technology.

The Metaverse Arbitration Court basically bypassed the limitations of the three-dimensional world and perfectly reproduced the trial. The GZAC ventured on the integration of internet and law and they seem to be doing it right.

It is however pertinent to note that, not only was a dispute of this kind was unprecedented, but due to factors such as privacy and technicality, there were new challenges to the mechanism.

The trial mechanism of the Metaverse Arbitration Court pays more attention to privacy protection. The arbitration room is password protected, which is only known to the arbitrator and the parties, leaving no chances of interruptions.

It is interesting to know that, the GZAC also launched a new intelligent product - "Yun Xiaozhong" robot. The "Yun Xiaozhong" robot has the advantages of high technological content, uninterrupted service, simple operation interface, flexible and convenient actions, etc. The GZAC also launched the "virtual arbitrator" function. The arbitrators who hear the cases can quickly obtain relevant legal provisions and judicial interpretations from the "virtual arbitrator" through real-time interactive means such as voice and typing, and search for relevant precedents in the judicial database. While the final judgment is still made by the arbitrator, it cannot be denied that it greatly reduces the workload of the arbitrator.

So what else has China been upto?

It appears that our neighbours have quite a few ambitious projects in its pipeline. In early July 2022, Shanghai released its metaverse development initiative from 2022 to 2025, which aims to achieve \$52.19 billion (350 billion RMB) for metaverse-related industries in 2025 and incubate ten “internationally competitive” enterprises in the dominant position. Shanghai and Guangzhou have unveiled ambitious digital economy development plans that explicitly identify the metaverse and digital collectibles as two sectors with immense growth potential.

At the same time, it is interesting to note that China has strict regulations targeting the secondary transactions of digital collectibles.

The Chinese government prohibits NFTs to be issued and traded in China out of concern that they will be used as de facto cryptocurrencies. In April 2022, the National Internet Finance Association of China, the China Banking Association, and the Securities Association of China issued a joint call for guarding against NFT’s financial risks. In early July, about 30 digital collectibles-related organizations, (including Tencent, Alibaba, Baidu, and JD.com), jointly issued a self-disciplined development proposal for the sector under the guidance of the state-affiliated China Cultural Industry Association.

The proposal states that digital collectibles platforms should have “relevant and appropriate credentials” to operate. Steps are even being made to ensure that only the RMB is adopted as the transaction currency.

Meanwhile, what else has been happening in the other parts of the world? That’s right. There’s more.

Abu Dhabi launches Mediation in the Metaverse.

The Abu Dhabi Global Market (ADGM) Arbitration Centre launched the world’s first “mediation in the metaverse”.

Mediation is a consensual process and settlements of disputes help preserve business relationships and company resources. And with the advent of Web3 technology, ADGM hopes to provide a more immersive experience, enhancing virtual mediation by allowing the participants to access a 3D office space. ADGM aims to increase the reach of mediation to parties who wish to explore a resolution of their dispute on their own terms.

Conclusion.

Though the evolution of Metaverse to include real world necessities such as the dispute resolution is commendable, this is only the beginning and there’s a long way to go before it is perfected. We are also yet to see blockchain contracts properly incorporate dispute resolution mechanisms and blockchain arbitration still has a number of issues to address such as, accessibility by non-tech-savvy applicability of local statutes, the New York Convention, limitations to inferences through digital avatars in contrast to a trial with parties present physically etc.

While I personally look forward to experiencing an arbitration on platform such as the above and yes, it is exciting, but we will have to wait before parties get a complete understanding of how it works and how lucrative it would be for all those who participate in the same. I do await the day where I, along with my able and highly competent team at Kochhar & Co., enter the Metaverse as we do in the High Courts and Tribunals, and conduct trials through our avatars. The future does seem to promise some excitement for the legal community too.

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