

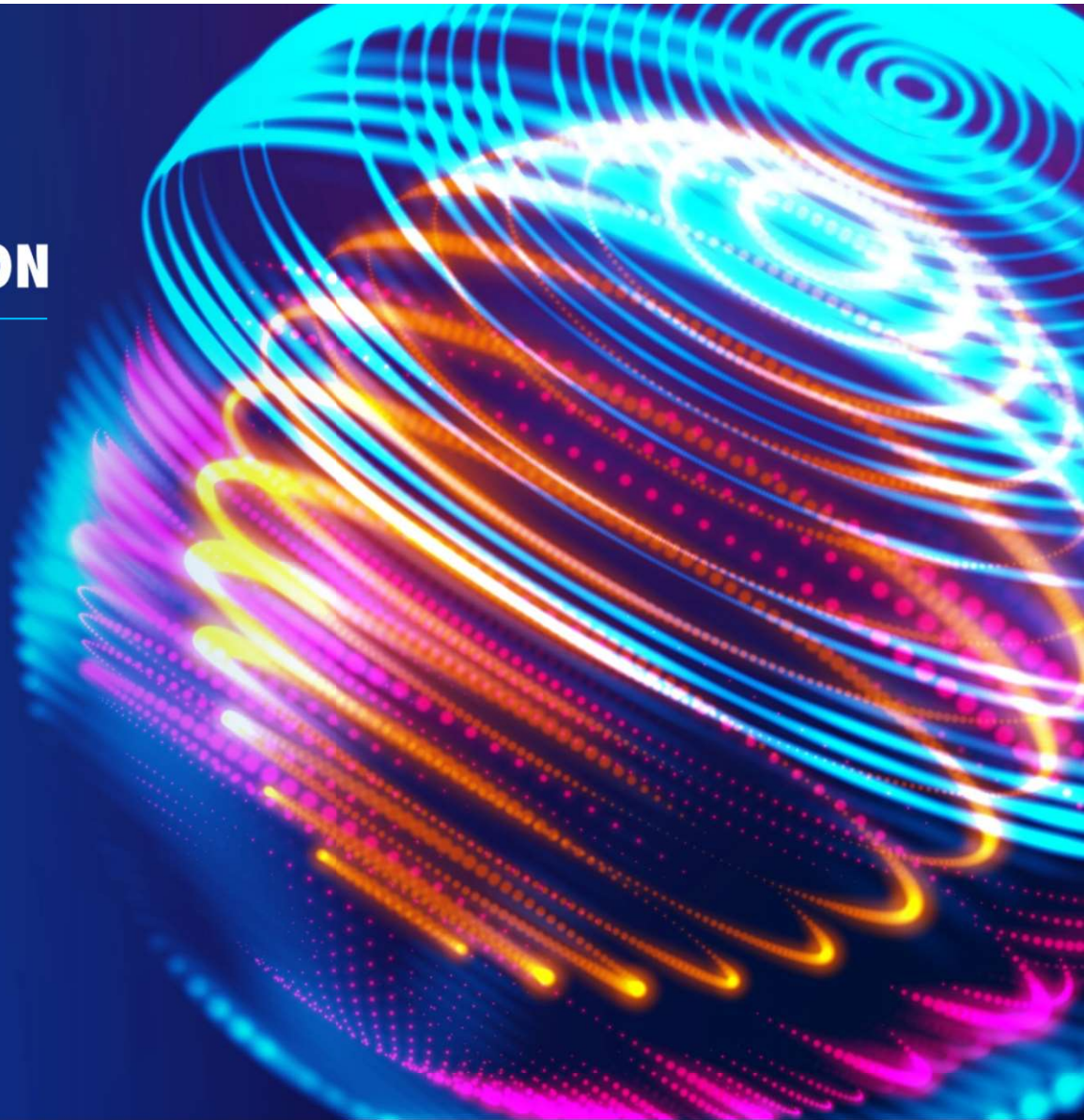
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**GLOBAL DIGITAL TRANSFORMATION**  
WEBINAR SERIES

**PREPARING FOR  
THE METAVERSE  
IN 2023 – LIVE  
VIDEO REPLAY**

January 4, 2023

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# Presenters



Doneld G. Shelkey



Charlotte Roxon



Jesse R. Taylor

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# NFTs & How they Relate to the Metaverse

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# NFTs – What are They?

- **NFT Stands for Non-Fungible Token.**
  - A unique digital asset.
  - Authenticity is typically verified in a public manner (e.g. blockchain). You do not have to trust any particular company.
  - Can “be” anything that a digital asset can be, such as a picture, song, database, or computer program.
- **The technology is very real, solves a lot of problems, and is here to stay, but...**

**Sold for \$3,400,000**



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# NFT Deals – What are we Seeing?

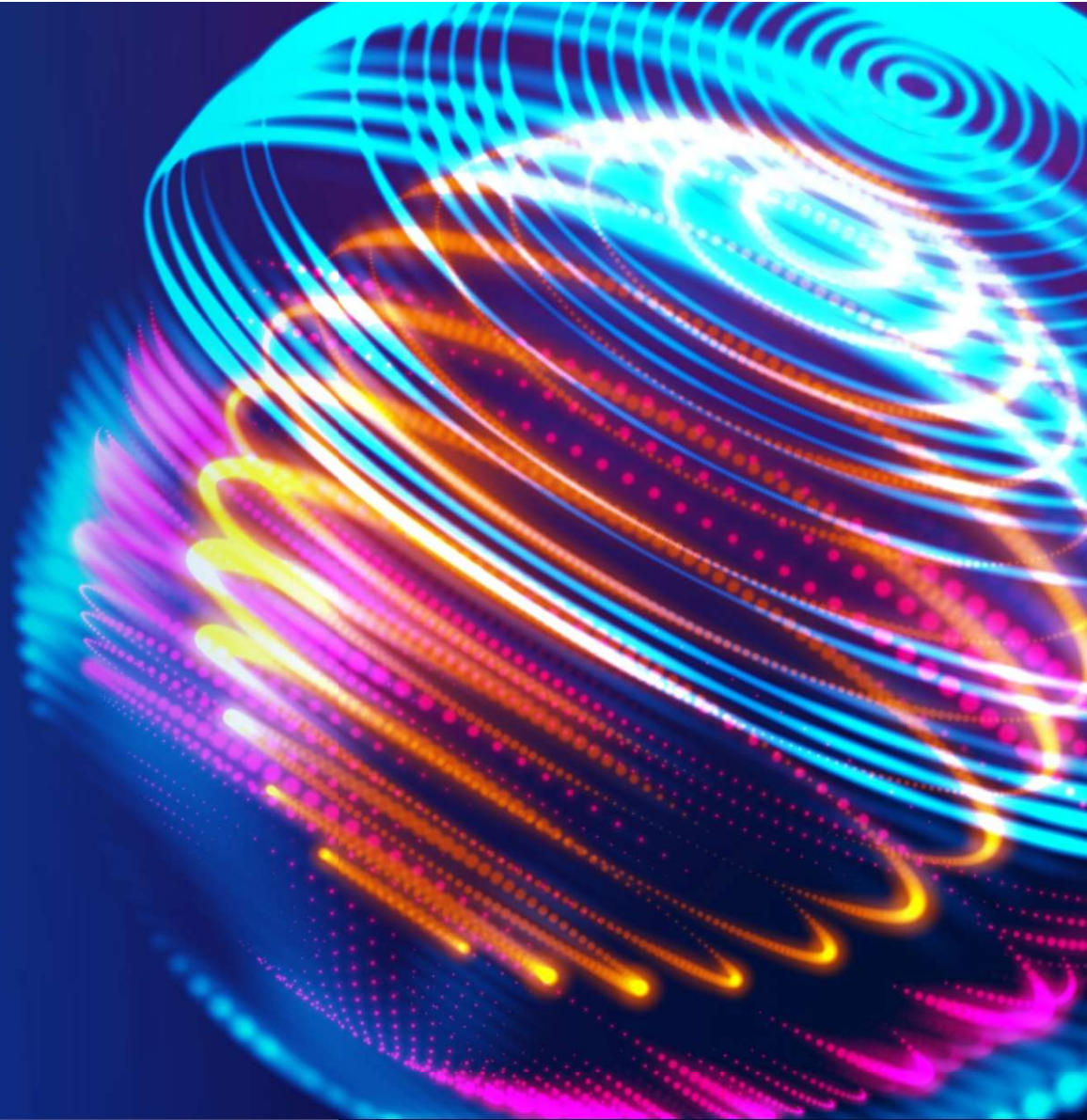
- **Collectible & Coupon Deals**
  - Purchasing a concert ticket will give you an NFT ticket stub.
  - Purchasing a rare diamond ring will give you a NFT of the ring.
  - Receiving a NFT “coupon” for a rare bottle of wine kept in storage.

**OK but how does all of this relate to the topic at hand, the Metaverse?**

# The Metaverse

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# What is the Metaverse?

The future of the internet.

XR – Extended Reality combining Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR).

Relies on existing, cutting-edge technology such as AI, blockchain, NFTs and cryptocurrency.

# Metaverse – What are we seeing today?



A global platform where we can connect digitally and mimic in person interactions online.



Online self-expression through personalisation of avatars.



Digital renderings of that we design and create.

**How does this tie to NFTs?**

# NFTs & The Metaverse

Prove ownership of digital assets in the digital world.

Customizing avatars – proving ownership of the design using NFTs.

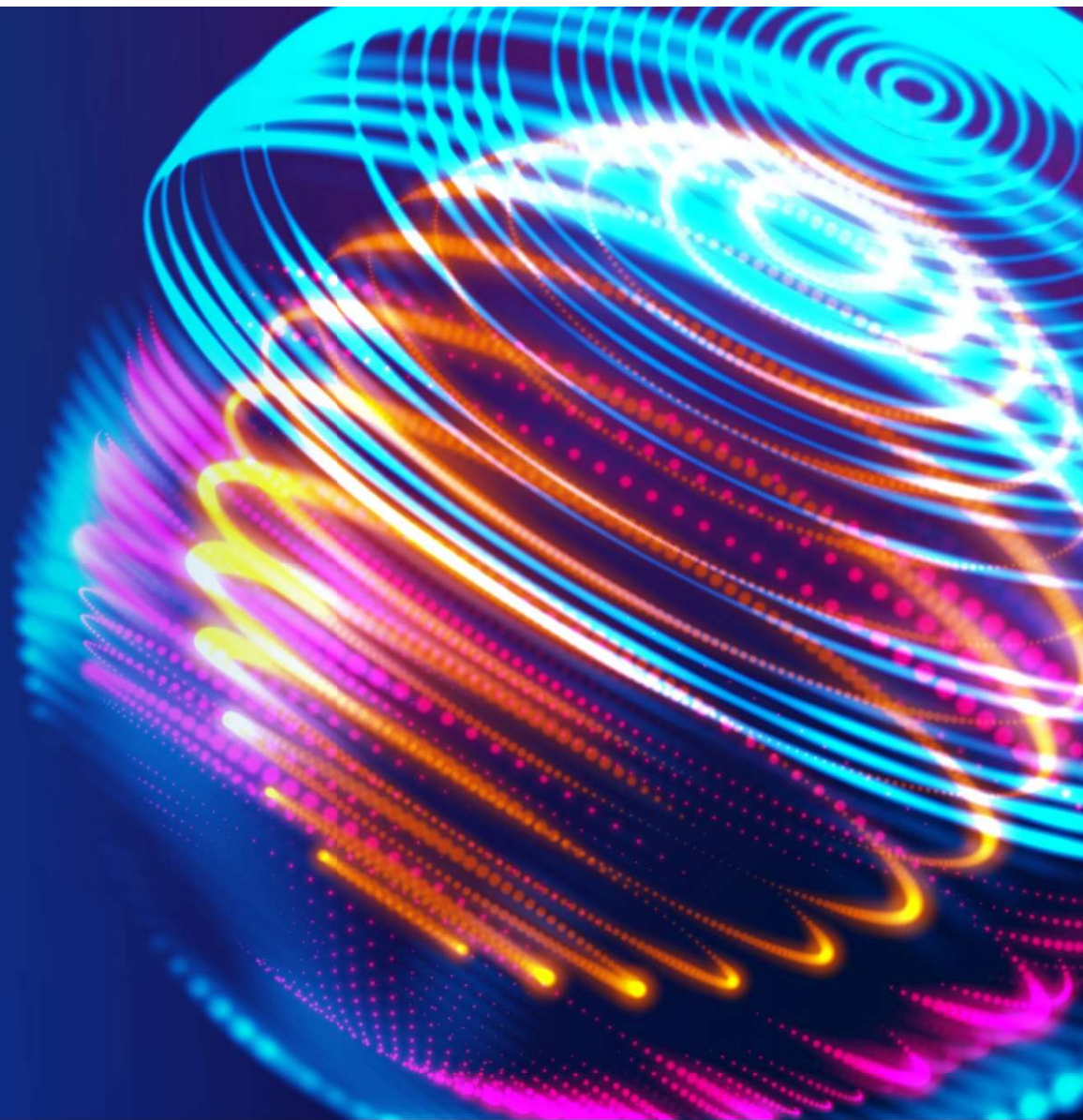


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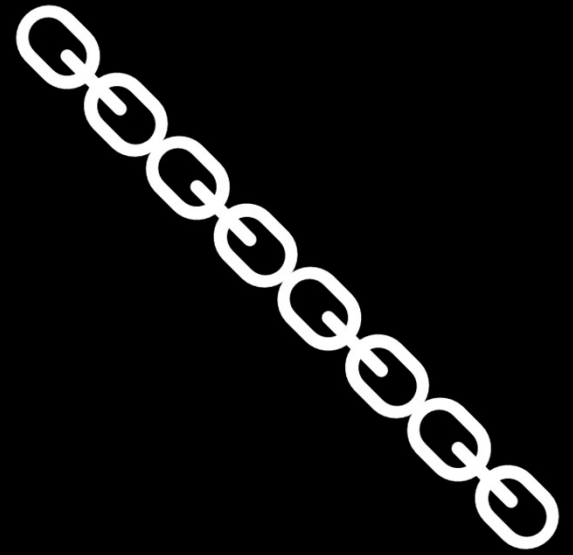
# Legal Issues

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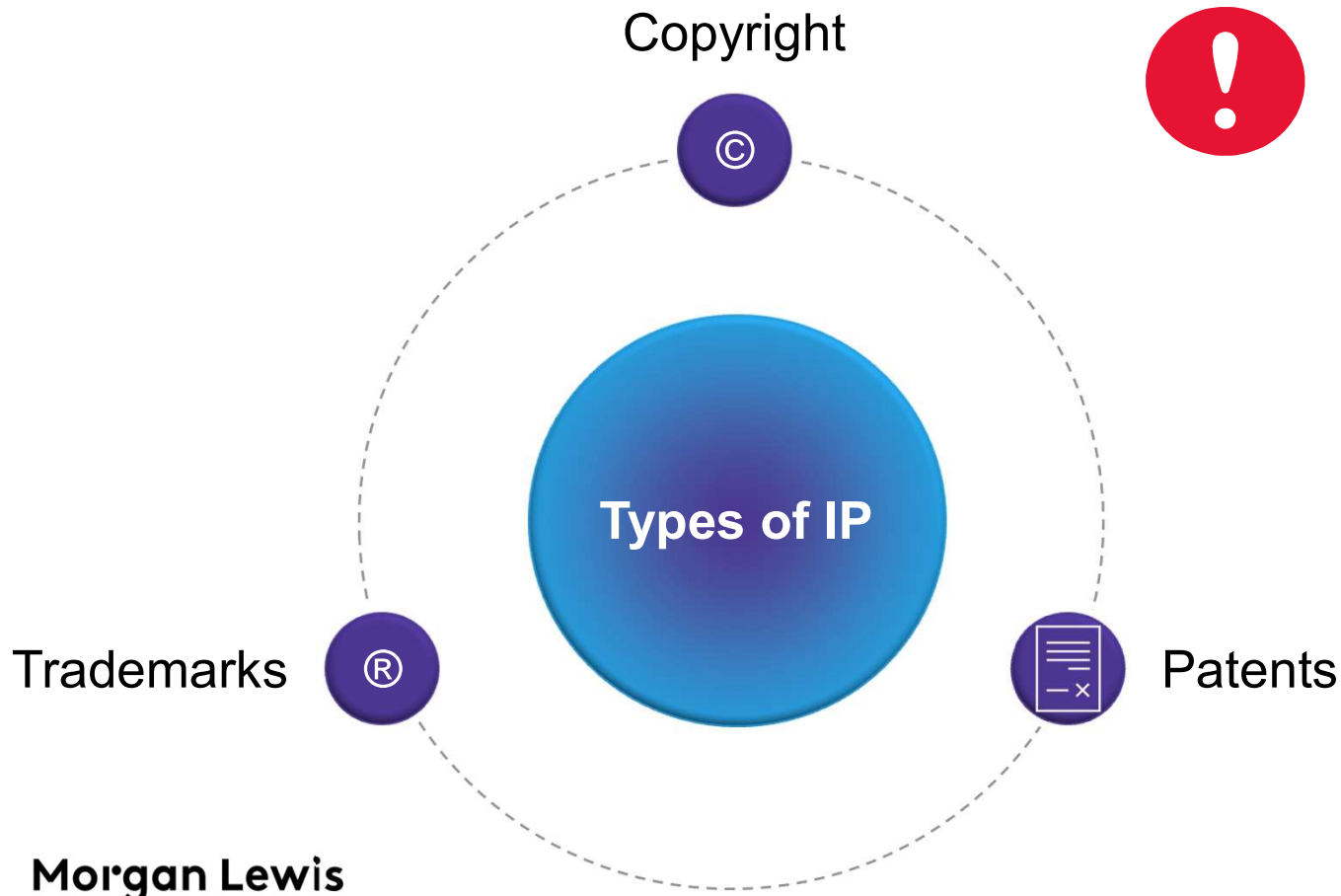


**Rights Clearance –  
No block in the  
chain (of title)**



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# Intellectual Property



Like owning a painting does not give the owner the right to make copies of the painting, the owner of an NFT does not share in any of the exclusive rights that belong to the owner of the IP in the associated work.

# Intellectual Property



Ownership of an NFT does not equal Intellectual Property Rights



The person minting the NFT needs to own the underlying asset or IP or have the necessary rights to mint the NFT

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Rights relating to the underlying assets may have been created prior to the NFT age so may not be appropriate



Legal formalities for transfer of IP

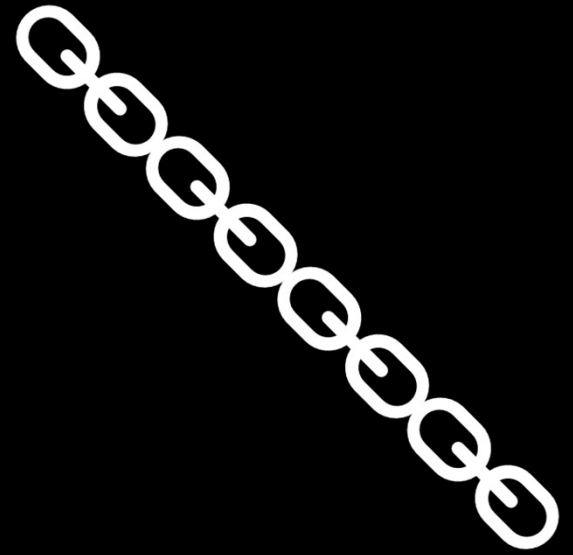


# Intellectual Property – Minter’s Checklist

- ✓ Minters should verify what rights they have in the represented asset and whether they extend to the production of the NFT and the subsequent use it represents.
- ✓ If the proposed creator of the NFT does not own the rights, they will need a licence from the works owner which grants them permission to use the IP rights contained in the underlying asset.
- ✓ Moral Rights - Need to obtain a waiver of any moral rights to avoid having to identify the original creator – unless that is desired.
- ✓ Did the proposed creator, create the works in the course of their employment or as a result of a contractual agreement?
- ✓ Third Party Work – Consider any embedded third party work and whether there are any exemptions for its use without a licence (e.g. fair use, expiration or public domain).
- ✓ Collaborations - If you want to mint collaborative artwork, make sure you get authorization from the other contributing artists. Joint minting?



# Platform Rights and Restrictions – Mint Conditioned



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# What is involved when listing an NFT on a platform?



Choosing platform / marketplace



Minting and Selling NFTs



Terms of Service

# Choosing a Platform / Marketplace

Various NFT platforms / marketplaces to choose from

## Interests

- Sports memorabilia
- Artwork
- Gaming
- Celebrities
- Music
- Collectibles

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## Tech

- Tokens / cryptocurrencies
- Open or closed platform
- Blockchain

## Examples

- OpenSea
- Axie Marketplace
- NBA Top Shot
- Larva Labs / CryptoPunks
- Nifty Gateway
- Rarible
- SuperRare



# Minting and Selling NFTs

## Account Setup

- Create account
- Connect and fund “digital wallet”
  - Sometimes requires owning cryptocurrency
  - Built-in functionality usually makes this process straightforward (e.g., can link to bank account)
  - Third party wallets: MetaMask, Math Wallet, Coinbase

## Create (or mint) NFT

- Process depends on platform
- Upload digital file (e.g., image, video, audio, 3D model)
- Set the terms (e.g., royalties)
- Semi-fungible? (i.e., multiple copies)
- Gas fee

## Selling

- Fixed price
- Auction
- Private sale

# Terms of Service – Key Terms

- ✓ What is the service?
- ✓ What is the service not?
- ✓ Accounts, digital wallets, fees
- ✓ Ownership and license rights

# Terms of Service – What is the service

- **NBA Top Shot example**

- NBA Top Shot is an application that provides users with the opportunity to purchase, collect, and showcase digital blockchain collectibles containing exclusive content from the National Basketball Association (the “NBA”) and its current and former players (collectively, the “App”).

- **OpenSea example**

- Welcome to OpenSea, owned and operated by Ozone Networks, Inc. d/b/a OpenSea (“OpenSea,” “we,” “us,” or “our”). These Terms of Service (“Terms”) govern your access to and use of the OpenSea website(s), our APIs, mobile app (the “App”), and any other software, tools, features, or functionalities provided on or in connection with our services; including without limitation using our services to view, explore, and create NFTs and use our tools, at your own discretion, to connect directly with others to purchase, sell, or transfer NFTs on public blockchains (collectively, the “Service”). “NFT” in these Terms means a non-fungible token or similar digital item implemented on a blockchain (such as the Ethereum blockchain), which uses smart contracts to link to or otherwise be associated with certain content or data.

- **Axie example**

- These Terms of Use constitute a legally binding agreement ... concerning your access to and use of the www.Axieinfinity.com website and the Axie Infinity app as well as any other media form, media channel, mobile website or mobile application related, linked, or otherwise connected thereto (collectively, the “Site” and the “App”). Axie Infinity is a distributed application that is currently running on the Ethereum Network and Ronin Network (the “Blockchains”), using specially-developed smart contracts (each, a “Smart Contract”) to enable users to own, transfer, battle, and breed genetically unique digital creatures. It also enables users to own and transfer other digital assets like plots of land and items. These assets can then be visualized on a website that the user can interact with (the “Site”).

# Terms of Service – Accounts, Digital Wallets & Fees

- **NBA Top Shot example**

- To most easily use the App, you should first install a web browser (such as the Google Chrome web browser). You will also need to use the *Dapper® electronic wallet* or another supported electronic wallet, which will enable you to purchase and store collectibles that you collect or purchase via the App.

- **OpenSea example**

- Like much of web3, your blockchain address functions as your identity on OpenSea. Accordingly, you will need a blockchain address and *a third-party wallet* to access the Service. Your account on the service (“Account”) will be associated with your blockchain address; however, if you want to add some flair to your OpenSea persona, you can add additional information, such as a profile picture, to your Account.

- **Fees and commissions**

- Every transaction on the Platform is subject to fees and commissions to support the creators and the Platform.

# Terms of Service – License rights

- **License to User to Use Service / Platform**

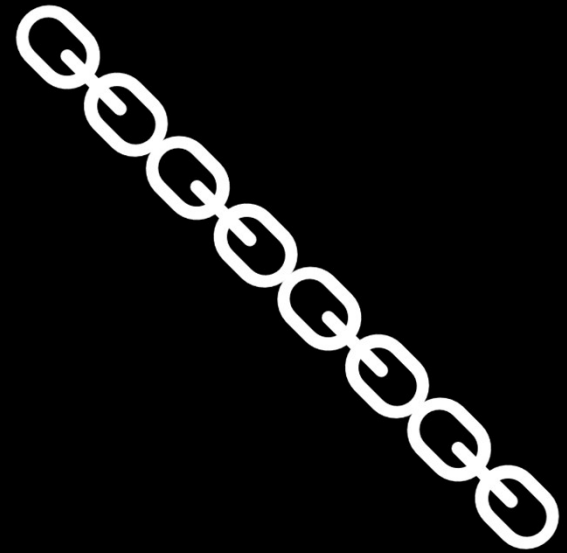
- We hereby grant you a limited, non-exclusive, non-transferable, revocable license to access and use the Platform. Our grant of such license is subject to the conditions set forth in these Terms.
- Your license in any content linked to or associated with any NFTs is solely as set forth by the applicable seller or creator of such NFT.

- **License to Platform to Use and Display Content**

- By using the Service in conjunction with creating, submitting, posting, promoting, or displaying content, you grant us a worldwide, non-exclusive, sublicensable, royalty-free license to use, copy, modify, and display any content, including but not limited to text, materials, images, files, communications, comments, feedback, suggestions, ideas, concepts, questions, data, or otherwise, that you submit or post on or through the Service for our current and future business purposes, including to provide, promote, and improve the Service. This includes any digital file, art, or other material linked to or associated with any NFTs that are displayed on the Service.



# Purchase/License Terms – Non-token considerations



# Purchase/License Terms – Non-token considerations

- Rights/Restrictions



- Royalties/Payments



- Other Terms



# Purchase/License Terms – Non-token considerations

- Rights/Restrictions

- What does the purchaser get?
  - Depends on the marketplace (open/curated/proprietary)
    - Often standard (for that platform); sometimes can be customized
    - Sometimes created on different marketplace

Zales Example:

- “Subject to your compliance with these Terms of Service, Zales hereby grants you all ownership right, title and interest in the NFT.”
- “To be eligible to claim one (1) NFT from Zales, you must: (i) make a qualifying, online purchase from the Zales e-commerce website ([www.zales.com](http://www.zales.com)) between 12:00 AM and 11:59 PM Eastern Standard Time (“EST”) on December 13, 2022 (the “Event”); (ii) provide Zales with your current and valid email address; (iii) opt-in to receiving email marketing and promotional communications from Zales; and (iv) claim and accept (as directed) the NFT and these Terms of Service within six (6) months of your receipt of Zales’ email notification containing instructions to claim your NFT. Your failure to adhere to the preceding requirements may result in your ineligibility to claim the NFT, as well as any future utility of the NFT, from Zales.”

# Purchase/License Terms – Non-token considerations

- Rights/Restrictions
  - What does the seller give up?
    - “The NFT is a limited-edition digital asset created by Zales that includes content owned, licensed, or otherwise controlled by Zales, its parent or affiliates (the “Content”). The Content may also incorporate one or more elements of Zales’ trademarks and branding (the “Brand”). The Content and Brand are neither stored nor embedded in the NFT, but are accessible through the NFT. Although the NFT itself is owned by you, the Content and Brand associated with the NFT is licensed and not transferred or sold to you.”
    - “Subject to your compliance with these Terms of Service and upon claiming and receiving the NFT, Zales hereby grants to you a limited, non-exclusive, non-transferable, non-sublicensable, revocable license to access, perform and/or display the Content and Brand, without modification, while using the NFT, solely for your personal, non-commercial purposes.”

# Purchase/License Terms – Non-token considerations

- Rights/Restrictions
  - Copy/Modify/Use/Store/Display
    - Limitations?
      - Number of copies; recipients
      - Media/items (e.g., personal t-shirts)
      - Modifications/alterations
      - Location (e.g., particular platform)
      - **Purpose** (e.g., personal; non-commercial; non-hate/violent)
    - Requirements?
      - Cryptography
  - Sell/Commercialize
    - Limited to simple resale/transfer (like a work of art)?
    - Often prohibited:
      - Sales of copies/modifications/embodiments (e.g., t-shirts)
      - Other commercialization (e.g., advertising)
    - Sometimes a dollar limit (e.g., \$100K)

# Purchase/License Terms – Non-token considerations

- Rights/Restrictions
  - Copy/Modify/Use/Store/Display
    - Zales Example: “For clarity, this license does not grant you permission to (A) use the Content or Brand outside of the NFT; (B) to transfer, sell or trade the NFT for compensation or other consideration; (C) transfer the Content or Brand separately; or (D) to make any commercial use of or create any derivative of the NFT, Content or Brand.”

# Purchase/License Terms – Non-token considerations

- Royalties/Payment
  - Royalties
    - Often an upfront commission (e.g., 15%)
    - Often subsequent commissions – might be shared between platform and creator
  - Payment
    - Often through blockchain
      - Irreversible
      - Gas fee (per transaction)
    - Review the method/currency requirements (e.g., cryptocurrency)
    - Service/exchange fee?

# Coronavirus COVID-19 Resources

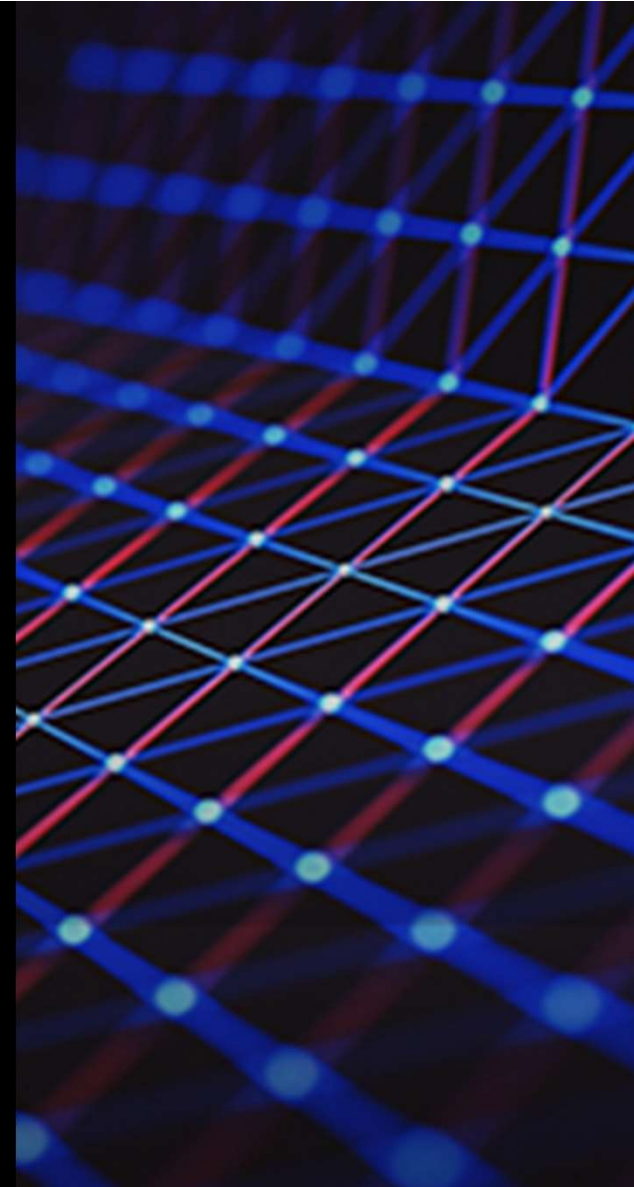
We have formed a multidisciplinary **Coronavirus/COVID-19 Task Force** to help guide clients through the broad scope of legal issues brought on by this public health challenge.

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To help keep you on top of developments as they unfold, we also have launched a resource page on our website at

[www.morganlewis.com/  
topics/coronavirus-  
covid-19](http://www.morganlewis.com/topics/coronavirus-covid-19)

If you would like to receive a daily digest of all new updates to the page, please visit the resource page to [subscribe](#) using the purple "Stay Up to Date" button.





# Biography



## **Doneld G. Shelkey**

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Doneld G. Shelkey represents clients in global outsourcing, commercial contracts, and licensing matters, with a particular focus on the e-commerce and electronics entertainment industries. Doneld assists in the negotiation of commercial transactions for domestic and international manufacturers, technology innovators, and retailers, and counsels clients in the e-commerce and electronics entertainment industries on consumer licensing and virtual property matters.

Doneld regularly assists clients in a wide spectrum of technology and data acquisition, implementation, and service agreements, including enterprise resource planning (ERP) implementation, licensing, software as a service (SaaS), information as a service (IaaS), data acquisition and services, cloud computing, and mobility agreements. He has particular experience in the alternative energy, specialized manufacturing, and consumer products industries, both in the United States and abroad.

Doneld also has a background in the electronics entertainment industry; with a particular focus on consumer licensing and virtual property matters. He has assisted both developers and publishers in the electronics entertainment industry at all stages of development and has assisted clients in such matters in the United States, Japan, and South Korea.

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# Biography



## **Charlotte Roxon**

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Charlotte Roxon focuses her practice on commercial and technology transactions, including complex IT outsourcings, business process outsourcings, and major renegotiations of IT and commercial contracts. She has particular experience advising in highly regulated industries, including the financial services sector.

In addition to her work in tech and outsourcing arrangements, Charlotte also advises on commercial deals across a variety of sectors, including software licenses and supply of goods and services agreements, and supports a number clients in negotiating sponsorship, marketing and celebrity endorsement agreements.

Prior to joining Morgan Lewis, Charlotte spent time seconded to a UK airport, advising on a transformational IT outsourcing project.

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# Biography



## Jesse R. Taylor

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Jesse Ryan Taylor represents clients in global outsourcing, commercial contracts, and technology matters. As part of his practice, Jesse drafts and negotiates a broad range of agreements including software licensing (cloud and on-premises), implementation and professional services, IT security, strategic alliances, and data privacy.

Before joining Morgan Lewis, Jesse was Legal Counsel to a multinational energy management and automation corporation where he supported the drafting and negotiation of agreements for the global IT and North American supply chain divisions.

When in law school, Jesse interned at the criminal division of the United States Attorney's Office in San Francisco, California, and at the United States District Court, District of Massachusetts for Magistrate Judge Jennifer C. Boal.

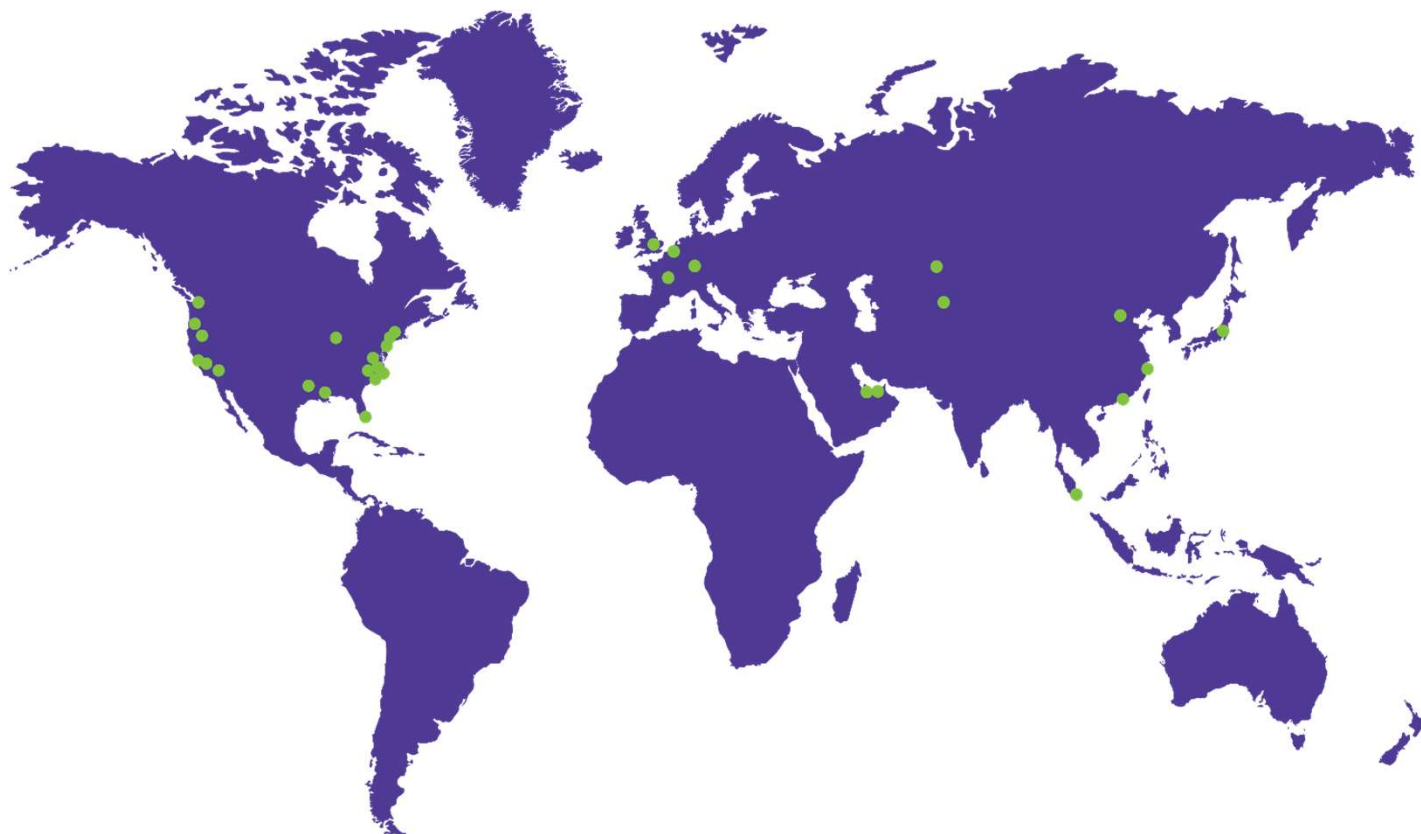
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