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# **THE NEED FOR CONTRACTING REGULATIONS** **IN META VERSE**

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## **ABSTRACT**

Meta verse has been one of the emerging trends in the technology world. CEOs like Mark Zuckerberge or Satya Nadella says that Meta verse is the future of Internet. The metaverse is a newly developed 3D capable digital environment that make use state-of-the-art internet and semi-conductor tech as well as virtual and augmented reality. This article discusses from the very first instance in which VR impersonate a real life world without requesting any form of legal identification or proof of age from their users they just need a virtual reality headset for entering into complete different world which functions almost like real world. An user can make their own avatar without signing into contract of agreement, use them freely and they do have almost all the possibility access over everything in the world of meta verse, which also includes the virtual assets. In this situation the most vulnerable and has the highest rate to get affected the most are the children who can easily get involve in any kind of undesirable situations that could have an impact on their psychological well-being, but these acts of the children would impose no liability over them particularly because there is no concept of age criteria in virtual worlds where avatars could also easily get hacked. This article briefly discusses about the urgent need for the legal contracts in the virtual reality environment to avoid fraud, misleading circumstances or any kind of illegal acts, where all standards for the legal contracts should be met.

Keywords- 3D Virtual reality, Metaverse, Legal issues, Legal contracts, Agreement, Illegal acts.

## INTRODUCTION

“Man is born free and everywhere he is in chain”

Imagine the future of the 3.0 Web era and an imagination tale that unspectacularly moving towards the real world<sup>1</sup>. In a very prominent manner, fiction has always served us as a type of virtual reality, a doorway to phenomenally new experiences, cultures, places. Virtual reality, in present like Metaverse poses a great ultimatum to usurp these fundamental roles of fiction which should be limited to virtual and fictional only<sup>2</sup>.

The purpose of this article concentrates on entering into the metaverse, rather than focusing on the routine activities of the same, where a person does not need to enter into any kinds of terms and conditions.<sup>3</sup> An user only needs a gadget which has high resolution display, a formidable graphics card and a quick processor to enter into metaverse, and it is good to sail into new world.<sup>4</sup>

Today, the human species has stepped into the epoch, i.e. an era dominated by electronic communication which has become an independent medium functioning equidistant with the physical world but not with basic laws somewhere. Picture the Mohiri Bibi vs. Dharmodas Ghose case, taking place in Metaverse instead of the real world where the person in front of you does not know anything regarding the real identity of person with whom you are interacting to get involve with in any aspect. Homogeneously, in the metaverse there is no existence of any built-in terms and conditions, so that users could meet all the pre-requisite for a valid agreement such as real age, legal competencies of the parties, legal relationships etc., as metaverse is not only made for mere interaction but as it mimics the real world, it does deal with circumstances where the contractual obligations with valid legal documents is mandate in real but it does not exist in Metaverse<sup>5</sup>. By signing into such types of legal agreements it becomes easier to identify the person disguised as avatars in the event of any kind of illegal act committed.

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<sup>1</sup> Jignen Pandya, Web 3.0 The Future of Internet, <https://www.expertappdevs.com/blog/web-30-the-future-of-internet>, July 19, 2023.

<sup>2</sup> Syed Adnan Ali & Rehan Khan, From Science Fiction to Reality: An Insight into the Metaverse and its Evolving Ecosystem, Preprints, 10.20944/preprints202302.0224.v1, February 2023.

<sup>3</sup> Yogesh K. Dwivedi et al., “Metaverse beyond the hype: Multidisciplinary perspective on emerging challenge, opportunities, and agenda for research, practice and policy, *International Journal of Information Management*”, Volume 66, October 2022.

<sup>4</sup> Linda Tucci, “What is Metaverse? An explanation and in-depth guide”, 22 March, 2024.

<sup>5</sup> Yogesh K. Dwivedi et al., “*Metaverse beyond the hype: Multidisciplinary perspective on emerging challenge, opportunities, and agenda for research, practice and policy*”, *International Journal of Information Management*, Volume 66, October 2022



The end-in-view of metaverse is not only limited to just human interaction but now it also includes the ability for the users to purchase virtual good using solely crypto currency payment which itself is not free from legal scrutiny and still discussion upon this goes on. Now showing concern, why the contractual obligation in metaverse should be first and foremost requirement and must be included for smooth functioning, as there is high probability where children under their legal age who is psychologically, physically, and spirituality not thrived to enter into the augmented world and unknowingly commits or get involve in some actions that may have an adverse effect on them without understanding the reverberations of their act. The virtual reality platforms which is transfiguring the fictional world into a reality where requirement of the people to enter into agreements should be must, to avoid any kind of friction in this new aeon of Web 3.0, at some point, be supported by law- is extremely discussed in this article.<sup>6</sup>

## BACKGROUND

The simple explanation of term Metaverse is “beyond universe”, where it is been elucidate as an immersive, always-open virtual 3D environment where avatars are the nexus between two human begins to have a conversation, where they engage in entertainment, transact, and conduct other activities, also involves trading of digital assets, or operate while you are just sitting at home and relaxing<sup>7</sup>.

If we look into the accessibility of the metaverse, there is no criteria to enter into, a person would only require a Virtual Reality Headset, high distinctive glasses, or any other specialized gadget<sup>8</sup>. Mark Zuckerberg has referred to it as the “holy grail” of social engagement, where it will be an online phygital environment i.e. a fusion of virtual and physical reality<sup>9</sup>.

If we see the behind story of this new tech, it all pioneered in 1838 when scientist Sir Charles Wheatstone devised the notion of “binocular vision” where a person can easily combine two

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<sup>6</sup> Ayush Abrol, “Web 3.0 vs. Metaverse: A detailed comparison [UPDATED]”, <https://www.blockchain-council.org/metaverse/web-3-0-vs-metaverse/> 27 September, 2024.

<sup>7</sup> Tambiama Madiaga et al, “Metaverse Opportunities, risk and policy implication”, European Parliament Research Services(EPRS) 557-733, June 2023.

<sup>8</sup> Simplilearn, “What is Metaverse Technology? : An In-Depth Guide to its Potential”, <https://www.simplilearn.com/what-is-metaverse-technology-article> , (last updated 13 Feb, 2024).

<sup>9</sup> Shuya Lu, “Marketing on the metaverse: Research opportunities and challenges”, Academy of Marketing Science Review, June, 2023.

images- one for each eye- to create a single three-dimensional picture<sup>10</sup>. Therefore it can be traced that the current technology involves the same idea as this one.

An American fiction that is Pygmalion's Spectacles written by Stanley Weinbaum which got published in 1935, where the protagonist uses a set of spectacles that provides taste, smell, touch, sight and sound to explore a made-up universe<sup>11</sup>. The Proto-meta verses have been long existed, and this notion is worn. It all developed and brought when the science fiction novel "Snow Crash" has been published in the early 1980s and 1990s augured the arrival of metaverses and the virtual world gaming experience confirms these predictions.<sup>12</sup>

## TECHNOLOGY

If we briefly look into the technology of this, then tracing from how our civilization has passed three communication epochs in the journey of the history; started from verbal, when ideas was only split orally among the people, then comes along verbal and sign when knowledge was shared in both ways verbally and via the use of distinctive symbols which had symbolic meanings.

Letters, words, deeds and occasions in both forms written and spoken during the time of emerging of books. At this point of time, the humanity is on fourth stage typify as electronic communications, in which combining of technologies to facilitate information and communication with earlier methods of communications<sup>13</sup>.

The transition from superannuated computers to meta-universal tech has also happened in this point in history, which has become a scientific phenomenal hub for advancement of society which is currently serving as a generator of new suppleness, a modern tech battery and becoming a tool for people to survive which is working parallelly to human real-life world which is necessitating some reconsideration in today's world.

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<sup>10</sup> Bernard Marr, "A Short History of the Metaverse", <https://www.forbes.com/sites/bernardmarr/2022/03/21/a-short-history-of-the-metaverse/?sh=4ad74f255968> 21 March, 2022.

<sup>11</sup> Jasmine Anand, "What is Metaverse? A Brief History of Metaverse", <https://www.indiatoday.in/cryptocurrency/story/what-is-metaverse-a-brief-history-of-the-metaverse-2308302-2022-12-12> (last visited 12 December 2022).

<sup>12</sup> Council of the EU, Analysis and Research Team, "*Metaverse- Virtual World, Real Challenges*", March 2022.

<sup>13</sup> Barry M. Kroll & Roberta J. Vann, "*Exploring Speaking- Writing Relationships: Connections and Contracts.*" Education Resources Information Centre(ERIC), 1981.

In today's state from the eye of technological advancement, metaverse is widely regarded as an impactful advancement of the internet towards 'Web 3' where people are empowered and actively involved in making virtual worlds.<sup>14</sup>

If talking about the later development of the 3D virtual worlds such as the game World of Warcraft, video games were the first to prove the fantasy realm, which has now fused a variety of technologies to produce an immersive experience. The next more comprehensive step in this development is the tech of metaverse.<sup>15</sup>

The technologies which have been used to fabricate this immersive experience they are, augmented reality (AR), which displays the real world enhanced by computer-generated elements like graphics, and virtual reality (VR), which is a three-dimensional online environment and for entering into that one must require a dedicated headset connected to the game console<sup>16</sup>. An user is then gains the ability to make an avatar for himself and then appear in any way they choose<sup>17</sup>. And speciality enhances the immersive experience in high-quality depicted therein. As the AI is the root of these high built tech, so metaverse is completely the result of AI where it is highly depended upon the strong connectivity of Internet<sup>18</sup>. The tech also involves like AR/VR, holograms, XR platforms, distribution registers, and other cutting-edge technologies, quantum technologies, neural works etc<sup>19</sup>.

These high-tech where human are involved immensely, it goes without saying about the legal regulations as a result there are multiple precedents for the application of any prominent provisions to resolve legal uncertainties in this duplicate version of real life. The precedents include the establishment of virtual asset ownership, the purchase and sale of virtual asset, liability for misappropriation of virtual assets with sign of moral violence and discrimination, propagation of racist and fascist ideologies, etc.

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<sup>14</sup> Muhammad Zahid Iqbal & Abraham G. Campbell, "Metaverse as Tech for Good: Current Progress and Emerging Opportunities", Virtual Worlds, 12 September, 2023.

<sup>15</sup> John David N. Dionisio, et al, "3D Virtual Worlds and the Metaverse: Current Status and Future Possibilities", Electrical Engineering & Computer Science Faculty Works, June, 2013.

<sup>16</sup> Abdullah M. Al-Anshi, et al, "Analyzing augmented reality(AR) and virtual reality (VR) recent development in education", Social Sciences & Humanities Open, Vol 8 Issue 1, 2023.

<sup>17</sup> Kim Szolin, et al, "I am the character, the Character is me": A thematic analysis of the user-avatar relationship in videogames", Computers in Human Behavior, Vol 143, June 2023.

<sup>18</sup> Mona Soliman et al, "Artificial Intelligence Powered Metaverse: Analysis, Challenges and Future Perspective", Artificial Intelligence Review 57(2), 2024.

<sup>19</sup> Amar Johri et, all, "Crafting The techno-functional blocks for Metaverse- A review and research agenda", International Journal of Information Management Data Insights, Vol 4, Issue 1, April 2024.

Moreover, afresh standpoint takes on this topic for the need of basic legal regulation such as contracts, where in this platform the use of identification(personal) data, which will serve as the foundation for the development and operation of virtual avatars or electronic humanoids in metaverse<sup>20</sup>.

Bearing this in mind strongly, how important is to identify the real person hiding behind the veil and working with them so closely on negotiations on the purchase and sale of virtual assets, in this world of metaverse where there is no big deal to enter without any kinds of agreements or contracts to get into which is utmost important for human existence, herein metaverse the actual human are swapped with avatars and they communicate within and there is possibilities where if the way it is communication in metaverse in real world it might be considered as illegal.

### **The Missing Link of Contractual Regulation in Metaverse.**

In this parallel universe of metaverse which has expanded into a thriving virtual environment, there is only requirement of a smart device to enter into and stay there without having to sign any paperwork or commit to any form of long-term commitment<sup>21</sup>. A metaverse is a collaborative virtual world that is accessible to all users over the internet, resulting from the convergence of virtual and physical reality.<sup>22</sup>

Metaverse is a distinct reality which makes the users acquainted with an immersive virtual environment where they can engage with other players, go to various location and even make transactions. Until now for any kinds of transaction the basic requirements of contracts should meet in the case of purchase and selling<sup>23</sup>. But herein, even the basic requirements of smart contracts are not met. The smart contracts is nothing more than a code, which itself is a full of flaws, frequently erroneous, and it is easily manipulable to the coder's desire. There is no

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<sup>20</sup> "The Metaverse: The evolution of a universal digital platform", <https://www.nortonrosefulbright.com/en-us/knowledge/publications/5cd471a1/the-metaverse-the-evolution-of-a-universal-digital-platform> , November 2022.

<sup>21</sup> Linda Tucci, "What is the Metaverse? An Explanation and in-depth guide", <https://www.techtarget.com/whatis/feature/The-metaverse-explained-Everything-you-need-to-know> , 22 March, 2024.

<sup>22</sup> Jackie Wiles, "What is a Metaverse? And Should You Be Buying In?", <https://www.gartner.com/en/articles/what-is-a-metaverse#:~:text=Technically%2C%20a%20metaverse%20is%20a,boards%20and%20independent%20online%20destinations.> 21 October, 2022.

<sup>23</sup> Id 3.

existence of trust, or, privity in them therefore many question arises when it comes to the contractual obligation in metaverse<sup>24</sup>.

Seeing from the prospective of Bitcoin and crypto assets which started a spectacular pace where these assets have transitioned from being a niche commodity used by cypherpunks to having a more popular presence as tools for savings and investments due to their amazing rate of adoption and increase in market capitalization<sup>25</sup>. For an instance, Bitcoin and crypto currency assets are currently in legal uncertainty in India; they are not prohibited, but their legal status is still up for debate<sup>26</sup>.

Particularly seeing from the perception for the refunds of disagreements between retailers and consumers are generally cannot be recovered as the sufferer cannot provide substantial legal proof to recover damages in any case of breach and may not find any kind of legal alternative for the loss he suffered<sup>27</sup>. There will be increment of financial fraud and data theft which are the most emerging legal issues, and the current legal issues might not be sufficient to handle the financial fraud and data theft that come from crypto currency assets<sup>28</sup>.

Using the tech of crypto currency which is still not fully regulated and using it for any kind of transaction on other platforms like metaverse, seems undoubtedly hazardous<sup>29</sup>. As the environment changes overtime, there is a chance that while you are sleeping in real life, virtual neighbours might be eating or dancing in your so called virtual house; virtual weddings might take place at real water cooler; and through supper a new social structure might form, and when you return home, you track down that your neighbour's infrastructure and atmosphere have

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<sup>24</sup> Pritika Satyawali, "The Metaverse is coming. Is our Legal System Ready?", <https://www.deccanherald.com/opinion/the-metaverse-is-coming-is-our-legal-system-ready-1130392.html> , (last updated 27 July 2022, 8:30 IST).

<sup>25</sup> Roshan Iyer & Adina Popescu, "New Evidence on Spillovers Between Crypto Assets and Financial Markets", International Monetary Fund (IMF), September, 2023.

<sup>26</sup> Nikita Tambe & Aashika Jain, "All you Need To Know About India's Crypto Bill", <https://www.forbes.com/advisor/in/investing/cryptocurrency/crypto-bill/#:~:text=Is%20Cryptocurrency%20In%20India%20Legal.is%20done%20at%20investors'%20risk> , (Updated: 2 April 2024, 3:37pm).

<sup>27</sup> Alan Schwartz and Robert E. Scott, "Contract Theory and the Limits of Contract Law", The Yale Law Journal, Vol 113, No. 3, December 2003.

<sup>28</sup> Mohammed Roshan Aslam, "3 Legal And Regulatory Challenges Surrounding the Use of Cryptocurrencies", <https://economictimes.indiatimes.com/markets/cryptocurrency/3-legal-and-regulatory-challenges-surrounding-the-use-of-cryptocurrencies/articleshow/102137752.cms?from=mdr> (last Updated: July 26, 2023, 3:59 PM.)

<sup>29</sup> "The Pros and Cons of Using Crypto in the Metaverse", <https://sdllcorp.com/post/the-pros-and-cons-of-using-crypto-in-the-metaverse/> , 5 March, 2024.

completely altered. In VR everything changes within fraction of seconds and using those platforms like crypto currency which is still a controversy is kind of inviting more risk.<sup>30</sup>

In the world of metaverse the atmosphere changes with the blink of an eye, suppose a person bought a virtual land with crypto currency even though he executed a smart contract, it can be easily manipulated by any person in real life who is in the metaverse as avatar. Seeing the loophole, the strong contractual regulation is completely missing and identity theft can be easily done as there is completely no requirement of any identity proves before entering into VR.

Virtual worlds are not real, they are fictitious, imaginary, intangible and invented but they do exist and not everything that is made up or imagined is wholly outside the scope of the reality. If they did, then everything that humans have done and produced- including structures, languages, and most importantly for our purposes, laws- would have to be eliminated from the world<sup>31</sup>. They are duplicating the real world therefore laws must also be imposed in VR too. Jurisdiction in Metaverse comes later, but the contractual obligations between persons need to be there in order to build social contract. In order to be in harmony and without any difficulties, they defined and un-modulated contracts should not happen and proper contracts with legal binding should happen where strong contractual bonding must occur between the real person and the avatar, they make for themselves as well as between two avatars.

### **Age Becomes the Factor.**

In every kind of a valid contract which will be legally binding on both the parties, age of both the person plays crucial role, which cannot be seen in Metaverse, which means children can easily enter with any wearable devices. Here, where children can easily get access to, companies don't deliver the safety services they guarantee and there is a potential harm that virtual environments and platforms can do to kids' mental health and unfounded<sup>32</sup>.

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<sup>30</sup> ET Spotlight Special, "Metaverse, NFTs, and Crypto tokens: Here's why investors should know about their relation", <https://economictimes.indiatimes.com/markets/cryptocurrency/metaverse-nfts-and-crypto-tokens-heres-why-investors-should-know-about-their-relation/articleshow/89320390.cms?from=mdr> , (last updated: February 3, 2022, 3:12 pm IST).

<sup>31</sup> F.Gregory Lastowka and Dan Hunter, "The Laws of the Virtual Worlds", California Law Review, Vol. 92, No. 1, January 2024.

<sup>32</sup> "Children and Technology: Positive and Negative Effects", <https://online.maryville.edu/blog/children-and-technology/#back-to-top> , January 18, 2022.

The three fundamental components of the metaverse are standardization, interoperability, and existence<sup>33</sup>. Youngsters, who are influenced by technology more than their parents, tends to create and design everything in their own way as they acquire new skills and finds it interesting<sup>34</sup>. But concerns over adherence to the children's regulations are also crucial, therefore it is important to take precautions to guarantee that the users data belonging between the age of 13-15 is not acquired without express agreement and removed upon request<sup>35</sup>.

To put it in some other way, metaverse is a resolute, an ongoing multi-users environment that blends digital virtually and physical reality, or a post-reality cosmos<sup>36</sup>. The tender age of children can get adversely affected by this distinct feature of metaverse, as they can be easily trapped by any person disguised as avatar. Metaverse is not limited to gaming platforms, where every child can only play, but here the children gets a chance to explore the world by just sitting at one place, where they discover things about the world, bodies, relationships and see how things works and pick up moral and social ideals<sup>37</sup>. Furthermore, it can be said to be the best setting for the development of the child's bod, mind, and personality.

As technology concurrent with the advancement and proliferation of technology, the notion of "digital games" has suffered and youngsters are drawn to play games more frequently which involves risks, issues and advantages<sup>38</sup>. These spellbinding games has altered completely the play routines and perceptions in children's mind. Seeing the advancement of technology and prompt change also showing the change in human's behaviour and this process effects the

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<sup>33</sup> "The Three Key Aspects of the Metaverse", <https://business901.com/blog1/the-three-key-aspects-of-the-metaverse/>, Business Development Qualitative & Quantitative Research Lead Generation & Acquisition Scenario Planning, May 31, 2022.

<sup>34</sup> Francesca Gottschalk, "Impacts of Technology Use On Children: Exploring Literature on the Brain, Cognition and Well-Being", Organisation for Economic Co-operation and Development, 31 January 2019.

<sup>35</sup> "General Comment No. 25 (2021) on Children's Rights in relation to Environment", Convention on the Rights of the Child, 2 March 2021.

<sup>36</sup> Simplilearn, "What is Metaverse Technology? : An In Depth Guide to Its Potential", <https://www.simplilearn.com/what-is-metaverse-technology-article#:~:text=The%20Metaverse%20is%20basically%20a,that%20is%20continuous%20and%20enduring.> , (last updated: Feb 13, 2023)

<sup>37</sup> Tom Huddleston Jr., "'This is creating more loneliness': The Metaverse could be a serious problem for kids, experts say", <https://www.cnbc.com/2022/01/31/psychologists-metaverse-could-be-a-problem-for-kids-mental-health.html> , 31, Jan 2022, 9:00 AM EST.

<sup>38</sup> Ke Xu et al, "Relations Between Video Games Engagement and Social Development in Children: The Mediating Role of Executive Function and Age-Related Moderation", National Library of Medicine, 11 October, 2023.

children on the first basis. Which later addresses the issue of anxiety, depression another mental issue son a very early stage<sup>39</sup>.

On the other side of the coin, the digital world's skill is something that both home and the school should encourage to learn the tech. Children and adults have access to an endless supply of media information through electronic gadgets in the house, but these materials may be dangerous as well as helpful. By ten million of kids and teenager, the virtual and gaming platforms are being used by them and it still remains unclear how virtual worlds will develop and if metaverse would be a real deal or would simply be the hype<sup>40</sup>. It also has a high possibility to involve employment, leisure, interacting with others, learning and also handling money. This unique intersection of new technologies, virtual marketplaces, social networks, gaming and professional workplaces, the metaverse may be a parallel digital universe that extends beyond and replicate the real world<sup>41</sup>.

According to a US survey, by 2027, respondents from Generation Z those born between 1997-2012 anticipate spending 4.7 hours a day in metaverse area<sup>42</sup>. This paper shows that depending upon the development of the advance tech and design, the XR tech and metaverse has significant opportunity but also raises concern for kids<sup>43</sup>. The advancement would bring forward new possibility in fields like identity information, social interaction, and the delivery of healthcare and education, alternately, they might usher in "an era of constant reality capture" in which they would be profiled, monitored, and influenced like never before through data collecting on their body-language, facial expression, and eye tracking<sup>44</sup>. They might worsen the shortcomings of the current strategies for content moderation and kid safety online, or they might inspire new ideas for ensuring security in intricate virtual environments.

We can also pick up tips from previous strategies for reducing these technologies' detrimental effects especially on children and youngsters<sup>45</sup>, in order to inform our thinking about the future,

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<sup>39</sup> Virginia Lerida-Ayala et al., "Internet and Video Games: Causes of Behavioural Disorders in Children and Teenagers", National Library of Medicine, 31 December, 2022.

<sup>40</sup> Id 3.

<sup>41</sup> Id 3.

<sup>42</sup> "The Metaverse, Extended Reality and Children", UNICEF for every child, May 2023.

<sup>43</sup> Ibtihaj EI Dandachi et al., "XR and the Metaverse: New Opportunities in Education", September 2023.

<sup>44</sup> Ulrich A.K Betz, "Game changers in science and technology- now and beyond", Technological Forecasting and Social Change, Vol 193, August 2023.

<sup>45</sup> Lakshmi "Negative Effects of Technology & How to Overcome Them"

<https://www.mobicip.com/blog/negative-effects-of-technology> , 01 February, 2021.

this report thus put forward-looking and grounded in the present. It does this by drawing on current research, technical breakthroughs, and regulations.

## **CONCLUSION**

Innovations is like an opening to a universe of uncountable new opportunities and possibilities and among these ones is the Metaverse which allows users to access virtual as well as augmented reality, and can be easily understood as a comprehensive world of interconnected virtual locations. Well until now, it can be easily seen that metaverse is much more than just a network of linked virtual worlds where real and virtual life emerge together. The smart contracts which can be easily manipulable, the metaverse cannot work in that circumstances which imposes and unseen risk at every point of time which would lead to many illegal activities, risking the whole life of any person immaterial of the age. Proper contractual obligation must be there where all the essential elements of a valid contract which must be legal and bring it to the jurisdiction with a proper valid obligations and identity of the person can be easily traced to seek any kind of justice. This can be easily fulfilled if we as a user can completely trust upon and gain faith in virtual reality as well as without any ambiguity.

