

Professional Perspective



# Metaverse Opportunities for Law Firms

Sourabh Gogna, The Smart Cube

**Bloomberg  
Law**

[Read Professional Perspectives](#) | [Become a Contributor](#)

Reproduced with permission. Published August 2022. Copyright © 2022 The Bureau of National Affairs, Inc.  
800.372.1033. For further use, please visit: [bna.com/copyright-permission-request](https://bna.com/copyright-permission-request)

# Metaverse Opportunities for Law Firms

Contributed by [Sourabh Gogna](#), *The Smart Cube*

Beyond the hype, the metaverse is proving its commercial worth as a market for new-age consumers and a marketing medium for brands. Technology companies, institutional investors, and the corporate sector have moved beyond experimentation and are putting aside billions of dollars to pursue a future in the metaverse. This frenzy is a massive opportunity for law firms as clients need legal counsel to follow their plans in the virtual world.

## Metaverse Economy

Tech heavyweights such as Meta and Microsoft are pouring in billions to create immersive virtual worlds for humans on Web3, the new stage of internet driven by blockchain. The metaverse—a combination of the virtual reality and mixed reality worlds accessed via a browser or headset, enabling people to have real time interactions across distance—is akin to the internet of the early 1990s and is seemingly repeating history. Those who understood the internet at its inception reaped enormous benefits, and those who didn't became late adopters.

The metaverse is a nearly \$800 billion market opportunity attracting online game makers, social networks, and other technology leaders. While the technology is nascent, the vision for the virtual world is as big as it gets. There is already evidence of value creation and the potential of the metaverse for the skeptics.

In July 2020, 45.8 million people watched Travis Scott's Astronomical Tour on gaming platform Fortnite. Scott reportedly earned half a million dollars from the gig. Blueberry, a digital wearables company, has already sold over 20 million units of virtual clothing. Real estate sales on the four major metaverse platforms reached \$501 million in 2021. Sales of non-fungible tokens (NFTs) rose to nearly \$41 billion in 2021, with the market forecast to grow to \$240 billion by 2030.

## Counseling Opportunities for Law Firms

Law firms have a long runway to help shape this phenomenon. As with any other industry in its infancy, the early opportunities for law firms will be around raising private capital, supporting M&A deals, and helping companies open their shops in the metaverse. While the metaverse economy is exploding, its value chain is still evolving as the race for dominance heats up. The competitive landscape is in flux, with constant disruptions, investments, and M&As reshaping the market dynamics.

Amazon's 2018 acquisition of livestreaming service Twitch and Microsoft's acquisitions of sandbox video game Minecraft and video game developer Activision Blizzard in 2018 and 2022 are harbingers of more consolidation coming into the space. Meta has been one of the most aggressive players in pursuing a metaverse-centric future, committing up to \$10 billion annually in R&D related to it.

Law firms will need a deeper understanding of the metaverse ecosystem and its key actors to recognize how consolidation will happen in the future. Large tech companies will be eager to fill portfolio gaps to gain a first mover advantage. They will achieve this through M&As and strategic partnerships.

Apart from M&As, several metaverse-related companies have been raising significant funds.

According to one estimate, in the first five months of 2022, businesses that range from large technology organizations, startups, venture capital, and private equity companies have invested over \$120 billion into the metaverse ecosystem, more than double the \$57 billion investments made in 2021.

In the first 10 months of 2021, metaverse-related companies raised VC funding worth \$10.4 billion across 612 deals, with Epic Games' leading with its \$1 billion funding round in April 2021. Gaming received the bulk of venture funding, followed by augmented reality and virtual worlds.

Experts believe that more capital will flow toward startups working on metaverse-related endeavors, especially those in hardware, networking, computing power, virtual platforms, payments, and content and assets. Crypto and blockchain technology that forms the backbone of the metaverse economy has received the most attention from investors. Several layers in the ecosystem require significant amounts of money to make metaverse a reality.

Consumer-facing companies are eager to establish their presence, with several major brands having already made significant strides into the space. The fast-food sector has been quick to embrace the metaverse. Wendy's worked with Meta to debut the Wendyverse in April 2021. Chipotle, the fast-casual chain, launched a virtual restaurant using the platform Roblox for Halloween in 2021. McDonald's ventured into the metaverse with a virtual Lunar New Year celebration through virtual reality platforms AltspaceVR and Spatial. McDonald's also filed several trademark applications that suggest it plans to open a virtual restaurant in the metaverse, possibly like Wendy's and Chipotle's versions.

Brands across industries use metaverse for marketing themselves and developing demand from new-age consumers. In February 2022, JP Morgan became the first bank to open a lounge, Onyx. Sportswear majors Nike and Adidas are also active in the NFT space to woo young consumers into buying virtual products. Blending sports, marketing, and gaming, Nike launched Nikeland in November 2021. Furthering its plans, the company also acquired RTFKT, an NFT studio focusing on virtual footwear. Luxury brand Gucci opened Vault, a metaverse concept store selling "Supergucci" NFTs.

Entertainment centers are getting created in the metaverse too. Disney is developing a virtual theme park and has filed for a patent for a "virtual-world simulator." Epic Games has partnered with the Lego Group to build its own family-focused virtual space. There is traction from the automobile industry as well. Hyundai has created a virtual space in the Roblox metaverse called Mobility Adventure to showcase its future mobility solutions.

## Role of the Metaverse Lawyer

Unlike traditional industries, the metaverse is a complex environment with several legal nuances leading to enormous opportunities for law firms. Attorneys can expect many legal advisory assignments as corporations and individuals venture into the space.

Companies will need support from law firms to comply with yet-to-be-fully formed content moderation guidelines for these platforms. Content moderation will be particularly challenging for the metaverse, as these platforms must review content—from text to voice conversations among users—in real-time.

Physical and mental injuries caused in the metaverse will also lead to opportunities for law firms. AR/VR hardware companies will need protection from [personal injury-related lawsuits](#). Without a well-defined legal framework or penalties, criminal activity or abusive behavior may increase, leading to mental trauma-related litigation.

As the creator's economy moves to the metaverse, disputes about the definition of IP and its ownership, protection, and privacy are expected to skyrocket. Content owners will need guidance on their usage rights and licensing terms in a world without geographic boundaries. Content created by avatars and AI will also become the subject of disputes in the coming days.

Developers need immediate guidance to create privacy-focused and age-centric experiences. Legal counsel is required to access data security requirements, and address deep fakes, avatar identity theft, trolling, theft, and unlawful activities on digital land.

Governments will be keen to keep large tech companies from asserting their dominance in the metaverse. Antitrust scrutiny and action against large tech companies active in the metaverse are likely to spur. Pending antitrust reform bills aim to increase interoperability between platforms to open closed platforms and increase competition.

The selling, trading, lending, gifting, and transmission of NFTs and virtual assets will attract laws akin to the real world. Traditional financial regulatory regimes such as securities, banking, money transmission, and commodities laws, or a variation developed over time for the metaverse, will come into play as transaction volumes and related disputes increase.

When virtual assets are purchased and sold, they may be subject to various taxes, including income and sales taxes. Corporations and individuals will need legal counsel to understand the taxation laws as it applies to their unique situations.

Opportunities for legal counsel related to metaverse are endless.

## Active Law Firms in Metaverse

A few law firms have taken a first mover advantage by positioning themselves as Web3 or metaverse experts. Arent Fox, a Washington, D.C.-based white-shoe law firm, made a big splash in February 2022 by buying a large plot in the metaverse and announcing it would offer services in the virtual world. Interestingly, Arent Fox advised PwC to establish its metaverse presence before buying the virtual land.

Lovells, a precursor to Hogan Lovells, opened the first ever virtual office on metaverse platform Second Life in 2006. Hogan Lovells has a practice group for Web3 matters focused on blockchain technology. In April 2022, the firm advised on the first security token offering by a European museum.

In May 2021, Reed Smith released a 76-page white paper offering a clear-eyed look at myriad legal issues ranging from IP to privacy to competition that lurk on the horizon of what its lawyers term “the biggest ever industrial revolution the world has ever seen.”

There are several other firms who have established their practices around Web3 and related matters, including the metaverse, blockchain, and NFTs. Perkins Coie, Davis Polk, and Gordon Law have active practices in blockchain and crypto matters. The movement toward Web3 is pervasive and the number of firms opening to this opportunity is growing at a healthy clip.

Smaller boutique firms such as New Jersey-based Grungo Colarulo and Pennsylvania-based firms Pond Lehocky Giordano and Petrelli Previtera have also opened their doors in the metaverse. Industry experts view the metaverse as a place where lawyers and clients will meet for business or social occasions and share information. For early mover Arent Fox, at the least, the idea is to show clients that they are intelligent and familiar with the metaverse concept.

Several law firms are advising clients on the metaverse-related M&As and funding rounds. A few examples are as follows:.

- O'Melveny & Myers counseled ReKTGlobal Inc, a New York-based esports startup, on its \$470 million acquisition by metaverse development company Infinite Reality LLC.
- Cleary Gottlieb Steen & Hamilton represented Sony, and Wilson Sonsini Goodrich & Rosati represented Epic Games in its \$2 billion funding round in April 2022.

## Conclusion

Firms that are late to the party will be left behind. Fortunately, they still have time as the metaverse opportunity is in its infancy. Firms looking to participate in the phenomenon need to educate their attorneys about the metaverse technology and commercial aspects. Understanding the metaverse ecosystem will help the attorneys determine the needs and aspirations of players in the space.