

Chapter 17

The Role of Legal Governance Framework in the Metaverse World

Chin Chin Sia

Taylor's University, Malaysia

ABSTRACT

The book chapter analyses how the current legal framework of self-governance is weak in regulating the metaverse world. The rule of law, as a discourse that emphasizes the legitimacy of governance and appropriate limits on the exercise of power, provides a useful framework as a first step to reconceptualizing and evaluating these tensions in communities at the intersection of the real and the virtual, the social and the economic, and the public and the private. Technologists, practitioners, and regulators must be open to these tensions to appropriately develop the correct legal governance through a mix of user control, industry practice, and regulatory oversight for a just and equitable metaverse world.

INTRODUCTION

One of the principles of governance law requires legal authorization (Risch, 2009) for the exercise of power. Incorporating this insight into metaverse world of self-governance implies that the contracts that underpin participation in metaverse world ought to be enforceable against the providers of those communities as well as the participants (Lastowka, 2010). Nevertheless, there are some shortcomings in the ways that these contracts are drafted. Namely, they are drafted considerably in favor of the providers (Fairfield, 2010), grant wide discretionary powers, and significantly limit any potential liability to the providers. It is argued that while autonomy of contract is critical in metaverse world, there is a severe tendency to reduce state intervention in private governance through self-governance by the major service providers.

Regulation comes in several different forms, each of which affects participants. Regulation also comes from a number of different sources: the moral force of the community, the imposed rule of the provider, and the laws of territorial states. Some conflicts are best illustrated from a position internal to the rules and norms of the metaverse world, while others more visible from an external position. There

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are overlapping constraints from multiple sources, but what matters is the cumulative effect of the law on its subjects. The interaction between internal and external perspectives and sources of regulation constructs the experience of participating users (Fernandez & Hui, 2022), who are subject to all these forces simultaneously. This book chapter will proceed on the basis that legal framework highlight tensions that can be in different sources of regulation in metaverse world and provide insights that may be relevant to a number of different forms of governance.

The most immediate legal limits on a provider's discretion usually lie in the contractual terms of service that purport to govern most communities within the metaverse world. First, providers are expected to act in accordance with the terms of service since these contractual documents ought to be enforceable against providers and not merely for the benefit of providers. This leads to some serious problems, particularly as most terms of service are drafted in a manner that greatly favors the interests of the provider. Most importantly, terms of service generally include clauses that reserve a wide discretion to the provider. In metaverse world where the value of the rule of law against arbitrary power is significant, clauses that allow absolute discretion should be regarded suspiciously (Suzor, 2010).

The analysis in this chapter also aimed to show that privacy is inadequately handled in the current governance model. It will be interesting to see local governance develop. Different governance models are likely to develop within the various communities in the metaverse world and some will certainly address privacy needs of the individual participants or communities (Leenes, 2007). Whether privacy as a social value will be acknowledged and handled within these diverse forms of governance is a different question.

BACKGROUND

Metaverses are immersive three-dimensional virtual worlds in which people interact as avatars with each other and with software agents, using the metaphor of the real world but without its physical limitations (Park & Kim, 2022). Metaverse is an interconnected web of social, networked immersive environments in persistent multiuser platforms. It enables seamless embodied user communication in real-time and dynamic interactions with digital artifacts (Mystakidis, 2022). Its first iteration was a web of virtual worlds where avatars were able to teleport among them. The contemporary iteration of the Metaverse features social, immersive VR platforms compatible with massive multiplayer online video games, open game worlds and AR collaborative spaces.

The term Metaverse was invented and first appeared in Neal Stevenson's science fiction novel *Snow Crash* published in 1992. It represented a parallel virtual reality universe created from computer graphics, which users from around the world can access and connect through goggles and earphones (Mayer-Schonberger & Crowley 2006). The backbone of the Metaverse is a protocol called the Street, which links different virtual neighborhoods and locations an analog concept to the information superhighway. Users materialize in the Metaverse in configurable digital bodies called avatars. Although Stevenson's Metaverse is digital and synthetic, experiences in it can have a real impact on the physical self. A literary precursor to the Metaverse is William Gibson's VR cyberspace called *Matrix* in the 1984 science fiction novel *Neuromancer* (Fernandez. & Hui 2022).

The novel Metaverse differs from the earlier Metaverse in three ways (Moy & Gadgil 2022). First, the rapid development of deep learning dramatically improves the accuracy of vision and language recognition, and the development of generative models enables a more immersive environment and natural movement. The processing time and complexity were reduced using multimodal models as end-to-end

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