Proskauer

Question of the Week:

What are some key considerations in acquiring companies that own metaverse assets?

**August 17, 2022**

"Be quick and nimble in this constantly changing environment. As with any new technology, the legal framework and general "rules of the road" are either still being developed or have not yet been considered by the appropriate regulating organizations. Players must take into account their tolerance for regulatory and other comparable risk in an unreliable legal environment."

**Kristian Herrmann**, Partner, M&A

---

"Act early and thoughtfully on insurance issues. For Web3-focused businesses, the insurance market is still developing and can be quite volatile. Certain policies that might be accessible on the open market may not be offered or may be excessively expensive to purchase. To learn more about (i) the target's current insurance program, (ii) expectations for the potential breadth of, or gaps in, coverage, and (iii) anticipated costs, talk to your broker or other consultants as early in the process as possible."

**Chris Ahn**, Partner, M&A

---

"Know what rights have been granted to third parties with respect to any virtual real estate. Virtual real estate is owned through NFTs, similar to other metaverse assets, as opposed to notarized deeds recorded in a property's local land records. Holding a distinct NFT makes chain of title and ownership concerns simpler, but it's still vital to understand what agreements and rights may have been granted to third parties regarding any virtual real estate, as well as the method by which those rights were granted. In addition, consider the blockchain environment in which the assets are held and any limitation imposed by that environment on the transferability of the asset."

**Robert Shmalo**, Partner, Real Estate

---

"Understand the nature of the rights and licenses that the target has in NFTs and the connected content by carefully identifying and evaluating the terms and conditions governing each NFT's issuance, distribution, sale, or transfer. A wide variety of approaches have been taken in the market. Whether an NFT owner obtains intellectual property ownership of, or receives a license to, the content associated with the NFT – and, if a license is obtained, whether it is exclusive and authorizes commercial usage – can determine the value and utility of an NFT. When doing due diligence, it's also crucial to consider each NFT's provenance and if the original minter had all the intellectual property rights necessary to issue it."

**Wai Choy**, Partner, Technology, Media & Telecommunications

---

**Subscribe to Beyond the Deal**

*If you would like to contact us or have a question for "Question of the Week," please email beyondthedeal@proskauer.com.*

**Related Professionals**

- **Kristian M. Herrmann**
  Partner
- **Christopher D. Ahn**
  Partner
- **Robert C. Shmalo**
  Partner
- **Wai L. Choy**
  Partner