Insight

Will Metaverses Require New Regulations?

JUAN LONDOÑO | FEBRUARY 9, 2022

Executive Summary

- Facebook's rebranding as Meta has brought significant attention to the tech industry's rollout of "metaverses"—and has raised questions about how this technology should be regulated.
- A metaverse is a virtual world focused on social interaction, in which users are typically represented by an avatar and have the option to socialize with other users on the platform.
- The basic concept of metaverses is not new—many popular video games employing the same content that enables social interaction have existed for more than a decade—and so current regulations for videogames, social media, copyrighted music, and movies will likely suffice to cover the use of this technology.
- What is new is how users access content in metaverses, often using augmented and virtual reality headsets, which are facing a continuously changing regulatory environment.

Introduction

The rebranding of Facebook as Meta has placed a spotlight on the tech industry rollout of "metaverses," and how policymakers might craft regulations for this nascent technology. Development of these metaverses has become a top priority for a wide range of tech companies seeking to become leaders in what could be the predominant method of online social interaction. Microsoft, for example, just announced a record-setting $68 billion purchase of video game publisher Activision-Blizzard in order to incorporate its content into its metaverse project. Put simply, the metaverse is growing in popularity among companies and consumers. But what is a metaverse?

A metaverse is a virtual world focused on social interaction. In these virtual worlds, users are typically represented by an avatar, have the option to socialize with other users, and can access the different applications offered by the platform.

While a novel concept and one that is likely to raise new questions, current regulations for the video games, media, productivity, and social media apps present in these metaverses seem well equipped to ensure protection for users. One key difference between metaverses and the existing social media platforms is their extended offering of social experiences, intended to be more immersive, which will likely be more heavily reliant on augmented and virtual reality (AR/VR) technology. This, in turn, may require regulatory oversight to provide for biometric data privacy and user safety (e.g., the use of AR wearables while driving).

That said, most of the content included in metaverses present a change of format, but not of the substance of the content being presented. Due to these similarities, metaverses will likely share the same regulatory challenges as existing social media platforms. Hence, policymakers should look to existing regulations before attempting to create metaverse-specific regulation. Crafting metaverse-specific regulation for this nascent technology might

prohibit the future development of its valuable uses and harm consumers. This insight reviews the foundations of metaverses, their similarities to other available applications, and the aptitude of current regulations to manage content in metaverses.

What Is a Metaverse?

A metaverse provides a virtual social experience through a platform that allows users to interact with each other. The platforms hosting these metaverses usually intend to create an immersive experience, which is sometimes achieved through the use of AR/VR technology. In these virtual spaces, users are represented by an avatar, whose looks can be personalized to the user's liking. They can also communicate with other users via features such as "emotes" – expressions or dances performed by their avatars – or by the use of voice and text chat.

Each metaverse can have a different focus, which will influence the number of applications supported by the platform. For example, the *Fortnite* metaverse centers around the videogame that hosts it, focusing on multiplayer activities happening in real-time or virtual concerts. Meanwhile, companies such as Microsoft and Meta have indicated that their vision of the metaverse is to create a one-stop shop where users can access different gaming, video conferencing, and social media applications from the same interface and account.

Origins of the Virtual Social Experience

The concept of the metaverse is now new; in fact, most of the foundations on which metaverses rely have existed for years. The core premise of the metaverse, a social experience where users can control their avatar and interact with other users in real time, has long been a feature on different platforms in video games and websites.

Internet platforms such as *Club Penguin* or *Habbo Hotel* operated under a similar premise: Users, represented by their avatars which they controlled through clicks, could move around their virtual world and interact with each other. Online multiplayer videogames, sometimes inadvertently, have been successful in establishing virtual communities that have lent themselves to complex social interaction and even a robust market economy.

The Metaverse Innovates on Past Virtual Experiences

Metaverses will build on these foundations, providing a more robust social experience by introducing a stronger virtual economy and innovative digital entertainment. These experiences will include live virtual concerts, sports broadcasts, chat rooms, or digital goods marketplaces. For example, the rise in popularity of non-fungible tokens has alerted legacy retailers such as Walmart to explore entering the "metaverse economy." Their aim is to make these digital worlds a product for the general public, expanding beyond their current gaming niche.

In short, metaverses will change how users consume content, but not the content, itself. Users will mostly use the same applications and websites that currently exist in the market, but in some cases, they will be adapted to the use of immersive technology such as AR/VR. Some of these metaverses will try to act as a one-stop shop for multiple needs, where users carry over a single online identity in the different applications offered by the platform.

Will Metaverses Require Special Regulation?

The implementation of metaverses does not necessarily imply the introduction of new content; it is mostly a

change in the way content is displayed and accessed. Therefore, current regulations regarding videogames, social media, copyright, music, and movies are well-equipped to tackle most potential issues with metaverses. As is often the case with new technologies, there will be new challenges and questions that cannot be foreseen. For those cases, policymakers should look first to re-evaluate and update current regulations if needed, rather than pre-emptively enacting metaverse-specific legislation that could potentially conflict with other regulations or unnecessarily harm innovation.

The biggest regulatory challenge unique to metaverses comes from their use of AR/VR technology. This technology is facing a continuously changing regulatory environment, with states passing a variety of laws and regulations for its use, from privacy and biometric data laws to restrictions on the use of AR wearables while driving. Additionally, recent reports claim the Federal Trade Commission is currently investigating Meta's *Oculus* brand for anticompetitive behavior in violation of antitrust law, which could stifle the deployment of AR/VR technology by rival tech companies.

Metaverses also will likely face the same challenges with which most social media platforms struggle, such as content moderation. Content moderation will be particularly challenging for metaverses, as platforms would need to review content—from text to voice conversations among users—in real-time . Moreover, reforms to Section 230 of the Communications Decency Act or the use of algorithms for content moderation could produce a significantly altered regulatory environment for these platforms. Potential reforms to the Children's Online Privacy Protection Rule will likely also cover metaverses, as many of these platforms would allow the presence of, or are directly marketed to, underage users.

On platforms where voice chat becomes the primary source of user interaction, content moderation can be particularly challenging. In order to properly moderate content, platforms will likely be required to keep a log of users' conversations, which could raise privacy concerns. Conversation logging is a measure that is used by other gaming companies, and it introduces a dilemma to platforms: Either platforms could step back and take a more lax approach to content moderation, or they could take a content moderation approach that could potentially erode user privacy. This is not an easy choice. Companies such as Apple have faced significant backlash when introducing measures to limit the spread of content depicting child sexual abuse due to its potential implications for users' privacy. Recent reports have highlighted that Meta is already experiencing difficulties with content moderation and age verification on its Horizon Worlds app, the flagship social app of their metaverse.

Prematurely regulating metaverses runs the risk of stifling the evolution of this technology. New technologies should be allowed to experiment and mature in an open-ended regulatory environment so that the necessary tinkering needed for exploring new applications is not hampered by regulatory barriers.

Conclusion

The introduction and development of the metaverse has drawn attention to the possibility of a "digital world." These metaverses introduce a novel way to consume some of the products already present on the internet. In some cases, metaverses will require the use of immersive technology, such as augmented or virtual reality. Most metaverses are expected to build on the foundations laid by existing internet content, such as video games, streaming sites, and social media. Thus, most of the elements that comprise it are already subject to regulations that are well-equipped to tackle most of the challenges that arise. While metaverses' new use of AR/VR technology may raise some concerns, policymakers would be wise to look at updating current legislation when needed, rather than creating new regulation for metaverses.