

Legal Protection of Virtual Property: Current Status and Future Development of Digital Currency and Virtual Goods Regulation

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Abstract: Virtual property, including digital currencies and virtual goods on online platforms, has become an important component of the digital economy. Digital currencies such as Bitcoin and Ethereum are characterized by decentralization and anonymity, possessing both currency attributes and investment tool characteristics. At the same time, virtual goods like in-game equipment and pets carry emotional significance for users and have economic value. However, the legal status of these virtual properties is ambiguous, leading to uncertainty in dispute resolution and protection mechanisms. This article explores the current legal protection status of virtual property, particularly focusing on digital currencies and game-based virtual assets, and emphasizes the need to establish a regulatory framework that adapts to rapid technological changes. The article analyzes the legal attributes of digital currencies and the legal status of virtual goods, proposing that legislation should clarify the legal attributes of virtual property and optimize regulatory mechanisms to promote healthy market development and protect consumer rights.

Keywords: Virtual Property, Digital Currency, Legal Protection

1. Introduction

Virtual property, including digital currencies and virtual goods on online platforms, has become an important component of the digital economy. With the continued growth of these intangible assets, they present unique challenges to traditional legal frameworks that are primarily designed for tangible goods. Digital currencies, such as Bitcoin and Ethereum, have disrupted conventional notions of currency and finance, providing new opportunities for investment and business activities while also introducing significant risks related to security, fraud, and compliance. Similarly, virtual goods, ranging from in-game weapons to tokens for social media accounts, hold intrinsic value for users and often possess economic value that can be traded or exchanged [1]. Despite their increasing importance, the legal status of these virtual properties remains ambiguous in many jurisdictions, leading to uncertainty in dispute resolution and protection mechanisms. This article aims to explore the current legal protection status of virtual property, focusing on digital currencies and game-based virtual assets, while emphasizing the need to establish a robust regulatory framework that can adapt to rapid technological changes and ensure the integrity of transactions in the digital realm.

With the rapid development of blockchain technology, the creation of decentralized digital currencies has become more accessible, making these currencies increasingly popular among individuals seeking alternative means of value storage and transfer. However, the very characteristics that make these currencies attractive, such as anonymity and decentralization, also make them susceptible to misuse. Meanwhile, the rise of virtual goods in online gaming not only reflects players' emotional investment but also highlights the economic value of these items in the market. Nonetheless, due to the lack of clear legal status, ownership disputes and value assessment of virtual goods have become pressing issues that need to be addressed. In response to these challenges, this article will examine the effectiveness of existing regulatory measures and propose recommendations for future developments.

2. Legal Attributes of Virtual Property and Its Protection Status

2.1. Legal Attributes of Digital Currency

Since its inception, the legal attributes of digital currency have been a subject of controversy. On one

hand, digital currencies like Bitcoin possess characteristics such as decentralization and anonymity, allowing them to serve as a general equivalent for the exchange of goods and services within specific communities. From this perspective, digital currency seems to have monetary attributes. However, due to its significant value fluctuations, lack of stable purchasing power and value storage function, and the fact that it is not issued by a central bank and lacks state credit as support, it is difficult to fully meet the definition of traditional currency. On the other hand, in practical applications, digital currency is often treated more as an investment tool or commodity, with its value fluctuations attracting investors to buy and sell, which further aligns digital currency with securities attributes. For example, fundraising through Initial Coin Offerings (ICOs) resembles securities issuance, which also endows digital currency with characteristics of investment products. Therefore, from a legal perspective, digital currency exhibits dual characteristics of both monetary and non-monetary attributes.

Despite the doubts surrounding the monetary attributes of digital currency, there have been judicial cases that recognize Bitcoin and other digital currencies as virtual property. For instance, in some judicial cases in our country, courts have classified Bitcoin as virtual property or commodities, asserting that although it does not possess the monetary attributes of legal tender and compulsion, it has commodity attributes and can be legally protected as a transaction object. Additionally, due to the inherent value, disposability, and legality of digital currency, it exists in cyberspace in the form of electronic data as a product of the digital age. Users can manage and control their digital currencies through specific online platforms or software. This characteristic endows digital currency with certain attributes similar to traditional property, meaning users have control over it and can derive economic benefits from it. Therefore, from the perspective of property, digital currency can be regarded as a form of virtual property and is entitled to corresponding legal protection.

2.2. Legal Status of Virtual Goods

With the rapid development of the online gaming industry, players' investments in games, whether in terms of time or money, have given rise to a large amount of virtual property, such as game accounts, equipment, and pets. These virtual goods not only carry emotional value for players but also possess significant economic value. However, the legal status of these in-game assets remains highly controversial. On one hand, since players acquire these virtual properties through their own efforts and investments, they should be regarded as the legitimate property of the players. On the other hand, the existence and use of these assets depend on the platforms and rules provided by game operators. Therefore, when operators terminate their services, players' virtual properties often disappear, complicating the legal protection of virtual property. Nevertheless, some cases have begun to recognize in-game assets as a form of virtual property entitled to legal protection. For instance, when virtual property suffers illegal infringement, players have the right to seek legal remedies. To better protect players' interests, it is necessary to clarify the legal status of virtual goods and establish a legal protection framework for virtual property through legislation to address the legal protection issues of in-game assets.

On social media and online platforms, various virtual goods created and accumulated by users, such as social accounts, points, and virtual gifts, also constitute important virtual property. These types of virtual goods are often closely related to users' social relationships and personal identities, carrying high emotional value. However, the issue of ownership of these virtual goods also faces legal ambiguities. When disputes arise between users and platforms, such as account bans or theft of virtual goods, users often find it difficult to obtain effective legal remedies. To address these issues, it is essential to establish clear legal provisions that define the rights and obligations of users and platforms, protecting users' virtual property on social media and online platforms. Additionally, it is necessary to improve relevant laws and regulations to clarify the ownership of virtual goods, ensuring that users can freely manage their virtual property within legal boundaries. This not only helps maintain order in cyberspace but also safeguards users' legitimate rights and interests.

3. Challenges and Countermeasures in Regulating Virtual Property

3.1. Challenges and Countermeasures in Digital Currency Regulation

Digital currency, especially decentralized cryptocurrencies like Bitcoin, presents unprecedented challenges for regulation due to its anonymity and cross-border transaction characteristics. Since digital currency transactions can bypass traditional financial institutions and transaction records are maintained on distributed ledgers, tracking the flow of funds becomes increasingly difficult. The convenience of

cross-border transactions makes digital currency a tool for money laundering, tax evasion, and other illegal activities, complicating international regulation. The significant differences in legal systems and regulatory policies among countries have created regulatory gaps in cross-border digital currency transactions. Furthermore, the rapid pace of technological development far exceeds the speed of legal updates, making it challenging for existing legal frameworks to keep up with the fast iteration of digital currencies, resulting in regulatory lag.

In response to the challenges posed by digital currency, regulatory agencies need to find a balance between promoting financial innovation and ensuring financial security. On one hand, digital currency, as part of financial technology, brings higher efficiency and lower costs to payment systems, providing possibilities for achieving inclusive finance. To encourage technological innovation, it is essential to allow digital currencies some room for development, avoiding overly strict regulations that could stifle the application and growth of new technologies. On the other hand, considering the potential financial instability and market risks that digital currencies may trigger, regulatory agencies must formulate corresponding policies to prevent abuse and criminal activities. This includes clarifying the legal status of digital currencies, establishing appropriate anti-money laundering (AML) and know your customer (KYC) systems, and strengthening compliance requirements for digital currency trading platforms [2]. Through a reasonable regulatory framework, it is possible to ensure the safety and stability of the financial system while creating a favorable environment for the healthy development of digital currencies.

3.2. Strategies for Regulating Virtual Goods

To ensure the security of virtual goods transactions, the first step is to clarify the legal status of virtual goods by incorporating them into the scope of existing legal protections through legislation or judicial interpretation, ensuring their recognition at the legal level. Secondly, given that virtual goods transactions often occur on online platforms, it is essential to strengthen regulation of these platforms and require them to fulfill necessary information verification obligations, such as implementing real-name authentication for users to ensure the authenticity of the identities of both parties involved in the transaction. Additionally, platforms should be encouraged to establish comprehensive transaction records and dispute resolution mechanisms, such as setting up user rating systems and introducing third-party arbitration services to reduce transaction risks. Finally, due to the unique nature of virtual goods, a specialized data backup and recovery mechanism should be established to prevent property damage resulting from data loss.

To enhance the protection of user rights, it is important to reinforce the protection of users' personal information by improving relevant laws and regulations that clarify ownership and usage rights of user data, prohibiting unauthorized data usage. At the same time, platforms should handle user data transparently, allowing users to understand how their data is being used. On the other hand, in cases where virtual goods are stolen or mistakenly deleted, convenient complaint channels should be established to simplify the user rights protection process, shorten handling times, and improve efficiency in addressing users' claims. Furthermore, there should be increased efforts in education and awareness regarding virtual goods transactions, enhancing users' self-protection awareness and reminding them to pay attention to security during transactions to avoid losses due to seeking small benefits. Through these strategies, not only can the level of user rights protection be enhanced, but the healthy development of the virtual goods market can also be promoted.

4. Future Outlook for the Protection of Virtual Property

4.1. Improvement of Legal Regulation

Clarifying the legal status of virtual property is key to ensuring its rights are effectively protected. Currently, there is no clear definition of the legal attributes of virtual property in our country, leading to situations where courts and relevant authorities often face dilemmas when dealing with disputes related to virtual property, resulting in inconsistent and unpredictable judicial outcomes. Therefore, it is urgent to clarify the legal attributes of virtual property through legislative means, positioning it as a new type of property right. On one hand, dedicated laws can be enacted to define virtual property, its characteristics, rights, and obligations, standardizing its transaction activities and establishing its status within the legal system. This will help construct a legal framework for virtual property, providing clear legal grounds for its rights and securing robust protection at the legal level. On the other hand, clarifying the legal attributes of virtual property and related legal relationships through judicial interpretations can provide guidance

for judicial practice. This approach is more flexible and can timely adapt to the developments and changes in the virtual property market. Clearly establishing the legal status of virtual property not only helps reduce the uncertainty in judicial rulings but also offers market participants more explicit legal rules, encouraging them to operate in a standardized manner and engage in legitimate transactions^[3].

The existing laws and regulations in our country regarding the protection of virtual property are insufficient, making it difficult to fully support the rapid development needs and market characteristics. Therefore, there is an urgent need to establish dedicated laws and regulations for virtual property to fill the current legal gaps and provide more comprehensive legal protection. New regulations should clearly define virtual property, identifying its nature and scope, including but not limited to definitions of digital currencies and virtual goods, thereby establishing its legal status. This will help standardize the scope of virtual property and clarify its specific content within the legal framework, providing a clear basis for future legal applications. Additionally, the regulations should set clear requirements for confirming ownership of virtual property, covering aspects such as ownership rights, usage rights, and transfer rights to provide legal protection for property rights. By clarifying ownership relationships, legal disputes in virtual property transactions can be effectively reduced, enhancing market transparency and predictability. The regulations should also standardize the transaction behavior of virtual property, covering aspects such as the legality of transactions, processes, and information disclosure, to ensure fairness, justice, and legality in transactions. Moreover, regulations should establish compliance operation requirements for virtual property trading platforms, strengthening regulation of these platforms to ensure their legal and compliant operation, thereby reducing potential market risks.

4.2. Optimization of Regulatory Mechanisms

The core of optimizing the regulatory mechanism for virtual property lies in strengthening the responsibilities of regulatory agencies, enabling them to respond more efficiently and professionally to new issues in the virtual property market. On one hand, it is necessary to clarify the division of responsibilities among various regulatory entities to avoid regulatory vacuums caused by unclear duties. For example, a dedicated regulatory agency for virtual property could be established to coordinate and supervise multiple aspects such as the issuance, trading, and security of virtual property. On the other hand, it is essential to enhance the enforcement capabilities of regulatory agencies, rigorously cracking down on illegal activities related to virtual property, such as fraud and theft, to safeguard market order. Additionally, a regular audit mechanism should be established to conduct comprehensive reviews of the operational status of virtual property trading platforms, ensuring their legal and compliant operation while promptly identifying and addressing potential risks. Regulatory agencies should also strengthen cooperation with virtual property trading platforms, utilizing modern information technologies such as big data and blockchain to monitor transaction dynamics in real-time, thereby improving regulatory efficiency.

The cross-border nature of virtual property transactions necessitates cooperation and information sharing that transcends national boundaries. Given the differences in legal systems and cultural backgrounds among various countries and regions, enhancing international cooperation is particularly important. This can be achieved by signing bilateral or multilateral agreements to establish unified regulatory standards and jointly combat criminal activities in the field of virtual property. Furthermore, establishing an international information-sharing platform to facilitate communication between regulatory agencies across countries will help promptly identify and address illegal activities in cross-border virtual property transactions. Additionally, promoting international technological exchanges and cooperation to jointly research new technologies and methods for virtual property regulation will enhance the effectiveness and consistency of regulation on a global scale. Through these measures, not only can the regulatory capacity of individual countries be improved, but a collective effort can also be formed globally to jointly address the challenges of virtual property regulation.

5. Conclusions

With the development and application of blockchain technology, digital currencies and virtual goods, as emerging forms of virtual property, are gradually integrating into people's daily lives and becoming an important component of the digital economy. However, there are still many challenges regarding the legal attributes of these virtual properties and their protection status. For digital currencies, which exhibit dual characteristics of both monetary and non-monetary attributes, although they have been recognized as virtual property deserving legal protection in certain judicial cases, it is still necessary to further clarify

their legal status and establish corresponding regulatory frameworks to ensure a balance between financial innovation and financial security. For virtual goods, it is essential to clarify their legal status through legislation or judicial interpretation to protect users' virtual property on gaming and social media platforms from infringement. In the future, clarifying the legal attributes of virtual property, improving legal regulations, and optimizing regulatory mechanisms will be key to promoting the healthy development of the virtual property market and protecting consumer rights. Only in this way can a more solid legal foundation be established amidst the tide of the digital economy.

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