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THE LEGAL STATUS OF VIRTUAL PROPERTY: OWNERSHIP, POSSESSION AND TRANSFERABILITY IN THE METAVERSE

BY: AARTI MEHTA

ABSTRACT

The development of the Metaverse has introduced new forms of digital assets, including virtual land, avatars, digital clothing, collectibles, artwork and non-fungible tokens (NFTs). These assets can possess considerable economic value and may be bought, sold or transferred between users. However, their legal status remains uncertain. The central difficulty is determining whether a person who purchases a virtual asset actually owns it or merely receives a contractual licence to use it. Traditional property law is primarily based on concepts developed for physical objects and recognised intangible rights, whereas virtual property operates through software, blockchain technology, platform rules and contractual arrangements. Existing scholarship presents different approaches: some scholars favour contractual regulation, while others argue that certain digital assets should receive recognition as property. Recent developments in the United Kingdom have strengthened the latter approach by recognising that some digital assets can attract property rights. India, although recognising virtual digital assets for taxation purposes, does not yet have a comprehensive framework governing ownership, possession and transfer of virtual property. This paper examines these issues and argues that the law should distinguish between ownership of a digital token, rights in the underlying digital content and contractual rights granted by a platform.

Keywords: Metaverse, Virtual Property, Digital Assets, NFTs, Ownership, Possession, Transferability, Indian Law

1. INTRODUCTION

The Metaverse has changed the way people understand ownership and possession. In virtual environments, individuals can purchase land, buildings, avatars, digital clothes, artwork and other objects that have no physical form. These assets may nevertheless have significant financial value and can sometimes be traded for real-world money. The growing market for virtual assets raises an important legal question: what does it actually mean to own something in the Metaverse?

A person purchasing a parcel of virtual land may believe that they have acquired ownership. Legally, however, they may only have a licence to use that space according to the terms established by the platform.¹ Similarly, purchasing an NFT may establish control over a particular blockchain token but may not transfer copyright in the artwork connected with that token. This uncertainty is not entirely new. Earlier scholarship concerning virtual worlds examined whether virtual objects should be treated as property or simply as contractual interests. John William Nelson argued that traditional property rules should not automatically be applied to virtual objects, while Christopher Cifrino emphasised the importance of contract law and platform agreements. More recent scholarship has shifted towards NFTs and blockchain-based assets.² The debate now concerns whether these assets should be treated as a new form of property and what rights should accompany their ownership. The issue has particular significance for India because the country recognises virtual digital assets for tax purposes but does not have a comprehensive law determining their proprietary character.³

2. REVIEW OF EXISTING LITERATURE

Existing literature can broadly be divided into two approaches.

The first approach views virtual property primarily through contract law. Virtual-world platforms generally operate through End User Licence Agreements and terms of service. These agreements may determine what users can do with virtual objects, whether they can transfer

¹ Hannah Yee Fen Lim, *Virtual World, Virtual Land but Real Property*, Sing. J. Legal Stud. 304 (2010)

² Christopher J. Cifrino, *Virtual Property, Virtual Rights: Why Contract Law, Not Property Law, Must Be the Governing Paradigm in the Law of Virtual Worlds*, 55 B.C. L. Rev. 235 (2014)

³ Juliet M. Moringiello & Christopher K. Odinet, *The Property Law of Tokens*, 74 Fla. L. Rev. 607 (2022)

them and what happens if an account is terminated.⁴ Sheldon observed that users may believe they own virtual goods while contractual terms can substantially restrict the rights they actually possess. Cifrino similarly argued that contract law provides greater flexibility than traditional property law because different virtual worlds have different structures and purposes.

The second approach supports recognising certain virtual assets as property. Ryan Vacca examined virtual property through traditional theories of property and innovation and argued that legal protection can be justified where virtual assets have genuine economic and personal value. The emergence of NFTs has made this debate more complicated.⁵ Moringiello and Odinet have argued that the token itself must be distinguished from the underlying asset and the rights associated with that asset. Recent research has similarly emphasised that owning an NFT does not automatically mean owning the copyright in the associated digital artwork.

Recent scholarship in India has also highlighted uncertainty surrounding NFT ownership, copyright, licensing and transfer. Thus, existing research suggests that virtual property cannot be understood through a single legal concept. It may involve property rights, contractual rights and intellectual-property rights simultaneously.

3. MEANING AND NATURE OF VIRTUAL PROPERTY

Virtual property refers broadly to digital objects or assets that have value within a virtual environment. Examples include virtual land, avatars, digital clothing, gaming assets, virtual buildings, artwork and NFTs. There is an important distinction between centralised virtual assets and blockchain-based assets. In a traditional online game, a virtual sword or character may exist only within the company's database. The user may be able to use it but may have no right to transfer it outside the game. The platform therefore exercises considerable control over the asset. NFTs are different because ownership or control of the token is recorded on a

⁴ Virtual-world platforms generally operate through End User Licence Agreements and terms of service

⁵ Ryan G. Vacca, *Viewing Virtual Property Ownership Through the Lens of Innovation*, 76 Tenn. L. Rev. 33, 33–65 (2008); Juliet M. Moringiello & Christopher K. Odinet, *The Property Law of Tokens*, 74 Fla. L. Rev. 607, 607–70 (2022)

blockchain.⁶ The token can often be transferred from one wallet to another without requiring the original platform to approve every transaction.

However, blockchain technology does not by itself determine the legal rights of the purchaser. The token may represent ownership of a digital asset, but it may also represent only a licence or another contractual interest.⁷

Therefore, three different things must be separated:

1. The digital token
2. The underlying digital asset and
3. The intellectual-property rights associated with that asset

Confusing these three concepts is one of the major reasons for uncertainty surrounding virtual property.

4. OWNERSHIP OF VIRTUAL PROPERTY

Ownership traditionally provides a bundle of rights, including the ability to use property, exclude others and transfer it. Applying these concepts to virtual assets is difficult. A user may purchase virtual land but remain dependent on the platform for access. If the platform changes its rules or shuts down, the user may lose the practical ability to use the asset even though the blockchain record remains. Similarly, an NFT may demonstrate that a particular wallet controls a token, but it does not necessarily prove that the holder owns the copyright in the underlying artwork. This distinction becomes particularly important where digital artwork is copied. Thousands of people may possess copies of the same image while only one wallet holds the NFT.⁸ The NFT holder therefore has a unique token, but not necessarily exclusive rights over the underlying content. The UK Law Commission has addressed this problem by recognising

⁶ What Is Virtual Real Estate?, Valta Realty, <https://valtarealty.com/terms/virtual-real-estate> (last visited Oct. 1, 2026)

⁷ OpenSea, *What Are Virtual Land NFTs?*, OpenSea Learn (June 25, 2023), <https://opensea.io/learn/nft/what-are-virtual-land-nfts>

⁸ The Conversation, *Can You Truly Own Anything in the Metaverse? A Law Professor Explains How Blockchains and NFTs Don't Protect Virtual Property* (Mar. 28, 2022), <https://theconversation.com/can-you-truly-own-anything-in-the-metaverse-a-law-professor-explains-how-blockchains-and-nfts-dont-protect-virtual-property-179067>

that certain digital assets can attract personal-property rights even though they do not fit comfortably within traditional categories of property. The Property (Digital Assets etc) Act 2025 subsequently received Royal Assent in the United Kingdom, reflecting the movement towards recognising digital assets within property law. This development demonstrates that property law can adapt to technological changes rather than limiting property to physical objects.

5. POSSESSION OF VIRTUAL PROPERTY

Possession is even more complicated than ownership in a digital environment.

Physical possession normally involves direct factual control. A person holding a physical object can exercise control over it. Virtual assets cannot be possessed physically. In blockchain systems, control is usually connected with possession of the relevant private key. Whoever controls the wallet may be capable of transferring the asset. However, technological control is not necessarily legal ownership.⁹

For example, suppose a hacker obtains access to a person's wallet and transfers an NFT to another address. The blockchain may record the hacker as the current holder, but the original owner may still have a legal claim because the transfer was unauthorised. This shows why blockchain records should not necessarily be treated as conclusive proof of ownership. They provide strong evidence of control, but legal ownership may depend upon the circumstances in which that control was obtained.

6. TRANSFERABILITY

Transferability is one of the most important characteristics of virtual property. NFTs and other blockchain-based assets can generally be transferred between wallets and traded through digital marketplaces. Smart contracts can also automate certain transactions. However, the legal effect of transfer depends upon what rights are actually being transferred. For example, if an artist creates an NFT representing an artwork and sells it to another person, the purchaser may acquire the NFT but not the copyright. The artist may continue to control reproduction, commercial exploitation and adaptation rights unless these rights have been separately

⁹ Concept of Possession and Ownership, Effective Laws, <https://effectivelaws.com/possession-and-ownership/> (last visited Oct. 1, 2026)

transferred. The same issue applies to virtual land. The buyer may transfer the token representing the land, but the platform may retain control over the virtual environment in which the land exists. Transferability therefore involves both technical transfer and legal transfer. A blockchain may make the first relatively simple, while the second may remain uncertain.

7. POSITION UNDER INDIAN LAW

India currently does not have a comprehensive statute specifically governing ownership of virtual property in the Metaverse. The Income-tax Act, 1961 recognises the concept of a Virtual Digital Asset (VDA). The statutory framework covers certain digital representations of value and NFTs. However, tax recognition does not automatically create proprietary rights. The fact that an asset is taxable does not necessarily establish that its holder has ownership rights enforceable against a platform or third party. The Indian Contract Act, 1872 may be relevant because relationships between users and platforms are generally governed by contractual terms. Section 10A of the Information Technology Act, 2000 also gives recognition to contracts formed electronically.¹⁰ Intellectual-property law provides another layer of protection. If a virtual asset contains copyrighted artwork, music, characters or other protected material, the copyright owner may retain rights independent of the NFT holder. Indian scholarship has consequently highlighted the need for clearer rules dealing with NFT ownership and copyright. The present framework is therefore fragmented.¹¹ India recognises digital assets in certain contexts, particularly taxation, but does not comprehensively answer questions concerning proprietary ownership, possession, inheritance, recovery after theft or transferability.

8. MAJOR LEGAL CHALLENGES

Virtual property creates several legal difficulties.

First, platform dependence: A virtual asset may depend upon a particular platform for its practical use. If the platform closes, the asset may lose much of its utility.

¹⁰ Concept of Possession and Ownership, Effective Laws, <https://effectivelaws.com/possession-and-ownership/> (last visited Oct. 1, 2026)

¹¹ Tejaswini Sundar & Sushmitha Senthilkumar, A Comprehensive Analysis on Taxing Virtual Digital Assets in the World of Metaverse, ITAT Online, <https://itatonline.org/digest/articles/a-comprehensive-analysis-on-taxing-virtual-digital-assets-in-the-world-of-metaverse/> (last visited Oct. 4, 2026)

Second, intellectual property: Ownership of a token does not necessarily mean ownership of copyright or trademark rights.

Third, fraud and hacking: Blockchain transfers may be difficult to reverse even where a transaction resulted from theft or fraud.

Fourth, jurisdiction: Metaverse transactions can involve users, platforms and blockchain infrastructure located in different countries. Determining the applicable law can therefore become complicated.

Fifth, succession: Valuable digital assets raise questions about inheritance and access to wallets after the owner's death. Existing scholarship has identified succession as an important problem in virtual worlds.

Sixth, consumer protection: Users may spend substantial amounts on virtual assets without fully understanding that they may be purchasing only limited contractual rights.

9. NEED FOR A CLEAR LEGAL FRAMEWORK

A future Indian framework should avoid treating every digital asset as identical. The law should first distinguish between ownership of a token, ownership of underlying content and contractual rights granted by a platform. Second, legislation should identify circumstances in which digital assets can constitute personal property. Third, platforms should clearly disclose whether users are receiving ownership, a licence or another form of contractual right. Fourth, rules should address theft, hacking, unauthorised transfers, inheritance and insolvency of platforms.¹² Finally, blockchain records should be treated as significant evidence of control without automatically deciding every question of legal ownership. The UK approach provides one possible model because it recognises the proprietary character of certain digital assets while acknowledging that they do not fit neatly into traditional property categories. India does not

¹² Shweta Chaturvedi, The Digital Afterlife: Post-Mortem Privacy and Proprietary Rights in the Information Age, SCC Online Blog (Feb. 27, 2026), <https://www.sconline.com/blog/post/2026/02/27/digital-afterlife-post-mortem-privacy-succession-india/>

necessarily need to copy this approach, but the development demonstrates that traditional property law can evolve to accommodate new forms of assets.

10. CONCLUSION

The rise of virtual property has exposed a gap between technological ownership and legal ownership. A person can purchase a digital asset, control an NFT and transfer it through a blockchain without necessarily possessing all the rights traditionally associated with ownership. Existing scholarship shows that virtual assets may involve a combination of property rights, contractual rights and intellectual-property rights. The most important issue is therefore not simply whether virtual assets should be classified as property, but what rights are actually acquired when a person purchases them. For India, the current legal position remains fragmented. Virtual digital assets have received recognition in taxation, while contractual and intellectual-property laws may apply to particular transactions. However, there is still no comprehensive framework addressing ownership, possession, transferability, succession and recovery of virtual property. The future legal framework should therefore focus on clarity. Users should know whether they are purchasing a proprietary interest, a licence or merely a right to access a platform. At the same time, courts and legislators must recognise that digital assets have characteristics different from physical property. Virtual property is likely to become increasingly important as digital economies develop. The law must therefore move beyond the simple question of whether something exists physically and instead examine the nature of the rights that a person can legally exercise over something that exists entirely in the digital world.