Code and Copyright: The UAE’s First NFT Judgment

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As the digital asset economy matures, the legal infrastructure governing it is inevitably tested. Commercial disputes in the Web3 space, spanning breach of contract, intellectual property, and licensing, are transitioning from theoretical debates to practical litigation.

In a recent sequence of rulings, the Dubai Courts issued what is understood to be the first judgment in the United Arab Emirates, and potentially the wider MENA region, addressing the application of copyright law to Non-Fungible Tokens (NFTs). Our firm acted for the plaintiff in this matter. The resulting judgments across the Court of First Instance, the Court of Appeal, and the Court of Cassation provide a structural framework for how work-for-hire agreements, the transfer of economic rights, minting rights, and joint authorship operate within the digital asset sector.

The Factual Baseline

A work for hire agreement had been entered into between a digital artist (the plaintiff) and a Web3 enterprise (the defendant). The objective of the project was accurately defined by the courts, demonstrating judicial recognition of generative NFT mechanics as:

“…designing tens of thousands of digital artistic elements, including three-dimensional characters for different creatures…in addition to background designs, bodies, faces, and accessories, to be used cumulatively in the project, and the creation of a massive library of elements that provide the required diversity for more than ten thousand digital

editions.”

The contract stipulated a six-figure amount for the transfer of the financial rights to the artworks, structured with an upfront payment and the balance due upon the public launch of the project.

The plaintiff delivered the digital assets, and the project launched. However, citing liquidity constraints, the defendant failed to remit the remaining balance. Despite the lack of full payment, the enterprise proceeded to mint the NFTs and commercialize the digital characters.

The plaintiff initiated litigation to recover the unpaid balance and requested an injunction to halt further commercial use and minting of the digital works until the financial obligations were settled.

Copyright Application and Digital Delivery

A threshold issue was whether the digital files and generative elements qualified as protected works. The courts did not treat the assets as a legal anomaly, firmly situating them within the ambit of UAE copyright law, specifically Federal Decree-Law No. 38 of 2021 on Copyrights and Neighboring Rights.

The courts also addressed the mechanics of digital delivery. To prove fulfillment of the contract, the Court of Cassation evaluated electronic evidence and validated cloud storage transfers as a completed handover, stating:

“…the respondent delivered the digital artistic works subject of the agreement, and notified the company of the readiness of the final high-resolution copies, and requested the provision of storage space to upload approximately 70 gigabytes of files, and the company replied confirming the granting of access permissions… which makes it clear that the respondent uploaded and delivered the works and their possession

transferred to the company…”

Specific Performance and Injunctions

A primary legal tension revolved around the status of the economic and minting rights, given the defendant’s failure to complete payment. The plaintiff sought to halt the ongoing use and minting of the artwork.

Establishing the baseline mechanics of the IP transfer, the court-appointed intellectual property expert concluded that the enterprise did not inherently secure the copyright merely by possessing the digital files. The expert report, cited by the courts, explicitly stated:

“…the transfer of intellectual property rights to the first defendant is linked to the payment of the full agreed fees to the plaintiff.”

However, the courts identified a structural contradiction in the plaintiff’s approach to enforcing this default rule.

By suing for the remaining payment, the plaintiff was fundamentally demanding the specific performance of the contract. Under contract law, a party cannot enforce a contract’s payment terms while simultaneously attempting to enjoin the transfer of the very rights that the payment purchases.

The Court of First Instance articulated this clearly, ruling:

“The court points out that this request contradicts the claim for the outstanding balance under the contract, as that request is a demand for the validity and enforceability of the contract, and therefore, by granting that request, the rights to the works and drawings transfer to the first defendant, and it has the right to use them.”

The Court of Appeal noted:

"…the latter has become the owner of the rights to those drawings sold to it by the appellant, and the intellectual property rights to those drawings transfer to it upon the payment of the appellant's dues."

This logic also addressed the plaintiff's attempts to claim moral damages for the unauthorized tokenization of the art. Because the plaintiff elected to pursue the financial balance, the Court of Appeal ruled that the enterprise's subsequent minting of the NFTs could not be considered an abusive exploitation or a breach of the artist's moral rights, stating:

"…the appellant, by obtaining the consideration for his sale of those drawings to the first respondent, which necessarily leads to the latter having the right to use those drawings in the manner it sees fit."

In the context of Web3, this confirms that once economic rights transfer under an enforced agreement, the creator cannot rely on moral rights to dictate or restrict the buyer's choice to mint the assets on a blockchain.

The Court of Cassation finalized this framework regarding the transfer of intellectual property under a work-for-hire agreement, stating:

"…the financial and intellectual property rights for the artistic works subject of the contract transferred to it considering them as completed works within the framework of a work for hire agreement."

A Procedural Note: To legal practitioners accustomed to other litigation hubs in Asia and Europe, such as Singapore, Hong Kong, London, Germany, or Paris, this finding may require procedural contextualization. In those jurisdictions, courts issue interim injunctive orders to temporarily freeze the minting or commercialization of a disputed digital asset while a substantive payment claim proceeds to trial. However, in the

UAE, substantive trial courts generally do not issue interim injunctive relief within the primary merits claim itself; such interim relief is the purview of separate, urgent applications. Consequently, the UAE trial court consolidated the issues, ruling on the matter definitively in a single, final judgment. Because the court was adjudicating the final merits, its simultaneous confirmation of the debt owed and denial of the injunction were intrinsically linked. The court recognized that it could not finalize the financial execution of the contract while simultaneously blocking the transfer of the very commercial rights that the payment purchased.

The Adverse Position: Securing an Injunction Against Minting

The court's observation that a claim for the outstanding balance contradicts a request for an injunction provides a clear roadmap for future Web3 litigation. By dictating that enforcing payment perfects the transfer of minting rights, the judgment identifies the specific legal posture required to successfully halt an unauthorized mint.

To secure an injunction against a Web3 enterprise, a creator must adopt the adverse position. Rather than suing for specific performance (the unpaid balance), the plaintiff must seek the rescission or termination of the contract due to a material breach, such as non-payment.

By petitioning the court to dissolve the agreement, the transfer of economic rights is nullified. The copyright reverts to or remains entirely with the creator. In this posture, any subsequent minting of the digital assets by the enterprise transforms into an actionable copyright infringement under UAE law, potentially satisfying the prerequisites for injunctive relief.

Global Jurisdictional Comparatives

This ruling places the UAE in direct dialogue with other major litigation hubs actively defining the intersection of

copyright and digital assets.

In the United States, federal courts would look to 17 U.S.C. § 204(a) of the US Copyright Act, requiring a signed written instrument to transfer exclusive rights. US litigation frequently turns on contractual scope. In *Miramax v. Tarantino*, the core issue was whether legacy rights transfers implicitly included the right to exploit derivative works via NFTs. The UAE judgment bypasses medium-specific debates by recognizing that where a contract's factual purpose is the creation of an NFT collection, the general transfer of "economic rights" under Article 28 of the UAE Copyright Law inherently encompasses blockchain exploitation and minting, provided the financial terms are enforced.

In common law hubs like London, Singapore, and Hong Kong, courts have issued landmark rulings recognizing NFTs as legal property capable of being subject to proprietary injunctions. Cases such as *Osbourne v. Persons Unknown* in the UK and *Janesh s/o Rajkumar v. Unknown Person* in Singapore largely focused on the theft of the tokens themselves. These courts draw a strict distinction between the token as personal property and the underlying copyright, which is governed by statutes like the UK's Copyright, Designs and Patents Act 1988 or Singapore's Copyright Act 2021. The UAE judgment complements this global consensus by directly addressing the contractual transfer of the underlying generative art layers *before* they are minted onto the blockchain.

Joint Authorship in Decentralized Teams

The creation of the digital assets involved a co-creator who was not a named plaintiff in the lawsuit. Consequently, the Court of First Instance initially reduced the awarded payment.

The Court of Appeal overturned this reduction by applying Article 26 of the UAE Copyright Law, which governs joint works. The court relied on the statute, quoting:

“If several persons participate in the authorship of a work in such a way that the share of any of them cannot be separated from the other, all partners shall be considered equal authors of the work, unless otherwise agreed in writing… and each of them has the right to file lawsuits when an infringement occurs on any of the copyright rights protected by this Decree-Law.”

This confirmed the NFT assets as an inseparable joint work and validated the plaintiff’s standing to claim the entire financial balance on behalf of both authors, accommodating the decentralized reality of Web3 collaborations.

Furthermore, the litigation addressed a critical procedural hurdle common to Web3: the informal, cross-border nature of decentralized collaborations. The defendants challenged the plaintiff’s standing to claim his global co-creator’s share, arguing that the written authorization between different artists was executed abroad and lacked official diplomatic legalization or state notarization, a traditional requirement in UAE litigation.

Recognizing the borderless reality of digital asset creation, the Court of Cassation dismissed this defense. Distinguishing between official state documents and private contracts, the court established a highly Web3-friendly precedent:

“…customary documents drawn up by individuals among themselves outside the State do not require authentication by official authorities in the country where they were issued to be accepted as evidence before the State’s courts.”

This vital procedural clarification ensures that international Web3 teams are not barred from enforcing their joint IP rights in the UAE merely because their internal governance agreements lack traditional, paper-based consular notarizations.

The Legal Reality

The sequence of judgments establishes a definitive baseline for the digital asset sector in the UAE. The rulings confirm that decentralized assets operate predictably within the established boundaries of copyright and contract law. The transfer of economic and minting rights in a work-for-hire context is directly linked to the remedy pursued by the claimant. Seeking the monetary enforcement of an agreement effectively validates the transfer of the underlying digital intellectual property. For developers, investors, and creators, the legal mechanics governing Web3 are proving to be just as critical as the underlying code.

Wasel & Wasel advises on complex commercial disputes, international arbitration, and digital asset litigation. The firm possesses deep expertise in navigating cross-border fraud, tracing misappropriated funds, and securing interim equitable relief such as worldwide freezing injunctions and disclosure orders. By bridging the gap between local procedural frameworks and global common-law standards, Wasel & Wasel provides robust representation for corporate entities, tech developers, and international investors operating within the digital economy.

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