



An Analysis of the Present Situation and Future Development of NFR in the Post-pandemic Era

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Abstract. The popularity of non-fungible tokens (NFTs) has engendered a perception among individuals of the boundless potential inherent in digital art assets. Nevertheless, the proliferation of NFTs inside the digital ecosystem has brought forth new issues in terms of government regulation and financial oversight. The establishment and safeguarding of digital rights and interests have emerged as a crucial concern in the context of the digital economy. In order to address these issues, a novel terminology, namely non-fungible rights (NFR), has been introduced within the Chinese market. In the era following the epidemic, the dissemination of digital collections has shifted towards NFR as the primary mode.

Yet, for them to have a significant presence in the market, digital collections must acquire a substantial share and offer practical utility with their inherent worth as collections. And the sustainable development of virtual capital can be enhanced by its integration with the actual world and the convergence of reality and virtuality. Hence, this study primarily examines the current state and prospective advancements of NFR, and it takes “Bored Ape Yacht Club” in Li Ning, China, as an example to propose the future of the collaborative development of NFR, the digital economy and the real economy.

Keywords: Post-epidemic era; NFR; Virtual; Reality; Present Situation and Future Development

1 Introduction

NFR, fully known as Non-Fungible Rights, refers to a legally recognized mechanism that facilitates the confirmation, storage, transfer, and circulation of digital rights. The suggested framework presents a novel approach to address technical and legal challenges encountered in several domains of digital transactions, with a particular focus on the realm of artworks; it is a digital asset or that serves as a digital representation denoting ownership of a distinct asset ^[1]. The introduction of digital collections in China marked a significant turning point in the mainstream adoption of NFTs. And NFR emerged as a product resulting from the evolutionary process and practical application of NFTs throughout the years. While NFTs place a premium on the characteristic of “token,” NFR prioritizes the function of “equity.” ^[1] In other words,

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NFR is a digital artifact that operates without the need for tokens and is supported by a robust legal and regulatory framework, as well as an authentication system.

In the aftermath of the pandemic, China implemented a ban on NFTs due to their infringement upon the country's prevailing domestic legislative and regulatory mandates. The NFT Association was also confronted with notable challenges, including substantial deficiencies in oversight and exposure to financial hazards^[2]. Nevertheless, the prohibition of NFTs should not be misconstrued as a complete ban on digital collections. The outcome of this process was the emergence of the NFR, each of which possesses distinct characteristics and is inherently heterogeneous, thereby effectively addressing the economic risk associated with the theft of digital collections. Meanwhile, with the development of internet technology, the digital economy has become indispensable. And the legislation pertaining to the protection of the digital economy in China has witnessed major advancements. According to the document titled "Providing Judicial Services and Guarantees for Accelerating the Improvement of the Socialist Market Economic System in the New Era (2020) No. 25" issued by The Supreme People's Court and the National Development and Reform Commission, it is emphasized that urged to enhance the safeguarding of emerging rights and interests, including digital currency, online virtual property, and data. This marks the inaugural instance in which China has formally addressed digital economy inside the realm of legal discourse. Therefore, the concept of NFR has emerged as a prominent aspect of the contemporary digital economy, garnering significant interest and support from artists, collectors, and investors alike.

Essentially, NFTs are associated with some inherent challenges, which are successfully tackled by NFR. The primary benefit of this system is in its possession of a legally binding regulatory structure that can be effectively implemented by technological means and supported by the existing legal framework. Based on the aforementioned statement, it may be inferred that the NFR would integrate the tangible aspects of the economy with the intangible aspects of the digital economy. It facilitates the coordination of both online and offline dual economies, which will be increasingly relied on for future growth. Because the arrival of the post-epidemic era will lead to an enormous rebound in the real economy, so immediately promoting the growth of the digital economy. Simultaneously, the digital economy will stimulate advancements in the actual economy during periods of economic slowdown. These two types are complementary and integral. This study aims to provide a comprehensive analysis and provide recommendations regarding the prospects and direction of NFR.

2 Analysis



Fig. 1. Li Ning has been the pioneering entity in the Chinese NFT industry by incorporating the Bayc #4102 image into its offerings. Source: Gate, S. (2023) *Li Ning Launches Bored Ape NFT Products Featuring Bayc #4102* [online] <https://boxmining.com/li-ning-launches-bored-ape-nft-products-featuring-bayc-4102/>

To illustrate the integration of NFR in the digital economy and the tangible economy, we will examine the case of a Chinese sportswear and equipment company's – Li Ning's – “Bored Ape Yacht Club.” This specific scenario aligns with the merging of virtual and physical realities, as the digital economy serves as a means to facilitate the advancement of the actual economy, drawing from real-world circumstances. Through the acquisition of the Bored Ape #4102 head portrait, Li Ning has effectively received intellectual property (IP) authorization and thereafter employed the image for a subsequent creative endeavour (Fig. 1). Li Ning incorporated the notion of NFR into their clothing products and advertising materials, coinciding with the original creative vision^[3]. Li Ning, as a brand that has garnered considerable recognition among the younger demographic, with an in-depth grasp of the preferences held by contemporary youth. The decision to embrace a digital economy model is one that earns the admiration of the younger generation. Ultimately, Yang Guang, Li Ning's Marketing Director, made the decision to engage in a co-branding initiative involving the IP of NFR. In contrast to other IPs, a notable feature of this particular IP is in its ability to circumvent the conventional ownership agreement associated with NFTs. It exhibits a willingness to pioneer the release of commercial rights and interests, as opposed to the prevailing hesitancy among others on the optimal approach to commercialization. Every user has the ability to generate a subsequent iteration following the acquisition of this IP. It has yielded tremendous economic profits for him^[3] (Fig. 2).



Fig. 2. The merchandise associated with the Li Ning Bored Ape brand encompasses a range of items, including caps, shirts, helmets, and shoes. Source: Micah (2022) *Chinese Sports Brand Li Ning Licenses Bored Ape NFT For Fashion* [online] <https://nftevening.com/chinese-sports-brand-li-ning-licenses-bored-ape-nft-for-fashion/>

The achievements of Li Ning have sparked the interest of other brands in the concept of NFT and NFR. Subsequently, they engaged in a co-branding initiative. Adidas has developed a novel character named Indigo Herz, drawing inspiration from the Bored Ape visual representation [4]. Universal Music Group granted permission to #5537 to establish a virtual musical ensemble named Kingship, which engaged in live performances, street art exhibitions, and even inaugurated a restaurant inspired by the Bored Ape Yacht Club aesthetic [5]. The instances of incorporating NFT and NFR into the tangible economy exemplify the convergence of virtual and physical realms, as well as the fusion of the traditional economy with the digital economy. In accordance with empirical evidence, the utilization of virtual capital contributes to the enhancement of regional digital economy's competitiveness within the context of globalization.

Therefore, the digital economy of NFR exhibits a robust trajectory of growth and holds excellent opportunities for expansion in the future. The virtual economy NFT, which serves as the primary rival, is experiencing a slow decline as a result of Chinese regulatory measures and associated financial vulnerabilities. In order to establish itself as an integral component of economic progress, it is imperative for NFR to actively foster the advancement of its data and internet technology. There is a need to establish global network governance. In contrast, it has the potential to disregard internet digital financial regulations, thereby mitigating industrial monopolies and safeguarding the

privacy of data. The production of NFR takes place in China. Due to its rationale, it is compelled to prioritize economic progress. In the contemporary period, NFR has established collaborative partnerships with numerous brands. However, it is only a limited subset of individuals that possess knowledge regarding the concept of NFR. Thus, this study posits that it is imperative to enhance the visibility of NFR. The platform has the potential to collaborate with various IPs, including games, animation, and TV programs, to boost its visibility. This kind of collaboration can facilitate citizen engagement, foster varied digital development, encourage audience participation in the digital economy, and contribute to the accumulation of samples for the formation of a future meta-universe.

In fact, the distinction between NFR, a digital economy originating from China, and NFT in the Western world is mostly attributed to their respective associations with the meta-universe^[6]. In the year 2021, Facebook made a public declaration regarding its intention to evolve from being a company primarily focused on social networking to being a firm centred around the concept of a meta-universe. This transformation entails the integration of both virtual and physical environments into a cohesive whole. And NFT are poised to assume a pivotal role inside the meta-universe, namely within the context of Facebook. However, the prohibition of Facebook in China raises the question of whether the corporation will continue to abstain from entering the Chinese market as it transitions into a meta-universe entity. Since the meta-universe and its associated derivatives are seen as crucial components for the future advancement of science and technology, making them indispensable in the Chinese market. In relation to this matter, the NFR, which originates from mainland China and is an evolution of NFT, possesses the necessary qualifications to establish a connection with the meta-universe. In the event that China opts to pursue the development of NFTs, it is imperative that measures are taken to mitigate potential legal complications. The Internet is inherently incapable of existing as an unregulated environment. China has developed a set of pertinent rules and regulations with the aim of providing a conducive and secure environment for the expansion of the NFR. These measures are intended to facilitate improved connectivity between the NFR and the global digital market. Specifically, its objective is to expose fraudulent issues within the tangible economy.

Moreover, it is often believed that the NFR commodities received by clients had significant worth. The inclusion of the NFT protocol should not be the sole criterion for digital artwork. The NFR protocol has the potential to be widely adopted as the standard protocol for international digital finance^[7]. Currently, the performance of the global NFT market surpasses that of the Ethereum blockchain. In order to facilitate international transactions involving Ethereum, it is necessary to utilize cryptocurrency exchanges. In the event of a high influx of transactions into the Ethernet, its capacity to sustain transactional activities may be compromised. The disclosure of personal information is readily apparent in the absence of privacy safeguards. Nevertheless, the NFR system is characterized by its multi-chain architecture, which allows for increased scalability and a remarkable capability to safeguard sensitive information.

In contemporary times, China has achieved the status of a moderately prosperous society. However, there remain other areas that require further enhancement. The future advancement of NFRs may also encompass philanthropic endeavours. For instance, the

acquisition of digital collections on NFR provides the potential to contribute a portion of the proceeds towards charitable initiatives aimed at impoverished regions. The NFR co-brand will allocate a portion of its earnings towards providing financial support for underprivileged youngsters, enabling them to access education in disadvantaged regions. Children residing in China have the potential to acquire information rather than allowing their skills to remain untapped in remote areas. Certain individuals who get funding from NFR may possess a visionary perspective toward it, hence presenting numerous potential avenues for the future progress of NFR. Meanwhile, NFR initiative implemented by the Chinese government yields advantageous outcomes for the worldwide market, playing a significant role in the overall global digital economy. Nowadays, the proliferation of the digital economy has led to the association of NFR with numerous brands in a sequential manner. The presence of NFR is essential and holds great importance in the integration of the real economy and digital economy, as well as the ongoing advancement of virtual capital rooted in reality.

3 Conclusion

In the aftermath of the COVID-19, individuals have ceased to opt for digital lifestyles. There had been an enormous surge in the digital economy during the period of the epidemic. The digital economy in its pure form is expected to experience a delay in catching up with the pace of people's lives once the epidemic subsides. In order to progress in people's lives, it is imperative for NFR digital collections to integrate with the tangible economy. It engages in a sequence of offline endeavors grounded in the physical realm. The Chinese economy is currently experiencing a shift towards prioritizing the real world, which is expected to usher in a new era. In this context, the virtual digital economy is seen as a complementing component ^[8]. The field of NFR has notable future development tendencies and possesses extensive possibilities for expansion. The fulfillment of the global meta-universe is expected to increase with the advancement of NFR.

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