



The Future of Transacting Business on the Internet: Decentralize—Tokenize— Democratize

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Introduction

- ▶ “The SEC’s role is not to hand out permission slips for innovation. Innovation happens—organically through private decisions and irrepressible human creativity” ... In this regard, “the law deserves respect, but technological progress should not be bound by the limits of the regulator’s lawyerly imagination.” Hester Pierce, SEC Commissioner May 2, 2018.
- ▶ The roots of the internet are radically “open source” and decentralized. Blockchain and cryptocurrencies running and operating the online world –in a more decentralized and egalitarian manner—support an alternative to “winner take all” capitalism. Open protocols and decentralized protocols constitute the most significant example of “commons based” production in human history.
- ▶ At present, the current regulatory framework and corresponding perspective is applying an industrial era taxonomy to a twenty-first century distributed and decentralized digital economy.
- ▶ We are at the forefront of building an entirely new decentralized economy free from (i) FIAT currency, (ii) central banking and lending, and (iii) credit card limitations.

Foundational Questions

- ▶ How do you Finance the Creation of a “new economy” that is founded on the development related Assets that Nobody Owns?

- In a decentralized and open source model, no one owns the underlying technology developed, distributed and used to complete the desire transaction—it is non-proprietary;
- The entity issuing the assets (tokens) sells the opportunity to participate in the design, development and deployment (i.e. build) of the assets and the right to use/consume the assets within a specific ecosystem;

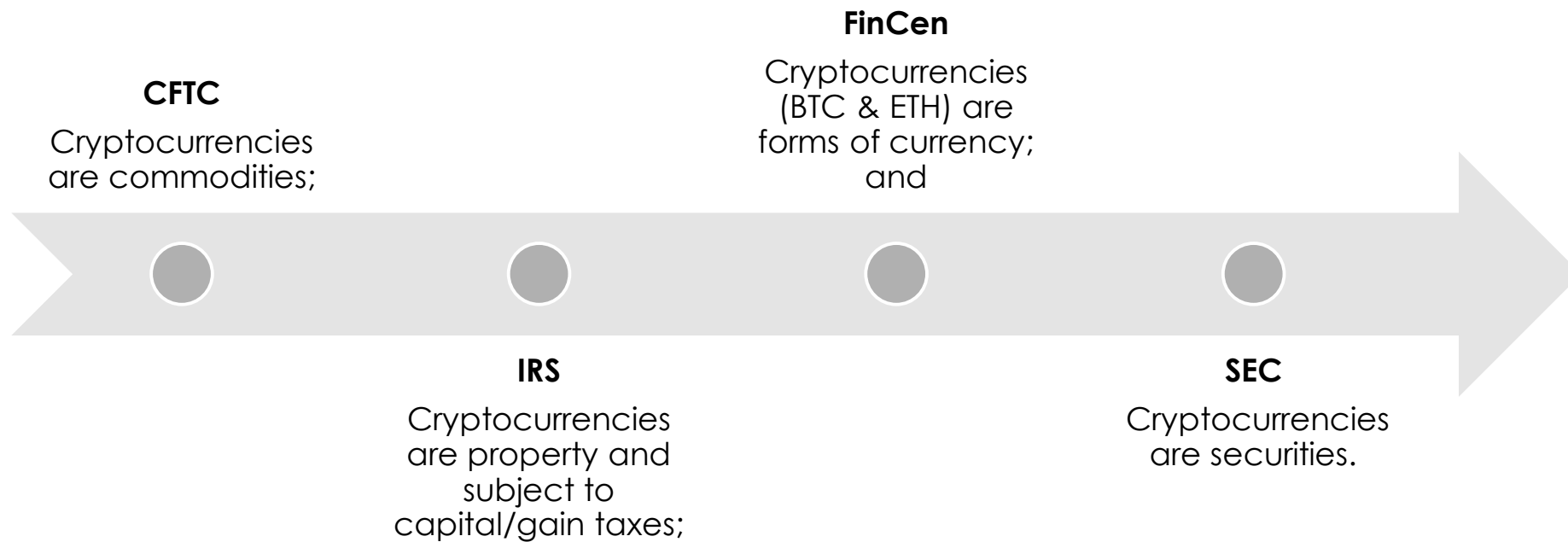
- ▶ How do you get People to Adopt New Open Source Technology Standards (“Base Layer Protocols”)?

Without the broad-based adoption of new open source technology, we are stuck with the internet as we know it. There are two responses to this reality: Seek government intervention to scale back the power and influence of controlling interests (e.g. Facebook, Amazon, Apple, Netflix and Google). (FAANG) This option, however, is not likely to be either effective or even desirable. The second option involves encouraging and providing regulatory and capital market conditions that optimize consumer/innovator/entrepreneurial action and are designed to facilitate a shift from centralized online services to decentralized services (the digital equivalent of rejecting product from big agriculture and instead encouraging the market to produce and acquire product from local farmer cooperatives).

Foundational Questions Cont.

- ▶ How do you Finance the Development of New Base Layer Protocols, Platforms and Products?
 - In this regard, there are a couple of options: the initial coin offering or the private token sale. In both instances, the buyer/participants are not purchasing traditional equity or debt, but rather are purchasing the ability to use/consume the token in a given ecosystem where the token represents an ability to program new value and/or realize new value in the ecosystem.
 - The current challenge in the era of token financed businesses and initial coin offerings—and the challenge for today—is the following: How to ensure that the sale of the token and securing financing for the design, development and deployment of a particular technology/ecosystem or business model enhances the build out of the “new economy” and does not constitute the sale of a security.

Regulatory Inconsistency



Conclusion

- ▶ This seminar is designed, in part, to force all participants in the “new economy” to look “back” to the roots of the internet, back to open source protocols, platforms and products and away from centralized, closed source development. The movement towards adopting open source protocols will decentralize and democratize access to, financing for and development of various business models whilst breaking-up concentrations of power and capital. It also is designed to create less proprietary models of ownership and/or methods of realizing benefits with respect to the design, development, use and scale of numerous business opportunities.
- ▶ The social, political and economic impact of the answers to the above questions will not be limited to the U.S. The U.S. Regulatory agencies, vested institutions and the legal industry must work together to define the meaning, scope, status, application and standards for cryptocurrencies/tokens in the context of recognizing emerging models of capital formation, entity/business creation, investment opportunity and technological, social and economic innovation. If we don't, the rest of the world will.



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THANK YOU!