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THE CONCEPT OF DIGITAL ASSETS AND THEIR LEGAL ASPECTS

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A B S T R A C T

This article examines the concept of digital assets, focusing on their definitions, classifications, and the evolving role they play in the modern digital economy. It analyzes the key legal aspects of digital assets, including ownership rights, transferability, protection mechanisms, and the challenges arising from their regulation. The study reviews current legislation and judicial practices related to digital assets, identifying existing gaps and inconsistencies in legal frameworks across different jurisdictions. The purpose of this research is to provide a comprehensive understanding of how digital assets are integrated into contemporary legal systems and to discuss potential directions for developing effective legal regulation that ensures stability, security, and legal certainty in the digital sphere.

K E Y W O R D S

Digital assets, legal aspects, ownership, regulation, blockchain, cryptocurrencies, intellectual property, digital economy, legal frameworks, asset protection

Introduction

In recent years, the rapid development of digital technologies has led to the emergence of new types of social and legal relations. It would not be an exaggeration to say that the 21st century is the **era of technology**, and humanity is entering a period of profound digital transformation. The primary challenge facing legal scholars today is ensuring that the law can **"catch up"** with these technological changes by establishing appropriate norms and regulations. One of the most complex and dynamic areas of this transformation concerns **digital assets** — a new category of rights and property relations in the digital environment.

This paper focuses on the **concept and legal aspects** of digital assets, discussing their definition, scope, and the challenges of legal regulation. It also explores the mechanisms of protection and the evolving nature of ownership in the digital domain.

Concept and Definition of Digital Assets

A **digital asset** is generally understood as any form of information existing in digital format that possesses **economic or personal value**.

According to **Van Niekerk**, "A digital asset is any element of text or tools that is formatted in binary form, including access rights." One of the primary reasons why even a simple file stored on a computer may be classified as a digital asset is its **capacity for repeated use** and **long-term value**, similar to traditional physical assets.

Digital assets are not limited to ownership by their creators — they can be **transferred, licensed, or shared**, which distinguishes them as a new category of legally significant objects in the digital economy.

The **Oxford Dictionary** defines a digital asset as "an element that includes the right to use text or tools in a digital format." Such assets encompass textual works (articles, blog posts, documents, databases) as well as multimedia materials (images, videos, animations, audio files, and other digital content).

Artificial intelligence platforms also offer practical definitions. For example, **ChatGPT** defines a digital asset as "any form of content or information that exists in digital form and has a certain value." This definition emphasizes two essential characteristics:

1. **Intangibility** – the asset exists exclusively in digital form and cannot be physically touched;
2. **Value** – it must possess economic or personal worth sufficient to make it a potential object of trade or transfer.

Similarly, **Investopedia** states that a digital asset is "anything that is created and stored digitally, identifiable, and possessing an appropriate level of value." This broad definition covers a wide range of objects — from manuscripts, documents, and databases to **cryptocurrencies and tokens** — all of which share the key features of **digital existence**, **identifiability**, and **value**.

Legal Framework in Uzbekistan

With the advancement of the digital economy, **Uzbekistan's legislation** has begun incorporating norms that reflect new realities. The term "digital" appears more than fifteen times in the **draft of the new Civil Code**, which introduces definitions for **cryptocurrency**, **digital rights**, and other related categories, thereby establishing the initial **legal foundation** for their recognition.

According to **Article 167 of the draft Civil Code**, "Digital rights are defined by law as obligations or other rights established within an information system, the content and conditions of which correspond to statutory characteristics. The exercise or transfer of such rights, including alienation, pledge, or restriction, may occur only within the information system without the involvement of third parties."

In this way, a person who has the ability to dispose of a right within the system is considered the **legal holder** of that digital right. This approach introduces a **technologically neutral framework**, recognizing the **autonomous validity of rights in the digital environment** without the need for traditional intermediaries.

The Legal Nature of Digital Rights

It is important to note that digital rights constitute a broader concept than digital assets. According to **A.A. Kartskhia,** digital rights should be recognized as a form of property right capable of being exercised within civil transactions. R.I. Sitdikova and R.B. Sitdikov argue that the legal regulation of digital rights requires systematic legislative reform and clarification of their civil-law status.

As E.N. Agibalova observes, the notion of digital rights is extremely broad, potentially encompassing all forms of human activity mediated by technology — from online transactions to the use of electronic banking tools and digital identification systems.

In Russian law, provisions of the Civil Code of the Russian Federation treat digital rights as property rights existing within an information system. V. Zorkin interprets them as rights allowing individuals to access, upload, and manage information through electronic means.

A. Sidikov proposes an innovative view, suggesting that the objects of digital rights differ from traditional property in that they can be replicated and transferred while retaining full legal validity. R.S. Bevzenko, in contrast, considers digital rights not as an independent category but as part of the broader system of property rights under civil law. Nevertheless, given their complexity and scope, it may be more appropriate to recognize digital rights as a distinct legal institution within modern civil law.[1]

Digital Assets vs. Crypto Assets:

Foreign scholars such as **A. Kud, N. Kucheryavenko, and E. Smichok** distinguish between the notions of **digital assets** and **crypto-assets**. A **digital asset** refers to any asset represented electronically and traded in digital form, while a **crypto-asset** specifically denotes a digital asset **secured or issued using cryptographic technologies**, such as **blockchain**.

This distinction is significant for regulatory purposes: whereas digital assets may include non-fungible tokens (NFTs), databases, or digital artworks, crypto assets are defined by their reliance on **cryptographic proof and decentralized systems**. Understanding this difference is essential for developing coherent **national and international legal frameworks** for digital economies.

The above provision represents a **general concept** that outlines the basic principles governing the creation and disposal of digital objects. Although the norm does not provide an explicit definition of digital rights, it refers to their recognition **"as defined by law"** and specifies that such rights operate **in accordance with the rules of an information system**.

In our opinion, these "rules of the information system" may correspond to the **Terms of Service (TOS)** or user agreements established by each digital platform. This suggests that while **general principles** of digital rights are determined by statutory law, the **specific conditions of implementation** are shaped by the internal regulations of individual service providers. Such a dual-layer approach — combining legislative norms and contractual governance — reflects the hybrid nature of digital regulation, balancing public law and private autonomy.

Furthermore, **Article 166** of the draft Civil Code introduces crucial provisions regulating **cryptocurrency**, one of the most significant categories of digital assets. According to the article:"Digital money (cryptocurrency) is a set of obligations and other rights that have value and ownership, the content and conditions of which are determined in the manner prescribed by law. Digital money (cryptocurrency) is an object of civil rights and is freely traded, unless otherwise provided by law. Unless otherwise stipulated, the circulation, transfer, or disposal of digital money (cryptocurrency) shall be carried out exclusively within an information system."

This formulation establishes the **civil-legal nature** of cryptocurrency, recognizing it as a **lawful object of property rights** within Uzbekistan's legal system. It also highlights the principle that transactions

[1] Куд А., Кучерявенко Н., Смычок Е. Цифровые активы и их экономикоправовое регулирование в свете развития технологии блокчейн. Монографія. – Харков: Право, 2019. – 384 с.

involving cryptocurrencies must occur **within a controlled digital infrastructure**, ensuring traceability, transparency, and legal security of digital exchanges.

The **U.S. State of Wyoming's SF0125 Act**, effective **July 1, 2019**, provides one of the most progressive legal definitions of a digital asset. According to this Act:

"A digital asset is a representation of economic and property rights stored in a machine-readable format, including consumer assets, digital securities, and virtual currencies."This definition highlights two essential characteristics of **cryptocurrencies and digital assets**. First, a digital asset must possess **economic value** — it embodies quantifiable worth capable of exchange or investment. Second, it must be **transferable**, meaning it can be **owned or possessed by another person**. Only when both of these attributes are present can a cryptocurrency or digital asset be considered a lawful object of ownership and circulation within a digital information system. Its legal status therefore depends not merely on its technological form but on the **recognized rights of disposal, alienation, and transferability** under the governing system.

Similarly, the **Criminal Code of the Republic of Uzbekistan** introduces the concept of a crypto-asset, defining it as:"A property right representing the total of digital records in a distributed data ledger, having both value and an identifiable owner."

This approach corresponds closely with global standards, recognizing that a **crypto asset represents intangible property** expressed through entries in a distributed ledger (blockchain). Both definitions — the Wyoming Act and the Uzbek Criminal Code — emphasize two fundamental legal attributes: (1) **Value**, and (2) **Ownership**. As discussed earlier in the analytical overview, these two features determine the legal existence of a digital asset. A digital asset cannot be a **physical object** or possess tangible characteristics; rather, it exists exclusively in **digital form** and acquires legal significance only when it possesses measurable **economic value** that allows it to serve as the **subject of sale, exchange, or other civil transactions**.

The **Appendix No. 1** to the Order of the Director of the National Agency for Perspective Projects of the Republic of Uzbekistan dated **July 14, 2022, No. 32**, also outlines the main characteristics of **crypto-assets**, defining them as a set of digital entries in a distributed data ledger that possess value and may constitute property rights.

In addition, the **Presidential Decree No. PP-3832 of July 3, 2018, "On Measures for the Development of the Digital Economy and the Sphere of Crypto-Asset Turnover in the Republic of Uzbekistan,"** defines a crypto-asset as a property right whose value is represented by the total of digital entries in a distributed ledger and which has an identifiable owner. The decree further specifies that **activities in the field of crypto-asset turnover**, including **mining and related services**, constitute regulated economic activities requiring licensing as service providers.

Today, **digital assets** have become an integral part of everyday life — encompassing computers, smartphones, digital media, and cloud-stored data constantly integrated into the digital environment. Historically, the concept of "assets" referred exclusively to tangible property such as money, machinery, buildings, or land. Later, the law recognized intangible assets such as intellectual property, trademarks, and trade secrets. However, the **digital revolution of the late 20th century** introduced a new category of civil-law objects: digital assets.

Although some scholars classify digital assets as a subtype of intangible assets, modern practice demonstrates that they represent a **distinct and independent legal category**. Users of the digital world, including those on social networks, increasingly recognize that digital assets have **real and**

measurable economic value. For instance, certain online accounts — such as eBay or PayPal — may be inherited after the account holder's death, confirming their economic and personal worth. Email or social-media accounts may also contain personal data, images, or other valuable digital information closely tied to an individual's identity and family life.

Inheritance and Ownership Issues:

Inheritance of digital assets is an emerging legal challenge. Currently, platforms such as Facebook and X (formerly Twitter) do not sufficiently regulate succession of user accounts. On one hand, this seems reasonable, as a person's account is private and may be closed after death. On the other hand, if a deceased individual's **bank balance** can be inherited, then logically, **funds held in PayPal, Payoneer, or other digital wallets** should also be transferable to heirs.

In this regard, it appears necessary to recognize that **all forms of assets — physical or digital — should be inheritable**. For example, earnings stored in digital freelancing platforms such as **Fiverr** or **Upwork** can constitute inheritable property, as they have clear monetary value and ownership attribution.

The Necessity of Legal Regulation

When addressing the **legal aspects of digital assets**, the central issue is whether these assets require explicit regulation. Some scholars argue that digital assets emerged precisely to bypass centralized legal and financial systems, and therefore should remain largely unregulated. However, in our view, **legal regulation of digital assets is indispensable** for several reasons:

1. **Economic Significance:**

The share of digital assets in the global economy is rapidly increasing. The global Digital Asset Management (DAM) market was valued at **USD 3.96 billion in 2023**, is expected to reach **USD 4.59 billion in 2024**, and may exceed **USD 16 billion by 2032**. Revenue in the broader digital-asset market is projected to reach **USD 80 billion in 2024**, with an annual growth rate (CAGR 2024-2028) of **8.77 %**, resulting in an estimated **USD 112 billion by 2028**. The number of users is expected to exceed **990 million** by 2028, demonstrating the scale of this phenomenon.

2. **Taxation and Transparency:**

Due to the pseudonymous nature of blockchain transactions, digital assets can complicate **tax collection and financial oversight**. The inability to trace every transaction facilitates **tax evasion** and undermines state revenue systems.

3. **Cybersecurity Risks:**

Digital assets are vulnerable to **illegal hacking, fraud, and data breaches**. Individual users rarely possess the technical means to ensure the same level of protection as professional custodians or state institutions.

Therefore, regulation serves **not only the state** but also **ordinary citizens**, protecting their digital property from abuse and loss.

Legal Uncertainty in Current Legislation:

Another issue necessitating regulation is the **lack of clarity** regarding which branch of law governs digital-asset relations. In Uzbekistan, for instance, the question of which legislation applies to disputes concerning digital assets remains open.

The **draft Civil Code** attempts to address this gap. According to **Article 446** of the draft, the provisions governing the sale of property rights — including digital rights — shall apply to transactions involving such rights, unless otherwise provided by the nature or content of the rights themselves.

In our opinion, this exception applies when certain digital rights are subject to **transfer restrictions**, such as **non-transferable software licenses or personal subscriptions**. Moreover, if the sale of a digital right violates **copyright or intellectual property law**, the transaction must be deemed **invalid**. Consequently, both buyers and sellers must carefully review contractual terms before concluding any digital-asset transaction.

Intellectual Property Considerations:

Intellectual property (IP) rights form another essential aspect of the legal framework for digital assets. Digital media, software, and other forms of digital content are protected by **copyright and related rights**, enabling rights-holders to control, distribute, and profit from their works. Effective regulation of digital assets should therefore align with existing IP frameworks to prevent overlapping claims or misuse of protected materials.

Conclusion:

Digital assets have become an indispensable part of the modern economy. Their unique nature — combining features of both **property** and **intangible rights** — requires the creation of a comprehensive and flexible **legislative framework** governing ownership, transfer, and protection.

For an object to qualify as a **digital asset**, it must meet three key conditions:

1. It must **exist exclusively in digital form**;
2. It must **possess economic value**; and
3. It must be **capable of ownership or transfer**.

Thus, digital assets occupy a distinct position in civil law, separate from both tangible and traditional intangible property. Clear legal definitions, inheritance rules, and protection mechanisms are essential to ensure **security, accountability, and equitable treatment** in the growing digital economy.

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