

Contents

<i>List of Contributors</i>	page xviii
<i>Preface</i>	xxi
Part I General Framework: Legal and Technological	1
1 Smart Contracts and Contract Law	3
<i>Larry A. DiMatteo, Michel Cannarsa, and Cristina Poncibò</i>	
1.1 Introduction	3
1.2 Rush to Judgment: Is Additional Regulation Needed?	6
1.3 Formalism and Contextualism	6
1.3.1 Form and Context: Smart Contract	8
1.4 Enforceability of Smart Contracts	8
1.5 “Dumb, Smart Contracts” to “Smart, Smart Contracts”: Issues of Completeness and Normativity	9
1.6 Coverage	11
1.6.1 Law and Technology	11
1.6.2 Smart Contracts and Contract Law	12
1.6.3 Electronic Platforms and Smart Contracts	13
1.6.4 Smart Contracts as Legally Disruptive	14
1.6.5 Technology in China	15
1.6.6 Blockchain Technology: Privacy, Security, and Data Protection Issues	15
1.6.7 Smart Contracts: Courts, Lawyers, and Consumers	17
1.6.8 Observations and Visions of Technology and the Law: Smart Contracts, Blockchain, and Artificial Intelligence	17
1.7 Conclusion	18
2 Definitions of Smart Contracts: Between Law and Code	19
<i>Riccardo de Caria</i>	
2.1 Introduction: Definitions	19
2.1.1 Blockchain	19
2.1.2 (Decentralized) Smart Contracts	21
2.2 Current and Evolving Legal Framework	24
2.3 Smart Contracts and Blockchain in Action	26

2.4	Legal Questions	28
2.4.1	Assets Protected by Intellectual Property Laws?	29
2.4.2	A Form of Preemptive Self-Help?	31
2.4.3	Issues of Jurisdiction and Applicable Law	32
2.4.4	Probative Value	34
2.4.5	General Data Protection Regulation	35
2.5	Conclusion	35
3	Technology of Smart Contracts	37
	<i>Valentina Gatteschi, Fabrizio Lamberti, and Claudio Demartini</i>	
3.1	Introduction	37
3.1.1	How Does a Blockchain Work?	38
3.1.2	How Does a Smart Contract Work?	42
3.2	Examples of Applications of Blockchain and Smart Contracts	45
3.2.1	Personal Data Management	46
3.2.2	Notary Services	46
3.2.3	Finance	47
3.2.4	Industry	48
3.2.5	Insurance	49
3.2.6	Government, Healthcare and Education	50
3.2.7	Software and Internet	51
3.2.8	Sharing Economy	52
3.2.9	Social Impact	52
3.3	Mainstream Adoption of Blockchain and Smart Contracts: Open Issues	53
3.4	Conclusion	57
Part II	Contract Law and Smart Contracts	59
4	Formation of Smart Contracts under Contract Law	61
	<i>Mateja Durovic and André Janssen</i>	
4.1	Introduction	61
4.2	Evolution of Blockchain Technology and the Rise of Smart Contracts	63
4.3	Blockchain-Based Smart Contracts and the Process of Contract Formation	65
4.4	The Compatibility of Smart Contracts with the Requirements of Contract Formation	66
4.4.1	Offer and Acceptance	67
4.4.2	Consideration	69
4.4.3	Intention to Create Legal Relations	71
4.4.4	Capacity	71
4.5	Conflict Areas between Smart Contracts and Traditional Contract Law	72
4.5.1	Flexible Enforceable Legal Contracts versus Firm Self-Enforcing Smart Contracts	73
4.5.2	The Different Aims of Legal Contracts and Smart Contracts	75
4.5.3	Computer Code versus Natural Language	76
4.5.4	Consumer Protection Law and (Egalitarian) Smart Contracts	77
4.6	Conclusion	79

Contents	xi
5 Challenges of Smart Contracts: Implementing Excuses	80
<i>Eric Tjong Tjin Tai</i>	
5.1 Introduction	80
5.2 Characteristics of Smart Contracts	81
5.2.1 Bitcoin and Blockchain Technology	81
5.2.2 Smart Contracts	82
5.2.3 I/O Functions: Oracles	83
5.2.4 Programming Intentions and Legal Rules	84
5.3 Law of Excuse for Non-performance	84
5.3.1 Introduction	84
5.3.2 Excuses and the DCFR	85
5.3.3 German Law	87
5.3.4 French Law	88
5.3.5 English Law	88
5.3.6 Analysis	90
5.4 Implementing Excuses in Smart Contracts	91
5.4.1 Introduction	91
5.4.2 Determining the Cause of Non-performance	91
5.4.3 Determining the Attributability of the Cause	93
5.4.4 Specific Categories of Excuses	94
5.4.5 Hardship	95
5.4.6 Breach by the Other Party and Anticipatory Breach	96
5.4.7 Conclusion	97
5.5 The Limits of Smart Contracts and the Evolution of Excuses	98
5.5.1 <i>Ex Ante</i> Regulation versus <i>Ex Post</i> Adjudication	98
5.5.2 Vague Standards and Libraries of Conditions	98
5.5.3 Relational Contracts and the Use Cases for Smart Contracts	99
5.6 Conclusion	101
6 Contract Interpretation	102
<i>Michel Cannarsa</i>	
6.1 Introduction	102
6.1.1 Law and Technology	102
6.1.2 The Smart Contracts Phenomenon	103
6.2 An Overview of Blockchain Technology and Smart Contracts	105
6.2.1 Variety of Definitions	105
6.2.2 Language of Code	106
6.2.3 Physical and Virtual Environments	107
6.3 Traditional Interpretation of Smart Contracts	108
6.3.1 Traditional Interpretation	108
6.3.2 New Objects and Rules of Interpretation	111
6.4 Smart Interpretation?	112
6.4.1 Automated Interpretation	112
6.4.2 The End of Interpretation by Courts?	114
6.5 Conclusion	115

7	Smart Contracts: Contractual and Noncontractual Remedies	118
	<i>Cristina Poncibò and Larry A. DiMatteo</i>	
7.1	Introduction	118
7.1.1	Illusion of Self-Sufficiency	120
7.1.2	Inflexibility of Smart Contracts	120
7.1.3	Smart Contracts and Remedies	121
7.2	Trust as Remedy	122
7.2.1	Architecture of Trust for Smart Contracts	122
7.3	Self-Help for Smart Contracts	124
7.4	Self-Help: Codifying, Security, Privacy, and Performance	127
7.4.1	Codifying	128
7.4.1.1	Writing Correct Smart Contracts	128
7.4.1.2	Training for Coders and Legal Engineering	129
7.4.1.3	Modifying Smart Contracts	129
7.4.1.4	Avoiding Underoptimized Smart Contracts	130
7.4.1.5	Complexity of Programming Languages	130
7.4.2	Security Issues	131
7.4.3	Privacy Issues	133
7.4.4	Performance Issues	133
7.5	Blockchain-Based Self-Help	134
7.5.1	Mining	135
7.5.2	Deposits or Escrow Services	136
7.5.3	Gossiping	137
7.5.4	Reputation	138
7.5.5	Social Repudiation	138
7.6	Conclusion	139
Part III Electronic Platforms and Networks		141
8	Digital Platforms: Regulation and Liability in EU Law	143
	<i>Piotr Tereszkievich</i>	
8.1	Introduction	143
8.2	Legal Regime of the E-Commerce Directive	144
8.2.1	Liability under the E-Commerce Directive	144
8.2.2	Interplay of the E-Commerce Directive and Other Regulatory Regimes	146
8.3	Position of the European Commission	148
8.3.1	Criteria for Establishing the Contractual Role of a Digital Platform	148
8.3.2	Assessment	149
8.4	Contract Law Approaches to Determining the Status of Digital Platforms	150
8.5	Discussion Draft of Directive on Online Intermediary Platforms	152
8.5.1	Content of Discussion Draft	152
8.5.2	Assessment	153
8.6	'Retailer-Liability' Approach to Digital Platform Liability	156
8.6.1	New Package Travel Directive as Referent	156
8.6.2	Assessment	158
8.7	Conclusion	159

Contents	xiii
9 Blockchains: A Technology for Decentralized Marketplaces	160
<i>Eliza Mik</i>	
9.1 Introduction	160
9.1.1 Roadmap	161
9.2 What Are “Blockchains”?	162
9.2.1 Public Blockchains	163
9.2.2 Private Blockchains	164
9.2.3 Weighing the Risks and Benefits	164
9.3 Dissecting Decentralization	165
9.3.1 The Theory	165
9.3.2 The Technology	166
9.3.3 In Practice	167
9.4 Decentralization and Governance	168
9.4.1 Clarifying the Terms	168
9.4.2 The Importance of Off-Chain Governance	169
9.5 Blockchains Are . . . Databases	170
9.6 Blockchains Are . . . Immutable	171
9.7 The Transactional Layer: “Smart Contracts”	173
9.7.1 Problems with the Code	174
9.7.2 Encoding Obligations	175
9.7.3 Interfacing with the Real World	175
9.8 A Case Study: OpenBazaar	176
9.8.1 A Broad Description	176
9.8.2 Payment and Dispute Resolution	178
9.8.3 Control and Choice	180
9.8.4 “Pockets” of Centralization	181
9.9 Conclusion	182
10 Regulating Smart Contracts and Digital Platforms: A Chinese Perspective	183
<i>Jia Wang and Lei Chen</i>	
10.1 Introduction	183
10.2 Development of Smart Contracts	184
10.2.1 Emerging Smart Contracts	184
10.2.2 Development of Smart Contracts in China	186
10.3 Challenges to Smart Contracts	188
10.3.1 Understandability and Rigidity	189
10.3.2 Revisiting the Law of Contracts	189
10.3.2.1 Formation of Contract	189
10.3.2.2 Performance and Modification	191
10.3.2.3 Enforcement, Remedies, and Dispute Resolution	192
10.4 Responses to the Challenges	193
10.4.1 Paradigm Shift From “Code Is Law” to “Law Is Code”	194
10.4.2 Regulatory Efforts	196
10.4.3 Judiciary as Last Resort	197
10.5 Online Platforms as Intermediaries	198
10.5.1 Gatekeeping Theory Revisited	198
10.5.2 Legislative History	202

10.5.3	Practice in China	203
10.5.4	Trend of Liability	206
10.6	The Way Forward	207
10.7	Conclusion	209
Part IV Privacy, Security and Data Protection		211
11	Blockchain and Data Protection <i>Lokke Moerel</i>	213
11.1	Introduction	213
11.2	Difficulty of Identifying the Controller	215
11.3	Overview Issues Posed by Blockchain under the GDPR	216
11.4	A Different Perspective: Blockchain in Context	217
11.4.1	Blockchain is a General Purpose Technology	217
11.4.2	Blockchain as a New Global Resource	218
11.4.3	No More Middlemen?	218
11.4.4	Decentralization in a Broader Context	220
11.5	Cross-Border Enforcement and Jurisdiction Issues	221
11.6	Broader Governance Issues	223
11.7	GDPR Does Not Impose Requirements on Designers of Technology	224
11.8	Individuals as Data Subjects and as Controllers: Does This “Turn the Conceptual” GDPR Framework on Its Head?	226
11.9	Issues with Blockchain Are Not Limited to Data Protection	227
11.10	Right to Be Forgotten Is Not Absolute	228
11.11	Privacy-by-Design Options	228
11.12	Conclusion	232
12	Data Protection in Hybrid Worlds <i>Sjef van Erp</i>	233
12.1	Introduction	233
12.2	Traditional Approach	234
12.3	Political Choices, Policy Choices and Leading Principles	235
12.4	Data as an Object of Entitlement	237
12.5	Final Remarks	238
13	Smart Contracts: Issues of Property and Security Rights <i>Louis-Daniel Muka Tshibende</i>	240
13.1	Introduction	240
13.2	Overview of Legal Issues Relating to Property and Security Rights	241
13.2.1	New Items Captured by Property and Security Rights	241
13.2.2	Old Constraints Relating to Property and Security Rights	243
13.3	Prospective Proposals	244
13.3.1	Proposals for States and Public Authorities	244
13.3.2	Suggestions for Lawyers and Contracting Practices	249
13.4	Conclusion	349

Contents	xv
14 Algorithmic Contracts and Consumer Privacy	251
<i>Lauren Henry Scholz</i>	
14.1 Introduction	251
14.2 Algorithmic Contracts versus Smart Contracts	254
14.3 Consumer Contracts versus Business-to-Business Contracts	257
14.4 Privacy Clauses and Individual Rights	261
14.5 Limitations on Freedom to Contract Away Privacy Rights	264
14.6 Conclusion	268
Part V Smart Contracts: Courts and the Legal Profession	269
15 Smart Contracts and the Courts	271
<i>Marc Clément</i>	
15.1 Introduction	271
15.2 Concept of Interfaces	272
15.2.1 Closed World of Software Engineers	273
15.2.2 Do Blockchain Technologies Modify the Picture?	275
15.2.3 Coding Contractual Commitments	276
15.3 Exploring Interfaces	277
15.3.1 First Interface: Legality of the Operation	277
15.3.2 Three Additional Interfaces: Oracles, Subscription and Delivery	278
15.3.2.1 Oracles	279
15.3.2.2 Subscription of Contract	280
15.3.2.3 Delivery	281
15.3.2.4 From Intention to Software: A Fifth Interface	281
15.4 Ignoring Conflicts of Interpretation?	283
15.5 Alternative Dispute Resolution Mechanisms and Effectiveness of Courts in a Utopian World	285
15.6 Beyond Smart Contracts	286
16 Usefulness and Dangers of Smart Contracts in Consumer Transactions	288
<i>Oscar Borgogno</i>	
16.1 Introduction	288
16.2 Setting the Scene	289
16.3 Features of Smart Contracts	291
16.3.1 Strengths	291
16.3.2 Weaknesses	292
16.3.3 When Are Smart Contracts a Smart Choice?	294
16.4 Stakes for Consumers	295
16.4.1 Obstacles to Consumer Rights Enforcement	295
16.4.2 Facilitating Enforcement of Rights through Smart Contracts	296
16.4.3 Case of Passenger Rights	297
16.5 Stakes for Business	299
16.6 Looking Ahead	301
16.6.1 What Degree of Decentralization?	302
16.6.2 Which Regulatory Strategy?	302
16.7 Conclusion	304
16.8 Postscript: Smart Contracts and Lawyers (Mathieu Martin)	305

16.8.1	The Lawyer and “the Code Is Law”	305
16.8.2	Lawyer and Code	306
16.8.2.1	Lawyer as Smart Contract Publisher	306
16.8.2.2	Lawyer’s Ethical Obligations.	307
16.8.3	Smart Contract as Universal Tool	307
16.8.4	Lawyer’s Intellectual Impoverishment	308
16.8.5	Smart Contract and the Lawyer 2.0	308
16.8.6	What Is Left for the Lawyer?	308
Part VI Future of Smart Contracts, Blockchain and Artificial Intelligence		311
17	Smart Transactional Technologies, Legal Disruption, and the Case of Network Contracts	313
	<i>Roger Brownsword</i>	
17.1	Introduction	313
17.2	Two Types of Disruption to the Law	315
17.2.1	First Disruption	316
17.2.2	Second Disruption	317
17.3	Two Responses to Smart Transactional Technologies: Coherentist and Regulatory-Instrumentalist	319
17.3.1	Coherentism and Regulatory Instrumentalism	320
17.3.2	Three Strands of Coherentist Thinking	320
17.3.2.1	Formal (Internal) Coherence of Contract Doctrine	320
17.3.2.2	Substantive Coherence	321
17.3.2.3	Classificatory or Template Coherence	321
17.3.3	Courts, Legislatures, and Regulatory Agencies	323
17.4	Two Responses to Smart Contracts and Networks	325
17.4.1	Networks and the Law of Contract	325
17.4.2	Networks, Smart Contracts, and Coherentism	327
17.4.3	Networks, Smart Contracts, and Regulatory-Instrumentalism	329
17.5	Conclusion	331
17.6	Coda	333
18	Observations on the Impact of Technology on Contract Law	334
	<i>Barbara Pasa and Larry A. DiMatteo</i>	
18.1	Introduction	334
18.2	Smart Contracts: Old Legal Constructs or New Regulations?	336
18.2.1	Smart Contracts as Traditional Contracts	339
18.2.1.1	Formation	339
18.2.1.2	Enforcement	340
18.2.2	Impossibility of Performance and Self-Sufficiency	342
18.2.3	Interpretation	343
18.2.4	Transmission of Real Estate and Smart Property	344
18.3	Shortcomings of Blockchain and Regulation of Smart Contracts	345
18.3.1	E-Platforms and Networks	345
18.3.2	Data and Privacy Protection	347

Contents	xvii
18.3.3 Blockchain and Consumers	349
18.4 Intersection of Law and Technology: A View from the Balcony	350
18.4.1 A Perspective from China	352
18.5 Blockchain from the Front Lines	352
18.6 Assessing the Present and Fearing the Future	353
18.6.1 Terminology and Lawyers as Coders	353
18.6.2 Detachment of Human Element from Contracting	354
18.7 Observations	355
18.8 Conclusion	357
19 Visions of Future: Smart Contracts, Blockchain, and Artificial Intelligence	359
<i>Diana Wallis</i>	
19.1 Introduction	359
19.2 Legislation and the Legislator	359
19.2.1 Limits of Jurisdiction	360
19.3 Law as Reactive	360
19.4 Flight from Law	361
19.4.1 Lessons from History: E-Commerce Directive, Brussels I, and Rome II	361
19.5 Digital Paradigms	363