Lowenstein's Tech Group Podcast: Crypto Innovators

**Episode 3 -
Metaverse Studio Shadow Factory Games, Part 2**

By Eric Swartz, Leah Satlin, Amit Chatterjee, and Lewis Lupton

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Kevin Iredell:	Welcome to the Lowenstein Sandler podcast series. I'm Kevin Iredell, Chief Marketing Officer at Lowenstein Sandler. Before we begin, please take a moment to subscribe to our podcast series at lowenstein.com/podcasts. Or find us on iTunes, Spotify, Pandora, Google podcast, and SoundCloud. Now let's take a listen.
Eric Swartz:	Welcome to the Crypto Innovators Podcast presented by Lowenstein Sandler's Crypto Practice. We're speaking with the most innovative founders and operators in Web3 to shine light on the minds behind the technologies that fascinate us all. I'm Eric Swartz and this is my co-host Leah Satlin.
Leah Satlin:	Hi everyone. I'm Leah Satlin, counsel here in Lowenstein Sandler's tech group, where I specialize in tech transactions, IP licensing, and commercial contracts.
Eric Swartz:	We're bringing back today, our guests from our last episode, Amit Chatterjee and Lewis Lupton from Shadow Factory. Hi guys.
Amit Chatterjee:	Hello.
Lewis Lupton:	Hey everybody. Good to be back.
Eric Swartz:	Great to have you back, and I think this is probably one of the most exciting conversations that we can just kick off with. What is a virtual abundance ecosystem? What is a virtual scarcity ecosystem? Why is Shadow Factory going with abundance and why is that better than the virtual scarcity that Decentraland and Sandbox are trying to get going in their ecosystems?
Amit Chatterjee:	I'll let Lewis-
Leah Satlin:	That's a hard question.
Lewis Lupton:	That's an extraordinarily good question. Again, in a nutshell, you look at how brands are constantly experimenting. They're constantly growing. They're constantly finding what this digital identity looks like. Sometimes being able to provide them with that, not just a blank canvas, but also again, the abilities to build on that canvas easily, the ways that they see fit and let them spread their imagination as opposed to going, work within the

particular confines, work within the particular format. That tends to lend itself to deliver just more innovative, and in many times, just absolutely groundbreaking creative experiences. I'd like to look at it this way, which is again, why have just a Facebook page when you can have a website? Why have a plot on someone else's space when you fully deserve and you fully can have your own space? I would just [inaudible 00:02:59] like that. Amit, feel free to jump in and tell them what you think.

Amit Chatterjee: For me, what I've watched happen over the course of the pandemic was, the world was shut down and we couldn't host our events. We couldn't go to movie theaters and people turned to the platforms that were available at the time. The place that people started was, or the one that got the biggest headlines was, Travis Scott did his thing on Fortnite, and that was a really big deal. And then the next thing that happened was, Christopher Nolan, he had tried to show that movie Tenet, which is a great movie. If anybody's never seen it or not seen it, it's worth a watch, and the movie theaters were shut down. He couldn't get the box office numbers he wanted, and he's trying to show people this wonderful movie that he'd made. So, he put that out on Fortnite as a place, to get the eyeballs, get it out there to people, so people would see it.

And then Cardi B did a drop on Fortnite as well, and blah, blah, blah. And they continuously, previously people just started using Fortnite as a way to continue their engagement, or their campaigns, or their big stories. The reason was, there was already an established platform that had millions of users, that was easy to get onto, low friction and boom. We could definitely get eyeballs on our stuff there. From a marketing perspective, there's a lifeline here. It's not the way we normally do things, but we can still be in front of people.

Also, it's very Millennial, Gen Z. So, we're [inaudible 00:04:26] consumer. So like, this is a good opportunity in that space. That's what happens. And then a bunch of other people that were watching from the sidelines were like, that's exciting, but I don't really understand what's going on or what any of this means. And then the conversation turned into, do we all just need to be on Fortnite? Is every brand supposed to be on Fortnite? And obviously the answer to that is no. Then that turned into, well, all these other platforms, like Sandbox, Decentraland, Roblox or whatever, what have you, they've got their own platforms that support a lot of multiple users on there, being on there all the time. And you know what they're saying, that, "Hey, come on over, we've got plenty of land over here and you can buy it from us, and there's only 10 blocks of it. It's going right now."

And I was watching that and I was just like, virtual scarcity, scarcity on a virtual land platform doesn't make sense to me because it's on a computer. You could just add more land. There's no reason that you couldn't just add another virtual acre to that space. That is not about computing power. It's not about the whole thing will come crashing down. It's not about any of those things. You can add as much as you want or make it as small as you want. Like it's virtual. That's the whole point. But that whole method of, well it's limited. It's scarce. You better buy it before it's gone. That started driving dollars. And then people got very excited about this model of driving cash on

these land sales models. And I look at what we're doing with onsite and our platform is we're actually running the opposite.

We're not about scarcity. We're about abundance. You can use our platform to generate as much land as you want. We will have tools for you to do land sales as well, but you're going to have to be competitive about that. You're going to have, to have real value about why people should buy the land. To me, these other platforms are doing the scarce virtual land thing. Like they're also betting that they're going to have all the users at the end of all that. Like if you think back to Facebook and MySpace, there was a time when people thought MySpace was going to be on the social media platform ever. And now I don't think anybody, I'm actually pretty sure most people say this podcast wouldn't even know what MySpace is. That war hasn't been fought yet. And there's nothing that says that these platforms that are demanding a premium for their scarce real estate quote, unquote, really should be able to demand that premium because they haven't won that war of who's going to have all the users.

We're running in the opposite direction. We're enabling everyone to have all the tools together. We're about democratization and like everybody being able to run their own business, at their own fingertips and putting the power of [inaudible 00:07:03] IP back in the hands of the brands. Instead of the brands having to give up their IP to a third party platform, well they have no control. Like let's say hypothetically, I put my brand on one of these platforms and I can't control. Who's going to be my neighbor. I can't control how people are behaving on or off that platform and association with my brand. I can't control the uptime and downtime of that platform. And also the users and the customers that are rolling through there. They're not coming to me. They're going to that platform.

If anything, I'm driving all my value to that platform, that platform's not driving value to me. Our play is to give brands a chance to harness their own space, carve out their own plot of land in Web3 and do their own thing and have what we call the three pillars, autonomy, scalability, and security. That's what we're doing. We're bringing brands, the ability to have autonomy, scalability, and security in Web3.

Eric Swartz: Absolutely. I honestly just don't see a world where we don't have smaller ecosystems within our metaverses. I think that's super crucial to think about because we all are really huge nerds for something, and we all want to be in that little place where we're all nerds together for that thing. And I think that's something that Web2 social media and a lot of these virtual scarcity ecosystems just aren't bringing to the table. And that's what makes me so incredibly excited about what Shadow Factory is doing. I'm going to hand it over to my co-host Leah Satlin who will kick it off with some really exciting stuff.

Leah Satlin: Thanks Eric. I was wondering just to follow up on that conversation, if we could get a little more granular and you guys could give us some concrete examples of some of the amazing projects you're working on or what Shadow Factory can do with a little more color.

Amit Chatterjee: Sure, sure. Again, we started out as an XR agency. We started out doing like really bespoke VR and AR experiences building bespoke apps. If you go to our website, shadow factory.io, you can see a lot of the case studies of products that we've done in the past. Again, all of our clients have been large scale brands or international brands. Singapore airlines is one of our clients worked with a lot of different fashion brands and we lead the space in Asia for Facebook and Instagram filters and stickers, right? We've done quite well in that space. And basically our bread and butter up to a couple years ago was brand activation, experiential marketing kind of stuff. And as we're working on those projects for our clients, we're building our own suite of tech tools behind it. We built a VR content management system.

Our TMS is web based very much like a square space or WordPress. And we'll manage the unreal engine experience. And basically like without knowing on real engine maya or anything else like that, you can go update this experience and hit go and it'll publish a new bill of the showroom or whatever have you. A couple of our clients use that technology licensing from us and we've doing stuff like that from the get go. We've always been very enterprise focused, very scalable. And when it comes to what we're doing in the Web3 space, a lot of the stuff that we are up to right now, we can't publicize just yet. The kind of projects that we're doing, one of them is, we're working with a consumer goods company that produces wigs. We're helping them produce an augmented reality. E-commerce storefront, that's running through a native app.

Essentially you'll be able to try the wig on an augmented reality before you buy it. And their CEO it's quite future forward and is very excited about some of the opportunities for them and the Web3 space as well. I was explaining to them last year that, there's this thing called virtual fashion, you guys could like jump right into it. He got very excited about it was like, okay, cool. Let's do it. So as part of our mandate for building this augmented reality storefront, we're also going to be building virtual wigs that exists purely as NFCS, that you'll be able to market and do stuff with. And there'll be cool things like wigs made out of fire or a wigs made out of like charge or something like that. And that's part of their digital transformation roadmap for the next, couple years is their climbing out of being a purely B2B brand and getting into a B2C diversification of their portfolio and all that stuff.

We get to help them with that a couple of different ways. We helped write a business plan for it and kind of what the financial outlay would be. What is their return, the investment for that? Another group of partnerships that we've signed recently, there's a music festival here in Hong Kong, which is the largest music festival in Hong Kong. The group was named Magnetic Asia and they were looking for a way to do a virtual experience for their music festival. And they've had to cancel this thing for a few years in a row now because of COVID restrictions and things like that. We've been partnered with them to deliver a virtual experience for that music festival. That's coming soon. I'll tell you it's been a very exciting experience working on it with them. They've got a great team, they've got a lot of cool ideas, and it's a very trippy kind of experience.

And we're very eager to see, when they're ready to launch and all that stuff. But that's one of the projects that we're working on is we're replacing an

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entire music festival, actually, that's wrong. I'd say, we're not replacing, we're coming in adjacent to the music festival physical experience. That's not on right now, but someday we'll be back on. And this digital experience will be hand in hand with that. And while that festival's not running, this is like at least a stop gap to have something running. That's always there. That's adjacent to that. Another partnership that we're working on is there's a musician out of Los Angeles it's quite famous and their genre and they are working on basically doing digital experience for that genre of music. Basically like that genre is of music having a museum or a venue where you can go in and like be around other bands from that genre, other celebrities, memorabilia, that kind of stuff.

And they're building the physical space. They want to do the digital twin of that and also do the metaverse version of it, which will have spaces that you couldn't possibly visit in the real world. Like this guy, the lead singer, he wants the virtual experience of this museum to also have a back door into an experience of what it's like in his basement, where he is got like all of those awards and all of these other things, I can't talk about right now and stuff like that. And then also a way to take all the memorabilia items and work these got from years and years and decades of the work that they've done. And how do we create unique experiences of this work? Like, so for example, a song that never got published or an early version of the song that nobody ever saw, how do we create an NFT of that?

And then use that to create a custom bespoke experience per fan so that they can have their own way of engaging with that content, that sort of thing. We're working on building that out.

And then the other one that we're very excited about is we are working with an entertainment group that has access to Bollywood IP and licenses. So the task there is essentially to build a Bollywood metaverse, which is just all kinds of, our tagline from the company is crazy possible. This is really a test of the limits to that. Because like you're talking, if you talk about anything Bollywood, the fan base Bollywood is over a billion people and they'll all consume it immediately. Like there's no like oh what are the conversion ratios? And things like that. It's a hundred percent anything Bollywood, it's a hundred percent aversion. People have the appetite for it. They consume it. This experience that we're building has to meet that demand and meet that standard and be just as crazy and wild as any Bollywood movie that's out there, any Bollywood experience or anything like that. A lot to live up to. And we're going to be launching that experience with, with this group later this year as well.

Lewis Lupton: I want to just throw in quickly a couple more examples as well, like not to steal on the thunder, but there's a couple of projects that, sort of like early days when I joined as well, this is what kind of blew my socks away with Shadow Factory. For example, one of our best projects we did was actually with AIA here in Hong Kong and those that might be familiar with the Hong Kong skyline. We have a very iconic Ferris wheel by the seaside, by the Victoria Harbor. One of the AR apps that we built was actually one of the first ever to tackle the challenges of telemetric data, which is essentially accurately telling where your height is and then creating digital experience

corresponding to that. Those that might be familiar with Hong Kong. We are not a horizontal city.

We are very much a vertical city of high buildings. There's nothing more disappointing than trying to run an AR geo located experience and something telling me I'm on the 54 of a building and there's a restaurant 200 meters above me where we're able to kind of crack that. That's what I love about the Shadow Factory team, as well as we're constantly striving to not just push the envelope in terms of what is cutting edge technology. But again, just making it actually usable in the market and actually integrating it into product systems, things like that.

Another one I want to quickly throw in those that might be familiar with the movie Kingsman. They have this one of the most awesome scenes where you sit in the room, they prop on the glasses and everyone appears around them. We just simply ask, asked the question, why not? It's one of these things where, we sort of, how long was it Amit? Like maybe less than two, three weeks, we sort of had a bit of a working demo in terms of using some of the early forms of AR glasses and

Amit Chatterjee: Actually the story behind that was, the end of the story is, the punchline is we have the capability to do holographic conferencing. Like you see in that movie

That experience where you could feel like the person's holographically in front of you and all that stuff, it's a very lightweight experience. We didn't require a lot of hardware, the preamble to it is that our lead guy that was on it, did that on a coffee break after he had just finished like an amazing three months, no sleep working seven days a week, kind of run on another project that was like one of our fire and brimstone kind of projects. He came out of it, didn't get a chance to relax, took a 15, 20 minute coffee break. And then we were all in a meeting somewhere and then he just kind of stumbled in. I was like, Hey guys, I just did this like telegraphic conferencing thing. I wanted to show you guys something great. And we were like, oh yeah, that's cool. And he's like, I'll show you guys later.

Then he walked out and then it didn't hit us. We're like, wait a second, dude. Did he just say he invented holograph. We had to go chase him out of the road. Like, Hey, wait come back What are you doing? We can post a video to you guys after this to show you the proof of concept looks like, but that's one of the cool things about the team that we have. And the company that we have is that we're sitting on all kinds of cool innovations and like things that we're doing, cause we're constantly in imagination mode. And we're constantly trying to come up with better solutions for our clients and drive more values. We're always building cool new stuff and it's like, we have a whole closet full of really great stuff that someday we'll see the light of day as soon as we get to it.

Lewis Lupton: I mean, funny as well. Now we'll talk about that. Considering all things in metaverse and Web3, one of our projects, crypto cars, we were fiddling around at the central land back in 2017 and we're already running at that kind of interoperable issue about taking high fidelity, 3D assets from an external

place and trying to fit it into their platform, see how that works. Even back then, we were kind of the guys on the ground going, no, no, no, this tech is real like NFTs all this stuff, it's a real thing. Digital ownership is real. Take us seriously. Now that everything kind of comes to a full circle. It's just it. And again, that for me, that's what I love about here is just, we're constantly, there is. Yeah, exactly, It's crazy possible. There is nothing that's ever really kind of been outside of our grasp, which is what I absolutely love.

Leah Satlin: Wow. That was a lot that you guys blew me away multiple times in that. I really think what you just said kind of answered the next question I was going to ask, which is what, what do you think was a source of your success from transitioning from this early stage of XR to being one of the most exciting metaverse studios in the market? I would say, what you just said really illustrates that success, that you are constantly innovating. You are a team of "imaginators". Amit said it better, if you want to expand on that at all, I just think all those examples you gave really illustrate the fact that you were able to make that transition so successful.

Amit Chatterjee: For me, number one, it's that we just have an amazing team and we've all been through quite a bit together. Everyone's been through a lot last couple years, we also went through quite a bit and had our challenges and I was really very humbled and very impressed. This team just refused to give up on each other, like the harder things got the tighter this team got and the closer they got and the harder they worked. And I was actually very humbled and very impressed by that. We all kind of inspired each other to bring our A game. That's kind of been the way the company's operated from the very beginning. We're very flat as an organization. There's not a lot of hierarchy, nobody's after anybody's job. If you want to excel or progress, we'll just create that path for you.

You can do it by being good at what you do and working hard and doing what you do. And there'll be an opportunity for you, whether it's a leadership role or a more nuanced or more advanced production role, or just more responsibility. All those things can be done because we're still in infinite opportunity, infinite growth mode. We're still have so many things. The way that I've been successful with this company is to make everyone on the team be successful and to make it so that there's always room for growth and scale and people can do what they want to do and be who they want to be. We even will jam on each other's projects here and there. Like everybody, when you have this many creative people together, everybody's got their own little side project or a thing that they're nursing along like a story they wanted to write or a song they wanted to sing or whatever.

Something that they're involved in we'll as like a pastime in the studio actually work on each other's projects and like kind of keep kind of motivated. Very cool and exciting. That's definitely part of it. The other part of it is that the industry is moving much faster now. Like people are starting to understand the context for these technologies and like why they would need them when we started the company six years ago and we needed to talk about VR, like our clients couldn't even spell VR, AR like we really had to do a lot of handholding, and education in the market, people what the technology could be, the value could be to the customer and why they would even embark on

those journeys and post COVID people are coming to us being like, oh, Hey, can you do this? Can you do that?

Have you seen the latest implementation there? Have you seen, what NFTs are you buying? What NFTs should I be buying? What coin should I invest? And like, it's a totally different conversation. Now everybody's consuming the news in the space very quickly, but they realize that they don't have the skills in house for the strategy in house to execute on this stuff. So again, we've just been very focused the last six years on doing precisely these things. I think part of it is right place, right time. And then, again, that excellent teamwork and we have some really great partners with our company as well. We've just been very lucky that way.

Leah Satlin: That's awesome. Yeah. I think you guys are being super innovative, not just in the text space, but as an employer, what you just said about giving people the runway to explore their own interests and ideas, as an employer, that's, I think where the world is going and I think that's a really important way to attract and maintain talent. It sounds like you're doing all the right things and I know we want to wrap up, so I just want to give you guys a last word to talk about what makes you the most excited about the metaverse or any other things you want to speak on, on Shadow Factory?

Amit Chatterjee: Sure. Thank you. And I'm really glad you guys made time for us. Thank you so much. The thing for me that's most exciting is that, if you think about the way in which we're ingesting and looking at information as people like as a society right now, we're processing so much more information than we used to five years ago, 10 years ago, and not just more information, but like different ways to consume information. I would say like multidimensional streams of information and the challenge that I think we have that level of frustration that we all feel like, I don't have enough screens to look at this stuff, or I've got to, I can drag this or my cut and paste. Isn't the way I wish it was. That level of frustration or friction that we all feel is we're trying to sort through our various day to day tasks and information is like, well that's because the medium that we're working through is a flat 2D medium.

We haven't really evolved very much past the flat screen as an interface to all the information we need to process. And the thing is the flat screen being two dimensional doesn't have a way to meet the 3, 4, 5, 6, 7 vectors of information that we're processing at all times. For me, the metaverse is this really great opportunity to extrude that interface. Now we have a 3D interface for multiple dimensions of processing data. How do we get the right information on the right device? Like what do I need to really look at if I'm only looking at stuff on my watch and my wearable watch or on my smart glasses, or if I have a PT screen and a mobile device, how do we create a first screen, second screen experience, that's meaningful and value driven that gives people a way to navigate this information with more ease and all of that.

I think we've, we've been trying to get there, but now really we can make this jump. All of us will get there at the same time and it's going to be very cool, how we can do things and all that in that space. I'm very excited about what

that means for obviously entertainment. I'm very excited about that means productivity, education, and also just how we live our day to day lives.

What happens when everybody's in the metaverse and we're all in Web and everything's Web enabled, how do I pay my taxes in the metaverse? That's going to be cool. How do I pay for my kids' education in the metaverse? That's going to be really cool, put a home out there it's like pay my rent, pay my rent to earn or whatever, that stuff for me is very exciting. I'm really excited about the space that NFTs open up as a technology. I think a lot of people are getting sidetracked by the cash collectables aspect of NFTs, but the actual software and technology space that represent to me is very exciting because that's the future of how we're going to pass information back and forth on the internet. And from a technology opportunities standpoint, it's amazing what we do.

Lewis Lupton: Absolutely. I think from my side, I think a bit more of a nutshell and I, you put it very well there. I sort of always seen it like this, whether it be content and media, it's always, even since print, it's what can I fit in the page? What can I fit in the little cell? And then moving up to TV and everything is what can I fit in the screen? What can I fit within this frame, this box? So to say the thing that I love about being in that creative process and that production process of not just immersive content, but really from that virtual world, building that virtual storytelling, what lies outside of that box? What is above, beyond, behind me? And being able to think in that degree and really kind of elevate and enhance certain storytelling experiences that for me it's what we're super, super excited about.

And again, I think the other thing as well is like, again, like I said, for me, growing up around MMORPGs and digital experiences like that, those to me shows me the possibility and some of the things that we can expect moving forward in the next couple of years when people get a little bit more active when the demand and when the consumer expectation grows for these spaces, I am so, so excited to see the type of things that we are going to have integrating into our daily lives, the type of tech that we're going to have access to. It's just great.

Leah Satlin: Excellent. Thank you guys so much, Eric, I'll give you the last word.

Eric Swartz: I just want to say Lowenstein is incredibly proud to have you guys join us for this podcast. Leah and I are also incredibly proud to have gotten to interview you guys. We can't believe what you guys are building and we can't wait to see what's next.

Leah Satlin: Thanks everyone.

Lewis Lupton: Absolutely. Thank you very much, everybody. Absolute pleasure.

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