

DIGITAL ASSETS CASE SUMMARIES

| Overview | |
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| Case Citation | <i>Barron v. Helbiz</i> , 2021 WL 4519887 (unreported) |
| Date of judgment | Oct. 4, 2021 |
| Country | U.S. |
| Original Language of Judgment | English |
| Court | 2d Cir. |
| Subject matter/catchwords | Jurisdiction -- Extraterritoriality |
| Decision summary | <p>The Second Circuit vacated the dismissal of a class-action complaint seeking relief from an alleged pump-and-dump scheme involving issuance of a new cryptocurrency. The Second Circuit found that the district court erred in applying <i>Morrison</i> to state law claims, and remanded for further consideration as to the extraterritorial application of New York law.</p> <p>The decision addresses some of the challenges to jurisdiction on extraterritoriality grounds when it comes to litigation in the United States involving digital assets.</p> <p>The decision also suggests that parties involved in cryptocurrency litigation in the U.S. will need to investigate, potentially on a claim-by-claim basis, both the application of the federal extraterritoriality framework under <i>Morrison</i> and how a particular state approaches extraterritoriality concerns with respect to causes of action asserted under its statutes and common law.</p> |
| Digital asset involved (e.g. Bitcoin, Ethereum, Ripple etc.) | HelbizCoin |
| Valuation issues | |
| Expanded Case Description | |
| Debtor | n/a |
| Identity of Insolvency Practitioner (if applicable) | n/a |
| Authorities considered by this case (categorised by country) | <p><i>Morrison v. National Australia Bank Ltd.</i>, 561 U.S. 247 (2010)</p> <p>In <i>Morrison</i>, the Supreme Court affirmed the dismissal of a case in which the petitioners failed to show that the securities at issue were listed on a domestic exchange or that the relevant purchases or sales occurred within the U.S.</p> <p>The Supreme Court based its decision on a canon of statutory construction known as the presumption against</p> |

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| | extraterritoriality when it held that Section 10(b) of the Securities Exchange Act “reaches the use of a manipulative or deceptive device or contrivance only in connection with the purchase or sale of a security listed on an American stock exchange, and the purchase or sale of any other security in the United States.” |
| Domestic legislation applied | Securities Exchange Act, Section 10(b) |
| Factual background | <p>Plaintiffs are purchasers of HelbizCoin, a cryptocurrency that they allege was created, marketed, issued and controlled by Helbiz (a Delaware corporation), which claimed to be developing a transportation rental platform.</p> <p>Helbiz marketed its initial coin offering (“ICO”) with the promise that HelbizCoin would become the exclusive payment method for the company’s new rental platform.</p> <p>Plaintiffs allege that in reality, the ICO was a pump-and-dump scam, and that Helbiz kept most of the money raised through the ICO, and never completed the rental platform, causing the price of HelbizCoin to plummet.</p> <p>Plaintiffs brought common law claims for breach of contract, trespass and conversion of chattels, constructive trust, quiet title, and spoliation, as well as certain state statutory claims under New York law.</p> <p>The terms and conditions for HelbizCoin stated that the offer was <i>not</i> a United States securities offering, and United States residents were precluded from participation.</p> <p>Analyzing the claims under <i>Morrison</i>, the district court concluded that because the case involved neither securities listed on a domestic exchange nor domestic purchases of securities, the initial coin offering was extraterritorial based on <i>Morrison</i> and dismissed the case.</p> <p>Plaintiffs appealed.</p> |
| Legal issues | Whether the district court erred by applying <i>Morrison</i> to dismiss the plaintiffs’ state law claims. |
| Reasoning | <p>In <i>Morrison</i>, the Supreme Court did not assert that its analysis applied to claims that are not brought under Section 10(b) of the Securities Exchange Act, such as the state law claims made by the plaintiffs.</p> <p>Defendants asserted that the district court’s application of <i>Morrison</i> was appropriate because, although labelled as state law claims, all of plaintiffs’ claims are substantively federal securities claims for fraud brought under Section 10(b).</p> <p>However, viewed most favourably to the plaintiffs, the Second Circuit reasoned, the claims are state law claims that must be analysed under New York’s rules for extraterritoriality.</p> |
| Further information (e.g. liquidator’s website) | https://casetext.com/case/barron-v-helbiz-inc-2 |