



Canadian lawsuit to seek \$500-million from Mt. Gox bitcoin exchange

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A proposed class action announced Friday will seek \$500-million in compensation for Canadians with deposits in what was once the largest bitcoin digital-currency exchange in the world.

The lawsuit targets Mt. Gox and its two owners, Mark Karpeles and Jed McCaleb, as well as one of the largest banks in Japan, according to a notice of action to Ontario Superior Court.

The Mt. Gox Bitcoin halted all withdrawals early last month, then abruptly shut down. Earlier this week, it filed for bankruptcy protection in the United States.

The online exchange had already filed for bankruptcy in Japan, saying it may have lost bitcoins belonging to 750,000 of its customers.

Karpeles has said computer hackers took advantage of the exchange's flawed software, a security breach critics said may have persisted for years.

Toronto litigation lawyer Ted Charney said Mt. Gox held an estimated US\$465-million in trust for its clients and millions of dollars belong to Canadian users.

The company has offered no accounting for how much non-bitcoin currency it held or what happened to money that was supposed to have been held in trust, he said.

“We’re never going to find out what’s going on unless we start a lawsuit because it’s the only way we’re going to get access to the records,” Charney said in an interview.

“It’s really the only way to get the thing going.”

The notice of action, a summary of the case, gives lawyers a month to file a substantive statement of claim.

The Canadian action also names Mizuho Bank on the grounds that the Japanese financial institution held an account with non-bitcoin currency that was transferred from the personal bank accounts of users to the Mt. Gox exchange.

Charney said his firm is working together with the U.S. lawyers who are pressing a class action south of the border.

According to the Canadian suit, Mt. Gox had contracted to hold all money and digital currency deposits in user accounts.

The national class action seeks to represent Canadians who paid Mt. Gox a fee to trade bitcoins or who had the digital or other currency stored on the exchange when it went offline.

In Dallas on Monday, Mt. Gox lawyers said it needed bankruptcy protection to avoid irreparable damage from a proposed class action filed in Chicago federal court and a suit alleging breach of contract in Seattle.

The American plaintiff has secured an injunction freezing the defendants’ assets and expediting discovery.

U.S. lawyers complain the case involves “massive fraud.”