

THE IMPORTANCE OF THE JUDGEMENT AGAINST CRAIG WRIGHT AND WHY IT MATTERS FOR THE CRYPTO INDUSTRY

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There has been considerable media attention and public interest concerning the recent High Court judgement against Craig Wright in a case brought by the Crypto Open Patent Alliance (“COPA”), a non-profit organisation whose members include prominent cryptoassets exchanges such as Coinbase and Kraken as well as other interested parties. Dr. Wright is an Australian computer scientist who for several years has been claiming to be the man behind the pseudonym Satoshi Nakamoto; the creator of Bitcoin. Although the full written judgement will follow at a later date, the judge declared that on the basis of the evidence presented to him, which he described as “overwhelming”, Dr. Wright is neither Satoshi Nakamoto nor the creator of Bitcoin.

Why is this important?

The restoration of the truth is of course important in its own right. However, the ruling also has important practical implications, in particular in relation to the passing-off claims Wright has brought against cryptoassets exchanges Coinbase and Kraken. In those claims Wright is seeking no less than £500 billion in damages - alleging that the exchanges have misled investors by marketing and selling their own cryptocurrencies using the Bitcoin brand. Wright claims that the Bitcoin ‘fork’ called Bitcoin Satoshi Vision (“BSV”) is the only real version of Bitcoin.

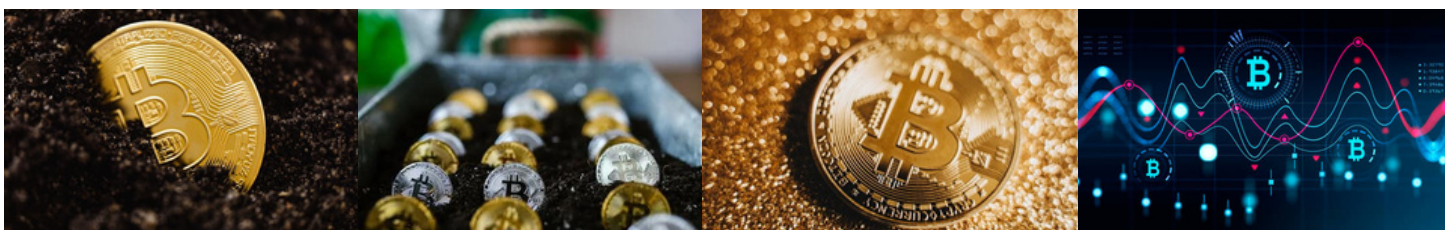
While the most recent case did not consider Wright’s passing-off claims, it is virtually certain that the decision will adversely influence these claims, which are predicated on him being the creator of Bitcoin. Furthermore, it is likely that the decision will impact any future attempts Wright may pursue to assert intellectual property rights over Bitcoin.



The background

Over the course of several years, in addition to his claims of being Satoshi Nakamoto, Wright has been trying to assert that he has certain database rights over parts of the Bitcoin blockchain, copyrights over the Bitcoin File Format and over the Bitcoin White Paper. These claims were often pursued by means of litigation.

In a separate case argued before the Court of Appeal in July 2023(1), Wright successfully sought to overturn a High Court ruling(2) that refused him permission to serve a claim form on defendants outside of the UK. A small but important procedural victory which allowed Wright to continue pursuing his claim. Wright’s underlying claim in that case concerned an alleged infringement of his copyright over the Bitcoin File Format (i.e. the methodology in which new blocks of transactions are added to the Bitcoin file). Copyright that Wright claimed to have by virtue of the fact that he is Satoshi Nakamoto. Wright also objected to two airdrops which he claimed significantly changed the Bitcoin system without his consent. Such claims not only run contrary to the fact that Bitcoin is made available as an open source code but also are against the fundamental principles of Bitcoin as a permissionless network where no one person has the right or the ability to control the network.



By way of background, decentralised cryptocurrency networks such as Bitcoin or Ethereum operate on permissionless blockchains meaning that anyone can contribute. A blockchain is a series (a chain) of consecutive transaction blocks, validated by consensus subject to a set of rules and going all the way back to the genesis block. Blockchains rely on their community of developers to maintain their operating code; a fork may happen when the community decides to make a change to the underlying protocol, the set of rules governing the cryptocurrency network. This may result in a new chain splitting from the original; the derivative chain will share all of the previous transaction blocks (same as the original chain) but it will become a new autonomous chain governed by the new set of rules. The success of a new chain, or lack thereof depends on the support it finds within the developer and user community.

The first airdrop happened in August 2017 and created a “fork” in the blockchain called the BTC Network, which ran in parallel to the Bitcoin blockchain. The second airdrop took place in November 2018, creating the BCH Network, another parallel blockchain. Wright claims that these parallel chains contain previous blocks and therefore infringe on his copyright in the Bitcoin White Paper, the Bitcoin File Format and various database rights.

COPA is backed among others by prominent figures in the tech and crypto industries (including Twitter founder Jack Dorsey). According to its mission statement, it was “formed to encourage the adoption and advancement of cryptocurrency technologies and to remove patents as a barrier to growth and innovation”. COPA has also applied for injunctions seeking to restrict Dr. Wright’s ability to publicly state that he is Satoshi Nakamoto, although these remain to be decided.



Conclusion

The true identity of Satoshi Nakamoto will likely remain a mystery, at least for the foreseeable future. According to the judge, it could be anyone except for Craig Wright. This decision will also hopefully stop Wright from pursuing spurious lawsuits against developers and other members of the crypto community who have consistently rebuffed his claim of being Nakamoto.



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