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8 **UNITED STATES DISTRICT COURT**
9 **NORTHERN DISTRICT OF CALIFORNIA**

10 Bitstamp Ltd., a foreign company,

11 Plaintiff,

12 vs.

13 RIPPLE LABS INC., a California Corporation,
14 JACOB STEPHENSON, an individual,
15 NANCY HARRIS, an individual, JED
16 MCCALED, an individual, and DOES 1
17 Through 10, Inclusive,

18 Defendants.

Case No. 3:15-cv-1503

**COMPLAINT FOR INTERPLEADER
UNDER FRCP RULE 22**

1 Plaintiff Bitstamp Ltd. (“Bitstamp”), for its Complaint for Interpleader Under Rule 22 of the
2 Federal Rules of Civil Procedure (“Complaint”), states and alleges as follows:

3 **PARTIES.**

4 1. Bitstamp is a UK company with its registered place of business at 5 New Street
5 Square, London EC4A 3TW, United Kingdom. Bitstamp operates a worldwide digital currency
6 exchange and is a gateway on the Ripple protocol. With respect to the dispute at issue, Bitstamp is a
7 disinterested stakeholder and seeks the Court’s assistance in resolving ownership rights of rival
8 claimaints to the same assets.

9 2. Defendant Ripple Labs Inc. (“Ripple Labs”), is a Delaware corporation maintaining
10 its principal place of business at 300 Montgomery Street, San Francisco, California 94104.

11 3. On information and belief, Defendant Jed McCaleb (“McCaleb”) is a co-founder,
12 Board member and Developer of Stellar Development Foundation (“Stellar”), a virtual currency
13 company based in San Francisco, California. On information and belief, McCaleb is a resident of
14 San Francisco, California.

15 4. On information and belief, Jacob Stephenson (“Stephenson”) is a resident of
16 Arkansas, and is McCaleb’s cousin.

17 5. On information and belief, Nancy Harris (“Harris”) is a resident of Arkansas and is
18 Stephenson’s mother and McCaleb’s aunt.

19 6. On information and belief, there are other unknown or potential defendants that have
20 not yet asserted claims or are unknown. Does 1-10 are the fictitious names of those defendants.
21 When such defendants are ascertained, Bitstamp will amend this Complaint by inserting true names
22 in place of fictitious names in accordance with Rule 10 of the Federal Rules of Civil Procedure.

23 **JURISDICTION AND VENUE.**

24 7. The United States District Court has jurisdiction over the subject matter of this action
25 pursuant to Fed. R. Civ. Proc. 22 and 28 U.S.C. § 1332 because (a) the property, amount of money,
26 or obligation to pay money involved is in excess of \$75,000 and (b) Plaintiff, a foreign entity, is of
27 diverse citizenship from each and every Defendant/claimant.

1 8. Venue is proper in the United States District Court for the Northern District of
2 California under 28 U.S.C. § 1391 because Ripple Labs and McCaleb are residents of the Northern
3 District of California and because a substantial part of the events giving rise to the claim set forth
4 herein occurred in this district.

5 9. The United States District Court for the Northern District of California has or will
6 have personal jurisdiction over all claimants/Defendants because each claimant/Defendant has
7 sufficient minimum contact with this district.

8 **FACTS.**

9 10. Ripple Labs develops open source software that implements and interacts with the
10 Ripple “protocol”, a decentralized ledger payment standard. Ripple Labs is also a holder of XRP,
11 which is the digital currency native to the Ripple protocol. XRP is a math-based currency used only
12 within the Ripple protocol.

13 11. The servers that run the Ripple protocol collectively maintain an official ledger,
14 which tracks balances in every Ripple account, and every transaction that utilizes the Ripple
15 protocol.

16 12. Among its other business functions, Bitstamp operates as a gateway for XRP,
17 permitting the exchange of XRP for other digital currency and fiat currency, including U.S. dollars.

18 13. On or about March 26, 2015, Bitstamp received a letter from Ripple Labs claiming
19 that it was entitled to approximately \$75,000 in Bitstamp’s possession, transferred therein as a result
20 of the sale of XRP, and demanding that Bitstamp release that \$75,000 to Ripple Labs, upon the
21 receipt of which Ripple Labs would return the corresponding amount of XRP to the account it
22 originated from. In this letter, Ripple Labs represented that, on August 13, 2014, Ripple Labs and
23 McCaleb (and others) entered into a contract (the “Contract”) under which McCaleb agreed to abide
24 by certain limitations regarding the sale of XRP within in his ownership and control, and pursuant to
25 that contract, McCaleb agreed to limit sales, and that of his family members, to \$10,000 XRP per
26 week, and that this agreement had been breached by the sale of XRP by Ripple account number
27 r3Q3B6A2giHDMef83AztzBStBm1JBmxUKX (“r3Q”).

1 14. On or about March 30, 2015, Bitstamp received a second letter from Ripple Labs
2 claiming that it was entitled to approximately \$963,000 of additional funds in Bitstamp's possession
3 due to the breach of the Contract, and demanding that Bitstamp release a total of \$1,038,172 to
4 Ripple Labs, upon the receipt of which Ripple Labs would return the XRP to the account it
5 originated from.

6 15. The \$1,038,172 demanded by Ripple Labs can be traced back to a large XRP sale
7 made by Ripple account number r3Q3B6A2giHDMef83AztzBStBm1JBmxUKX ("r3Q"). On
8 information and belief, r3Q is controlled by Stephenson and McCaleb.

9 16. On information and belief, or around March 16, 2015, Stellar initiated an auction of
10 its native currency, STR, in order to cover its operating expenses. On information and belief,
11 Stellar's unaudited quarterly financials show that its expenses were in the range of \$700,000, about
12 half of which was for payroll. Thus, on information and belief, Stellar placed 650 million STR into
13 an account on the Coinex gateway from which the auction would draw ("Auction STR"). On
14 information and belief, as of March 19, 2015 -- three days into the auction -- Stellar was still left
15 holding more than *640 million Auction STR* on the Coinex gateway. On information and belief, the
16 listed price for Auction STR was \$0.0031 US dollars per STR. As such, on information and belief, a
17 few days into its auction Stellar had only raised an estimated \$25,000.

18 17. On or around January 6, 2015, Ripple account number
19 rUf6pynZ8ucVj1jC9bKExQ7mb9sQF0oTPK ("rUf6") with Ripple name ~aluminumcans,
20 transferred 10 million XRP to r3Q. On or around March 20, 2015, rUf6 transferred an additional
21 89,999,900 XRP to r3Q. On information and belief, rUf6 is controlled by Harris, Stephenson and
22 McCaleb.

23 18. On or around March 20, 2015, r3Q offered to sell 98,846,600 XRP on the Bitstamp
24 USD order book, which included the 89,999,900 XRP it received from rUf6 on or around that date
25 and an additional 8,846,700 XRP of the 10 million XRP that r3Q had previously received from rUf6
26 on or around January 6, 2015. On information and belief, this offer was made at McCaleb's
27 direction and for McCaleb's and Stellar's benefit, with the intent to use the funds to purchase STR
28 from the Auction STR.

1 19. On information and belief, immediately after the offer to sell was placed by r3Q, the
2 seller entered into numerous transactions to sell small amounts of that XRP. On information and
3 belief, on or around March 20, 2015, Ripple Labs, through its agent, purchased all of the remaining
4 XRP offered by r3Q, which consisted of 96,342,361.6 XRP, for \$1,038,172.

5 20. In the two letter communications to Bitstamp, Ripple Labs represents that it
6 purchased this XRP in order to avoid and mitigate irreparable harm and damages that would have
7 been caused to Ripple Labs by the XRP sale conducted by McCaleb, Stephenson and Harris. Ripple
8 Labs further represents that the XRP sale was done in breach of McCaleb's Contract with Ripple
9 Labs.

10 21. Ripple Labs' agent sent the \$1,038,172 in purchase funds to r3Q on the Bitstamp
11 gateway. Ripple Labs is demanding the purchase funds back, upon which it has agreed it will return
12 the purchased XRP to rUf6.

13 22. There is thus now an issue in controversy over who is entitled to possess that
14 \$1,038,172 (the "Disputed Funds").

15 23. On information and belief, between March 20, 2015 and through present date, r3Q
16 has been and continues to be attempting to "bridge out" the Disputed Funds to remove them from the
17 Ripple Network in order to purchase additional STR. The Disputed Funds are being held in the
18 following Ripple accounts: (1) r3Q, (2) rvYAfWj5gh67oV6fW32ZzP3Aw4Eubs59B ("rvYA"), and
19 (3) rPQB4rgmwoaCjdX4BeoWikeshWL3fLMLD7 ("rPQ").

20 24. On March 31st, Bitstamp acted to "freeze" the accounts on the Ripple Network
21 containing the Disputed Funds due to the pending ownership controversy, regulatory/AML concerns
22 and the size and circumstances of the transfers.

23 25. Bitstamp is facing conflicting ownership claims from the Defendants.

24 26. Ripple Labs made a claim to the Disputed Funds that r3Q is attempting to remove
25 from the Ripple Network and asked Bitstamp to transfer the Disputed Funds to Ripple Labs' Ripple
26 account in exchange for Ripple Labs transferring the XRP back to rUf6.

27 27. During the relevant time period, Stephenson has made a claim to the Disputed Funds.
28

1 28. On information and belief, McCaleb, who has control of r3Q according to Ripple
2 Labs, may make a claim to the Disputed Funds pursuant to this filing.

3 29. On information and belief, Harris, who purports to own and control rUf6, may also
4 make a claim to the Disputed Funds.

5 30. On information and belief, other unknown individuals who may assert ownership or
6 other rights over Ripple accounts rvYA and/or rPQ, or who may assert ownership or other rights
7 over Stellar Accounts gBhrQHtoP3ALV1AnscvfDH7f8yEgozaXd6 and/or
8 g3Ezpa9GidCB7RD963Y5k3WFLz39w7d63Q may make claims to the Disputed Funds.

9 31. As for Bitstamp itself, we make no claim to the Disputed Funds except as to relief for
10 costs and attorneys' fees as set forth in this Complaint.

11 **INTERPLEADER PROPER TO DISPUTED CLAIMS.**

12 32. With respect to the Disputed Funds, Bitstamp is a disinterested stakeholder.

13 33. Bitstamp does not know to which of said Defendants is entitled to the Disputed
14 Funds.

15 34. Bitstamp has a real and reasonable fear of liability or vexatious, conflicting claims
16 directed against the Disputed Funds and is not in the position to safely determine which party's claim
17 to the Disputed Funds is meritorious without great hazard and possible multiple liability.

18 35. Under the provisions of Federal Rules of Civil Procedure, Rule 22, Bitstamp is
19 entitled to join all persons asserting claims against the Disputed Funds in a single proceeding so that
20 Bitstamp may avoid duplicative litigation and the possibility of multiple or inconsistent liability on
21 the conflicting and adverse claims of Defendants.

22 **PRAYER FOR RELIEF.**

23 **WHEREFORE**, Bitstamp prays for the following judgment:

24 36. That Bitstamp be allowed to continue to freeze the Disputed Funds until otherwise
25 directed by the Court;

26 37. Defendants be required to interplead and assert in this proceeding and settle between
27 themselves any and all claims which each or any of them have to the Disputed Funds and that
28 Bitstamp be discharged from all liability relating to such benefits except to the party or parties whom

1 the Court shall judge entitled to the Disputed Funds and then only to the extent of the Disputed
2 Funds frozen by Bitstamp;

3 38. Defendants, and each of them, be permanently restrained from commencing any
4 action for the recovery of the Disputed Funds or any part thereof, or any claimed damages related
5 thereto, as against Bitstamp;

6 39. Defendants, and each of them, be permanently restrained from instituting or
7 prosecuting any proceeding in any state or United States court affecting the Disputed Funds until
8 further order of this Court;

9 40. Bitstamp be dismissed from this lawsuit and discharged from any and all liability
10 regarding the Disputed Funds or the XRP;

11 41. Bitstamp recover out of the Disputed Funds its costs and attorneys' fees incurred in
12 this action and all actions connected to the Disputed Funds; and

13 42. Awarding such other relief as the Court may deem just and equitable.

14
15 Dated: April 2, 2015

16
17 /s/ George Frost

18 George Frost, Esq.
19 Attorney for Bitstamp Ltd.
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CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

(b) County of Residence of First Listed Plaintiff (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number)

DEFENDANTS

County of Residence of First Listed Defendant (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff, 2 U.S. Government Defendant, 3 Federal Question, 4 Diversity

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, PTF DEF, Incorporated or Principal Place of Business In This State, Incorporated and Principal Place of Business In Another State, Foreign Nation

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Table with 5 columns: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES. Contains various legal categories and sub-categories with checkboxes.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding, 2 Removed from State Court, 3 Remanded from Appellate Court, 4 Reinstated or Reopened, 5 Transferred from Another District, 6 Multidistrict Litigation

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity): Brief description of cause:

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P. DEMAND \$ CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE DOCKET NUMBER

DATE SIGNATURE OF ATTORNEY OF RECORD

05/4+

(Place an "X" in One Box Only) () SAN FRANCISCO/OAKLAND () SAN JOSE () EUREKA

INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44

Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

- I.(a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.
- (b) County of Residence.** For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)
- (c) Attorneys.** Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".
- II. Jurisdiction.** The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.
 United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here.
 United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.
 Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.
 Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; **NOTE: federal question actions take precedence over diversity cases.**)
- III. Residence (citizenship) of Principal Parties.** This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.
- IV. Nature of Suit.** Place an "X" in the appropriate box. If the nature of suit cannot be determined, be sure the cause of action, in Section VI below, is sufficient to enable the deputy clerk or the statistical clerk(s) in the Administrative Office to determine the nature of suit. If the cause fits more than one nature of suit, select the most definitive.
- V. Origin.** Place an "X" in one of the six boxes.
 Original Proceedings. (1) Cases which originate in the United States district courts.
 Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441. When the petition for removal is granted, check this box.
 Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.
 Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.
 Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.
 Multidistrict Litigation. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407. When this box is checked, do not check (5) above.
- VI. Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service
- VII. Requested in Complaint.** Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.
 Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction.
 Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.
- VIII. Related Cases.** This section of the JS 44 is used to reference related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.
- Date and Attorney Signature.** Date and sign the civil cover sheet.