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4,315.49 35.52 (0.83%)

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1,036.20 2.11 (0.20%)

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# Bankrupt Mt. Gox Bitcoin exchange hit with lawsuit as Canadians seek \$500-million compensation

NP COLIN PERKEL, CANADIAN PRESS | March 14, 2014 | Last Updated: Mar 14 5:27 PM ET  
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A television photographer, right, films Mark Karpeles, chief executive officer of Mt. Gox, leaving the Tokyo District Court in Tokyo, Japan, on Friday, Feb. 28, 2014. Mt. Gox, once the world's largest Bitcoin exchange, filed for bankruptcy in Japan, focusing attention on the digital currency's risks.

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TORONTO — A proposed class action will seek \$500 million in compensation for Canadians with deposits in what was once the largest Bitcoin digital-currency exchange in the world, according to a court notice filed Friday.

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 the notice of action to Ontario Superior Court.

Among other things, the action alleges negligence, breach of contract and fraudulent misrepresentation — none of which has been proven in any court.

Toronto litigation lawyer Ted Charney said Mt. Gox held an estimated US\$465 million in trust for its clients and millions of dollars belonged 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 kept 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.”

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The Mt. Gox Bitcoin exchange 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.

"After this news broke, the price of Bitcoins plummeted, creating a disruptive ripple effect that has nearly shut down the industry," said Friday's notice of action.

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

Proposed as class representatives are David Joyce, of Toronto, Sancho McCann, of Vancouver, Alexandre Pepin, of Montreal, and Paul Collin, of Calgary. Each claims to be owed various amounts, either in Bitcoins or, in Joyce's case, as much as \$24,500 in cash.



Kolin Burges, a Mt. Gox customer, holds a placard in front of a building housing the company operating the Mt. Gox Bitcoin exchange in Tokyo, Japan, on Thursday, Feb. 27, 2014. Mt. Gox halted all withdrawals early last month, then abruptly shut down. Earlier this week, it filed for bankruptcy protection in the United States.

Tomohiro Ohsumi/Bloomberg

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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.

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

*The Canadian Press*



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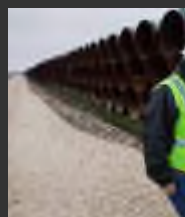
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