



ARBITRATION AWARD

Case Number: 01-18-0000-99204

BRIAN WRIGHT
-vs-
COINBASE, INC.

I, John C. Lautsch, the undersigned Neutral Arbitrator, having been designated in accordance with Arbitration Provision of the Agreement entitled Coinbase User Agreement (“Contract”) entered into on or before February 15, 2018, by Claimant Brian Wright and Respondent Coinbase, Inc., providing for binding arbitration of any dispute by the American Arbitration Association, and having been duly sworn and having duly heard and reviewed the allegations and proofs of the parties appearing, award as follows:

This was a documents-only Desk Arbitration. The arbitration was closed on September 18, 2018. Appearing for Claimant was A. Blake Thomas of Consumer Fraud Legal Services, LLC, of Springfield, IL, and for Respondent Elliott J. Joh of Squire Patton Boggs, LLP, of San Francisco, CA.

All parties submitted testimonial evidence via declaration.

The main issue in this arbitration is whether Respondent Coinbase is liable to Claimant Brian Wright for sums of money improperly removed from his checking account electronically and held. The amounts totaled \$520.00.

Claimant’s case is that these amounts were not removed pursuant to the terms of the Contract or other lawful reason. Claimant showed that these funds had not been replaced as of July 31, 2018, even though Claimant made several requests to Respondent for replacement. There was no evidence submitted about whether the funds were replaced at the time of the arbitration, but Respondent did not dispute Claimant’s statement that as of July 31, 2018, the funds had not been returned to Claimant.

Claimant requests an award granting him actual damages of \$520.00, statutory damages of \$1,000.00 as Respondent’s withdrawals amounted to an unauthorized fund transfer under the federal Electronic Funds Transfer Act (15 U.S.C. § 1693(m)), attorney fees and costs per the parties’ Contract, and other necessary relief.

Respondent argues that the deductions from the Claimant’s bank account were not caused by Respondent, but rather by two contractors of Respondent’s, its payment processor, Worldpay, and its network, Visa. Several exhibits were submitted to support this. Based on this, Respondent argues that it did not improperly charge Claimant’s bank account, and that Respondent did not collect any money as a result of the charges on Claimant’s bank account.



Therefore, Claimant's claims against Respondent are baseless.

Respondent requests no award be given to Claimant and, per the parties' Contract, attorney fees and costs be awarded to it in the amount of \$10,732.75.

Testimony and exhibits of the parties evidence the following:

Respondent is based in San Francisco and provides an online electronic platform to the public for buying, selling, transferring, and storing digital currency, such as Bitcoin or Ethereum. Respondent requires its customers to open an account with Respondent in order to utilize its services ("Coinbase Account"). Respondent allows its customers to link an outside customer bank account electronically to the Coinbase Account to fund transactions ("Link").

Claimant opened a Coinbase Account with Respondent and linked his bank checking account to his new account with Respondent. Respondent's contractor Visa charged Claimant's bank account without his permission approximately seven times beginning on or about February 15, 2018. These charges totaled \$520.00. As of July 31, 2018, these amounts had not been redeposited into Claimant's bank account in spite of several requests by Claimant to Respondent to do so.

According to the Contract between the parties, funds transferred to or from Respondent by Claimant via the Link may be debited by Respondent to Claimant immediately, but may take "three or more business days to process..." (Contract, ¶4.2) The Contract provides "For withdrawals, Coinbase will immediately debit your USD Wallet when you authorize a withdrawal and funds will typically settle to you within two or three business days." (Contract, ¶5.2) These periods of two or three business days are the only time periods for settlement of accounts pointed out to this Tribunal. The Contract contains an express disclaimer of liability which states in pertinent part: "Coinbase will make reasonable efforts to ensure that requests for electronic debits and credits involving bank accounts, credit cards, and check issuances are processed in a timely manner but Coinbase makes no representations or warranties regarding the amount of time needed to complete processing which is dependent upon many factors outside of our control." (Contract, ¶8.3)

The Contract in this case is a standard form contract which under California law is to be construed against its drafter, Respondent. Every California contract contains an implied covenant of good faith and fair dealing. This covenant basically means that neither party to an agreement will do anything to injure the right of the other party to receive the benefits of the contract.

The evidence shows that Coinbase used Worldpay and Visa as its behind-the-scenes operations ("Backroom Operations"). The evidence submitted makes clear that Visa caused the failure to return Claimant's funds. Because Respondent is responsible for establishing these



arrangements, its argument that it is not responsible for Claimant's losses is not convincing.

The evidence submitted shows that Respondent Coinbase in its marketing failed to make clear to the Claimant that there were risks involved in its handling of customers' funds by virtue of Respondent's Backroom Operations. The time periods for a return of funds to customers' outside accounts in the Contract were stated to be between two or three days. This implies that this period would be the usual amount of time to be expected by a prospective customer for his funds to be returned to his outside bank account. This is important: The markets for Bitcoin and other digital currencies are sometimes volatile. The risks of slow transaction speeds of funds transfers or, worse, funds transfers that are ignored, even after a customer requests action, could be substantial.

The disclaimer of liability set forth in Section 8.3 of Respondent's Contract expressly states that Respondent "will make reasonable efforts to ensure requests for electronic debits or credits involving bank accounts, credit cards, and check issuances are processed in a timely manner..." The evidence presented indicates that Respondent in this case did not "make reasonable efforts to ensure requests for electronic debits or credits ... are processing in a timely manner," but instead made no efforts at all. That wasn't the deal Claimant agreed to.

Further, no evidence presented would indicate to Claimant that he could expect to have his funds removed and denied to him for five and a half months, even after he complained to Respondent about the matter.

The party in the best position to understand the risks of the Backroom Operations established by Respondent is, of course, Respondent. Based on the evidence submitted, Claimant would have no ability to ascertain these risks. California's legal doctrine of agency or respondeat superior applies in the case. Respondent is responsible to its customers for the actions of its backroom contractors, Worldpay and Visa.

Further, by failing to be transparent about these risks and by failing to reimburse Claimant within two or three business days, Coinbase breached its duty of good faith and fair dealing with Claimant by injuring Claimant's right to receive the benefits he sought from the Contract. Claimant did not bargain to have his bank funds removed for several months without authorization, and not replaced even after he requested they be returned.

AWARD

Accordingly, for the reasons set forth above, this Arbitration Tribunal makes the following Award in full resolution of the merits of all claims and defenses presented in this arbitration:

1. Per the analysis of the evidence set forth above, Claimant shall recover from



Respondent an award in the amount \$520.00. Beginning ten (10) days after the date of this Award, Respondent shall pay to Claimant interest in the amount of ten percent (10%) per annum on any unpaid amount, if any, of the Award due Claimant.

2. Respondent shall pay Claimant the time value of the amounts of money removed at the rate of 10% per annum for the period from February 15, 2018, to July 31, 2018, totaling \$23.83. Beginning ten (10) days after the date of this Award, Respondent shall pay to Claimant interest in the amount of ten percent (10%) per annum on any unpaid amount, if any, of the amount of \$23.83 due Claimant.

3. Pursuant to 15 U.S.C. § 1693(m), Respondent shall pay Claimant the amount of \$1000.00.

3. Claimant is the prevailing party and therefore Respondent shall pay Claimant attorney fees and costs in the amount of \$3,325.00. Beginning ten (10) days after the date of this Award, Respondent shall pay to Claimant interest in the amount of ten percent (10%) per annum on any unpaid amount, if any, of the amount of attorney fees and costs due Claimant.

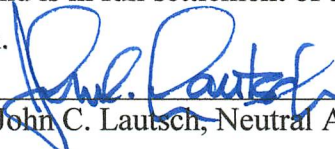
4. Respondent shall recover nothing (\$0.00) in this action and shall recover no attorney fees or costs.

5. The administrative fees of the American Arbitration Association, totaling \$1900.00, and the compensation of the Neutral Arbitrator, totaling \$1500.00, shall be borne as incurred and paid to the American Arbitration Association.

6. Should either party be required to convert this Award to a Court judgment, the prevailing party shall be entitled to recover from the non-prevailing party its costs and reasonable attorney fees expended in connection with such Court proceeding. For each month after the date of any order to pay Court costs and attorney fees that the non-prevailing party does not pay such costs and attorney fees, the non-prevailing party shall pay to the prevailing party interest on the unpaid amount at the rate of ten percent (10%) per annum (10% APR).

7. This Award is final and binding and is in full settlement of all claims submitted by any party against the other in this arbitration.

9/26/18
Date


John C. Lautsch, Neutral Arbitrator