

1 ANNE K. EDWARDS (SBN 110424)
2 **SMITH, GAMBRELL & RUSSELL, LLP**
3 444 South Flower Street Suite 1700
4 Los Angeles, California 90071
5 Telephone: 213 358-7200
6 Facsimile: 213 358-7300
7 Email: aedwards@sgrlaw.com

8 Attorneys for Plaintiff
9 STEVEN CODY REYNOLDS

10 **UNITED STATES DISTRICT COURT**
11 **NORTHERN DISTRICT OF CALIFORNIA**
12 **SAN FRANCISCO**

13 STEVEN CODY REYNOLDS,
14 Plaintiff,

15 vs.

16 BINANCE HOLDINGS LTD.,
17 Defendant.

Case No.

COMPLAINT

Demand For Jury Trial

18 Plaintiff Steven Cody Reynolds, as and for his Complaint against Defendant
19 Binance Holdings Ltd., hereby alleges as follows:

20 **PRELIMINARY STATEMENT**

21 1. Steven Cody Reynolds (“Reynolds” or “Plaintiff”) is a cryptocurrency
22 investor and provides consulting and advisory services to companies in the digital
23 currency industry.

24 2. Reynolds maintained a digital currency account with Binance Holdings
25 Ltd. (“Binance” or “Defendant”), a global cryptocurrency exchange that provides a
26 platform for buying, selling and storing digital currencies.

SMITH, GAMBRELL & RUSSELL, LLP
444 SOUTH FLOWER STREET, SUITE 1700
LOS ANGELES, CALIFORNIA 90071
TELEPHONE: 213 358-7200

1 3. Reynolds first used Binance’s exchange to acquire BNB tokens, also
2 known as Binance Coin, a cryptocurrency issued by Binance in its Initial Coin
3 Offering (“ICO”) in June 2017.

4 4. One month later, in or around July 2017, Reynolds was retained by
5 Binance to support Binance’s online communications with English speaking
6 customers. In this role, Reynolds was responsible for public facing community
7 management, managing media channels, and communicating with English speaking
8 customers primarily from the United States.

9 5. Between July 2017 and December 2017, Binance compensated Reynolds
10 for his services in the form of BNB tokens, which Reynolds stored in his Binance
11 account.

12 6. In addition to his compensation, Reynolds continued to purchase BNB
13 tokens and acquire other digital currencies using the Binance platform, and stored
14 these cryptocurrencies in his Binance account as well.

15 7. In December 2017, Reynolds and Binance agreed that Reynolds would
16 stop providing services to Binance. The separation was amicable at the time, and
17 Reynolds continued to use the Binance platform to buy and sell cryptocurrencies and
18 continued to store digital currencies in his Binance account.

19 8. Several weeks later, in January 2018, Binance contacted Reynolds in
20 regards to an online group chat that Reynolds administered on Telegram Messenger
21 (an independent app where users can participate in online public group chats).
22 Binance requested that Reynolds delete the group chat. However, the app settings did
23 not permit chats to be deleted once opened to the public.

24 9. Days later, Binance contacted Reynolds again and requested that he
25 remove any reference to Binance in the group chat and change the chat’s name.
26 Reynolds complied with this request.

27 10. Later the same day, however, Reynolds was contacted by Binance’s CEO,
28 Changpeng Zhao, who demanded that Reynolds delete the chat or remove all of the

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1 participants. Reynolds initially resisted but was immediately threatened by Zhao with
2 legal and financial damages unless he complied. Then, within minutes, Binance
3 carried out Zhao's threats. Without Reynolds' consent, Binance unilaterally lowered
4 Reynolds' withdrawal limit in his account to zero. Reynolds' account was effectively
5 frozen, as he was restricted from withdrawing any of his assets.

6 11. Binance then locked Reynolds out of his account entirely. He could not
7 log in using his username and password.

8 12. Reynolds attempted to restore his account through Binance customer
9 service, but his access was restricted. Reynolds could no longer access his account,
10 and he could not access his digital currency assets stored thereon.

11 13. At the time, Reynolds' Binance account was holding approximately
12 \$285,000 worth of digital currencies.

13 14. Months later, on or about March 31, 2018, Reynolds was able to regain
14 access to his Binance account. However, his account balance was zero.

15 15. Binance had, without Reynolds' consent or authorization, wrongfully
16 confiscated all of the digital assets that Reynolds owned and stored on the Binance
17 platform.

18 16. If Reynolds' assets were not confiscated by Binance, Reynolds could
19 have sold the digital assets for US Dollars in an amount up to \$337,500 over the
20 subsequent months.

21 17. As a currency exchange doing business in the United States, Binance has
22 a duty to its customers to safely and securely maintain their digital assets, and not to
23 unilaterally freeze and confiscate customer property.

24 18. United States customers of cryptocurrency exchanges doing business in
25 the United States should not have to fear that the exchange could unilaterally and
26 without authorization seize and confiscate their assets stored thereon.

27 19. Reynolds brings this action against Binance seeking monetary and
28 punitive damages for this unlawful seizure and confiscation of property.

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PARTIES

20. Plaintiff Reynolds is and was at the time of the filing of this complaint a citizen of the United States and a resident of the State of Oregon.

21. Upon information and belief, Defendant Binance is a Cayman Islands limited company with headquarters in the Republic of Malta, and maintains a principal place of business in San Francisco, California through its subsidiary Binance US.

JURISDICTION AND VENUE

22. This Court has subject matter jurisdiction under 28 U.S.C. § 1332 because the parties are citizens of different states and the amount in controversy, as alleged further herein, exceeds the jurisdictional minimum of \$75,000.

23. This Court has personal jurisdiction over Defendant Binance for the foregoing reasons: Commencing in 2017, Binance purposefully directed its activities at residents of this forum by making its website, Binance.com, available to citizens of this state and providing a platform for United States customers to buy, sell and store digital assets on their Binance user account. Upon information and belief, in 2018, approximately 38% of Binance customers worldwide were located in the United States, the largest proportion by country. After the formation of Binance US in September 2019, Binance continued to direct its activities to residents of this forum through Binance US. Upon information and belief, Binance controls Binance US and uses Binance US as an agent and instrumentality to continue to serve Binance’s United States customers, to conduct Binance’s affairs in the United States, to ensure compliance with United States laws and regulations, and to serve as Binance’s principal physical presence in the United States. Upon information and belief, Binance and Binance US operate on the same website, use the same exchange platform, the same matching engine and the same wallet technologies. Upon information and belief, Binance US is Binance’s alter ego subsidiary as there is such a unity of interest, ownership and control that the separate personalities of the two

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1 entities no longer exist. Binance US is registered to do business in the State of
2 California, and is registered as a money services business with the United States
3 Department of the Treasury, Financial Crimes Enforcement Network, with an address
4 of Letterman Digital Arts Center, One Letterman Drive, Building C, Suite C, San
5 Francisco, CA. Upon information and belief, Binance, through Binance US, has
6 significant operations, employees and physical presence in California, unlike in Malta
7 where Binance is purportedly headquartered, or the Cayman Islands where it is
8 purportedly incorporated. Upon information and belief, Binance continues to enter
9 into thousands of transactions annually with California-based individuals and
10 businesses. As such, Binance has continuous and systematic contacts with California,
11 and purposefully avails itself of the benefits of participation in the California
12 marketplace sufficient to render the assumption of general personal jurisdiction by
13 this Honorable Court consistent with traditional notions of fair play and substantial
14 justice.

15 24. Venue is proper in this judicial district under 28 U.S.C. § 1391(b)(1)
16 because Defendant is a resident of this district.

17 **FACTUAL BACKGROUND**

18 **A. Plaintiff Reynolds**

19 25. Plaintiff Reynolds is an experienced investor in cryptocurrencies. He is
20 also a founder of start-up companies in the cryptocurrency industry, and provides
21 consulting and advisory services to cryptocurrency-related businesses.

22 26. Reynolds served in the United States Army after high school and attended
23 the United States Military Academy at West Point in New York.

24 27. Following his service with the United States military, Reynolds
25 developed a keen interest in cryptocurrencies and since then has worked in various
26 capacities in the cryptocurrency industry at home and abroad.

27 28. In addition to investing in digital currencies, Reynolds' experience
28 includes serving on an advisory board and providing freelance services to companies

1 in the cryptocurrency industry, including business development, communications,
2 public relations, customer service, crisis management, and fund raising.

3 29. Reynolds has also been involved in politics. In 2012, Reynolds ran for
4 election to the United States House of Representatives to represent the 1st
5 Congressional District of Oregon as a member of the Progressive Party. Reynolds
6 ran again in 2014 to represent the 1st Congressional District of Oregon as a member
7 of the Green Party. In 2016, Reynolds won the primary to be the candidate for the
8 Independent Party to the United States Senate seat from Oregon. In the 2016 election
9 for the United States Senate seat from Oregon, Reynolds gained over 59,000 votes in
10 the general election as the candidate for the Independent Party.

11 **B. Defendant Binance**

12 30. Defendant Binance is a cryptocurrency exchange that provides a platform
13 for customers to buy, sell and store cryptocurrencies.

14 31. Upon information and belief, the company was founded in China in 2017
15 by Changpeng Zhao (“Zhao”), who currently serves as its CEO.

16 32. Upon information and belief, the company is incorporated in the Cayman
17 Islands.

18 33. Upon information and belief, the company moved headquarters from
19 China to Japan in September 2017, and from Japan to Malta in March 2018.

20 34. Upon information and belief, Binance does not maintain a significant
21 operating business in Malta or the Cayman Islands; rather, Binance runs a
22 “decentralized operation,” and Binance teams are based where Binance operates
23 regulated businesses, such as Binance US.

24 35. In September 2019, Binance opened Binance US in San Francisco,
25 California. Binance US is licensed to do business in the State of California, and was
26 registered as a money services business with the U.S. Department of the Treasury,
27 Financial Crimes Enforcement Network, in December 2019.

28

1 36. Upon information and belief, in 2018 approximately 38% of Binance
2 customers were located in the United States.

3 37. Upon information and belief, Binance stopped serving United States
4 customers in or around June 2019, but resumed in or around September 2019 after
5 launching Binance US.

6 38. Upon information and belief, in 2019 Binance had an average daily
7 trading volume of \$2.85 Billion, serving more than 15 million customers around the
8 world.

9 39. In addition to offering a cryptocurrency trading platform, Binance created
10 a cryptocurrency token called BNB, also known as Binance Coin. As set forth on
11 Binance’s website, BNB “powers the Binance Ecosystem. As the native coin of
12 Binance Chain, BNB has multiple use cases: fueling transactions on the Chain, paying
13 for transaction fees on Binance Exchange, making in-store payments, and many
14 more.”

15 40. BNB was created by Binance in 2017. It was first issued and launched
16 during an Initial Coin Offering (“ICO”) crowdfunding event, which took place
17 between June 26 and July 3, 2017.

18 **C. Reynolds Purchases BNB Tokens in Binance’s Initial Coin Offering**

19 41. During the June 2017 Binance ICO, Reynolds purchased BNB using the
20 Binance platform.

21 42. The purchase was made by Reynolds while he was in the State of Oregon.

22 43. After the ICO, Reynolds continued to purchase BNB and continued to use
23 the Binance platform to purchase and store other digital currencies.

24 **D. Reynolds is Retained by Binance to Provide Customer-Support Services**
25 **to United States Customers, and is Compensated in BNB Tokens.**

26 44. In or around late July 2017, following Binance’s ICO, Reynolds was
27 retained to provide services to Binance.
28

1 45. Specifically, Reynolds was retained to support online communications
2 with English-speaking users of the Binance platform. In this role, Reynolds was
3 responsible for public facing community management, managing media channels, and
4 communicating with English speaking customers primarily from the United States.

5 46. Reynolds was asked to provide such service to Binance directly by
6 Binance’s CEO, Changpeng Zhao. Zhao and Reynolds met remotely in July 2017 in
7 an online Slack channel. Slack is an independent company that provides online public
8 chat rooms (“channels”). Zhao and Reynolds began communicating in the Slack
9 channel, and Zhao asked Reynolds, who was experienced and well versed in
10 cryptocurrencies, to provide the above-mentioned communications services for
11 Binance.

12 47. An agreement was reached whereby Reynolds would be compensated
13 with BNB tokens in the amount equivalent to \$3K per month, and would be allocated
14 BNB tokens as a Binance team member.

15 48. From June 2017 to December 2017, Reynolds provided said services to
16 Binance and was compensated for his service in the form of BNB tokens, which he
17 kept stored in his Binance account.

18 49. During the time that Reynolds provided services to Binance, Reynolds
19 would work up to seven days a week, often up to 20 hours a day, answering questions
20 and providing various customer support services on Binance’s behalf.

21 50. Reynolds also used the Binance platform himself as a customer to
22 purchase, sell and hold other digital currencies.

23 51. In December 2017, Reynolds and Binance agreed that Reynolds would
24 stop providing services to Binance.

25 52. The separation was amicable at the time, and Reynolds continued to use
26 the Binance platform to hold and manage his cryptocurrency assets.

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1 **E. Binance Confiscates Reynolds’ Digital Assets in his Binance Account.**

2 53. Several weeks after Reynolds ceased providing service to Binance, in or
3 around January 2018, Binance reached out to Reynolds in regards to a public online
4 group chat that Reynolds administered.

5 54. The group chat was hosted by an app called Telegram Messenger.
6 Telegram Messenger is not a part of the Binance platform. It is an independent app
7 that allows users to participate in online public group chats.

8 55. Reynolds was asked to delete the group chat. However, the Telegram
9 Messenger app settings did not permit chats to be deleted once opened to the public

10 56. Days later, Binance contacted Reynolds again and requested that he
11 remove any and all reference to Binance in the Telegram Messenger group chat and
12 to change the group chat’s name. Reynolds agreed. Reynolds removed all reference
13 to Binance and changed the name of the group chat to “Steve’s Crypto Corner.”

14 57. Later that same day, Reynolds was contacted directly by Binance’s CEO,
15 Changpeng Zhao, who demanded that Reynolds delete the group chat (which the
16 settings did not allow) or remove all of the participants.

17 58. Reynolds initially resisted this request. Zhao, however, the billionaire
18 CEO of Binance with far superior financial resources, reacted by immediately
19 threatening Reynolds with severe legal and financial consequences unless Reynolds
20 complied with his demands.

21 59. Then, within minutes of Zhao’s threats, Binance proceeded to carry them
22 out. In an extreme act of bullying and retaliation, Binance – without Reynolds’
23 consent – unilaterally lowered Reynolds’ withdrawal limit in his Binance account to
24 zero, meaning that Reynolds could not withdraw any of the digital assets in his
25 account. His account was frozen.

26 60. Then, again without Reynolds’ consent, Binance blocked Reynolds’
27 access to his account entirely. Reynolds could not log in using his username and
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1 password. He could not gain access to his digital assets held on the Binance platform.
2 Binance had shut Reynolds out and locked him away from his property.

3 61. At the time, Reynolds' Binance account was holding approximately
4 \$285,000 worth of digital currencies.

5 62. Months later, on or about March 31, 2018, Reynolds regained access to
6 his account. However, Reynolds' assets were no longer there. His account showed a
7 balance of zero.

8 63. Several months after that, in or around July 2018, Reynolds met Zhao
9 face to face at the TechCrunch technology conference being held in Zug, Switzerland.
10 Reynolds asked Zhao to return his confiscated property, but Zhao refused.

11 64. Binance did not have authorization from Reynolds to freeze, seize and
12 confiscate his digital assets.

13 65. Reynolds' digital assets in his Binance account were unlawfully
14 confiscated by Binance.

15 66. If Reynolds' assets were not confiscated by Binance, Reynolds could
16 have sold the digital assets for US Dollars in an amount up to \$337,500 over the
17 subsequent months.

18
19 **CAUSES OF ACTION**

20
21 **FIRST CAUSE OF ACTION**

22 **(Conversion)**

23 67. Plaintiff repeats and realleges the foregoing paragraphs as if fully set forth
24 herein.

25 68. Plaintiff maintained a cryptocurrency account with Binance and
26 deposited digital assets on the Binance platform.

1 **THIRD CAUSE OF ACTION**

2 **(Negligence)**

3 78. Plaintiff repeats and realleges the foregoing paragraphs as if fully set forth
4 herein.

5 79. Defendant owed Plaintiff a duty to use reasonable care in performing its
6 duties as an exchange and depository of Plaintiff's cryptocurrency account, including
7 but not limited to the duty to: (1) maintain Plaintiff's account, (2) ensure that no
8 unauthorized transfers or withdrawals from Plaintiff's account were implemented,
9 and (3) comply with all applicable registration and reported requirements under state
10 and federal law.

11 80. Defendant has breached those duties by failing to perform its obligations,
12 including by failing to ensure that no unauthorized transfers or withdrawals from
13 Plaintiff's Binance account were implemented, prevent misappropriation in
14 Plaintiff's Binance account, and failing to comply with all applicable requirements
15 under state and federal law.

16 81. As a direct and proximate result of Defendant's conduct, Reynolds has
17 been damaged in an amount to be determined at trial but believed to be not less than
18 \$337,500.

19
20 **JURY DEMAND**

21 82. Plaintiff hereby demands a trial by jury on all issues triable by a jury in
22 this case.

23
24 WHEREFORE, Plaintiff demands judgment against the Defendant as follows:

25
26 (a) Awarding Plaintiff damages for all injuries suffered as a result of
27 Defendants' wrongdoing in an amount to be determined at trial but
28 believed to be not less than \$337,500;

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- (b) Awarding punitive damages for Defendant’s knowing, willful, intentional and malicious conduct;
- (c) Awarding Plaintiff pre-judgment and post-judgment interest;
- (d) Awarding Plaintiff reasonable attorneys’ fees, expenses, and the costs of bringing this action; and
- (e) All such other and further relief as the Court deems necessary, just and proper.

DATED: March 27, 2020

SMITH, GAMBRELL & RUSSELL, LLP

By: /s/ Anne K. Edwards
 Anne K. Edwards
 Attorneys for
 STEVEN CODY REYNOLDS

SMITH, GAMBRELL & RUSSELL, LLP
 444 SOUTH FLOWER STREET, SUITE 1700
 LOS ANGELES, CALIFORNIA 90071
 TELEPHONE: 213 358-7200