

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

FAES & COMPANY (LONDON)
LIMITED,

Plaintiff,

v.

BLOCKWARE SOLUTIONS, LLC,

Defendant.

Case No. 22-cv-7121

Jury Trial Demanded

COMPLAINT

Plaintiffs Faes & Company (London) Limited (“Faes”), by and through its attorneys, for its Complaint against defendant Blockware Solutions, LLC (“Blockware”), alleges as follows:

1. This is an action for breach of contract, negligence, deceptive trade practices, and fraud concerning an arrangement for the purchase of bitcoin miners and related hosting services between Faes & Company (London) and Blockware Solutions. Pursuant to an initial Services Agreement, Blockware sold Faes 50 bitcoin miners for \$525,000. Exhibit A, Services Agreement dated October 25, 2021. As part of the broader transaction between the parties, Blockware agreed to

host Faes' miners at one the server facilities it allegedly owned and operated in exchange for monthly hosting and energy fees.

2. At the time of the Agreement, however, Blockware did not actually own or operate a facility to host the miners and was not capable of doing so reliably. Further, to the extent Blockware had access to third-party facilities to host and manage the miners, the facilities lacked reliable power (likely due to a limiting contractual arrangement with their energy supplier), so the operation of the miners was and is regularly subject to interruption or "curtailment." As a result, Faes' miners under Blockware's management and control have experienced prolonged downtime and inoperability due to lack of power, resulting in significant loss of revenue.

JURISDICTION

3. This court has diversity jurisdiction over the subject matter of counts one, two, and four under 28 U.S.C. § 1332(a), in that this is a civil action between a corporation based in the United Kingdom and a corporation headquartered in Illinois, and the amount in controversy exceeds \$75,000, exclusive of interest and costs.

4. This court has supplemental jurisdiction over plaintiff's state law claims under 28 U.S.C. § 1367.

5. Personal jurisdiction over defendant Blockware is proper in this District because the parties' Services Agreement designates the state or federal courts sitting in Cook County, Illinois as the jurisdiction for any action or dispute relating to the Agreement, and, on information and belief, Blockware has its principal place of business in Chicago, Illinois.

VENUE

6. Venue is proper in this district under 28 U.S.C. § 1391(b) because, on information and belief, Blockware's principal place of business is within this District and the parties' Services Agreement designates the state or federal courts sitting in Cook County, Illinois as the venue for any action or dispute relating to the Agreement.

PARTIES

7. Plaintiff Faes & Company (London) Limited is a limited company registered in London, United Kingdom.

8. Upon information and belief, Blockware Solutions, LLC is a limited liability company formed under the laws of Delaware with its principal place of business in Chicago, Illinois.

BACKGROUND OF THE ACTION

9. Plaintiff Faes is a corporation engaged, among other things, in the business of bitcoin "mining." Bitcoin mining is the process of applying computing

power to solving complex cryptographic problems to produce or “mint” new bitcoins, which are assigned to the solver or its “mining pool.”

10. Computer systems for bitcoin mining are purpose-built to efficiently solve cryptographic problems. They are sometimes referred to as Application Specific Integrated Circuit (ASIC) miners, as they are designed for the specific application of bitcoin mining. A typical bitcoin mining system retails for around \$5,000 to \$10,000, depending on the specific architecture and components. A photograph of a Bitmain bitcoin mining system offered by defendant Blockware is shown below.



Fig. 1. Bitmain Bitcoin Miner

11. Defendant Blockware is a corporation engaged in the sale and management of systems for bitcoin mining. On information and belief, Blockware’s primary business is the management of its customers’ mining systems

at its own or third-party data centers. That is, customers purchase mining systems through Blockware, which then procures the miners, installs them, and oversees their operation at data centers in the United States. According to its website, “We host our clients at Blockware’s hosting facilities [sic] WV, PA, and KY.” www.blockwaresolutions.com/hosting-colocation-services.

12. Because bitcoin mining is energy intensive, mining systems are typically located in places with low energy cost, such as regions with excess hydroelectric power. Whether bitcoin mining is profitable depends ultimately on various costs, particularly the price of energy, hosting fees, and the price of bitcoin on the open market.

13. Blockware not only procures bitcoin miners for its customers, it also serves as the manager and custodian of its customers’ bitcoin mining systems. Blockware bundles the mining systems it sells with “hosting plans,” which include installation, management, and energy fees for the miners at a fixed monthly rate, typically for a term of one year or more. Such plans allow for customer confidence regarding the economic variables pertinent to bitcoin mining, though they can represent a risk for Blockware if the price of energy rises (or a risk for Blockware’s customers if the price of energy declines.) Customers are willing to pay a premium to for bitcoin miners with “hosting” plans, because it ensures the miners will be operational and mining bitcoins shortly after they are received.

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