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Landmark Jury Verdict Finds Digital-Asset Products Linked to Cryptocurrency Mining Are Not Securities

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On November 2, a Connecticut jury found that a series of digital-asset products linked to a cryptocurrency mining operation did not count as securities. The landmark jury verdict is among the first to decide whether cryptocurrency assets and products may count as securities.

The case presented the novel issue of whether the digital assets of GAW Miners LLC, a virtual mining company, were considered investment contracts. The company originally sold physical mining equipment but began to offer a series of digital assets to customers. These assets included “hashlets,” or portions of the supposed computing power the company owned, “Hashpoints,” which could be converted into GAW’s “Paycoin” currency, and “Hashtakers” for storing Paycoin.

In a class-action suit, customers stated that these digital assets were unregistered securities being sold to defraud customers because GAW did not have the physical equipment they purported to sell. Ultimately, the jury found that the products were not unregistered securities, despite contrary findings by the SEC in a related action.

This article further details the case.

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