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## As Stakes Rise in Cryptocurrency Spat, Ripple Loses Bid to Keep R3 Suit in Calif.

The dispute between the two financial blockchain companies will move to state court in Manhattan, with nearly \$2.4 billion now on the line.

By Ben Hancock | December 13, 2017



Ripple coin illustration.

Photo: Shutterstock

SAN FRANCISCO — Financial blockchain company Ripple Labs Inc. on Wednesday lost a bid to keep its fraud lawsuit against rival R3 moving ahead in California state court, as the amount at stake in the dispute nears \$2.4 billion with the recent upswing in cryptocurrency values.

San Francisco Superior Court Judge Newton Lam said at a hearing Wednesday that his [decision](http://images.law.com/contrib/content/uploads/documents/403/7122/ripple-quash-order.pdf) ([http://images.law.com/contrib/content/uploads/sites/403/documents/403/7122/r3\\_motion\\_quash.pdf](http://images.law.com/contrib/content/uploads/sites/403/documents/403/7122/r3_motion_quash.pdf)) granting R3's motion to quash the suit, issued Dec. 8, would stand. "I don't think that the new law that you gave me gives me a reason to change that decision," he told Ripple's lawyer, David Grable of Quinn Emanuel Urquhart & Sullivan.

The ruling effectively moves the dispute between the two companies to state court in Manhattan, where R3's lawyers at McCarter & English and Williams & Connolly [filed suit](http://images.law.com/contrib/content/uploads/documents/403/7122/r3-ny-complaint.pdf) (<http://images.law.com/contrib/content/uploads/documents/403/7122/r3-ny-complaint.pdf>) against Ripple in early September. The suit alleges that Ripple breached an options contract for 5 billion in the cryptocurrency XRP, also known as "Ripples."

Ripple's previous CEO, Chris Larsen, co-founded the company with the creators of the cryptocurrency and Ripple still owns a sizable share of XRPs in the market, though it does not control the currency or act as an exchange. Ripple markets its blockchain technology to banks as a way to smooth international money transfers, using XRP or fiat currencies.

The options contract gave R3 the right to buy the 5 billion XRPs for \$42.5 million, and was negotiated in return for R3 agreeing to help Ripple connect with a wider network of banks. R3 is a software company that markets blockchain-based smart contracts for financial institutions.

The options contract was worth little at the time of the deal, but by the time R3 filed its complaint, it was worth roughly \$1.1 billion. As of Wednesday—with the surge in bitcoin dragging up the price of other cryptocurrencies—the contract is worth roughly \$2.34 billion, according to a calculation based on the price of Ripple on [coinmarketcap.com](http://coinmarketcap.com).

Nick Warren, a spokesman for R3, declined to comment on the ruling Wednesday.

A representative for Ripple did not immediately respond to an email seeking comment. Ripple filed its suit against R3 shortly after being sued itself, alleging that R3 never delivered on its pledge of helping Ripple market its services to banks.

At the hearing, Grable argued that several recent decisions called for Lam to reconsider his jurisdictional ruling in favor of R3, which relied in part on the U.S. Supreme Court's decision in *Bristol-Myers Squibb v. Superior Court of California*. That decision curtailed the reach of specific personal jurisdiction, overturning a ruling by the California Supreme Court.

Grable cited a Nov. 29 ruling in the U.S. District Court for the District of Arizona, in a case called *Salt River Project Agric. Improvement & Power Dist. v. Trench France SAS*. He said the ruling clarified that communications like emails and phone calls by a foreign or out-of-state entity—when targeted to a party within the state—provides sufficient contact to the home forum to exercise specific jurisdiction under the *Bristol-Myers* test.

Ripple's lawyers had argued that because R3 officials visited and met with Ripple in San Francisco, and had numerous phone calls and email exchanges with Ripple employees, that R3 had "purposefully availed" itself of California jurisdiction.

Lam, however, was unconvinced. At the Wednesday hearing, he noted that the formal negotiations of the contract were done at R3's headquarters in New York and that the contract itself contained New York choice-of-law provisions.

Wednesday's hearing marked the latest twist in the jurisdictional tug-of-war between the two companies. R3 originally sued in Delaware, where Ripple is incorporated, seeking to adjudicate the case under an expedited procedure in the Delaware Court of Chancery. A judge there knocked the suit out (<https://www.law.com/therecorder/sites/therecorder/2017/10/16/ripple-r3-lawsuit/?back=law>) in October for jurisdictional reasons.

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