

Title: Legal Defense Fund Proposal

Description: Community Pool Spend

Recipient: Grace Yu Legal Defense Team

Amount: 50,000 ATOM (~approx \$610,000 at current prices)

Please visit www.dropthelawsuit.org for the full text of this proposal available in the following languages: Traditional Chinese, Simplified Chinese, Japanese, Korean, French and Russian.

Summary:

On 3/23/23, All in Bits, Inc., (AiB) filed a legal complaint against Grace Yu, a former AIB contractor, for the alleged breach of a mutual non-disparagement clause. AiB seeks damages to be determined at trial, and asks the amount be “not less than \$150,000.”

In our view, the lawsuit initiated by AiB constitutes a tortious act, which may result in unwarranted scrutiny and legal implications for \$ATOM and the Cosmos network. Let it be unequivocally known that AiB has filed and financed a frivolous lawsuit against a community member utilizing funds given to them for the assumed propagation and development of open-source software.

It is of our utmost concern that AiB has initiated this legal action without a sound basis in a federal court lacking genuine jurisdiction, rendering the Cosmos network vulnerable to the ramifications of AiB's pleadings that declare the core technology framework to be both centralized and dominated by a founding Cosmos entity.

In light of this negative precedent established with AiB's lawsuit, it is the objective of this proposal to rectify the situation with a positive and restorative precedent.

This proposal is designed to lend unequivocal support to Grace, and for having the fortitude to prioritize the public interest in our public goods, over the limited interests of a private entity. Based on the projected cost provided by law firms, we are requesting 50,000 ATOM to secure competent legal representation for Grace Yu.

- In the event the lawsuit settles without personal or compensatory damages, and Grace is awarded legal costs and fees only, she will use those funds to reimburse the community pool in full, and will not retain any of the payment until the community pool is fully reimbursed.
- In the event Grace is unable to claim reimbursement of legal fees from AiB, and should there be unused funds remaining at the conclusion of the matter, she will return the balance of the funds using MsgFundCommunityPool.

- In the event the matter settles in favor of the petitioner, and Grace is ordered to pay damages to AiB, she will not use any of the allocated funds for such payment; these funds are strictly for her legal defense costs and expenses only.
- In the event that Grace is awarded any personal or compensatory damages at the conclusion of the matter, Grace will remit 33.33% of damages awarded (post tax); any reimbursement of legal costs and fees, along with any balance that remains in her legal defense fund using MsgFundCommunityPool.

At this critical growth juncture, it is paramount that we assertively demand radical transparency from our founding organizations; however, this goal is rendered unachievable when tort systems are exploited to effect intimidation and harassment.

We earnestly implore the community to consider the full contents of this proposal, as its approval will signify and secure a commitment of resources needed to defend Grace and provide evidence to the American fiat courts that the Cosmos ecosystem – that our code and our culture, are truly decentralized products and experiences.

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Full background & context below.

Background:

All in Bits, Inc., formerly known as Tendermint and Global Ignite, is a for-profit organization that was formed in 2014 by Jae Kwon and Ethan Buchman. AiB received Cosmos Hub tokens amounting to 10% of ATOM Genesis for their contributions to the core Cosmos stack, which included early iterations of Tendermint, Application Blockchain Interface (ABCI), and the Cosmos SDK.

It is important to note that All in Bits, Inc. was originally intended to operate under a Limited Liability Partnership (LLP) inspired structure, whereby equity ownership, profit sharing, and decision-making power would be distributed to retain talent. Unfortunately, this partnership structure never materialized. The management of AiB remains highly centralized and tightly controlled under Jae Kwon, CEO of AiB.

As the CEO of AIB, Jae Kwon has initiated and or caused several restructuring events that have depleted the organization of its engineering talent. Specifically, attrition incidents transpired in January 2020, June 2022, and January 2023, which resulted in the departure of no fewer than approximately 130 individuals.

On January 11, 2023, Jae terminated the entire management committee of the Ignite Product division. On February 2, 2023, Grace Yu, former Head of Growth & Strategy (Ignite), and a former AiB contractor, disclosed via Twitter that AiB uses severance agreements and payments to intimidate ex-employees; uses non-compete in employee agreements and contracts that are unlawful and unenforceable. Grace also revealed that AiB's severance agreements force employees to forfeit their rights under the National Labor Relations Act, which is a violation of NLRB rules.

Grace has been publicly challenging AiB's commitment to open-source. AiB uses restrictive covenants, NDAs, and broad confidentiality clauses to unreasonably restrict and or prohibit development of open-source software released with [Apache License, Version 2.0](#). We are of the view these practices are anti-competitive and unfair; and these policies harm development in Cosmos and other decentralized ecosystems.

Notably, due to the awareness generated with Grace's advocacy, on 4/2/23 Denis Fadeev (former VP of Product at Tendermint, Creator of Ignite CLI and Head of Developer Relations) received an executed simple waiver from AiB allowing him to fork the project he created and designed. We don't see a situation where AiB conveys a waiver without the petitioning campaign Grace initiated on behalf of Denis. AiB probably doesn't either, and is retaliating against her for public criticisms of the company with a SLAPP suit.

On 3/23/23, All in Bits, Inc., (AiB) filed a legal complaint against Grace, for the alleged breach of a mutual non-disparagement clause in the Eastern District of New York ([Civil Action No. 23-cv-02270](#)) and demands a trial by jury in a federal district court.

Context

SLAPP is an acronym for Strategic Lawsuit Against Public Participation. SLAPPs have become an all-too-common tool for intimidating and silencing criticism through expensive and baseless legal proceedings. In essence, SLAPPs are designed to discourage public discussion on matters of public importance by entrapping a defendant into years of litigation. Due to AiB's status as a founding organization of Cosmos, and its ownership of and association with the Tendermint brand, we believe organizational practices in contradiction to open source principles is an issue of public concern and relevance for the Cosmos.

Frivolous lawsuits of this kind cause appreciable harm in many ways. Often, the person against whom the groundless suit is brought is subjected to serious stress, harassment and inconvenience. Pecuniary loss is definite, as funds are diverted to exorbitant legal fees – the legal cost and time commitment of defending oneself in a federal court are considerable.

Recent statistics show that SLAPP suits have led to financial ruin for a high percentage of targeted individuals. According to a report by the Public Participation Project, over 70% of SLAPP defendants experience financial distress, and nearly one-third face bankruptcy as a direct result of the legal costs associated with defending against baseless claims.

Federal lawsuits involve legal proceedings at the highest level of the US court system, which carries a degree of formality and complexity that can be daunting even for experienced lawyers. Lawsuits engender deprivation of time from one's business or profession, and, perhaps in Grace's case, harm to her professional reputation as she navigates re-employment during an asymmetrical legal battle.

Please take note that the cost of filing a motion to dismiss the aforementioned pleading alone is estimated to range from \$200,000 to \$250,000. Should AiB's pleading remain undismissed and the case proceeds to trial, projected litigation expenses are likely to range from \$1,000,000 to \$1,500,000.

This is a spending proposal to ensure that at minimum, Grace has the funds she needs to establish a vigorous defense. To date, Grace has raised \$24,660 through a personal GoFundMe page: <https://www.gofundme.com/f/freegracie>. She has secured legal counsel, however due to anticipated litigation in an under-developed segment of case law in a jurisdiction known to have the highest litigation costs globally, her firm requires an evergreen retainer of \$50,000 (meaning the retainer must be replenished as soon as funds fall below the retainer amount).

The builders and contributors of the Cosmos ecosystem do not support the use of disproportionate force in suppressing reasonable criticism. Freedom of speech, freedom of expression and the freedom to petition are fundamental rights essential to functioning of our open societies. When individuals are free to express their opinions and share information without fear of persecution or retaliation, they foster an environment of transparency and accountability that benefits everyone. We recognize the importance of protecting whistleblowers' right of free speech as an essential function of the transparency we need to mature the social consensus layer of Cosmos.

We submit this proposal to bring forth an opportunity to resolve a negative precedent through a constructive one. By approving this proposal, we establish with unambiguous clarity that the Cosmos hub and network:

- (a) embraces the principles of open-source software
- (b) staunchly defends the right to exercise freedom of speech, expression, and petition, and
- (c) reinforces our core technological and cultural foundations are adequately decentralized and community-led initiatives.

Through our unified action and reaction, we may consequently avert unwarranted regulatory attention towards \$ATOM and the Cosmos network.

Additional Background & Timeline of Events

Objective:

We are requesting 50,000 ATOM to secure competent legal representation for Grace Yu. The requested amount is predicated on projected cost provided by law firms Grace consulted regarding her matter. Grace will be seeking reimbursement for all legal costs and expenses from AiB. Grace will work with Notional for any remittance/reimbursement of funds back to the Cosmos Hub community pool.

As of 4/5/23, AiB has communicated that in the event the Cosmos Hub passes a funding proposal for Grace's legal defense fund, AiB "will reimburse the Cosmos community for the portion used."

In the event the outcome of a settlement or a trial works in favor of the petitioner, and damages are awarded to AiB; Grace will not use any of the funds allocated to pay for damages. Funds allocated will be used strictly for her legal defense, only.

Arrangement:

In the circumstance of successful passage of this proposal, the liquidation of ATOM will be executed in two tranches. The initial tranche will entail 25,000 ATOM which are to be converted into USDC by the undersigned parties of the multisig wallet after obtaining $\frac{2}{3}$ authorization. Should the motion to dismiss the lawsuit prove unviable, this will trigger the second and concluding tranche which will liquidate the remaining 25,000 ATOM.

In the situation whereby AiB withdraws the lawsuit, and no legal costs and fees are awarded, the remainder of the designated legal funding, and its unspent balance will be duly restored to the hub.

1. In the event the lawsuit settles, and Grace is awarded legal costs and fees without personal or compensatory damages, she will use those funds to reimburse the community pool in full, and will not retain any of the payment until the community pool is fully reimbursed.
2. In the event Grace is unable to claim reimbursement of legal fees from AiB, and should there be unused funds remaining at the conclusion of the matter, she will return the balance of the funds using MsgFundCommunityPool.
3. In the event Grace is awarded any personal or compensatory damage at the conclusion of the matter (separate from legal costs and fees), Grace will remit 33.33% of awarded damages (post tax); any reimbursement of legal costs and fees, along with any balance that remains in her legal defense fund using MsgFundCommunityPool.

Note on flow

- i. This proposal seeks 50,000 ATOM
- ii. The multisig group will transfer ATOM to Osmosis to convert ATOM to USDC.
- iii. USDC will be sent to Grace's law firm via Bitpay transaction.
- iv. Grace's law firm will provide a written letter to confirm receipt of funds, and that letter and redacted invoices will be uploaded to the Cosmos hub forum. Redactions are necessary to protect the attorney-client privilege, as well as Grace.

Transparency

Monthly legal invoices will be uploaded to www.dropthelawsuit.org. Narrative descriptions of work performed on the invoices will be redacted to preserve privacy, along with work-product and attorney-client privileged information. Once the matter of *AiB v Grace Yu* is settled, Grace will provide a report as to how the funds were spent. Providing a transparency report during the course of litigation would compromise the discretion her legal team requires to execute on tactical objectives and could waive the attorney-client privilege.

Why We Need to Fund #FreeGrace #dropthelawsuit:

- Cosmos is an assemblage of software components that operate under the open source model.
- Compliance with regulatory requirements necessitates the decentralization of Cosmos code.
- Open-source developers are afforded the privilege of seamlessly migrating their work alone or under the auspices and sponsorship of different organizations; hence, any practice that opposes open-source tenets, such as the AiB modus operandi, is not only contrary to established open-source norms but also undermines the fostering of an innovative culture that is indispensable for the competitive propagation of software code.
- Multilateral contributions to open source software frameworks is perceived as an indicator of maturity and resilience. An increase in diverse contributions to open-source software amplifies its reach, thereby guaranteeing a more thorough review process. This is in line with the well-known adage that "more eyes make for fewer bugs."
- Due to Grace's advocacy, a former Tendermint and Ignite contributor, Denis Fadeev is now free to engage in activities of his choosing – including the ability to continue work on the project he created independent of AiB. This outcome is attributable to Denis' persistence, supported by the efforts of the #FreeDenis community facilitated by Grace Yu.
- While we recognize that the values of the Cosmos may not appear coherent at first glance, there is a fundamental alignment that we all share. This alignment, is the inalienable right to freedom of speech, and the freedom of expression.

- Protecting these freedoms are necessary to evince an alternative decentralized financial system dependent on radical transparency, accountability, open-source, and decentralization for legitimacy and resilience.
- The Cosmos Hub will be exercising its sovereign authority to protect a community member from a founding organization in a manner that is both unprecedented and essential to preserving the values vital to the Cosmos vision. .
- For the first time, the community pool would be used, in a manner that may result in the full return of funds to the community pool.
- The Cosmos Hub would indirectly assert itself in a matter being adjudicated in a fiat court, in the prestigious Eastern District of New York.

Multisig Address

cosmos17p0ssxp4dwnr4qvs7kgm4currxhmaatk4gcl3

Signers:

Greg Osuri, Akash

Mike Purvis, Croncat

John Macleod, ConsensusOne Validator

***Note**

This proposal represents the opinions of the draftees and is based upon draftees' understanding of the events, and or, in addition to the understanding that has been set forth in the lawsuit. Draftees consist of various members of the Cosmos community. The proposal was first shared on Cosmos Hub Forum on 4/1/23. [The Google document link](#) for the proposal has remained live and public at all times. Although the pre-proposal was shared by Jacob Gadikian, he is not the principal author of the proposal. This proposal is a product of a grassroots community effort.

What do the voting options mean?

1. **Yes:** Approval of the proposal in its current form.
2. **No:** Disapproval of the proposal in its current form.
3. **Abstain:** The voter wishes to contribute to quorum without voting for or against a proposal.
4. **NoWithVeto:** A 'NoWithVeto' vote indicates a proposal either (1) is deemed to be spam, i.e., irrelevant to Cosmos Hub, (2) disproportionately infringes on minority interests, or (3) violates or encourages violation of the rules of engagement as currently set out by Cosmos Hub governance.